

PROJECT PLAN

TAX INCREMENT DISTRICT NUMBER THIRTY-SIX
CITY OF RAPID CITY

Prepared by the

Rapid City Planning Department
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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 value of a district is determined by the South Dakota Department of Revenue at the time the district is created by the City 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 the 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, 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. It should be noted that based on changes in state statute in 1996, an additional tax is levied against all property within the School District's jurisdiction to make up for the School District's share of the increment. Thus, the School District continues to receive tax revenue based on the full valuation of the property within the district.

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

This plan proposes that a Tax Increment District be created to facilitate the development of commercial property located west of Haines Avenue through the extension of water, sanitary sewer and Disk Drive roadway improvements west of Haines Avenue. Disk Drive will be extended to connect with Howard Street. This roadway connection will reduce the traffic volumes at the intersection of Howard Street and Haines Avenue. As the project area begins to develop, Howard Street will end in a cul-de-sac at the location of the new developments and the Tax Increment District boundary. Howard Street will be removed from public use at this point. All drainage on the site from the proposed improvements is incorporated into this Tax Increment District. As this property develops, addressing additional drainage concerns will be required. The project will also relocate the Williston Basin Interstate gas transmission line facilitating the commercial development of property located west of Tires Plus and north of the Disk Drive extension. This additional commercial development will increase the community's economic vitality while expanding the City's property and sales tax base. In addition, the project would include water, sewer, road, and storm drainage improvements associated with the park located on the northern edge of the district's boundary and provide a landscape buffer. This is identified as Phase 2 of the project.

The applicants have indicated their willingness to pay for their proportionate share of the normal roadway and associated utility improvement costs for Disk Drive. These costs would be approximately \$381,409 an estimated 23.4% of the costs. Discussions are continuing with the owner of the large parcel of property located directly west of Tires Plus regarding the potential repayment of his proportionate share of the road improvement costs. These costs would be approximately \$361,849 an estimated 22.2% of the costs. To date, other landowners in the proposed district have indicated they are not willing to participate in the costs of the improvements. The remaining costs, along with the extraordinary costs associated with the gas transmission line relocation, and the infrastructure park improvements and landscape buffer will be paid from the Tax Increment District. To date, a funding source has not been identified for funding the initial project costs (Phase 1). The infrastructure improvements and landscape buffer (Phase 2) would be funded internally at a 6% interest rate. Any funding used for the improvement will be repaid by the Tax Increment District.

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 and Other Improvements;
- 2) Economic Feasibility Study;
- 3) Project Costs;
- 4) Fiscal Impact Statement; and,
- 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;
- IV. Map of Existing Land Use; and,
- V. Map of Public and Other Improvements.

The Statement of Method for Relocating Displaced Persons, as well as the 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.

ELEMENTS OF THE PROJECT PLAN

1. PUBLIC WORKS AND OTHER IMPROVEMENTS

The project plan includes capital costs associated with the construction of water and sewer extensions and Disk Drive roadway improvements west of Haines Avenue.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Thirty-Six is proposed for creation in accordance with SDCL 11-9-2 to 11-9-11. A vicinity map as well as a boundary map is attached. As of this date, the assessed valuation for the proposed district is \$16,782,928. In accordance with SDCL 11-9-20, certification of the base value will be requested from the South Dakota Department of Revenue following creation and approval of the district by the City Council.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY IN TID #36

\$16,782,928

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$16,782,928
Estimated Assessed Value of project	\$
Other Anticipated Increases in Assessed Value	\$11,200,000
Estimated Increase in Assessed Value of Land	\$ 0
Estimated Total Valuation	\$27,982,928

Revenue Estimates from Tax Increments

The Plan anticipates 25 semi-annual payments over 13 years; however, the district may run up to 20 years to insure repayment of the project costs. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2002 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	18.7258	68%
Pennington County	5.4063	19%
City of Rapid City	3.4685	12%
West Dakota Water District	.0373	1%
Total Mill Levy	27.6379	100%

Anticipated 2002 Non Agricultural Tax Rate: 0.0276379

The estimated tax increment available to pay for project costs in the Plan can be calculated by multiplying the anticipated tax rate by the increment in valuation. This calculation results in the following tax increments, which become available as taxes are paid for the applicable periods.

