

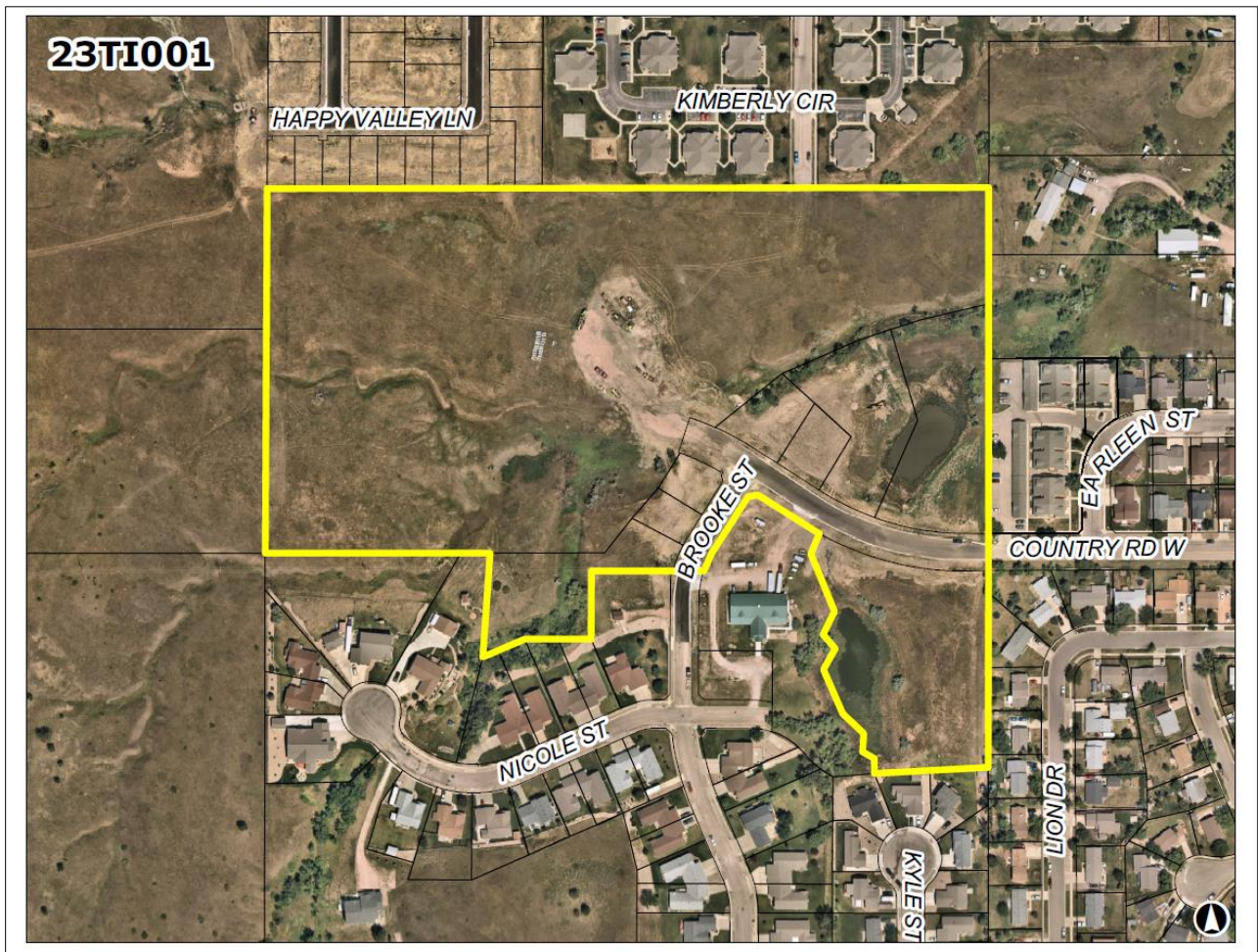
TAX INCREMENT DISTRICT PROJECT PLAN

Approved

Effective

TAX INCREMENT DISTRICT #88
COUNTRY ROAD WEST EXTENSION
CITY OF RAPID CITY

Amendment #1 – July 2024



Prepared by the
Rapid City Department of Community Development
April 2023

Amendment #1 – July 2024
(Details on pages 9)

INTRODUCTION

Tax Increment Financing is a method of financing improvements and development in an area which has been determined to be blighted or which has been determined to create economic development 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, so long as the District is not classified as a local district.

