

PROJECT PLAN

TAX INCREMENT DISTRICT FOR SOUTH CREEK VILLAGE
CITY OF RAPID CITY

Prepared by the
Rapid City Planning Department
April 2003

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 should be noted that based on changes in state statute in 1996, an additional tax is levied against all property within the School District's jurisdiction to make up for the School District's share of the increment. Thus, the School District continues to receive tax revenue based on the full valuation of the property within the district.

This financing method is invaluable for encouraging growth and development in areas with special 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 in the development of South Creek Village Affordable Housing Development, a 72-unit cottage-style low-income housing development located west of S. Highway 79 and north of E. Fairmont Blvd. The Tax Increment Funds would be utilized to extend existing water and sewer, construct Oakland Street improvements, which includes sidewalks and storm drainage.

The estimated cost for these infrastructure improvements is \$660,000. The applicant will obtain private financing to pay for the improvements. The City will be responsible for passing on revenues received but will not guarantee repayment of the private financing. 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.

This tax increment plan will allow this residential area to develop by assisting with infrastructure costs. This additional residential development will increase the community's economic vitality while expanding the City's property tax base and will provide affordable housing for the community.

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 capital costs associated with the extension of water and sewer, the construction of Oakland Street, sidewalks, and storm drainage improvements.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District for South Creek Village is proposed for creation 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 \$814,800. In accordance with SDCL 11-9-20, certification of the base value will be requested from the South Dakota Department of Revenue following creation and approval of the district by the City Council.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY

\$814,800

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

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Estimated Assessed Value of District	\$ 814,800
Anticipated Increases in Assessed Value (Year 20)	\$ 4,287,885
Estimated Total Valuation (Year 20)	\$ 5,102,685

Revenue Estimates from Tax Increments

The Plan anticipates 25 semi-annual payments over 13 years; however, the district may run up to 20 years to insure repayment of the project costs. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2002 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	17.7052	67.6%
Pennington County	5.1463	19.6%
City of Rapid City	3.3041	12.6%
West Dakota Water District	.0350	0.2%
Total Mill Levy	26.1906	100%

Anticipated 2002 Non Agricultural Tax Rate: 0.0261906

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>ASSESSMENT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TAX INCREMENT PAYMENT</u>
Nov 2003	2005	\$ 4,287,885	\$ 112,302
Nov 2004	2006	\$ 4,287,885	\$ 112,302
Nov 2005	2007	\$ 4,287,885	\$ 112,302
Nov 2006	2008	\$ 4,287,885	\$ 112,302
Nov. 2007	2009	\$ 4,287,885	\$ 112,302
Nov. 2008	2010	\$ 4,287,885	\$ 112,302
Nov. 2009	2011	\$ 4,287,885	\$ 112,302

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Nov. 2010	2012	\$ 4,287,885	\$ 112,302
Nov. 2011	2013	\$ 4,287,885	\$ 112,302
Nov. 2012	2014	\$ 4,287,885	\$ 112,302
Nov 2013	2015	\$ 4,287,885	\$ 112,302
Nov 2014	2016	\$ 4,287,885	\$ 112,302
Nov 2015	2017	\$ 4,287,885	\$ 112,302
Nov 2016	2018	\$ 4,287,885	\$ 112,302
Nov 2017	2019	\$ 4,287,885	\$ 112,302
Nov 2018	2020	\$ 4,287,885	\$ 112,302
Nov 2019	2021	\$ 4,287,885	\$ 112,302
Nov 2020	2022	\$ 4,287,885	\$ 112,302
Nov 2021	2023	\$ 4,287,885	\$ 112,302
Nov 2022	2024	\$ 4,287,885	\$ 112,302

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/30/24:
\$ 2,246,040

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2002 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$578,300 for the Project Plan include funding Oakland Street improvements, sewer and water extension, sidewalk and storm drainage improvements.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained by the applicant. The anticipated interest rate used for these projections is 7.5%. It is estimated that the financing costs will total \$480,163.77. If lower interest rates are obtained, the project costs will be repaid more quickly and the property will be returned to the tax rolls sooner.

Professional Service Costs – Professional service costs for engineering expenses in the amount of \$25,000 have been included in this Project Plan.

Contingency Costs – Contingency costs in the amount of \$50,000 have been included in the Project Plan.

