

CITY OF RAPID CITY
TAX INCREMENTAL DISTRICT NUMBER SIX
SOUTH CREEK INDUSTRIAL PARK

Project Plan

----- RE-AMENDED -----

MAY 1987
AMENDED, FEBRUARY, 1988
RE-AMENDED, SEPTEMBER, 1989

TAX INCREMENT DISTRICT NO. 6
SOUTH CREEK INDUSTRIAL PARK
PROJECT PLAN (Re-Amended)

TABLE OF CONTENTS

	Executive Summary	1
I.	Introduction	2
II.	Existing Conditions	2
III.	Proposed Project and Project Costs	
	Scope of Project	3
	Capital Costs	3
	Financing Costs	4
IV.	Economic Feasibility of Project	
	Tax Increment	5
	Project Payment	6
V.	Financial Impact Statement	7
VI.	Summary	7

EXHIBITS

- A. Site Location, Conditions and Use
- B. Location of Improvements
- C. Typical Cross Section, South Creek Drive
- D. Tax Increment Abstract, TID #6

TAX INCREMENT DISTRICT NO. 6
SOUTH CREEK INDUSTRIAL PARK
PROJECT PLAN (Re-Amended)

EXECUTIVE SUMMARY

1. On December 29, 1986 the Common Council approved the formation of Tax Increment District Number 6, in accordance with SDCL 11-9.
2. The South Dakota Department of Revenue has certified the full aggregate and assessed value of the district to be \$246,165.00. Development within the Industrial Park has begun with construction and occupancy of the 58,000 square feet building owned by Perdue. Viable growth is dependent upon further development of the infrastructure in this District. Thus, extension of utilities and improved roadway along the established South Creek Drive right-of-way will foster this growth.
3. Given the fact that tax increment has accrued to the Tax Incremental District 6 Fund, the purpose of this plan is to utilize this tax increment to fund the City of Rapid City's portion of costs for the construction of roadway under the South Dakota Department of Transportation's Industrial Parks Access Roadway Program and all of the costs for construction of the water line along that roadway. The development of this section of right-of-way is necessary in order to provide access to currently undeveloped sections of South Creek Industrial Park, so that they will become marketable.
4. When the debt to be incurred by this project plan has been retired or fifteen years following the final expenditure from this project plan, whichever comes first, Tax Increment District Number Six will be dissolved.

TAX INCREMENT DISTRICT NO. 6
SOUTH CREEK INDUSTRIAL PARK
PROJECT PLAN (Re-Amended)

PART I: INTRODUCTION

The South Dakota Legislature enacted legislation commonly referred to as Tax Increment Financing, which provides an economic development tool to encourage development of blighted property. The gist of this legislation is the utilization of increased property tax revenues, resulting from development within a district, to finance qualified improvements in that district. The availability of this improved infrastructure stimulates further development, generally mitigating the blight conditions which stimulated the district's creation.

This plan proposes that the tax increment be used to fund the construction of water line extension and street facilities within the South Creek Industrial Park. Upon the construction of these improvements, it is anticipated that development of this property will take place. Hence, the benefits to the taxing entities due to the broadened tax base, as well as the benefits to the community due to increased employment opportunities, make the adoption of this plan a positive step for the future of Rapid City.

PART II: EXISTING SITE CONDITIONS

South Creek Industrial Park, which comprises Tax Increment District Number Six, lies in the southeast Highway 79 industrial corridor area. It is roughly 90 acres in size. Its proximity to Lombardy Industrial Park, the Chicago & Northwestern Railroad line, and the Merillat Plant indicates it is an ideal location for the expansion of industrial activities in the City. The existing zoning of the property is Heavy Industrial, and the Rapid City Area 2000 Plan proposes that the future use of this area is recommended to be industrial in nature.

Tax revenues will accrue to the district fund beginning in 1987, due to the recently completed 58,000 square foot Perdue Furniture Plant located in the district. The Rapid City Economic Development Corporation owns the remaining undeveloped parcels of the district, and has indicated that there is interest in further development.

Presently, South Creek Drive extends only to the Perdue Plant. The remaining area to the south contains parcels that have a potential for industrial use when access and utilities were available. Further land sales and subsequent private development are precluded by the lack of infrastructure necessary to allow development.

TAX INCREMENT DISTRICT NO. 6
SOUTH CREEK INDUSTRIAL PARK
PROJECT PLAN (Re-Amended)

PART III: PROPOSED PROJECT AND PROJECT COSTS

SCOPE

Given the continuing goal of attracting new business interests to Rapid City, extension of approximately 1,200 linear feet of South Creek Drive to serve currently land-locked sites would improve the marketability of this prime industrial land. Such activity is in harmony with the Rapid City Area 2000 Plan, which recommends encouraging industrial land uses in this South Highway 79 corridor area.

