

STAFF REPORT
March 23, 2017

No. 17TI001 - Resolution approving Revision #2 Project Plan ITEM
Reallocating Project Costs for Tax Increment District No. 54

GENERAL INFORMATION:

| | |
|----------------------------|---|
| APPLICANT | Doyle Estes and Kathy Johnson |
| PROPERTY OWNER | Multiple property owners |
| REQUEST | No. 17TI001 - Resolution approving Revision #2 Project Plan Reallocating Project Costs for Tax Increment District No. 54 |
| EXISTING LEGAL DESCRIPTION | A parcel of land in the S1/2 NE1/4 including right-of-way, Section 23, T2N, R7E; N1/2 SW1/4 including right-of-way, Section 24, T2N, R7E; and Lots 6 thru 17 of Block 5 including right-of-way, all of Block 10 including right-of-way, all of Block 11 including right-of-way, all located in CHMH Subdivision, Section 24, T2N, R7E, BHM, Rapid City, Pennington County, South Dakota |
| PARCEL ACREAGE | Approximately 166.62 acres |
| LOCATION | North of Mall Drive and west of Haines Avenue |
| EXISTING ZONING | Park Forest District, Low Density Residential District, Low Density Residential District (PRD), Public District, General Commercial District (PCD), Medium Density Residential District (PRD) |
| SURROUNDING ZONING | |
| North: | General Agriculture District (Pennington County), Low Density Residential II District (PRD), Mobile Home District, Mobile Home District (PRD) |
| South: | General Agriculture District, Low Density Residential District, Low Density Residential District (PRD), General Commercial District (PCD) |
| East: | General Commercial District, General Commercial District (PCD), Low Density Residential II District (PRD) |
| West: | General Agriculture District (Pennington County), Low Density Residential District |
| PUBLIC UTILITIES | City water and sewer |
| DATE OF APPLICATION | February 24, 2017 |
| REVIEWED BY | Patsy Horton / Nicole Lecy |

RECOMMENDATION: The Tax Increment Financing Committee recommended approval to

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reallocate costs within the Rainbow Ridge Tax Increment District No. 54 and directed staff to prepare the revision to the Project Plan for TID #54 as presented in 17TI001.

GENERAL COMMENTS: The creation of TID #54 and the Project Plan for TID #54 were approved on October 3, 2005. The purpose of the Tax Increment District was approved to assist in the development of residential property located north of Mall Drive west of Haines Avenue. Funds were utilized to construct a new water reservoir and the water main to connect to the existing water infrastructure, a booster station, grading over the existing water main, water main in Bunker Drive, Vicki Powers park improvements, professional services costs associated with the approved capital costs, as well as financing costs.

The Tax Increment District boundaries incorporate approximately 167 acres located generally in the north and west of Mall Drive / Haines Avenue.

STAFF REVIEW: The 2005 base valuation of the District as determined by the South Dakota Department of Revenue was \$547,190 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 \$28,648,300. This year end valuation provides evidence that the District has stimulated the general economic welfare and prosperity of the state as required in South Dakota Codified Law 11-9-8.

The proposed change would reallocate the project costs, decreasing the following line item amounts: \$38,388.81 - Water Main in Bunker Drive, and \$575,494.62 – Financing Interest. This change also increases the following line items: \$285,467.73 – Water Main; \$167,538.59 – Booster Station Professional Fees; \$15,608.59 – Water Main in Bunker Drive Professional Fees; \$145,268.52 – Water Main Professional Fees; and moves the Water Reservoir Necessary and Convenient Cost in the amount of \$675,000 to the Capital Cost Line Item.

The original amortization schedule estimated the interest rate at 9% with a cumulative interest expense of \$2,456,456.72. The amortization schedule prepared for this revision utilizes a current interest market rate of 7% for a maximum total interest expense of \$1,880,962.10.