PROJECTED TAX INCREMENT INCOME

<u>ASSESSMENT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TAX INCREMENT PAYMENT</u>
Nov 2002	2004	\$ 6,700,000	\$185,174
Nov 2003	2005	\$11,200,000	\$309,544
Nov 2004	2006	\$11,200,000	\$309,544
Nov 2005	2007	\$11,200,000	\$309,544
Nov. 2006	2008	\$11,200,000	\$309,544
Nov. 2007	2009	\$11,200,000	\$309,544
Nov. 2008	2010	\$11,200,000	\$309,544
Nov. 2009	2011	\$11,200,000	\$309,544
Nov. 2010	2012	\$11,200,000	\$309,544
Nov. 2011	2013	\$11,200,000	\$309,544
Nov 2012	2014	\$11,200,000	\$309,544
Nov 2013	2015	\$11,200,000	\$309,544
Nov 2014	2016	\$11,200,000	\$309,544
Nov 2015	2017	\$11,200,000	\$309,544
Nov 2016	2018	\$11,200,000	\$309,544
Nov 2017	2019	\$11,200,000	\$309,544
Nov 2018	2020	\$11,200,000	\$309,544
Nov 2019	2021	\$11,200,000	\$309,544
Nov 2020	2022	\$11,200,000	\$154,772

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/23:
 \$ 5,602,194

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2002 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$1,396,208 for the Project Plan include water and sewer extensions and Disk Drive roadway improvements west of Haines (Phase 1). The capital costs for Phase II include \$1,044,500 for road construction, storm drainage and water/sewer extension for the park on the northern boundary of the district and \$12,000 for the landscaping buffer.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained by the developer. The anticipated interest rate used for these projections is 6%. It is estimated that the financing costs will total \$832,411. If a lower interest rate is obtained, the project costs will be repaid more quickly and the property will be returned to the tax roles sooner.

Professional Service Costs – Professional service costs of \$44,557 for the design and geotechnical fees and other fees have been included in the Project Plan for Phase 1. Professional service costs of \$180,176 for the design, construction and administrative fees have been included in Phase 2 of the Project Plan.

Relocation Costs – Relocation costs of \$137,919 to relocate the MDU/Williston gas pipeline and the Black Hills Power Line are anticipated in this Project Plan.

Organizational Costs – No organizational costs are anticipated in the Project Plan.

Necessary and Convenient Payments – Contingency costs in the amount of \$157,868 for Phase 1 and \$156,675 for Phase 2 have been included in the Project Plan.

Imputed Administrative Costs – All Tax Increment District actions require municipal staff time to prepare and enact. The City shall be reimbursed on October 15, 2007, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on October 15, 2007.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:

Road Construction and Water/Sewer Extension (Phase I)	\$ 759,537.00
Road Construction, Storm Drainage and Water/Sewer Extension (Phase II)	\$1,044,500.00
Landscaping Buffer	\$ 12,000.00

Professional Service:

Engineering Design, Construction and Administration (Phase I)	\$ 16,079.00
Engineering Design, Construction and Administration (Phase II)	\$ 180,176.00
Legal (Phase I)	\$ 8,160.00

Financing Costs:

Financing interest	\$ 832,410.70
Professional Fees	\$ 0

Relocation Costs (Phase I)	\$ 123,638.00
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Organizational Costs	\$ 0
Necessary and Convenient Costs:	
Contingency (Phase I)	\$ 85,880.00
Contingency (Phase II)	\$ 156,675.00
Other	\$ 0
TOTAL	\$3,219,055.70
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 #36 fund available to the City Finance Officer on October 15, 2007.