Engineering design is the responsibility of the municipality, along with any sewer and water projects that may be required in conjunction with road improvements. Thus, it is the purpose of this plan to assume project responsibility and funding through the utilization of the Tax Increment District Number Six Fund.

PROJECT COSTS

Capital Costs:

The Rapid City Engineering Department recommends concrete road surface for this industrial road. A water line is required at an estimated cost of \$25,000. To adequately serve expected future growth in the proposed service area of this new water line, a 10" line is recommended.

The following cost estimates have been furnished by the City Engineering Department, and include construction, soil testing, and inspection lab tests with a 15% contingency. Design services will be performed by City Engineering Staff.

ITEM	COST
-----	-----
1,200 LF waterline, 10" diameter	\$ 24,000
1,200 LF PCC roadway, 36' width	\$224,000
<hr style="border-top: 3px double #000;"/>	
Total estimated cost	\$248,000

The above estimate is based on 1989 construction season dollars and does not take into account unexpected increases due to material costs or labor disputes which may increase construction costs at the time bids are requested.

TAX INCREMENT DISTRICT NO. 6
 SOUTH CREEK INDUSTRIAL PARK
 PROJECT PLAN (Re-Amended)

Financing Costs:

A finance charge of 10.0% of the unpaid balance of the loan to be acquired from the general fund, shall be paid from the accrued tax increment fund back to the general fund, on the first working day of each year in which there is an unpaid balance due from the previous year, beginning on the first working day of 1990.

A breakdown of these costs of financing can be estimated, based on zero additional growth in the district, by calculating that the entire available tax increment accumulated during the years beginning with 1988 will be paid on the first day of the next year to amortize this debt. Such a breakdown follows:

PROJECTED AMORTIZATION SCHEDULE

PAY DATE	OLDBAL	FINCHG	TOTDUE	TAX INC PAYMENT	BALFWD
START					\$104,000
1990	\$xxxxxxx	\$xxxxxx	\$xxxxxxx	\$xxxxxx	\$xxxxxxx
1991	,000	6,930	69,930	2,363	63,000
1992	,000	6,930	69,930	4,725	63,000
1993	,000	6,930	69,930	7,088	61,544
1994	,000	6,770	68,314	7,088	61,226
1995	,000	6,735	67,961	7,088	60,873
1996	,000	6,696	67,569	9,450	58,119
1997	,000	6,393	64,512	9,450	55,062
1998	,000	6,057	61,119	9,450	51,669
1999	000	5,684	57,353	9,450	47,903

TOTALS		\$xx,xxx		\$xxx,xxx	

AMORTIZATION TABLE NOTES:

- PAYDATE will be January 1 of the year indicated.
- OLDBAL is the balance forward from the previous year.
- FINCHG is the finance charge on the OLDBAL @ 10%.
- TOTDUE is (OLDBAL + FINCHG).
- TAX INC PAYMENT is the actual Tax Increment accrued in the previous year.
- BALFWD is the Balance Forward.

TOTAL FINANCE COSTS.....\$xx,xxx

TAX INCREMENT DISTRICT NO. 6
SOUTH CREEK INDUSTRIAL PARK
PROJECT PLAN (Re-Amended)

PART IV: ECONOMIC FEASIBILITY OF PROJECT

TAX INCREMENT

The South Dakota State Department of Revenue on February 3, 1987 certified the base valuation for Tax Increment District Number Six as \$246,165. This base remains fixed unless the costs of the project plan are increased due to project plan amendment, as per SDCL 11-9-23. The 1988 assessed valuation, according to Pennington County Director of Equalization records of Tax Increment District Number Six, was \$491,180, which represents an increment in valuation of \$245,015.

The following table represents a very conservative year by year estimate of the tax increment which will become available during the first seven years of the life of the district. The taxable building valuation is established on the Reduced Taxable Value Formula of 25% of full and true in the first year after construction, 50% of full and true in the second year, 75% of full and true for years three through five, and 100% of full and true thereafter.