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.”

When the assessed valuation of the district increases in succeeding years, 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 (City, County, School, etc.) levying property taxes. The tax increment is deposited into a special fund. It is this plan which determines how these accumulated increment funds will be used. The purpose of this District is to support residential development. As such, there are no intended industrial or commercial purposes. The creation of this Tax Increment District for local purposes is expected to require an additional levy to make up for the School District’s share of the property taxes included in the Tax Increment.

OVERVIEW

The applicant has submitted an application for a Tax Increment Financing District with \$1,332,000.29 in proposed project costs. The purpose of the project is to construct a collector street at the current terminus of Country Road. The proposed tax increment district is 23 acres in size.

TAX INCREMENT FINANCING COMMITTEE

The Tax Increment Financing Committee met on March 21, 2023 to discuss the proposal. The recommendation to create a new Tax Increment District was based on the requirements of SDCL 11-9-8, wherein:

- (1) “Not less than ... fifty percent, by area, of the real property within the district will stimulate and develop the economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources”; and
- (2) The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district.

The Committee also confirmed that based on the information provided in the application, the proposed development meets several of the local criteria as required by the City’s adopted Tax Increment Financing Policy.

An Imputed Administrative Fee in the amount of \$20,000 shall be charged by the City of Rapid City to every tax increment district for which a Project Plan is approved. This fee is paid to the City as a project cost from the Tax Increment fund balance in year five of the District.

All public infrastructure projects identified for incremental reimbursement within this Project Plan shall be constructed and completed within five years of the creation of the district, including the City's acceptance of those public improvement(s). If the Tax Increment revenues exceed the anticipated loan payments, the District debt would be retired early, resulting in the full value of the property being returned more quickly back to the tax rolls.

PROJECT PLAN SUMMARY

This plan establishes the total project costs, as well as the Tax Increment District funded costs. As required by SDCL 11-9-13, the Project Plan 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. Aerial Photo with 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 the Master Plan, Building Codes and Ordinances do not apply to this Project Plan and have not been included in this document as there are no persons that will be displaced with approval of this Plan nor are there any changes needed in the City's Master Plan, existing Building Codes or Ordinances in order to implement this Plan.

ELEMENTS OF THE PROJECT PLAN

1. PUBLIC WORKS AND OTHER IMPROVEMENTS

The Project Plan includes one phase with total expenses of \$1,332,000.29. Capital Costs represent up to \$743,846.50 in project costs to construct approximately 900 lineal feet of a collector street and associated costs including public utilities, private utility extension fees, paving, subgrade preparation, minor grading and street lighting.

The Plan also includes up to \$74,384.65 in contingency costs, \$20,000 in Necessary and Convenient Costs, and up to \$493,769.14 in interest expense at a maximum 9% interest rate. At the TIF Committee meeting, the applicant agreed to remove \$74,384.65 in engineering and construction administration costs that have already been expended. These costs are not included in the Plan.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation

The Country Road West Extension Tax Increment District has been created in accordance with SDCL 11-9-2 to 11-9-11. A vicinity map as well as a boundary map is attached. The 2022 assessed valuation for the proposed district is projected at \$207,627. In accordance with SDCL 11-9-20, the Finance Director will request that the South Dakota Department of Revenue certify the base valuation following creation and approval of the district by the City Council.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY- \$207,627.00

Expected Increase in Valuation

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT	
Estimated 2022 Assessed Value of District	\$207,627.00
Estimated 2033 Assessed Value of project (year 10)	\$23,264,500.00
Other Anticipated Increases in Assessed Value	\$0
Estimated Increase in Assessed Value of Land*	\$0
Estimated 2035 Total Valuation (year 12)	\$23,264,500.00*

For purposes of this Tax Increment District, the land and building valuation are estimated as a total. *As a conservative estimate on increase in valuation, the applicant does not include an annual % increase in valuation beyond the build out of private development in year 3 of the District. The Year 12 Valuation is anticipated to exceed the figure noted.

