

PROJECT PLAN

TAX INCREMENT DISTRICT #64
CABELA'S ECONOMIC DEVELOPMENT
CITY OF RAPID CITY

Prepared by the
Rapid City Growth Management Department
July 2007

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 is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. The creation of this Tax Increment District for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment.

This financing method is invaluable for encouraging growth and development of blighted properties with special re-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 assist the City in creating economic development incentives to attract Cabela's, a destination retail facility. The Tax Increment funds are to be utilized for real property assembly costs, public lift station improvements and other necessary and convenient costs. The proposed boundaries are located between Seger Drive and U.S. Interstate 90, and Dyess Avenue and Elk Vale Road. The total estimated project cost is \$12,000,000.

The Tax Increment Financing Committee met on June 5, 2007 to discuss this proposed Project Plan for Tax Increment District #65 and recommended approval of the Project Plan. The Tax Increment District will be financed by the City.

The development of the public improvements will enhance the ability for new development to occur in this area increasing the community's economic vitality and expanding the City's property tax base.

The estimated cost of the improvements will be financed by the City at an estimated 6% interest rate. All project expenditures must be completed within five years of the creation of the district. Should 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 to the tax rolls more quickly.

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 \$10,000,000 in capital costs associated with funding the real property assembly costs and public lift station improvements. In addition, the project plan includes \$2,128,000 in other necessary and convenient costs.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Sixty Five 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. As of this date, the assessed valuation for the proposed district is projected as \$8,124,000. In accordance with SDCL 11-9-20, the certification of the base value has been received 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 #65

\$8,124,000

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$ 8,124,000
Estimated Assessed Value of project (year 20)	\$ 215,328,353
Other Anticipated Increases in Assessed Value	\$ 0
Estimated Increase in Assessed Value of Land*	\$ 0
Estimated Total Valuation (year 20)	\$ 223,452,353

*For purposes of this Tax Increment District, the increase in land value is not included in these estimates. Any additional value will pay off the loan earlier than anticipated.

Revenue Estimates from Tax Increments

The Plan anticipates 28 semi-annual payments over 14 years. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2006 Non Agriculture 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	15.1624	66.8%
Pennington County	4.5471	20.0%
City of Rapid City	2.9680	13.1%
West Dakota Water District	.0281	.1%
Total Mill Levy	22.7056	100%

Anticipated 2006 Non Agriculture Tax Rate: 0.0227056

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>ASSESSMT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TAX INCREMENT PAYMENTS</u>	<u>6 MONTH TOTAL</u>
Nov. 2007	2009	\$ 0	\$ 0	\$ 0
Nov. 2008	2010	\$ 63,107,000	\$ 1,432,882	\$ 716,441
Nov. 2009	2011	\$ 81,776,000	\$ 1,856,773	\$ 928,386

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Nov. 2010	2012	\$ 98,644,400	\$ 2,239,780	\$1,119,890
Nov. 2011	2013	\$ 103,576,620	\$ 2,351,769	\$1,175,884
Nov. 2012	2014	\$ 108,755,451	\$ 2,469,358	\$1,234,678
Nov 2013	2015	\$ 114,193,224	\$ 2,592,826	\$1,296,413
Nov 2014	2016	\$ 119,902,884	\$ 2,722,466	\$1,361,233
Nov 2015	2017	\$ 125,898,028	\$ 2,858,590	\$1,429,295
Nov 2016	2018	\$ 132,192,930	\$ 3,001,520	\$1,500,760
Nov 2017	2019	\$ 138,802,576	\$ 3,151,595	\$1,575,797
Nov 2018	2020	\$ 145,742,705	\$ 3,309,176	\$1,654,588
Nov 2019	2021	\$ 153,029,842	\$ 3,474,634	\$1,737,317
Nov 2020	2022	\$ 160,681,333	\$ 3,648,366	\$1,824,183
Nov 2021	2023	\$ 168,715,400	\$ 3,830,784	\$1,915,392
Nov 2022	2024	\$ 177,151,170	\$ 4,022,324	\$2,011,162
Nov 2023	2025	\$ 186,008,728	\$ 4,223,440	\$2,111,720
Nov 2024	2026	\$ 195,309,164	\$ 4,434,612	\$2,217,306
Nov 2025	2027	\$ 205,074,622	\$ 4,656,342	\$2,328,171
Nov 2026	2028	\$ 215,328,353	\$ 4,889,158	\$2,444,579

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/28:

\$ 61,166,395

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2006 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$2,500,000 included in the Project Plan are for lift station improvements.

