

PROJECT PLAN

TAX INCREMENT DISTRICT FOR KATELAND SUBDIVISION 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 is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. The creation of this Tax Increment District for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment.

This financing method is invaluable for encouraging growth and development of blighted properties with special re-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 public improvements in the Kateland Subdivision providing housing for low-to-moderate income residents. The Tax Increment Funds will be utilized for a road, drainage and to extend water and sewer to the property as Phase I of the Project Plan. The estimated cost of the improvements is \$500,000. Phase II of the Project Plan will include additional improvements to fund a portion of the costs associated with park improvements and infrastructure serving the North Haines Park. The proposed costs of park improvements and infrastructure to be included in Phase II are \$350,000. In addition, the project Plan includes an additional \$350,000 in "Other Necessary and Convenient Costs" for Phase II. The proposed boundaries are located north U.S. Interstate 90 and west of Haines Avenue.

The public improvements included in this District will enhance the ability for new development to occur, increasing the availability of affordable homes within the community and expanding the City's property tax base.

The applicant will finance Phase I of the estimated cost of improvements at an estimated 6% interest rate. The City will finance Phase II of the estimated cost of improvements at an estimated 6% interest rate. 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.

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 costs associated with the construction of Country Road and the interior loop road, drainage improvements and the extension of water and sewer to the residential property located at the north boundary of the District. The plan also includes costs associated with park improvements and infrastructure for North Haines Park located on the western boundary of the District, as well as other necessary and convenient costs.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Fifty One 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 projected as \$42,573,900. 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 IN TID #51

\$42,573,900

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$ 42,573,900
Estimated Assessed Value of project (year 20)	\$ 4,678,000
Other Anticipated Increases in Assessed Value	\$ 0
Estimated Increase in Assessed Value of Land*	\$ 0
Estimated Total Valuation (year 20)	\$ 47,251,900

*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 25 semi-annual payments over 13 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.

2004 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	10.1704	56.5%
Pennington County	4.7281	26.3%
City of Rapid City	3.0595	17.0%
West Dakota Water District	.0312	.2%
Total Mill Levy	17.9892	100%

Anticipated 2004 Owner Occupied Tax Rate: 0.0179892

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	2007	\$ 2,200,000	\$ 39,576

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2005 Nov	2008	\$ 4,678,000	\$ 84,153
2006 Nov.	2009	\$ 4,678,000	\$ 84,153
2007 Nov.	2010	\$ 4,678,000	\$ 84,153
2008 Nov.	2011	\$ 4,678,000	\$ 84,153
2009 Nov.	2012	\$ 4,678,000	\$ 84,153
2010 Nov.	2013	\$ 4,678,000	\$ 84,153
2011 Nov.	2014	\$ 4,678,000	\$ 84,153
2012 Nov	2015	\$ 4,678,000	\$ 84,153
2013 Nov	2016	\$ 4,678,000	\$ 84,153
2014 Nov	2017	\$ 4,678,000	\$ 84,153
2015 Nov	2018	\$ 4,678,000	\$ 84,153
2016 Nov	2019	\$ 4,678,000	\$ 84,153
2017 Nov	2020	\$ 4,678,000	\$ 84,153
2018 Nov	2021	\$ 4,678,000	\$ 84,153
2019 Nov	2022	\$ 4,678,000	\$ 84,153
2020 Nov	2023	\$ 4,678,000	\$ 84,153
2021 Nov	2024	\$ 4,678,000	\$ 84,153
2022 Nov	2025	\$ 4,678,000	\$ 84,153
2023 Nov	2026	\$ 4,678,000	\$ 84,153
2024			

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/26:
\$ 1,638,483

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2004 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$500,000 for Phase I of the Project Plan includes the funding for the extension of Country Road, a loop road, drainage improvements and the extension of water and sewer. Engineering costs are included in the capital costs.

The capital costs of \$350,000 for Phase II of the Project Plan include public improvements for North Haines Park.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The anticipated interest rate that the applicant and City plan to use for this project is 6%. It is estimated that the financing costs will total \$705,484.13. 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 – No professional service costs are anticipated in this 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 – No contingency costs are anticipated in the Project Plan.