Revenue Estimates from Tax Increments

The Plan anticipates semi-annual payments over 12 years from the creation of the district, with payments beginning in 2025. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2022 Non Agriculture Tax Levies and Percentage of Total Levy for 4D RC

City of Rapid City within the Rapid City Area School District

<u>Taxing Entity</u>	<u>Tax Levy</u>	<u>% of Total Levy</u>
Rapid City Area School District	10.331	59.67%
Pennington County	4.151	23.98%
City of Rapid City	2.811	16.23%
West Dakota Water District	0.020	0.115%
Total Mill Levy	17.313	100.00%

Anticipated 2022 Non Agriculture 4D RC Tax Rate: 0.017313

PROJECTED TAX INCREMENT INCOME

Year		Assessment Year	Year Taxes Paid	Projected Cumulative Increase Valuation	Yearly Tax Increment Payments
Created	2023	2022	2024	Base Valuation (\$0)	Base Valuation (\$0)
1	2024	2023	2025	Base Valuation (\$0)	Base Valuation (\$0)
2	2025	2024	2026	\$ 7,182,500.00	\$ 124,350.62
3	2026	2025	2027	\$ 13,608,500.00	\$ 235,603.96
4	2027	2026	2028	\$ 20,000,500.00	\$ 346,268.66
5	2028	2027	2029	\$ 23,264,500.00	\$ 402,778.29
6	2029	2028	2030	\$ 23,264,500.00	\$ 402,778.29
7	2030	2029	2031	\$ 23,264,500.00	\$ 402,778.29
8	2031	2030	2032	\$ 23,264,500.00	\$ 402,778.29
9	2032	2031	2033	\$ 23,264,500.00	\$ 402,778.29
10	2033	2032	2034	\$ 23,264,500.00	\$ 402,778.29
11	2034	2033	2035	\$ 23,264,500.00	\$ 402,778.29
12	2035	2034	2036	\$ 23,264,500.00	\$ 402,778.29
13	2036	2035	2037	\$ 23,264,500.00	\$ 402,778.29
14	2037	2036	2038	\$ 23,264,500.00	\$ 402,778.29
15	2038	2037	2039	\$ 23,264,500.00	\$ 402,778.29
16	2039	2038	2040	\$ 23,264,500.00	\$ 402,778.29
17	2040	2039	2041	\$ 23,264,500.00	\$ 402,778.29
18	2041	2040	2042	\$ 23,264,500.00	\$ 402,778.29
19	2042	2041	2043	\$ 23,264,500.00	\$ 402,778.29
20	2043	2042	N/A	N/A	N/A

The applicant projects Taxable Value (above the base valuation) to increase to \$23,264,800 by year five of the Tax Increment Financing District and does not include a hypothetical annual increase following year five.

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/43: \$ 389,759,000

NOTE: Tax Increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2022 mill levy for the City of Rapid City (4D RC). For purposes of reviewing a proposed TIF District, factored value (also known as taxable value as differentiated by the Department of Equalization), is not part of the assumptions for projecting values and incremental revenue. The Estimated Cumulative Increase in Taxable Value is an estimate based on the incremental revenue generated from the applicant's proposed valuation increase.

3. PROJECT COSTS

CAPITAL COSTS

Construction Costs

The project costs include those associated with the construction of Country Road totaling up to \$743,846.50. These include costs associated with paving, subgrade preparation, minor grading, and street lighting. A full list of improvements are itemized on the cost estimate form submitted with the application “*Kateland Subdivision – Phase 3 Country Road Public and Private Cost Calculations.*” This cost estimate also identifies \$155,062.75 in costs that are Non-TID.

Contingencies

The Project Plan includes \$74,384.65 to cover unforeseen items during the construction of Country Road West extension. This amount has been estimated at but shall not exceed 10% of the actual construction costs.

Necessary and Convenient Costs

The Project Plan includes up to \$20,000 for Necessary and Convenient Costs.

Financing Expenses

Financing expenses are estimated on a 9% interest rate during the life of the Tax Increment District. Interest rates may not exceed the maximum allowed 9% by the City’s Tax Increment Financing Policy. Phase I interest expense is eligible up to \$493,769.14

Imputed Administrative Costs – An Imputed Administrative Fee in the amount of \$20,000 plus an additional \$5,000 for any phased certification shall be charged by the City of Rapid City to every Tax Increment District for which a Project Plan is approved. This interest free fee is paid to the City as a project cost from the Tax Increment fund balance in year five of the District for its administrative costs. It is not included as a project cost in the table below; however, is referenced in the Detail of Project Costs.