The following table depicts the Project Plan costs for the plan approved in 2005, 2008 and the current proposed changes:

| 17TI001 – TID 54 Reallocated Project Costs | | | | | |
|---|----------------------|----------------------------|---|----------------------------|---|
| Description | Project Plan 2005 | Revision #1 Adjustments | Revision #1 Project Plan Costs - 2008 | Revision #2 Adjustments | Revision #2 Project Plan Costs - 2017 |
| Capital Costs: | | | | | |
| Booster Station | \$600,000.00 | (\$60,000.00) | \$540,000.00 | | \$540,000.00 |
| Water Main in Bunker Drive | \$150,000.00 | (\$15,000.00) | \$135,000.00 | (\$38,388.81) | \$96,611.19 |

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|---|-----------------------|-----------------------|-----------------------|---------------------|-----------------------|
| Water Main | \$350,000.00 | (\$35,000.00) | \$315,000.00 | \$285,467.73 | \$600,467.73 |
| Grading over water mains | \$300,000.00 | (\$30,000.00) | \$270,000.00 | | \$270,000.00 |
| Well | \$750,000.00 | (\$750,000.00) | \$0.00 | | \$0.00 |
| Park Improvements | \$500,000.00 | (\$100,000.00) | \$400,000.00 | | \$400,000.00 |
| Water Reservoir | \$0.00 | \$0.00 | \$0.00 | \$675,000.00 | \$675,000.00 |
| Total Capital Costs | \$2,650,000.00 | (\$990,000.00) | \$1,660,000.00 | \$922,078.92 | \$2,582,078.92 |
| Professional Service Costs | | | | | |
| Booster Station | | \$60,000.00 | \$60,000.00 | \$167,538.59 | \$227,538.59 |
| Water Main in Bunker Drive | | \$15,000.00 | \$15,000.00 | \$15,608.59 | \$30,608.59 |
| Water Main | | \$35,000.00 | \$35,000.00 | \$145,268.52 | \$180,268.52 |
| Grading - water mains | | \$30,000.00 | \$30,000.00 | | \$30,000.00 |
| Reservoir | | \$75,000.00 | \$75,000.00 | | \$75,000.00 |
| Park Design & Construction Administration | | \$100,000.00 | \$100,000.00 | | \$100,000.00 |
| Total Professional Costs | \$0.00 | \$315,000.00 | \$315,000.00 | \$328,415.70 | \$643,415.70 |
| Financing Costs: | | | | | |
| Financing interest | \$2,456,456.72 | | \$2,456,456.72 | (\$575,494.62) | \$1,880,962.10 |
| Contingency Costs: | | | | | |
| Water Reservoir | \$0.00 | \$675,000.00 | \$675,000.00 | (\$675,000.00) | \$0.00 |
| Relocation Costs: | \$0.00 | | \$0.00 | | \$0.00 |
| Organizational Costs: | \$0.00 | | \$0.00 | | \$0.00 |
| Other Necessary and Convenient Costs: | \$0.00 | | \$0.00 | | \$0.00 |
| TOTAL | \$5,106,456.72 | \$0.00 | \$5,106,456.72 | \$0.00 | \$5,106,456.72 |
| Imputed Administrative Costs* | | | | | |
| City of Rapid City | \$2,050.00 | | \$2,050.00 | | |

District Payoff: The original amortization schedule identified the District would pay off by December 1, 2018, using a 9% with a cumulative interest expense of \$2,456,456.72. Revision #2, reallocating the project plan costs to match actual expenditures estimates that the District will pay off by December 1, 2020, using a 7% interest rate, reducing the estimated interest expense by \$575,494.62.

The applicant submitted certification documentation for Phase I in 2008 in the amount of \$665,483.74. The Finance Office submitted the final payment for Phase I in December 2011. Payments for Phase II certification in the amount of \$1,947,784.91 began in December 2012. Phase II included capitalized interest in the amount of \$242,457.61. With the current revision to the project plan, the applicant is requesting the final reimbursement of \$612,225.97. This amount has been added to the existing amortization schedule, beginning with the June 2017 loan payment. The Pennington County Auditor has identified that the 2017 TID 54 incremental revenue is \$422,276.33

The total interest expense for Phase I was \$140,536.26 and Phase II is projected to be \$1,069,143.23.

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Additional development typically generates additional incremental revenues. If the tax revenues received are higher than the 2017 receipts, the District will pay off sooner than December 1, 2020 as projected.

Tax Increment Financing Project Review Committee Recommendation: The Tax Increment Financing Committee recommended approving the cost reallocation for Rainbow Ridge Tax Increment District No. 54.