Real Property Assembly Costs – Real property assembly costs in the amount of \$7,372,000 are anticipated in the Project Plan.

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Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The anticipated interest rate used for this projection by the City is 6%. It is estimated that the financing costs will total \$9,890,841.52. If a lower interest rate is obtained, the project costs will be repaid more quickly and the property will be returned to the tax rolls sooner.

Professional Service Costs – No professional service costs are anticipated in the Project Plan.

Relocation Costs – No relocation costs are anticipated in the Project Plan.

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

Contingency Costs – No contingency costs are anticipated in the Project Plan.

Necessary and Convenient Payments – Necessary and convenient costs in the amount of \$2,128,000 are anticipated 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 July 15, 2012, for its administrative costs in the amount of \$2,050. However, in no case shall the City be reimbursed less than \$1 on July 15, 2012.

TOTAL ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:	
Sanitary Sewer Lift Station Improvements	\$ 2,500,000.00
Real Property Assembly Cost	\$ 7,372,000.00
Professional Service Costs	\$ 0
Financing Costs:	
Financing interest	\$ 9,890,841.52
Contingency Costs:	\$ 0
Relocation Costs:	\$ 0
Organizational Costs:	\$ 0
Necessary and Convenient Costs:	\$ 2,128,000.00
TOTAL	\$21,890,841.52
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 Tax Increment District #65 fund available to the City Finance Officer on July 15, 2012.

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	Total
Paid	Increase					
2009	\$ 0	\$0	\$ 0	\$ 0	\$ 0	\$ 0
2010	\$ 63,107,000	\$0	\$286,576	\$ 187,707	\$ 1432	\$1,432,882
2011	\$ 81,776,000	\$0	\$371,354	\$ 243,237	\$ 1856	\$1,856,773
2012	\$ 98,644,400	\$0	\$447,956	\$ 293,411	\$ 2239	\$2,239,780
2013	\$ 103,576,620	\$0	\$470,353	\$ 308,081	\$ 2351	\$2,351,769
2014	\$ 108,755,451	\$0	\$493,871	\$ 323,485	\$ 2469	\$2,469,358
2015	\$ 114,193,224	\$0	\$518,565	\$ 339,660	\$ 2592	\$2,592,826
2016	\$ 119,902,884	\$0	\$544,493	\$ 356,643	\$ 2722	\$2,722,466
2017	\$ 125,898,028	\$0	\$571,718	\$ 374,475	\$ 2858	\$2,858,590
2018	\$ 132,192,930	\$0	\$600,304	\$ 393,199	\$ 3001	\$3,001,520
2019	\$ 138,802,576	\$0	\$630,319	\$ 412,858	\$ 3151	\$3,151,595
2020	\$ 145,742,705	\$0	\$661,835	\$ 433,502	\$ 3309	\$3,309,176
2021	\$ 153,029,842	\$0	\$694,926	\$ 455,177	\$ 3474	\$3,474,634
2022	\$ 160,681,333	\$0	\$729,673	\$ 477,935	\$ 3648	\$3,648,366
2023	\$ 168,715,400	\$0	\$766,156	\$ 501,832	\$ 3830	\$3,830,784
2024	\$ 177,151,170	\$0	\$804,464	\$ 526,924	\$ 4022	\$4,022,324
2025	\$ 186,008,728	\$0	\$844,688	\$ 553,270	\$ 4223	\$4,223,440
2026	\$ 195,309,164	\$0	\$886,922	\$ 580,934	\$ 4434	\$4,434,612
2027	\$ 205,074,622	\$0	\$931,268	\$ 609,980	\$ 4656	\$4,656,342
2028	\$ 215,328,353	\$0	\$977,831	\$ 640,479	\$ 4889	\$4,889,158

*The Plan anticipates 28 semi-annual payments over 14 years.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the City. If the tax increment revenues exceed the anticipated loan payments, the debt will be retired early.