Proposed Project Cost Description	TID Funded Project Costs
Item	Cost
Construction Costs	\$743,846.50
Contingency	\$74,384.65
Necessary and Convenient Costs	\$20,000.00
Subtotal	\$838,231.15
Financing	\$493,769.14
TOTAL PROJECT COSTS	\$1,332,000.29

Costs of Public Works or Improvements. In accordance with SDCL § 11-9-13, the following table represents the kind, number, location and dollar amount of estimated Project Costs, costs of public works and improvements.

DETAIL OF PROJECT COSTS

Kind of Project	Number of Projects	Location ⁽¹⁾	Amount	Reference ⁽²⁾
Capital Costs (Contingency Costs Included)	1	District	\$818,231.15	11-9-15(1)
Financing Costs	1	District	\$493,769.14	11-9-15(2)
Real Property Assembly	N/A	District	N/A	11-9-15(3)
Professional Fees	N/A	District	N.A	11-9-15(4)
Administrative Costs	1	District	\$20,000 Separate from Project Plan Costs	11-9-15(5)
Relocation Costs	N/A	N/A	N/A	11-9-15(6)
Organizational Costs	N/A	N/A	N/A	11-9-15(7)
Discretionary Costs and Grants	N/A	N/A	N/A	11-9-15(8)
Eligible Project Costs			\$1,352,000.29	

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 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.

⁽¹⁾District shall mean the Tax Increment District

⁽²⁾**SDCL §11-9-14. Project costs defined.** "Project costs" are any expenditures made or estimated to be made, or monetary obligations incurred or estimated to be incurred, by a municipality which are listed in a project plan as grants, costs of public works, or improvements within a tax incremental district, plus any costs incidental thereto, diminished by any income, special assessments, or other revenues, other than tax increments, received, or reasonably expected to be received, by the municipality in connection with the implementation of the plan.

SDCL 11-9-15. Specific items included in project costs. Project costs include:

- (1) Capital costs, including the actual costs of the construction of public works or improvements, buildings, structures, and permanent fixtures; the demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and permanent fixtures; the acquisition of equipment; the clearing and grading of land; and the amount of interest payable on tax incremental bonds or notes issued pursuant to this chapter until such time as positive tax increments to be received from the district, as estimated by the Project Plan, are sufficient to pay the principal of and interest on the tax incremental bonds or notes when due;
- (2) Financing costs, including all interest paid to holders of evidences of indebtedness issued to pay for Project Costs, any premium paid over the principal amount thereof because of the redemption of such obligations prior to maturity and a reserve for the payment of principal of and interest on such obligations in an amount determined by the governing body to be reasonably required for the marketability of such obligations;
- (3) Real property assembly costs, including the actual cost of the acquisition by a municipality of real or personal property within a tax incremental district less any proceeds to be received by the municipality from the sale, lease, or other disposition of such property pursuant to a Project Plan;
- (4) Professional service costs, including those costs incurred for architectural, planning, engineering, and legal advice and services;
- (5) Imputed administrative costs, including reasonable charges for the time spent by municipal employees in connection with the implementation of a Project Plan;
- (6) Relocation costs;
- (7) Organizational costs, including the costs of conducting environmental impact and other studies and the costs of informing the public of the creation of tax incremental districts and the implementation of project plans; and

- (8) Payments and grants made, at the discretion of the governing body, which are found to be necessary or convenient to the creation of tax incremental districts or the implementation of project plans.

NET IMPACT ON TAXING ENTITIES

Year Paid	Valuation Increase	School	County	City	Water	Yearly
						Total
2023	N/A	N/A	N/A	N/A	N/A	N/A
2024	N/A	N/A	N/A	N/A	N/A	N/A
2025	\$7,182,500.00	\$74,202.41	\$29,814.56	\$20,190.01	\$143.65	\$124,350.62
2026	\$13,608,500.00	\$140,589.41	\$56,488.88	\$38,253.49	\$272.17	\$235,603.96
2027	\$20,000,500.00	\$206,625.17	\$83,022.08	\$56,221.41	\$400.01	\$346,268.66
2028	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2029	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2030	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2031	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2032	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2033	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2034	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2035	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2036	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2037	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2038	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2039	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2040	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2041	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2042	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29
2043	\$23,264,500.00	\$240,345.55	\$96,570.94	\$65,396.51	\$465.29	\$402,778.29