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 the 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 the 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 Finance 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.

NET IMPACT ON TAXING ENTITIES

Year	Valuation	Schools	County	City	Water	Tax
Paid	Increase					Increment
2004	\$ 6,700,000	\$0	\$35,183	\$22,220	\$1852	\$185,174
2005	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2006	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2007	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2008	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2009	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2010	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2011	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2012	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2013	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2014	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2015	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2016	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2017	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2018	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544

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2019	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2020	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2021	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$309,544
2022	\$11,200,000	\$0	\$58,813	\$37,145	\$3095	\$154,772

*Pursuant to South Dakota Codified Law, an additional tax is levied for the School District's portion of the taxes. As a result, there is no financial impact on the School District.

*The Plan anticipates 25 semi-annual payments over 13 years; however, the district may run up to 20 years to insure repayment of the project costs.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan has not been determined.

The debt on the Tax Increment District Project Costs covered in the Plan will be retired by deposits made in the Tax Increment District #36 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. According to SDCL 11-9-25, positive tax increments will be allocated to that fund until the debt from the projects 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 June 1, 2015; however, the district may run the full 20 years if necessary to insure repayment.

PROJECTED AMORTIZATION RATE

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	06/01/2003	1,057,000.00	31,710.00	0.00	1,088,710.00	31,710.00
2	12/01/2003	1,088,710.00	32,661.30	0.00	1,121,371.30	64,371.30
3	06/01/2004	1,121,371.30	33,641.14	58,945.86	1,062,425.44	98,012.44
4	12/01/2004	1,062,425.44	31,872.76	60,714.24	1,001,711.20	129,885.20
5	06/01/2005	1,001,711.20	30,051.34	62,535.66	939,175.54	159,936.54
6	12/01/2005	939,175.54	28,175.27	126,596.73	812,578.81	188,111.80
7	06/01/2006	812,578.81	24,377.36	130,394.64	682,184.17	212,489.17
8	12/01/2006	2,075,535.17	62,266.06	92,505.94	1,983,029.23	274,755.22
9	06/01/2007	1,983,029.23	59,490.88	95,281.12	1,887,748.10	334,246.10
10	12/01/2007	1,887,748.10	56,632.44	98,139.56	1,789,608.54	390,878.54
11	06/01/2008	1,789,608.54	53,688.26	101,083.74	1,688,524.80	444,566.80
12	12/01/2008	1,688,524.80	50,655.74	104,116.26	1,584,408.55	495,222.54
13	06/01/2009	1,584,408.55	47,532.26	107,239.74	1,477,168.80	542,754.80
14	12/01/2009	1,477,168.80	44,315.06	110,456.94	1,366,711.87	587,069.86
15	06/01/2010	1,366,711.87	41,001.36	113,770.64	1,252,941.22	628,071.22
16	12/01/2010	1,252,941.22	37,588.24	117,183.76	1,135,757.46	665,659.46
17	06/01/2011	1,135,757.46	34,072.72	120,699.28	1,015,058.18	699,732.18
18	12/01/2011	1,015,058.18	30,451.75	124,320.25	890,737.93	730,183.93
19	06/01/2012	890,737.93	26,722.14	128,049.86	762,688.07	756,906.06
20	12/01/2012	762,688.07	22,880.64	131,891.36	630,796.71	779,786.71

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21	06/01/2013	630,796.71	18,923.90	135,848.10	494,948.61	798,710.61
22	12/01/2013	494,948.61	14,848.46	139,923.54	355,025.07	813,559.07
23	06/01/2014	355,025.07	10,650.75	144,121.25	210,903.82	824,209.82
24	12/01/2014	210,903.82	6,327.11	148,444.89	62,458.93	830,536.93
25	06/01/2015	62,458.93	1,873.77	62,458.93	0.00	832,410.70
26	12/01/2015	0.00	0.00	0.00	0.00	832,410.70