YEAR		TOTAL VALUATION	VALUATION INCREMENT			TAX INCREMENT (1988 mills)
Assessed/Due	Assessed/Due		Building	Land	Total	
1986	1987	\$ 246,165	-0-	-0-	-0-	-0-
1987	1988	478,760	\$219,005	\$ 36,390	\$255,395	\$ 9,185.28
1988	1989	697,765	438,010	36,390	474,400	17,061.80
1989	1990	916,770	657,015	36,390	693,405	24,938.31
1990	1991	916,770	657,015	36,390	693,405	24,938.31
1991	1992	916,770	657,015	36,390	693,405	24,938.31
1992	1993	1,135,775	876,020	36,390	912,410	32,814.83
1993	1994	1,135,775	876,020	36,390	912,410	32,814.83

MINIMUM EXPECTED TAX INCREMENT ACCRUED BY JANUARY 1, 1995 \$166,691.67

These estimates are all based on the 1988 mill levy schedule as supplied by the Pennington County Auditor's Office, a summary of which is presented on the following page for informational purposes.

TAX INCREMENT DISTRICT NO. 6
SOUTH CREEK INDUSTRIAL PARK
PROJECT PLAN (Re-Amended)

1986 Mill Levies and Assessment Percentages for Taxing Entities

Entity	Mill Levy	Percentage
School	40.10	60%
County	13.49	50%
City	10.15	50%
Water District	0.17	50%
Total Mill Levy	63.91	
Taxation Ratio		56.2744%

$$\text{Effective Tax Rate} = \frac{(\text{Total Mill Levy}) \times (\text{Taxation Ratio})}{(1000)} = \underline{0.035965}$$

PROJECT PAYMENT

Amortization of the debt to be incurred by implementation of this project plan, based on the conservative tax increment income estimates, will be possible in a seven year time frame, in the worst case.

PROJECT COSTS	
Capital Costs	\$104,000
Financing	52,819
TOTAL COSTS	\$156,819
REVENUES	
Tax Increment (years 1-7)	166,692
TOTAL REVENUES	166,692

It is anticipated that on or before January 1, 1995 all expenditures proposed for in this project plan will have been provided for, and all public improvements described in this plan will have been completed. Therefore, the district will be terminated pursuant to SDCL 11-9-45 and SDCL 11-9-25.

Given the facts that --

- 1) funds will begin to accrue to the Tax Increment District Six Fund in January of 1988; and
- 2) implementation of this project plan will provide access and water service to additional industrial sites, encouraging their development and the subsequent increase in available tax increment; and
- 3) the cost of these improvements is minimal when compared to the tangible and intangible benefits of pursuing this project plan;

-- the best approach to funding the near-term shortfall in construction cost payments is to obtain a loan from the General Fund, to be repaid directly from the tax increment fund on a yearly basis as it accrues, including a 10% finance charge on the previous year's unpaid balance.

TAX INCREMENT DISTRICT NO. 6
SOUTH CREEK INDUSTRIAL PARK
PROJECT PLAN (Re-Amended)

PART V: STATEMENT REGARDING FISCAL IMPACT OF T.I.D. NUMBER 6 UPON LEVYING ENTITIES WITHIN THE DISTRICT

ANNUAL ESTIMATED TAX INCREMENT FOR EACH ENTITY:

<u>YEAR</u>	<u>TOTAL INCREMENT</u>					
	<u>IN VALUATION</u>	<u>SCHOOLS</u>	<u>COUNTY</u>	<u>CITY</u>	<u>WATER</u>	<u>TOTAL(A)</u>
1987	\$255,395	\$6,145	\$1,723	\$1,296	\$ 22	\$9,186
1988	474,405	11,414	3,200	2,408	40	17,062
1989	693,410	16,683	4,677	3,519	59	24,938
1990	693,410	16,683	4,677	3,519	59	24,938
1991	693,410	16,683	4,677	3,519	59	24,938
1992	912,415	21,953	6,154	4,631	78	32,816
1993	912,415	21,953	6,154	4,631	78	32,816
TOTAL	\$4,634,860	\$111,514	\$31,262	\$23,523	\$395	\$166,694

(A) Total increments may not agree with tax amount when using effective tax rate due to fractional multipliers and rounding.

SUMMARY

Elements of a complete project plan, as required by SDCL 11-9-13, have been provided in this document. Those particular items required as specific project costs which are not addressed herein, (i.e. Real property assembly, professional service, imputed administrative, relocation, organizational, and necessary and convenient costs), do not apply in this project plan.

Regarding the zoning and property use impact statement required by SDCL 11-9-16, the items not addressed -- items (3) map of zoning changes; (4) statement of necessary changes in master plan, etc.; (5) estimated nonproject costs statement; and (6) displaced persons relocation method -- do not apply in this project plan.

Items (1) existing uses and conditions map; and (2) proposed improvements map; -- required by SDCL 11-9-16 -- are included as exhibits A and B respectively.