

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX
CITY OF RAPID CITY

Prepared by
PENNINGTON COUNTY-RAPID CITY PLANNING DEPARTMENT
June 1998

FINAL

ADMINISTRATION
CITY OF RAPID CITY

MAYOR

Jim Shaw

COMMON COUNCIL

Stan Petrik, President
Ron Kroeger, Vice President
Karen Bulman
Ann Bush
Alan Hanks
Buzz Knapp
Todd Ossenfort
Steve Rolinger
Vess Steinburg

PLANNING COMMISSION

John Herr, Chairperson
Tom Anderson, Vice Chairperson
Jim Borchert
Dan Dryden
Francis Johnson
Andy Knight
Scott Nash
Tim Sughrue
Barb Thirstrup
Bob Wall

PENNINGTON COUNTY-RAPID CITY PLANNING DEPARTMENT

Marcia Elkins, Director
Blaise Emerson, Assistant Planning Director
William Lass, Senior Planner
Sharlene Mitchell, Administrative Assistant
Rise Ficken, Administrative Secretary
Tom Beno, Planning Technician

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX
CITY OF RAPID CITY

TABLE OF CONTENTS

Introduction	1
Overview	1
Project Plan Summary	2
Elements of the Project Plan	2
1. Public Works Improvements	4
2. Economic Feasibility Study	4
Current Valuation	
Expected Increase in Valuation	
Income Estimates from Tax Increments	
3. Project Costs	7
Capital Costs	
Financing Costs	
Real Property Assembly Costs	
Professional Service Costs	
Relocation Costs	
Organizational Costs	
Necessary and Convenient Costs	
Imputed Administrative Costs	
Estimated Project Costs	
Tax Increment District Funded Costs	
4. Fiscal Impact Statement	11
Impact on Taxing Entities	
5. Financing Method	12
Projected Amortization Schedule	

Maps

- General Vicinity
- District Boundary
- Generalized Land Use
- Existing Zoning
- Public Improvements

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

INTRODUCTION

Tax Increment Financing is a method of financing improvements and development in an area which has been determined to be blighted according to the criteria set forth in SDCL 11-9. All this is done without incurring a general obligation for the taxpayers of the entire City.

The assessed valuation of a district is determined by the Department of Revenue at the time the district is created by the Common Council. This valuation is termed the Tax Increment Base Valuation for the district, or simply the "Base Valuation". As the property taxes for the property are paid, that portion of the taxes paid on this Base Valuation continue to go to those entities, (City, County, School, etc.), which levy property taxes.

When, in succeeding years, the assessed valuation of the district increases, then the total property taxes paid by the owners of property in the district will increase accordingly. That increase in taxable valuation is the "increment". When the tax bills are paid, only that portion of the tax bill which results from the Base Valuation is paid to the taxing entities. The remainder of the tax bill, known as the Tax Increment, is deposited in a special fund. It is this plan which determines how these accumulated funds will be used.

This financing method is invaluable for encouraging growth and development in areas with special development problems, since the amount of funds available for use by the project plan is directly related to the increase in valuation which a given project or development will create.

OVERVIEW

The original Project Plan called for the tax increment created by the construction of a new plant for the manufacture of ceramic mugs to be used to pay for a portion of the costs for the extension of public infrastructure to the proposed Timberline Corporation plant site. This Project Plan was never implemented as the mug manufacturing plant was never constructed. A request to amend the Project Plan has now been submitted. The Amended Project Plan proposes to use the tax increment created by the construction of speculative light industrial space to pay for a portion of the costs for the extension of public infrastructure to the area and for the removal of an abandoned underground tank.

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

This project would result in industrial development within the Deadwood Avenue area. This development will require the extension of street, water, sewer, and other public services to the area as well as the removal of an abandoned underground storage tank. There is a considerable economic advantage to the community for the City to leverage various sources to fund the costs of the extension of public infrastructure to undeveloped industrial land within the City limits. Further, the Economic Development Partnership staff has indicated that there is a need to have speculative industrial space immediately available to assist with their efforts to attract new businesses to the community.

The stated economic goal of the Rapid City Area 2000 Comprehensive Plan is "to improve economic stability through the promotion of a broader economic base." A sub-goal, listed under the broader economic goal in the Area 2000 Comprehensive Plan, is to promote the Rapid City area as a regional wholesale and manufacturing center. Providing the assistance proposed in this Plan would further the economic goals of the adopted Rapid City Area 2000 Comprehensive Plan.

