

PROJECT PLAN

TAX INCREMENT DISTRICT FOR EAST ST. CHARLES STREET
CITY OF RAPID CITY

Prepared by the

Rapid City Planning Department
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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. In 2004, the state statute was amended to remove this additional tax for the School District's share of the increment if the Tax Increment District was established for economic development.

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 property located adjacent to the E. St. Charles Street right-of-way by assisting in water line infrastructure improvements for fire protection. The estimated cost of the water line improvement is \$65,000.

The water line improvement will enhance the ability of new development to occur and will increase the community's economic vitality and expand the City's property tax base.

The applicant will share in the estimated cost of the infrastructure improvement at an estimated 9% interest rate. The City will finance their estimated cost of the infrastructure improvement at an estimated 6% interest rate. The funding for the City's costs will come from the Water Enterprise Fund. All project expenditures must be completed within five years. 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.

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Estimated Assessed Value of project (year 20)	\$	425,000
Other Anticipated Increases in Assessed Value	\$	0
Estimated Increase in Assessed Value of Land*	\$	0
Estimated Total Valuation (year 20)	\$	1,867,471

*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 30 semi-annual payments over 15 years; however, because of the uncertainty associated with the development, the plan identifies a 20 year payback schedule. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2003 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	16.9185	67.7%
Pennington County	4.9092	19.6%
City of Rapid City	3.1493	12.6%
West Dakota Water District	.0331	.1%
Total Mill Levy	25.0101	100%

Anticipated 2003 Non Agriculture Tax Rate: 0.0250101

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>
Nov 2004	2006	\$ 0	\$ 0
Nov 2005	2007	\$ 425,000	\$ 10,834
Nov 2006	2008	\$ 425,000	\$ 10,834
Nov 2007	2009	\$ 425,000	\$ 10,834
Nov	2010	\$ 425,000	\$ 10,834

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2008			
Nov	2011	\$ 425,000	\$ 10,834
2009			
Nov	2012	\$ 425,000	\$ 10,834
2010			
Nov	2013	\$ 425,000	\$ 10,834
2011			
Nov	2014	\$ 425,000	\$ 10,834
2012			
Nov	2015	\$ 425,000	\$ 10,834
2013			
Nov	2016	\$ 425,000	\$ 10,834
2014			
Nov	2017	\$ 425,000	\$ 10,834
2015			
Nov	2018	\$ 425,000	\$ 10,834
2016			
Nov	2019	\$ 425,000	\$ 10,834
2017			
Nov	2020	\$ 425,000	\$ 10,834
2018			
Nov	2021	\$ 425,000	\$ 10,834
2019			
Nov	2022	\$ 425,000	\$ 10,834
2020			
Nov	2023	\$ 425,000	\$ 10,834
2021			
Nov	2024	\$ 425,000	\$ 10,834
2022			
Nov	2025	\$ 425,000	\$ 10,834
2023			

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/25:
\$ 216,680

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2003 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$65,000 included in the Project Plan is the construction of water line infrastructure improvements within E. St. Charles Street.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The anticipated interest rate used for this projection is 6% for the City and 9% for the applicant. It is estimated that the financing costs will total \$63,422.36. 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 – There are no professional service costs 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 – Contingency costs in the amount of \$5,000 have been included in the Project Plan.

Necessary and Convenient Payments – No other necessary and convenient costs 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 December 1, 2009, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on December 1, 2009.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:		
Water line infrastructure improvements	\$	65,000.00
Professional Service Costs	\$	0
Financing Costs:		
Financing interest	\$	63,422.36
Contingency Costs:	\$	5,000.00
Relocation Costs:	\$	0
Organizational Costs:	\$	0
Necessary and Convenient Costs:	\$	0
 TOTAL	 \$	 133,422.36
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 #48 fund available to the City Finance Officer on December 1, 2009.

CITY FUNDED PROJECT COSTS:

Capital Costs:		
Water line infrastructure improvements	\$	30,000.00
Professional Service Costs	\$	0

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Financing Costs:	
Financing interest	\$ 20,298.75
Contingency Costs:	\$ 5,000.00
Relocation Costs:	\$ 0
Organizational Costs:	\$ 0
Necessary and Convenient Costs:	\$ 0
TOTAL	\$ 55,298.75

DEVELOPER FUNDED PROJECT COSTS:

Capital Costs:	
Water line infrastructure improvements	\$ 35,000.00
Professional Service Costs	\$ 0
Financing Costs:	
Financing interest	\$ 43,123.61
Contingency Costs:	\$ 0
Relocation Costs:	\$ 0
Organizational Costs:	\$ 0
Necessary and Convenient Costs:	\$ 0
TOTAL	\$ 78,123.61