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Project Plan

The debt on the Tax Increment District Project Costs covered in the Plan will be retired by deposits made in the Tax Increment District 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 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, 2020.

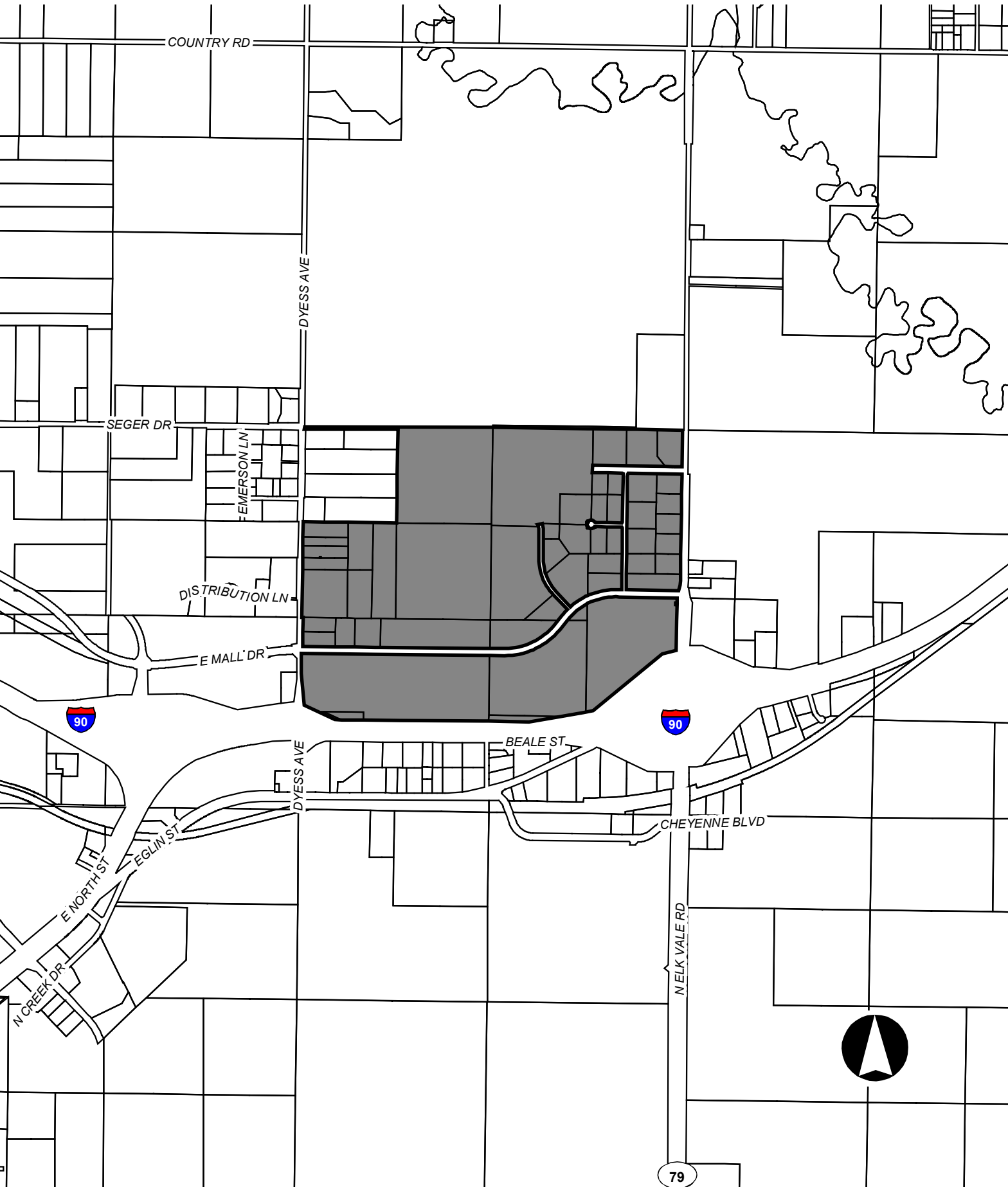
The projected amortization rate schedule listed below shows the amount to be borrowed by the City using a 6% interest rate.