PROJECT PLAN SUMMARY

This Plan establishes the total project costs, as well as the Tax Increment District funded costs.

Elements of the Project Plan

This Project Plan, as required by SDCL 11-9-13, will address the following elements:

- 1) Public Works Improvements
- 2) Economic Feasibility Study
- 3) Project Costs
- 4) Fiscal Impact Statement
- 5) Financing Method Description

Additionally, the following exhibits are offered:

- I. General Vicinity Map
- II. Tax Increment District Boundary Map
- III. Map of Existing Zoning

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

- IV. Map of Generalized Land Use
- V. Map of Public Improvements

The Statement of Method for Relocating Displaced Persons; and Statement of Changes Needed in Master Plan, Building Codes and Ordinances do not apply to this Project Plan and have not been included in this document.

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

1. PUBLIC WORKS IMPROVEMENTS

The Project Plan includes the construction of Fountain Plaza Drive adjacent to and through this property. The Project Plan also includes the cost of the extension of sewer and water service to this area. Construction contingency and engineering design costs are also a part of the Public Improvement costs included in this Project Plan.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation

Tax Increment District #26 was created in accordance with SDCL 1 1-9-2 to 1 1-9-1 1, inclusive. As of the date of the district creation, the Pennington County Director of Equalization's records show an assessed valuation of approximately \$40,000. The current valuation as identified by the Director of Equalization's records is \$55,315. In accordance with SDCL 11-9-20, certification of that value will be requested from the South Dakota Department of Revenue following the adoption of the Amended Project Plan by the Common Council.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY IN TID #26

\$55,315

Expected Increase in Valuation

The figures for the following estimated increases in valuation are based upon construction costs of approximately \$430,000 for one building and site work as well as the increase in the value of the land with street and utility improvements. It was determined that the average commercial and industrial property in Rapid City is now assessed at one hundred per cent (100%) of its actual value. Any additional construction in the district will only expedite the payment of the project costs resulting in the dissolution of the district more quickly.

The Director Of Equalization's Office was provided with the construction costs, building area, and construction types in order to determine an estimated valuation of the proposed manufacturing plant.

ESTIMATED FUTURE VALUATION OF PROPOSED
TIMBERLINE CORPORATION MANUFACTURING FACILITY

Current Assessed Value of District	\$ 55,315
Estimated Assessed Value of Improvements	\$ 430,000
Estimated Increase in Assessed Value of Land	\$ 444,000
Estimated Total Valuation	\$ 874,000
Increment in Valuation	\$ 818,685

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

Income Estimates from Tax Increments

Pennington County provides an automatic tax abatement on all new industrial structures over \$30,000 in value. This effectively reduces the taxes paid on those structures by a total of 40% over the first five years following completion of construction. In an effort to reduce the total costs of this Project Plan, the applicants/property owners have agreed to waive this abatement to shorten the duration of the proposed district. The Plan will include thirty (30) semi-annual payments over fifteen (15) years. The potential negative short term impact on the various taxing entities will be reduced while affording all taxing entities an increase in the tax base for future years.

1997 Tax Levies and Percentage of Total Levy

<u>Taxing Entity</u>	<u>Tax Levy</u>	<u>Percentage of Total Levy</u>
Rapid City Area School District	20.5669	68.4%
Pennington County	5.8171	19.3%
City of Rapid City	3.6386	12.1%
West Dakota Water District	.0427	0.1%
Total Mill Levy	30.0653	

Anticipated 1997 Tax Rate: 0.0300653

The actual Tax Increment available to pay for project costs in this Plan can be calculated by multiplying the effective tax rate by the increment in valuation. These calculations result in the following Tax Increments, which become available as taxes for the applicable periods.

Property in Pennington County is assessed November 1 prior to the tax year and taxes are due on January 1 following the tax year; however, the taxes are delinquent if the first half are paid after May 1 and if the second half are paid after November 1 of the year following the tax year. The amortization schedule in this Project Plan has the payments from the tax increment fund payable on June 1 and December 1 of the year they are due.

