

Preliminary Review of Proposed Tax Increment Project

Applicant: The North Atlantic Developers, LLC

Proposed Project Title: Promise Road

Purpose of Tax Increment District: The Tax Increment District will capture incremental tax funds in order to construct and connect a proposed collector road in lieu of using the outdated current road alignment. The realignment of the existing road will create a community-desired alignment through the vacant property on a highly visible gateway corridor. The proposed district will stimulate economic development by the construction of new professional offices and retail facilities. Anticipated employment at these proposed facilities will add 300 new full time jobs, with an estimated annual payroll of more than \$16 million. The Tax Increment Funds will construct Promise Road, adjust existing utilities and road alignments located at the northern connection of Promise Road, and adjust signal alignments at Promise Road and Catron Boulevard as necessary.

The purpose of this proposed Tax Increment District is to assist in the development of property along U.S. Highway 16, a gateway corridor into Rapid City, by constructing Promise Road and adjusting elements of the traffic signal at Catron Boulevard and Promise Road. The Tax Increment Funds will pay to construct Promise Road, including grading, an 8" sanitary sewer main, a 12" and 8" water main, a culvert crossing to convey regional drainage, and adjustments to an existing traffic signal. The eligible construction projects identified in the TID Project Plan will be funded by the developer.

The Developers are targeting new businesses, including hospitality facilities, retail, and professional office uses.

Overlapping Tax Increment District: The City Council created Tax Increment District 70 (TID 70) on September 15, 2008 with the Project Plan approved on February 6, 2012. TID 70 includes a maximum of \$6,410,528.30 in reimbursable expenditures. The city has accepted all of the constructed and/or installed public improvements within TID 70.

Council created Tax Increment District 76 (TID 76) and approved the Project Plan on March 21, 2016, with a maximum expenditure of \$5,038,525.

On April 4, 2016, Council created Tax Increment District 77 (TID 77) and approved the Project Plan on the same date. TID 77 allowable financed expenditures total \$6,067,965.

SDCL §11-9-6 allows overlapping districts. However, all tax increments generated within overlapping districts are paid in sequential order.

Proposed Boundaries: The proposed boundaries are located at the northwest corner of Catron Boulevard and U.S. Highway 16 and include; Mount Rushmore Road, Catron Boulevard, Golden Eagle Drive and Promise Road rights of way adjacent to the property, and owners: Delaware Land Holdings LLC, Envirocutt LLC, North Atlantic Developers LLC, Johnson Living Revocable Trust, and the City of Rapid City.

Existing Base Valuation (2016): \$3,440,400, estimated using the Pennington County Director of Equalization parcel data

2016 Tax Rate: 0.020322 Non-Agriculture Tax Levy

Anticipated Increment:

2018	\$12,000,000
2019	\$29,000,000
2020	\$44,000,000
2021	\$44,000,000
2022	\$44,000,000
2023	\$44,000,000
2024	\$44,000,000
2025	\$44,000,000
2026	\$44,000,000
2027	\$44,000,000
2028	\$44,000,000
2029	\$44,000,000
2030	\$44,000,000
2031	\$44,000,000
2032	\$44,000,000
2033	\$44,000,000
2034	\$44,000,000
2035	\$44,000,000
2036	\$44,000,000
2037	\$44,000,000

Anticipated Increment Revenue:*

2020	\$243,864
2021	\$589,338
2022	\$894,168
2023	\$894,168
2024	\$894,168
2025	\$894,168
2026	\$894,168
2027	\$894,168
2028	\$894,168
2029	\$894,168
2030	\$894,168
2031	\$894,168
2032	\$894,168
2033	\$894,168
2034	\$894,168
2035	\$894,168
2036	\$894,168
2037	\$894,168
2038	\$894,168
2039	\$894,168

*Revenue based on applicant's estimated increment at build out with \$44,000,000 as commercial development over the life of TIF

Project Cost Description	Total Estimated Project Costs	TIF Funded Project Costs
Capital Costs		
Local Streets	\$500,000.00	
Grading and storm sewer	\$950,000.00	
Billboard purchase and removal	\$100,000.00	
Convenience Store	\$2,000,000.00	
Hotels	\$10,000,000.00	
Restaurants	\$4,000,000.00	
Retail	\$2,000,000.00	
Professional Offices	\$30,000,000.00	
Land	\$4,300,000.00	
Promise Road		\$2,262,470.00
Reconstruct roads / utilities (Promise Rd/ Golden Eagle)		\$500,000.00

Traffic signal adjustments		\$100,000.00
Professional Fees	\$2,692,500.00	\$286,247.00
Contingencies	\$1,346,250.00	\$286,247.00
Financing Costs	\$8,683,312.50	\$3,217,451.36
TOTAL	\$66,572,062.50	\$6,652,415.36
Imputed Administrative Costs*		\$20,000.00
City of Rapid City		
*The imputed administrative costs are interest-free, and are not included in the total project costs. This fee is paid after five years when incremental tax funds are available.		
Identified Funding Sources:		
Financed by the developer		

Anticipated Time Frame: 22 years

Comments: The applicant has indicated that the anticipated interest rate will be near 5%. Based on the proposed overlapping TID boundary and the estimated payoff in 2039, staff recommends changing the proposed TID boundary to exclude the right-of-way located within TID 76. Provided that the developers associated with TID 70, 76 and 80 develop the property as submitted to ensure the revenue projections are accurate, the payoff for each district is estimated as follows:

TID	Date TID created	Payoff when Project Plan adopted	Payoff with existing TID / current developments	Payoff with Promise Road TID overlapping TID 76	Payoff with Promise Road TID excluding TID 76
70	2008	12/1/2022	12/1/2023	6/1/2022	6/1/2022
76	2016	7/1/2024	6/1/2023	6/1/2025	6/1/2030
77	2016	1/1/2034	6/1/2038	12/1/2029	12/1/2025
Promise Road	2017			6/1/2039	12/1/2032
*Payoff extends beyond statutory timeframe					