

STAFF REPORT
January 5, 2017

No. 16TI006 - Resolution approving Revision #1 Project Plan ITEM 16
Reallocating Project Costs for Tax Increment District No. 64

GENERAL INFORMATION:

APPLICANT	City of Rapid City
REQUEST	No. 16TI006 - Resolution approving Revision #1 Project Plan Reallocating Project Costs for Tax Increment District No. 64
EXISTING LEGAL DESCRIPTION	All of Section 28 lying north of U.S. Interstate 90 less Lots 1 – 3 of RCI Addition and less the S1/2S1/2NW1/4NW1/4 of Section 28, all located in Section 28, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota.
PARCEL ACREAGE	Approximately 435.317 acres
LOCATION	Northeast of the intersection of Interstate 90 and Dyess Avenue
EXISTING ZONING	Light Industrial District - General Agriculture District - Heavy Industrial District - General Commercial District - General Commercial District (Planned Commercial Development) - Light Industrial District (Planned Light Industrial Development)
FUTURE LAND USE DESIGNATION	Commercial and Industrial
SURROUNDING ZONING	
North:	No Use District - General Agriculture District (Pennington County)
South:	U. S. Interstate 90
East:	Box Elder
West:	Light Industrial District - General Commercial District - General Agriculture District
PUBLIC UTILITIES	City water and sewer, private water and sewer
DATE OF APPLICATION	December 9, 2016
REVIEWED BY	Patsy Horton / Ted Johnson

RECOMMENDATION: The Tax Increment Financing Committee recommended approving the cost reallocation for Cabela's Tax Increment District No. 64.

GENERAL COMMENTS: Tax Increment District No. 64 was approved by the City Council on August 6, 2007. The purpose of the District was to assist the City in creating economic

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development incentives to attract Cabela's, a destination retail facility. The Tax Increment funds were utilized for real property assembly costs, public sanitary sewer lift station improvements, professional service costs, financing interest and other necessary and convenient costs. The City funded the project costs. This request reallocates line item costs to reflect actual expenditures.

The Tax Increment District boundaries incorporate approximately 435.317 acres located between Seger Drive and U.S. Interstate 90, and Dyess Avenue and Elk Vale Road.

STAFF REVIEW: On November 16, 2016, the Tax Increment Financing Review Committee reviewed the request for the changes to reallocate the costs within the Project Plan. Revision #1 Project Plan reallocates the project costs by increasing the lift station improvement costs by \$2,514,924.65, reducing the real property assembly costs by \$2,461,436.55, adding \$272,498.74 in professional service costs associated with the lift station design, adding \$343,266.73 in professional service costs associated with construction administration for the lift station, decreasing the financing costs by \$669,253.57, decreasing the Necessary and Convenient Costs by \$20,000, and adding \$20,000 to the Imputed Administrative Costs in accordance with the Tax Increment Financing Guidelines. All the revised changes are outlined in the following table:

TID Project Costs	Approved Costs	Revision #1 Proposed Changes	Amended Cost Total
Capital Costs			
Sanitary Sewer Lift Station Improvements	\$2,500,000.00	\$2,514,924.65	\$5,014,924.65
Real Property Assembly Cost	\$7,372,000.00	(\$2,461,436.55)	\$4,910,563.45
Professional Service Costs			
Sanitary Sewer Design	\$0.00	\$272,498.74	\$272,498.74
Construction Administration	\$0.00	\$343,266.73	\$343,266.73
Financing Costs			
Financing Interest	\$9,890,841.52	(\$669,253.57)	\$9,221,587.95
Contingency Costs	\$0.00	\$0.00	\$0.00
Relocation Costs	\$0.00	\$0.00	\$0.00
Organizational Costs	\$0.00	\$0.00	\$0.00
Necessary and Convenient Costs	\$2,128,000.00	(\$20,000.00)	\$2,108,000.00
Imputed Administrative Costs			
City of Rapid City	\$2,050.00	\$20,000.00	\$22,050.00
Total	\$21,890,841.52	\$0.00	\$21,890,841.52

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The original amortization schedule estimated the interest rate at 6% with a cumulative interest expense of \$9,890,841.52. The amortization schedules prepared for this revision utilizes a current interest market rate of 3%. The total interest expense for the land cost is projected at \$265,918.80, and \$2,238,059.94 for the lift station interest expense. The lift station payments will begin after the real property assembly costs are repaid. The estimated total interest expense for both the real property assembly costs and the lift station costs is \$2,503,978.74, a decrease of \$7,386,862.78 from the approved project plan interest expense.

The tax increment payments began on the real property assembly costs for TID #64 in December 2015, immediately after the underlying TID #44 – Mall Drive project costs were completely repaid.

The 2007 base valuation of the District as determined by the South Dakota Department of Revenue is \$8,730,800 and will not change with this Revision. The State Department of Revenue has indicated that the 2016 year end assessed valuation of the District is now at \$79,065,400. This year end valuation provides evidence that the District has stimulated the general economic welfare and prosperity of the state through the promotion and advancement of industrial and commercial development as required in South Dakota Codified Law 11-9-8.

The 2016 assessed valuation generates an estimated \$1,531,043.50 per year in tax incremental revenue. The amortization schedules, however, are based on the \$528,877.04 bi-annual 2015 tax receipts for District #64. If the tax revenues received are higher than the 2015 receipts, the District will pay off sooner.

Tax Increment Financing Project Review Committee Recommendation: The Committee recommended approving the cost reallocation for Tax Increment District No. 64.