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	Tax
Paid	Increase					Increment
2006	0	0	0	0	0	0
2007	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2008	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834

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2009	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2010	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2011	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2012	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2013	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2014	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2015	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2016	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2017	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2018	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2019	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2020	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2021	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2022	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2023	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2024	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834
2025	\$ 425,000	\$ 7,335	\$ 2,123	\$ 1,365	\$ 11	\$ 10,834

*The Plan anticipates 30 semi-annual payments over 15 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 for his share of the costs and by the City for the City's share of the costs. The applicant and the City will be responsible for any interest payments due for their share of the costs that are not available from Tax Increment District #48. 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. Fifty percent of the revenues received will be disbursed to the developer for project costs incurred by the developer and fifty percent will be disbursed to the City of Rapid City for project costs incurred by the City until the City's portion is repaid. At that time all increment payments will be made to the developer. 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 June 1, 2019; however, the district may run the full 20 years if necessary to insure repayment.

There are two projected amortization rate schedules listed below. Schedule #1 shows the amount to be borrowed by the City using a 6% interest rate. Schedule #2 shows the amount to be borrowed by the applicant using a 9% interest rate.

PROJECTED AMORTIZATION RATE

Schedule #1:

TABLE

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	12/1/2004	40,575.00	1,217.25	41,792.25	1,217.25	0.00	1,217.25	40,575.00	1,217.25
2	6/1/2005	40,575.00	1,217.25	41,792.25	1,217.25	0.00	1,217.25	40,575.00	2,434.50
3	12/1/2005	40,575.00	1,217.25	41,792.25	1,217.25	0.00	1,217.25	40,575.00	3,651.75
4	6/1/2006	40,575.00	1,217.25	41,792.25	1,217.25	0.00	1,217.25	40,575.00	4,869.00
5	12/1/2006	40,575.00	1,217.25	41,792.25	1,217.25	0.00	1,217.25	40,575.00	6,086.25
6	6/1/2007	40,575.00	1,217.25	41,792.25	0.00	2,708.00	2,708.00	39,084.25	7,303.50
7	12/1/2007	39,084.25	1,172.53	40,256.78	0.00	2,708.00	2,708.00	37,548.78	8,476.03
8	6/1/2008	37,548.78	1,126.46	38,675.24	0.00	2,708.00	2,708.00	35,967.24	9,602.49
9	12/1/2008	35,967.24	1,079.02	37,046.26	0.00	2,708.00	2,708.00	34,338.26	10,681.51
10	6/1/2009	34,338.26	1,030.15	35,368.41	0.00	2,708.00	2,708.00	32,660.41	11,711.66
11	12/1/2009	32,660.41	979.81	33,640.22	0.00	2,708.00	2,708.00	30,932.22	12,691.47
12	6/1/2010	30,932.22	927.97	31,860.18	0.00	2,708.00	2,708.00	29,152.18	13,619.44
13	12/1/2010	29,152.18	874.57	30,026.75	0.00	2,708.00	2,708.00	27,318.75	14,494.01
14	6/1/2011	27,318.75	819.56	28,138.31	0.00	2,708.00	2,708.00	25,430.31	15,313.57
15	12/1/2011	25,430.31	762.91	26,193.22	0.00	2,708.00	2,708.00	23,485.22	16,076.48
16	6/1/2012	23,485.22	704.56	24,189.78	0.00	2,708.00	2,708.00	21,481.78	16,781.04
17	12/1/2012	21,481.78	644.45	22,126.23	0.00	2,708.00	2,708.00	19,418.23	17,425.49
18	6/1/2013	19,418.23	582.55	20,000.78	0.00	2,708.00	2,708.00	17,292.78	18,008.04
19	12/1/2013	17,292.78	518.78	17,811.56	0.00	2,708.00	2,708.00	15,103.56	18,526.82
20	6/1/2014	15,103.56	453.11	15,556.67	0.00	2,708.00	2,708.00	12,848.67	18,979.93
21	12/1/2014	12,848.67	385.46	13,234.13	0.00	2,708.00	2,708.00	10,526.13	19,365.39
22	6/1/2015	10,526.13	315.78	10,841.91	0.00	2,708.00	2,708.00	8,133.91	19,681.17
23	12/1/2015	8,133.91	244.02	8,377.93	0.00	2,708.00	2,708.00	5,669.93	19,925.19
24	6/1/2016	5,669.93	170.10	5,840.03	0.00	2,708.00	2,708.00	3,132.03	20,095.29
25	12/1/2016	3,132.03	93.96	3,225.99	0.00	2,708.00	2,708.00	517.99	20,283.21
26	6/1/2017	517.99	15.54	533.53	0.00	533.53	533.53	0.00	20,298.75
27	12/1/2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,298.75