The impact to the School District could be noted as \$0 because the State of South Dakota uses a formula to calculate the amount of general funding distributed to a school district each year. A portion of the money going into the formula is funded by taxes collected by the State, and a portion is funded by local property taxes. The formula is designed to hold the school district harmless when a TIF District is created. For TIF Districts classified as "Local" the revenues to the School District must be made up by property owners within the District. For all other TIF District classifications (Economic Development, Affordable Housing, Industrial, etc.) the revenues are made up across the entire state. This District is anticipated to be classified as a Local District.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the developer. The developer will be responsible for any interest payments due that are not available from the Country Road West Extension Tax Increment District. If the Tax Increment revenues exceed the anticipated loan payments, the debt will be retired early.

The debt on the Tax Increment District Project Costs covered in the Plan will be retired by deposits made into the Tax Increment District fund as property taxes are paid in succeeding years. The City of Rapid City Finance Director 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 no longer than 20 years after the calendar year of creation. The final payment from this Plan is anticipated to be made on or before December 1, 2043. The projected amortization rate schedule is listed below showing the amount to be financed by the Developer using a 9.0% interest rate as requested. This Project Plan includes the developer's request of Interest/Financing totaling \$493,769.14.

PROJECTED AMORTIZATION TABLE

**Exhibit C
TIF Cash Flow Projections**

Cash Flow and Pay Off Projections						
Year	Homes		Value	Taxes	Balance	Interest
2023	3 Duplex, 1 SF, 36 MFU	\$ 7,182,500.00	\$ 7,182,500.00	\$ -	\$ 838,231.15	\$ 75,440.80
2024	4 Duplex, 10 SF, 12 MFU	\$ 6,426,000.00	\$ 13,608,500.00	\$ -	\$ 913,671.95	\$ 82,230.48
2025	10 SF, 24 MFU	\$ 6,392,000.00	\$ 20,000,500.00	\$ 112,169.10	\$ 995,902.43	\$ 89,631.22
2026	12 SF	\$ 3,264,000.00	\$ 23,264,500.00	\$ 212,523.94	\$ 973,364.55	\$ 87,602.81
2027		\$ -	\$ 23,264,500.00	\$ 312,347.81	\$ 848,443.41	\$ 76,359.91
2028		\$ -	\$ 23,264,500.00	\$ 363,321.70	\$ 612,455.51	\$ 55,121.00
2029		\$ -	\$ 23,264,500.00	\$ 363,321.70	\$ 304,254.81	\$ 27,382.93
2030		\$ -	\$ 23,264,500.00	\$ 363,321.70	\$ -	\$ -
2031		\$ -	\$ 23,264,500.00	\$ 363,321.70	\$ -	\$ -
2032		\$ -	\$ 23,264,500.00	\$ 363,321.70	\$ -	\$ -
2033		\$ -	\$ 23,264,500.00	\$ 363,321.70	\$ -	\$ -
2034		\$ -	\$ 23,264,500.00	\$ 363,321.70	\$ -	\$ -
2035		\$ -	\$ 23,264,500.00	\$ 363,321.70	\$ -	\$ -
					Total	\$ 493,769.14

MILL LEVY is assumed to be: Owner Occupied = 15.617
 INTEREST RATE : 9%
 Assessed Value Assumed at: 85%

ADMENDMENT #1 PROJECT PLAN JULY 2024

Increase of total project costs by 33% from \$1,332,000.29 to \$1,773,086.13. South Dakota Codified Law 11-9-23 provides for plan amendments, including additional project costs, provided the proposal does not exceed thirty-five percent of the original project plan costs and the additional project costs are incurred before the five-year time limit.

Proposed Project Cost Description	TID Funded Project Costs	TID Funded Project Costs
Item	Original	Amendment #1
Construction Costs	\$743,846.50	\$878,802.36
Contingency	\$74,384.55	\$87,880.23
Necessary and Convenient Costs	\$20,000.00	\$20,000.00
<i>Subtotal</i>	<i>\$838,231.15</i>	<i>\$986,682.59</i>
Financing	\$493,769.14	\$786,403.54
Total Project Costs	\$1,332,000.29	\$1,773,086.13