Other Necessary and Convenient Payments – Other necessary and convenient costs in the amount of \$350,000 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 February 15, 2010, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on February 15, 2010.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:

Country Road and interior loop road (Phase I)	\$ 225,000.00
Water and Sewer infrastructure (Phase I)	\$ 190,000.00
Drainage improvements (Phase I)	\$ 85,000.00
Public Improvements (Phase II)	\$ 350,000.00

Professional Service Costs \$ 0

Financing Costs:

Financing interest \$ 705,484.13

Contingency Costs: \$ 0

Relocation Costs: \$ 0

Organizational Costs: \$ 0

Other Necessary and Convenient Costs (Phase II): \$ 350,000.00

TOTAL \$1,905,484.13

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 #51 fund available to the City Finance Officer on February 15, 2010.

These estimated project costs to be paid by the tax increment district can be identified as costs associated with the applicant and costs associated with the City. Those identified costs are:

PHASE I PROJECT COSTS (APPLICANT)

Capital Costs:	
Country Road and interior loop road	\$ 225,000.00
Water and Sewer infrastructure	\$ 190,000.00
Drainage improvements	\$ 85,000.00
Professional Service Costs	\$ 0
Financing Costs:	
Financing interest	\$ 247,820.47
Contingency Costs:	\$ 0
Relocation Costs:	\$ 0
Organizational Costs:	\$ 0
Other Necessary and Convenient Costs:	\$ 0
 TOTAL	 \$ 747,820.47

PHASE II PROJECT COSTS (CITY)

Capital Costs:	
Public Improvements	\$ 350,000.00
Professional Service Costs	\$ 0
Financing Costs:	
Financing interest	\$ 457,663.66
Contingency Costs:	\$ 0
Relocation Costs:	\$ 0
Organizational Costs:	\$ 0
Other Necessary and Convenient Costs:	\$ 350,000.00
 TOTAL	 \$1,157,663.66

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					
2007	\$ 2,200,000	\$ 0	\$ 10,487	\$ 6,727	\$ 79	\$ 39,576
2008	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2009	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2010	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2011	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2012	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2013	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2014	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2015	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2016	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2017	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2018	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2019	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2020	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2021	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2022	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2023	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2024	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2025	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153
2026	\$ 4,678,000	\$ 0	\$ 22,300	\$ 14,306	\$ 168	\$ 84,153

*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.

6. FINANCING METHOD

The financing method to be used in funding Phase I of this Plan is to be obtained by the applicant. The applicant will be responsible for any interest payments due for costs that are not available from Tax Increment District #51 for Phase I. The financing method to be used in funding Phase II of this Plan is to be obtained by the City. 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. Phase I project costs incurred by the developer will be paid first and are proposed to be paid off in 2015. Phase II project costs incurred by the City will be paid after Phase I is paid and are proposed to be paid off in 2017. Tax Increment District #36 is within the boundaries of Tax Increment District #51. It is anticipated that after Tax Increment District #36 is paid off in June 2015, the incremental funds from that District will be disbursed to Tax Increment District #51. 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

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from the Project Plan whichever comes first. The final payment from this Plan is scheduled to be made on June 1, 2017; however, the district may run the full 20 years if necessary to insure repayment.

There are two projected amortization rate schedules listed below. The first schedule shows the amount to be borrowed by the applicant using a 6% interest rate. The second schedule shows the amount to be borrowed by the City using a 6% interest rate.