PROJECTED AMORTIZATION RATE

TABLE

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	6/1/2007	12,000,000.00	360,000.00	12,360,000.00	360,000.00	0.00	360,000.00	12,360,000.00	360,000.00
2	12/1/2007	12,360,000.00	370,800.00	12,730,800.00	370,800.00	0.00	370,800.00	12,730,800.00	730,800.00
3	6/1/2008	12,730,800.00	381,924.00	13,112,724.00	381,924.00	0.00	381,924.00	13,112,724.00	1,112,724.00
4	12/1/2008	13,112,724.00	393,381.72	13,506,105.72	393,381.72	0.00	393,381.72	13,506,105.72	1,506,105.72
5	6/1/2009	13,506,105.72	405,183.17	13,911,288.89	405,183.17	0.00	405,183.17	13,911,288.89	1,911,288.89
6	12/1/2009	13,911,288.89	417,338.67	14,328,627.56	417,338.67	0.00	417,338.67	14,328,627.56	2,328,627.56
7	6/1/2010	14,328,627.56	429,858.83	14,758,486.39	429,858.83	0.00	429,858.83	14,758,486.39	2,758,486.39
8	12/1/2010	14,758,486.39	442,754.59	15,201,240.98	442,754.59	0.00	442,754.59	15,201,240.98	3,201,240.98
9	6/1/2011	15,201,240.98	456,037.23	15,657,278.21	456,037.23	0.00	456,037.23	15,657,278.21	3,657,278.21
10	12/1/2011	15,657,278.21	469,718.35	16,126,996.55	469,718.35	0.00	469,718.35	16,126,996.55	4,126,996.55
11	6/1/2012	16,126,996.55	483,809.90	16,610,806.45	483,809.90	0.00	483,809.90	16,610,806.45	4,610,806.45
12	12/1/2012	16,610,806.45	498,324.19	17,109,130.64	243,228.09	255,096.10	498,324.19	16,854,034.54	5,109,130.64
13	6/1/2013	16,854,034.54	505,621.04	17,359,655.58	0.00	1,175,884.00	1,175,884.00	16,183,771.58	5,614,751.68
14	12/1/2013	16,183,771.58	485,513.15	16,669,284.73	0.00	1,175,884.00	1,175,884.00	15,493,400.73	6,100,264.83
15	6/1/2014	15,493,400.73	464,802.02	15,958,202.75	0.00	1,234,678.00	1,234,678.00	14,723,524.75	6,565,066.85
16	12/1/2014	14,723,524.75	441,705.74	15,165,230.49	0.00	1,234,678.00	1,234,678.00	13,930,552.49	7,006,772.59
17	6/1/2015	13,930,552.49	417,916.57	14,348,469.06	0.00	1,296,413.00	1,296,413.00	13,052,056.06	7,424,689.16
18	12/1/2015	13,052,056.06	391,561.68	13,443,617.75	0.00	1,296,413.00	1,296,413.00	12,147,204.75	7,816,250.85
19	6/1/2016	12,147,204.75	364,416.14	12,511,620.89	0.00	1,361,233.00	1,361,233.00	11,150,387.89	8,180,666.99
20	12/1/2016	11,150,387.89	334,511.64	11,484,899.53	0.00	1,361,233.00	1,361,233.00	10,123,666.53	8,515,178.63
21	6/1/2017	10,123,666.53	303,710.00	10,427,376.52	0.00	1,429,295.00	1,429,295.00	8,998,081.52	8,818,888.62
22	12/1/2017	8,998,081.52	269,942.45	9,268,023.97	0.00	1,429,295.00	1,429,295.00	7,838,728.97	9,088,831.07
23	6/1/2018	7,838,728.97	235,161.87	8,073,890.84	0.00	1,500,760.00	1,500,760.00	6,573,130.84	9,323,992.94
24	12/1/2018	6,573,130.84	197,193.93	6,770,324.76	0.00	1,500,760.00	1,500,760.00	5,269,564.76	9,521,186.86
25	6/1/2019	5,269,564.76	158,086.94	5,427,651.70	0.00	1,575,794.00	1,575,794.00	3,851,857.70	9,679,273.80
26	12/1/2019	3,851,857.70	115,555.73	3,967,413.44	0.00	1,575,794.00	1,575,794.00	2,391,619.44	9,794,829.54
27	6/1/2020	2,391,619.44	71,748.58	2,463,368.02	0.00	1,654,588.00	1,654,588.00	808,780.02	9,866,578.12
28	12/1/2020	808,780.02	24,263.40	833,043.42	0.00	833,043.42	833,043.42	0.00	9,890,841.52
29	6/1/2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,890,841.52
30	12/1/2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,890,841.52