(Table of Projected Tax Increment Income on following page)

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

PROJECTED TAX INCREMENT INCOME

ASS'D	YEAR DUE	BASE	NEW VALUE	INCREMENT IN VALUATION	TAX INCREMENT PAYMENT
1998	1999	\$55,315	\$ 55,315	\$ 0	
1999	2000	\$55,315	\$ 55,315	\$ 0	
2000	2001	\$55,315	\$444,000	\$388,685	\$11,686
2001	2002	\$55,315	\$874,000	\$818,685	\$24.613
2002	2003	\$55,315	\$874,000	\$818,685	\$24.613
2003	2004	\$55,315	\$874,000	\$818,685	\$24.613
2004	2005	\$55,315	\$874,000	\$818,685	\$24.613
2005	2006	\$55,315	\$874,000	\$818,685	\$24.613
2006	2007	\$55,315	\$874,000	\$818,685	\$24.613
2007	2008	\$55,315	\$874,000	\$818,685	\$24.613
2008	2009	\$55,315	\$874,000	\$818,685	\$24.613
2009	2010	\$55,315	\$874,000	\$818,685	\$24.613
2010	2011	\$55,315	\$874,000	\$818,685	\$24.613
2011	2012	\$55,315	\$874,000	\$818,685	\$24.613
2012	2013	\$55,315	\$874,000	\$818,685	\$24.613

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12-01-13 \$307,042

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 1997 mill levy. The schedule anticipates that the infrastructure improvements will be completed by November 1, 1999 and the structure will be completed by November 1, 2000.

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

3. PROJECT COSTS

Capital Costs

The capital costs for this Project Plan include street, sewer, water and other public infrastructure, site development, building construction and removal of the abandoned underground tank.

Financing Costs

The financing costs for this Project Plan are dependent on the interest rate obtained by the developer. The developer has indicated that 9.0% is the expected interest rate and that is the rate that has been used for the purposes of this Plan. The five year tax abatement for new industrial structures over \$30,000 in value, amounting to 40% of what normally would be payable without the abatement, will be voluntarily waived by the property owner.

Real Property Assembly Costs

There are no real property assembly costs for the project.

Professional - Service Costs

Professional service costs are included in this Project Plan. These include Engineering, Legal, and other professional fees.

Relocation Costs

No relocation costs are anticipated in this Project Plan as the land is currently vacant.

Organizational Costs

No organizational costs are anticipated in this Project Plan.

Necessary and Convenient Payments

Contingency costs are included for costs that have not been anticipated in the implementation of this Project Plan.

Imputed Administrative Costs

All Tax Increment District actions require municipal staff time to prepare and enact. The City shall be reimbursed on December 31, 2001 for its administrative expense in an amount not more than \$2,050. However, in no case shall the City be reimbursed less than \$1.00 on December 31, 2001.

PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

ESTIMATED PROJECT COSTS

Capital Costs:	
Building Construction	\$400,000
Site Development	\$ 20,000
Road Construction	\$100,000
Sewer and water extension	\$163,000
Real Property Assembly Costs:	
Land purchase	\$ 0
Professional Fees:	\$ 40,000
Relocation Costs:	
None	\$-0-
Organizational Costs	
None	\$ -0-
Necessary and Convenient Costs	
Contingency	\$ 40,000
Tank Removal	<u>\$ 5,175</u>
 TOTAL	 \$ 768,175

TAX INCREMENT DISTRICT FUNDED COSTS

Capital Costs:	
Building Construction	\$ -0-
Site Development	\$ -0-
Road Construction	\$,75,000
Sewer and Water Extension	\$,79,325
Financing Costs:	
Financing Interest (TID only)	\$147,175
Professional Fees:	\$ -0-
Relocation Costs:	
None	\$-0-
Organizational Costs	
None	\$ -0-
Necessary and Convenient Costs	
Contingency	\$ -0-
Tank Removal	<u>\$ 5,175</u>
 TOTAL	 \$ 306,675
 Imputed Administrative Costs*	
City of Rapid City	\$2,050

*The imputed administrative costs are interest-free, are not included in the total project costs, and are to be paid from the balance remaining in the TID #26 fund available to the City Finance Officer on December 1, 2001.

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

4. FISCAL IMPACT STATEMENT

The impact on taxing entities can be derived from determining the tax increment anticipated during the life of the district. The true impact on taxing entities of this Plan is the increase in valuation of the property within the Tax Increment District. The taxing entities are only foregoing that income during the life of the district and will realize that income as soon as the debt from the project costs in this Plan is retired. The purpose of this Plan is to encourage that increase in valuation.