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

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

Necessary and Convenient Payments – Other necessary and convenient payment costs in the amount of \$6,700 have been included 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 May 15, 2008, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on May 15, 2008.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:	
East Oakland St, Sidewalks, Storm Drainage	\$ 473,570.00
Public Utilities – Sewer and Water	\$ 104,730.00
Professional Service:	
Engineering Costs	\$ 25,000.00
Contingency Costs:	\$ 50,000.00
Financing Costs:	
Financing interest	\$ 480,163.77
Relocation Costs	\$ 0
Organizational Costs	\$ 0
Other Necessary and Convenient Costs:	\$ 6,700.00
TOTAL	\$1,140,163.77
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 TID fund available to the City Finance Officer on May 15, 2008.

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					
2005	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2006	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2007	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2008	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2009	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2010	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2011	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2012	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2013	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2014	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2015	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2016	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2017	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2018	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2019	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2020	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2021	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2022	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2023	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302
2024	\$ 4,287,885	\$0	\$ 22,011	\$ 14,150	\$ 225	\$ 112,302

*Pursuant to South Dakota Codified Law, an additional tax is levied for the School District's portion of the taxes. As a result, there is no financial impact on the School District.

*The Plan anticipates 25 semi-annual payments over 13 years; however, the district may run up to 20 years to insure repayment of the project costs.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the applicant. The applicant will be responsible for any interest payments due for any costs that are not available from the Tax Increment District. If the tax increment revenues exceed the anticipated loan payments, the debt will be retired early.

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.

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The final payment from this Plan is scheduled to be made on December 1, 2015; however, the district may run the full 20 years if necessary to insure repayment.

PROJECTED AMORTIZATION RATE

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	12/01/2003	737,069.18	27,640.09	0.00	764,709.27	27,640.09
2	06/01/2004	764,709.27	28,676.60	0.00	793,385.87	56,316.69
3	12/01/2004	793,385.87	29,751.97	0.00	823,137.84	86,068.66
4	06/01/2005	823,137.84	30,867.67	25,283.33	797,854.51	116,936.33
5	12/01/2005	797,854.51	29,919.54	26,231.46	771,623.05	146,855.88
6	06/01/2006	771,623.05	28,935.86	27,215.14	744,407.91	175,791.74
7	12/01/2006	744,407.91	27,915.30	28,235.70	716,172.21	203,707.04
8	06/01/2007	716,172.21	26,856.46	29,294.54	686,877.67	230,563.49
9	12/01/2007	686,877.67	25,757.91	30,393.09	656,484.58	256,321.41
10	06/01/2008	656,484.58	24,618.17	31,532.83	624,951.75	280,939.58
11	12/01/2008	624,951.75	23,435.69	32,715.31	592,236.44	304,375.27
12	06/01/2009	592,236.44	22,208.87	33,942.13	558,294.31	326,584.14
13	12/01/2009	558,294.31	20,936.04	35,214.96	523,079.35	347,520.17
14	06/01/2010	523,079.35	19,615.48	36,535.52	486,543.83	367,135.65
15	12/01/2010	486,543.83	18,245.39	37,905.61	448,638.22	385,381.04
16	06/01/2011	448,638.22	16,823.93	39,327.07	409,311.15	402,204.98
17	12/01/2011	409,311.15	15,349.17	40,801.83	368,509.32	417,554.14
18	06/01/2012	368,509.32	13,819.10	42,331.90	326,177.42	431,373.24
19	12/01/2012	326,177.42	12,231.65	43,919.35	282,258.07	443,604.90
20	06/01/2013	282,258.07	10,584.68	45,566.32	236,691.75	454,189.57
21	12/01/2013	236,691.75	8,875.94	47,275.06	189,416.69	463,065.52
22	06/01/2014	189,416.69	7,103.13	49,047.87	140,368.82	470,168.64
23	12/01/2014	140,368.82	5,263.83	50,887.17	89,481.65	475,432.47
24	06/01/2015	89,481.65	3,355.56	52,795.44	36,686.21	478,788.03
25	12/01/2015	36,686.21	1,375.73	36,686.21	0.00	480,163.77
26	06/01/2016	0.00	0.00	0.00	0.00	480,163.77
27	12/01/2016	0.00	0.00	0.00	0.00	480,163.77