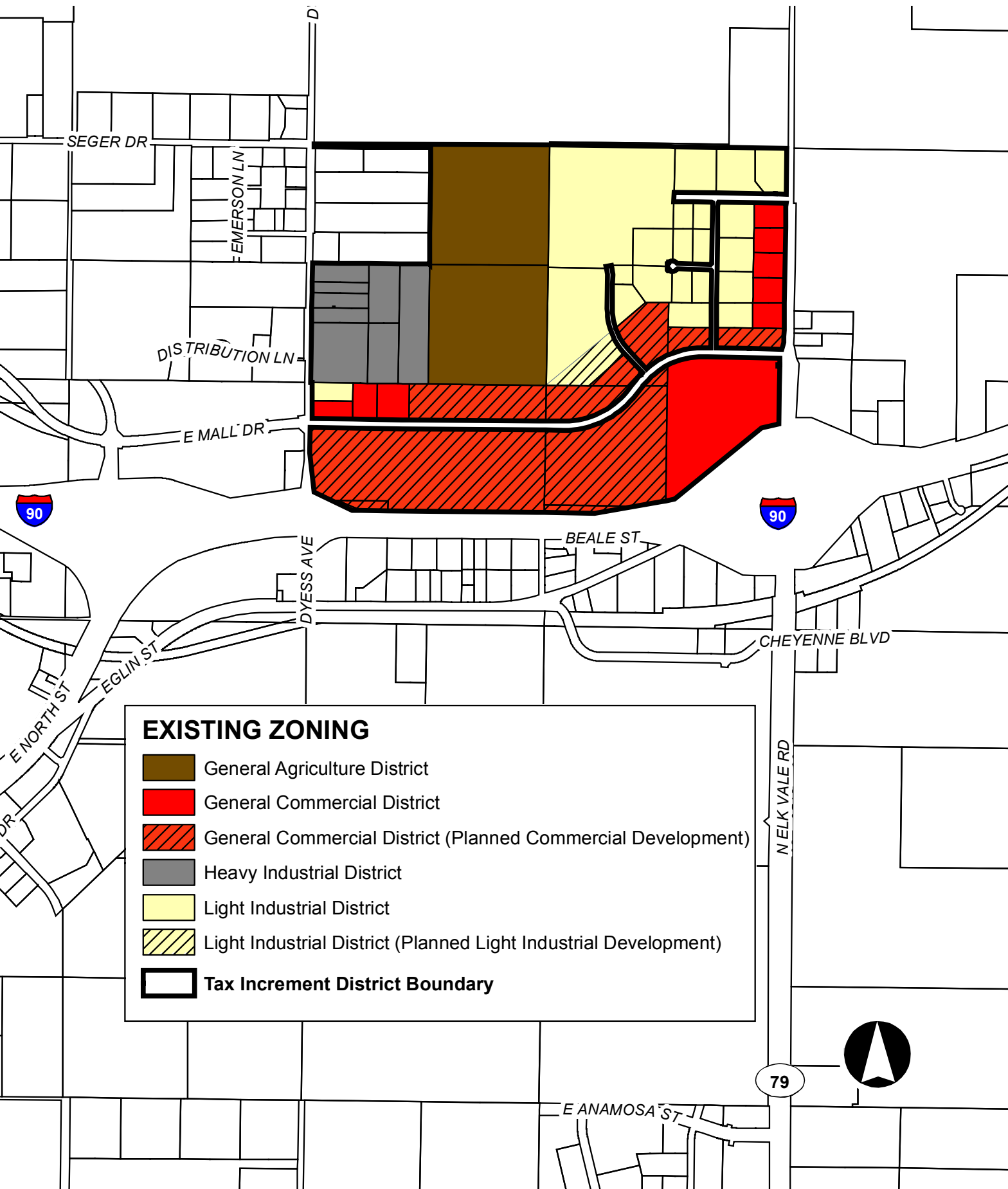
Tax Increment District No. 65 - Cabela's Vicinity Map