At first glance it may appear that the negative impact on the various entities is notable. But when it is considered that without the use of the Tax Increment Financing proposed in this Plan it is very likely that there would be no increase in the taxable value of the property within this district or, at least, any increase would be significantly delayed, the impact can be considered truly positive.

IMPACT ON TAXING ENTITIES

<u>Year Due</u>	<u>Valuation Increment</u>	<u>Schools</u>	<u>County</u>	<u>City</u>	<u>Water</u>	<u>Total Tax Increment</u>
1999	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2001	\$388,685	\$ 7,994	\$2,261	\$1,414	\$17	\$11,686
2002	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2003	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2004	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2005	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2006	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2007	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2008	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2009	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2010	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2011	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2012	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
2013	\$818,685	\$16,837	\$4,762	\$2,979	\$35	\$24,613
		\$210,038	\$59,405	\$37,162	\$449	\$307,042

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the developer. Following approval of this Project Plan and when the funding for the construction of the proposed Commerce Park Corporation facility is secured, it is anticipated that a bond or note in the amount necessary to cover applicable project costs will be issued separately.

The City and Commerce Corporation will enter into a Contract for Private Development. That agreement will establish that the debt on the Tax Increment District Project Costs covered in this Plan will be retired by deposits made in the Tax Increment District #26 fund as taxes are paid on the property in succeeding years. The City of Rapid City Finance Officer will make the disbursements from that fund in accordance with this Plan and the Contract for Private Development. According to SDCL 11-9-25, positive tax increments will be allocated to that fund until the debt from the Project Costs is retired or fifteen years following the last expenditure from the Project Plan, whichever comes first. The final payment from this Plan is scheduled to be made on December 1, 2013.

