City looking at special downtown tax district

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Staff Writer

As state and federal grant money shrinks, local governments are looking for ways to stretch their budgets to cover the bare spots.

Rapid City is no exception, and city officials are looking at a new pattern to keep downtown spruced up.

The city is taking steps to set up a special tax district that would set aside local money to help pay for a parking ramp and other public projects in the downtown area.

The Rapid City Planning Commission will hold a public hearing on the boundaries of the district, called a tax increment financing district, at 7 a.m. Tuesday in the Common Council chambers.

The hearing is one of the earliest steps in the process that could lead to new development in the downtown area.

In a tax increment district, the taxable value of the entire district is frozen when the district is created. The property taxes paid to the county, city and schools will be based on the frozen valuations.

However, the total taxes property owners pay in the district will not be frozen. They will continue to vary with the budget demands of school, city and county government.

The difference between the taxes paid on the frozen valuation and those paid on the increased valuation, called the increment, is placed in a special fund. That fund is used to pay for public improvements.

Tax increment financing is a valuable financing tool that allows local governments to encourage private development, said Assistant Planning Director Ken Gibb. Federal grant programs that used to help pay for public improvements are no longer available, so communities have had to find other ways to encourage development.

Because the tax increment district does have some effect on the amount of tax money local governments get, Gibb said, the size of all districts in a city is

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