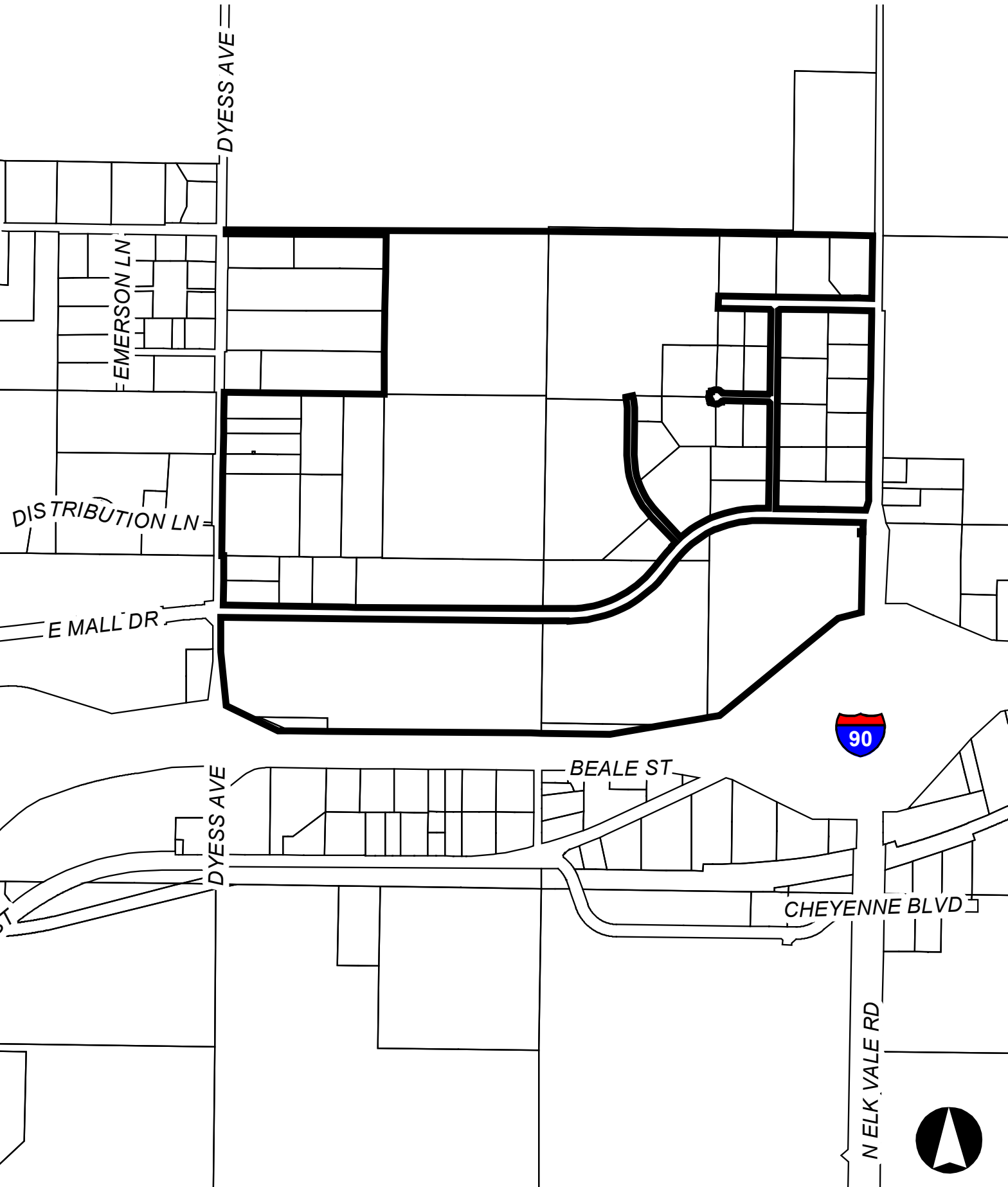
Tax Increment District No. 65 - Cabela's - Aerial Map