AMENDED PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-SIX

PROJECTED AMORTIZATION SCHEDULE

Table

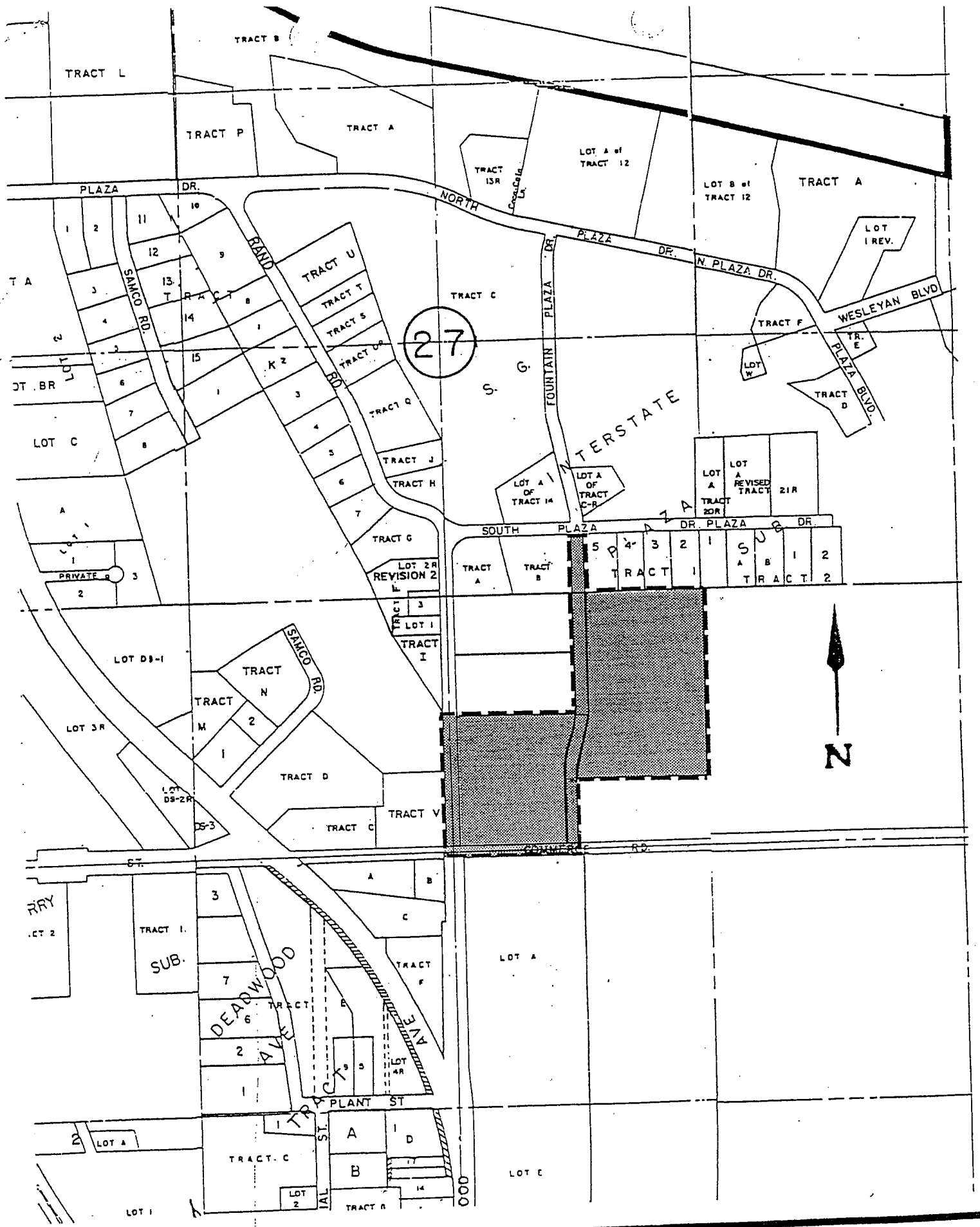
No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	6/1/00	159,500.00	7,177.50	0.00	166,677.50	7,177.50
2	12/1/00	166,677.50	7,500.49	0.00	174,177.99	14,677.99
3	6/1/01	174,177.99	7,838.01	0.00	176,173.00	22,516.00
4	12/1/01	176,173.00	7,927.79	0.00	178,257.79	30,443.78
5	6/1/02	178,257.79	8,021.60	4,284.40	173,973.39	38,465.38
6	12/1/02	173,973.39	7,828.80	4,477.20	169,496.19	46,294.19
7	6/1/03	169,496.19	7,627.33	4,678.67	164,817.52	53,921.51
8	12/1/03	164,817.52	7,416.79	4,889.21	159,928.31	61,338.30
9	6/1/04	159,928.31	7,196.77	5,109.23	154,819.08	68,535.08
10	12/1/04	154,819.08	6,966.86	5,339.14	149,479.94	75,501.94
11	6/1/05	149,479.94	6,726.60	5,579.40	143,900.54	82,228.53
12	12/1/05	143,900.54	6,475.52	5,830.48	138,070.06	88,704.06
13	6/1/06	138,070.06	6,213.15	6,092.85	131,977.22	94,917.21
14	12/1/06	131,977.22	5,938.97	6,367.03	125,610.19	100,856.18
15	6/1/07	125,610.19	5,652.46	6,653.54	118,956.65	106,508.64
16	12/1/07	118,956.65	5,353.05	6,952.95	112,003.70	111,861.69
17	6/1/08	112,003.70	5,040.17	7,265.83	104,737.87	116,901.86
18	12/1/08	104,737.87	4,713.20	7,592.80	97,145.07	121,615.06
19	6/1/09	97,145.07	4,371.53	7,934.47	89,210.60	125,986.59
20	12/1/09	89,210.60	4,014.48	8,291.52	80,919.08	130,001.07
21	6/1/10	80,919.08	3,641.36	8,664.64	72,254.43	133,642.43
22	12/1/10	72,254.43	3,251.45	9,054.55	63,199.88	136,893.88
23	6/1/11	63,199.88	2,843.99	9,462.01	53,737.88	139,737.87
24	12/1/11	53,737.88	2,418.20	9,887.80	43,850.08	142,156.08
25	6/1/12	43,850.08	1,973.25	10,332.75	33,517.34	144,129.33
26	12/1/12	33,517.34	1,508.28	10,797.72	22,719.62	145,637.61
27	6/1/13	22,719.62	1,022.38	11,283.62	11,436.00	146,659.99
28	12/1/13	11,436.00	514.62	11,436.00	0.00	147,174.61