PROJECTED AMORTIZATION RATE

TABLE

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	6/1/2005	546,363.00	16,390.89	562,753.89	16,390.89	0.00	16,390.89	546,363.00	16,390.89
2	12/1/2005	546,363.00	16,390.89	562,753.89	16,390.89	0.00	16,390.89	546,363.00	32,781.78
3	6/1/2006	546,363.00	16,390.89	562,753.89	16,390.89	0.00	16,390.89	546,363.00	49,172.67
4	12/1/2006	546,363.00	16,390.89	562,753.89	16,390.89	0.00	16,390.89	546,363.00	65,563.56
5	6/1/2007	546,363.00	16,390.89	562,753.89	0.00	19,788.00	19,788.00	542,965.89	81,954.45
6	12/1/2007	542,965.89	16,288.98	559,254.87	0.00	19,788.00	19,788.00	539,466.87	98,243.43
7	6/1/2008	539,466.87	16,184.01	555,650.87	0.00	42,076.00	42,076.00	513,574.87	114,427.44
8	12/1/2008	513,574.87	15,407.25	528,982.12	0.00	42,076.00	42,076.00	486,906.12	129,834.69
9	6/1/2009	486,906.12	14,607.18	501,513.30	0.00	42,076.00	42,076.00	459,437.30	144,441.87
10	12/1/2009	459,437.30	13,783.12	473,220.42	0.00	42,076.00	42,076.00	431,144.42	158,224.99
11	6/1/2010	431,144.42	12,934.33	444,078.76	0.00	42,076.00	42,076.00	402,002.76	171,159.32
12	12/1/2010	402,002.76	12,060.08	414,062.84	0.00	42,076.00	42,076.00	371,986.84	183,219.40
13	6/1/2011	371,986.84	11,159.61	383,146.44	0.00	42,076.00	42,076.00	341,070.44	194,379.01
14	12/1/2011	341,070.44	10,232.11	351,302.56	0.00	42,076.00	42,076.00	309,226.56	204,611.12
15	6/1/2012	309,226.56	9,276.80	318,503.35	0.00	42,076.00	42,076.00	276,427.35	213,887.92
16	12/1/2012	276,427.35	8,292.82	284,720.17	0.00	42,076.00	42,076.00	242,644.17	222,180.74
17	6/1/2013	242,644.17	7,279.33	249,923.50	0.00	42,076.00	42,076.00	207,847.50	229,460.07
18	12/1/2013	207,847.50	6,235.42	214,082.92	0.00	42,076.00	42,076.00	172,006.92	235,695.49
19	6/1/2014	172,006.92	5,160.21	177,167.13	0.00	42,076.00	42,076.00	135,091.13	240,855.70
20	12/1/2014	135,091.13	4,052.73	139,143.87	0.00	42,076.00	42,076.00	97,067.87	244,908.43
21	6/1/2015	97,067.87	2,912.04	99,979.90	0.00	99,979.90	99,979.90	0.00	247,820.47
22	12/1/2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00	247,820.47
23	6/1/2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	247,820.47
24	12/1/2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	247,820.47

TABLE

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	6/1/2005	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	12/1/2005	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	6/1/2006	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	12/1/2006	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	6/1/2007	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	12/1/2007	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	6/1/2008	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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8	12/1/2008	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	6/1/2009	1,027,101.50	30,813.05	1,057,914.55	30,813.05	0.00	30,813.05	1,027,101.50	30,813.05
10	12/1/2009	1,027,101.50	30,813.04	1,057,914.54	30,813.04	0.00	30,813.04	1,027,101.50	61,626.10
11	6/1/2010	1,027,101.50	30,813.04	1,057,914.54	30,813.04	0.00	30,813.04	1,027,101.50	92,439.15
12	12/1/2010	1,027,101.50	30,813.05	1,057,914.55	30,813.05	0.00	30,813.05	1,027,101.50	123,252.20
13	6/1/2011	1,027,101.50	30,813.04	1,057,914.54	30,813.04	0.00	30,813.04	1,027,101.50	154,065.25
14	12/1/2011	1,027,101.50	30,813.05	1,057,914.55	30,813.05	0.00	30,813.05	1,027,101.50	184,878.30
15	6/1/2012	1,027,101.50	30,813.05	1,057,914.55	30,813.05	0.00	30,813.05	1,027,101.50	215,691.35
16	12/1/2012	1,027,101.50	30,813.04	1,057,914.54	30,813.04	0.00	30,813.04	1,027,101.50	246,504.40
17	6/1/2013	1,027,101.50	30,813.04	1,057,914.54	30,813.04	0.00	30,813.04	1,027,101.50	277,317.45
18	12/1/2013	1,027,101.50	30,813.05	1,057,914.55	30,813.05	0.00	30,813.05	1,027,101.50	308,130.50
19	6/1/2014	1,027,101.50	30,813.05	1,057,914.55	30,813.05	0.00	30,813.05	1,027,101.50	338,943.55
20	12/1/2014	1,027,101.50	30,813.04	1,057,914.54	30,813.05	0.00	30,813.04	1,027,101.50	369,756.60
21	6/1/2015	1,027,101.50	30,813.05	1,057,914.55	0.00	34,409.17	34,409.17	1,023,505.38	400,569.65
22	12/1/2015	1,023,505.38	30,705.16	1,054,210.54	0.00	196,848.00	196,848.00	857,362.54	431,274.81
23	6/1/2016	477,555.91	14,326.68	491,882.59	0.00	196,848.00	196,848.00	295,034.59	445,601.49
24	12/1/2016	295,034.59	8,851.04	303,885.62	0.00	196,848.00	196,848.00	107,037.62	454,452.53
25	6/1/2017	107,037.62	3,211.13	110,248.75	0.00	110,248.75	110,248.75	0.00	457,663.66
26	12/1/2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	457,663.66
27	6/1/2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	457,663.66