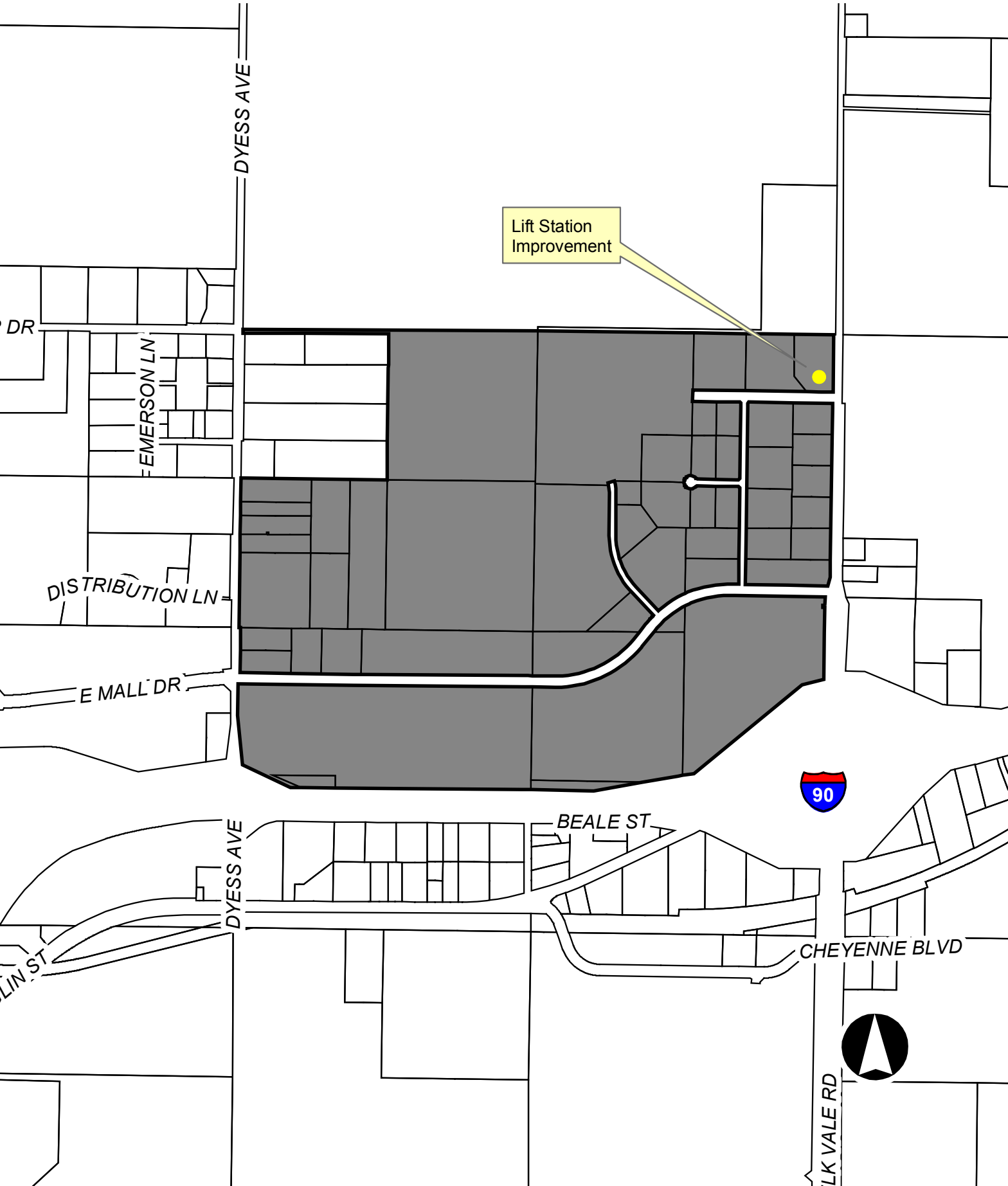
Tax Increment District No. 65 - Cabela's Zoning Map



Tax Increment District No. 65 - Cabela's Boundary Map



Tax Increment District No. 65 - Cabela's Public Improvements



Tax Increment District No. 65 - Cabela's Existing Land Use