Finance Rate @ 9.0%

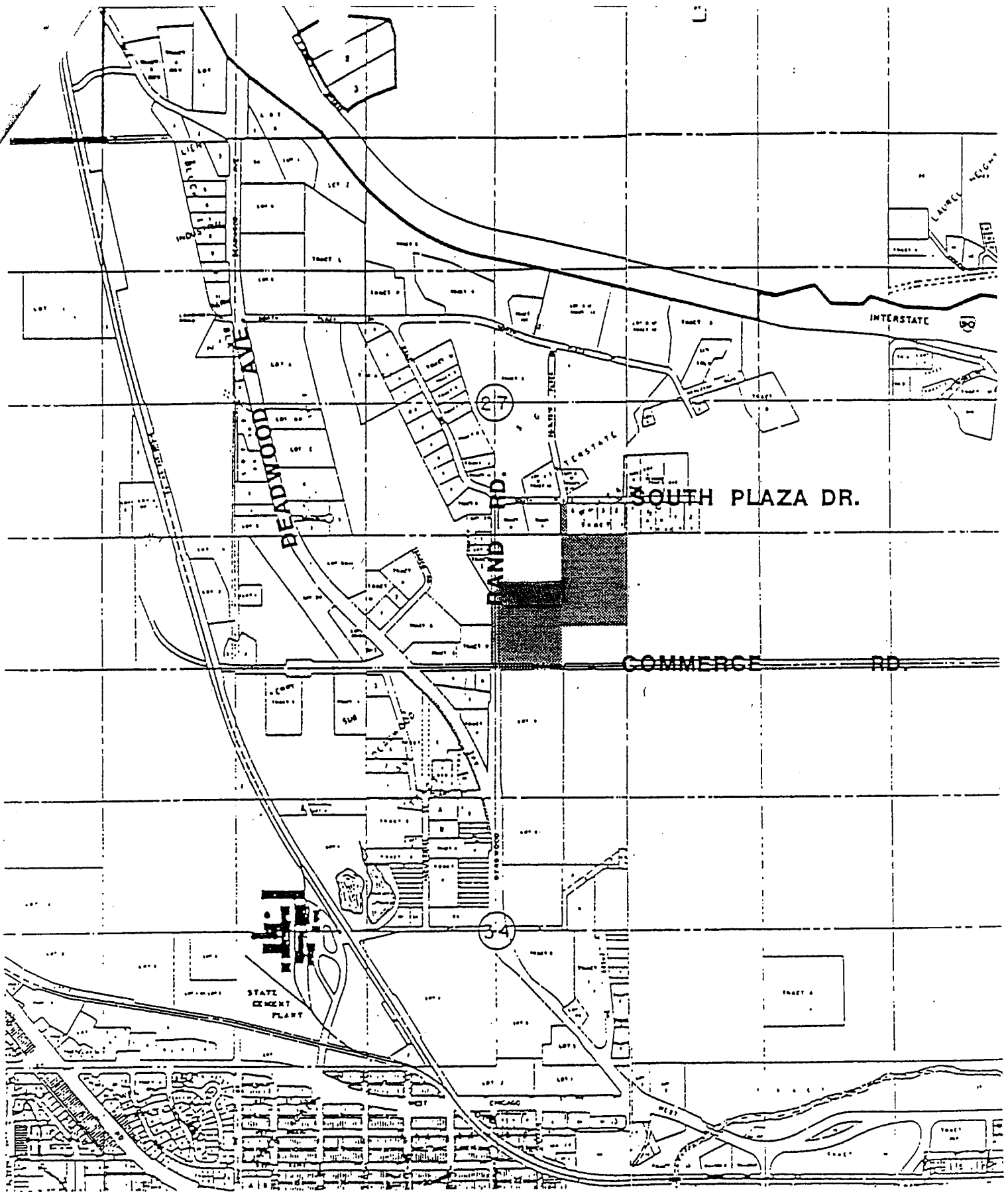
Total Finance Costs = \$147,175

Total Capital Costs = \$159,867

Total Tax Increment Income = \$307,042






-----T.I.D. #26 BOUNDARY MAP



T.I.D. #26 VICINITY MAP



 Road Extension
 Water Extension
 Sewer Extension

COMMERCE PARK
 DAN MURRAY
 701 ST. JOSEPH SUITE 203
 RAPID CITY, SD 57701

LOTS 1 THRU 8 OF BLOCK 1 &
 LOTS 1 THRU 8 OF BLOCK 2 OF
 COMMERCE PARK SUBDIVISION
 LOCATED IN THE SW 1/4 OF THE SE 1/4 OF
 SECTION 27, T2N, R7E, BHM
 RAPID CITY, PENNINGTON COUNTY, SOUTH DAKOTA

NW 1/4 - NE 1/4