Schedule #2:

TABLE

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	12/1/2004	43,614.00	1,962.63	45,576.63	1,962.63	0.00	1,962.63	43,614.00	1,962.63
2	6/1/2005	43,614.00	1,962.63	45,576.63	1,962.63	0.00	1,962.63	43,614.00	3,925.26
3	12/1/2005	43,614.00	1,962.63	45,576.63	1,962.63	0.00	1,962.63	43,614.00	5,887.89
4	6/1/2006	43,614.00	1,962.63	45,576.63	1,962.63	0.00	1,962.63	43,614.00	7,850.52
5	12/1/2006	43,614.00	1,962.63	45,576.63	1,962.63	0.00	1,962.63	43,614.00	9,813.15
6	6/1/2007	43,614.00	1,962.63	45,576.63	0.00	2,708.00	2,708.00	42,868.63	11,775.78
7	12/1/2007	42,868.63	1,929.09	44,797.72	0.00	2,708.00	2,708.00	42,089.72	13,704.87
8	6/1/2008	42,089.72	1,894.04	43,983.76	0.00	2,708.00	2,708.00	41,275.76	15,598.91
9	12/1/2008	41,275.76	1,857.41	43,133.16	0.00	2,708.00	2,708.00	40,425.16	17,456.32

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10	6/1/2009	40,425.16	1,819.13	42,244.30	0.00	2,708.00	2,708.00	39,536.30	19,275.45
11	12/1/2009	39,536.30	1,779.13	41,315.43	0.00	2,708.00	2,708.00	38,607.43	21,054.58
12	6/1/2010	38,607.43	1,737.33	40,344.76	0.00	2,708.00	2,708.00	37,636.76	22,791.91
13	12/1/2010	37,636.76	1,693.65	39,330.42	0.00	2,708.00	2,708.00	36,622.42	24,485.56
14	6/1/2011	36,622.42	1,648.01	38,270.43	0.00	2,708.00	2,708.00	35,562.43	26,133.57
15	12/1/2011	35,562.43	1,600.31	37,162.74	0.00	2,708.00	2,708.00	34,454.74	27,733.88
16	6/1/2012	34,454.74	1,550.46	36,005.20	0.00	2,708.00	2,708.00	33,297.20	29,284.34
17	12/1/2012	33,297.20	1,498.37	34,795.57	0.00	2,708.00	2,708.00	32,087.57	30,782.71
18	6/1/2013	32,087.57	1,443.94	33,531.52	0.00	2,708.00	2,708.00	30,823.52	32,226.65
19	12/1/2013	30,823.52	1,387.06	32,210.57	0.00	2,708.00	2,708.00	29,502.57	33,613.71
20	6/1/2014	29,502.57	1,327.62	30,830.19	0.00	2,708.00	2,708.00	28,122.19	34,941.33
21	12/1/2014	28,122.19	1,265.50	29,387.69	0.00	2,708.00	2,708.00	26,679.69	36,206.83
22	6/1/2015	26,679.69	1,200.59	27,880.27	0.00	2,708.00	2,708.00	25,172.27	37,407.42
23	12/1/2015	25,172.27	1,132.75	26,305.03	0.00	2,708.00	2,708.00	23,597.03	38,540.17
24	6/1/2016	23,597.03	1,061.87	24,658.89	0.00	2,708.00	2,708.00	21,950.89	39,602.04
25	12/1/2016	21,950.89	987.79	22,938.68	0.00	2,708.00	2,708.00	20,230.68	40,589.83
26	6/1/2017	20,230.68	910.38	21,141.06	0.00	4,882.47	4,882.47	16,258.59	41,500.21
27	12/1/2017	16,258.59	731.64	16,990.23	0.00	5,416.00	5,416.00	11,574.23	42,231.85
28	6/1/2018	11,574.23	520.84	12,095.07	0.00	5,416.00	5,416.00	6,679.07	42,752.69
29	12/1/2018	6,679.07	300.56	6,979.63	0.00	5,416.00	5,416.00	1,563.63	43,053.25
30	6/1/2019	1,563.63	70.36	1,633.99	0.00	1,633.99	1,633.99	0.00	43,123.61
31	12/1/2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
32	6/1/2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
33	12/1/2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00