

PROJECT PLAN

TAX INCREMENT DISTRICT #63
COPPERFIELD VISTAS
CITY OF RAPID CITY

Prepared by the

Rapid City Growth Management Department
May 2007

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 infrastructure adjacent to Copperfield Vistas and property owned by the Rapid City Economic Development Foundation. The proposed boundaries are located west of Elk Vale Road and north of Copperfield Subdivision. The Tax Increment Funds would be utilized for the extension of Homestead Street through the Rushmore Business Park and a drainage crossing. The estimated cost of the improvements is \$1,200,000. In addition, a future phase has been included for the extension of East Anamosa Street through the Rushmore Business Park for a total of \$2,200,000. The total project costs for the two phases not including interest is \$3,400,000.

At the Tax Increment Financing Committee meeting held on January 23, 2007 the Tax Increment Financing Committee recommended approval of Tax Increment District #63 for economic development purposes. The Committee also recommended approval of the associated Project Plan. The Project Plan is based on a 9% interest rate with the developer providing the up-front funding for the project. The Tax Increment Financing Committee indicated that the extension of roadway infrastructure will facilitate the

development of the property currently considered blighted due to the lack of adequate infrastructure.

As the developer will be providing the up-front funding for the project, any shortfall in revenue will be borne by the developer. All project expenditures must be completed within five years of the creation of the district. 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 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 public improvements are proposed to be installed in two phases. Phase I will include the costs associated with the extension of Homestead Street and a drainage crossing. Phase II improvements will include the extension of E. Anamosa Street. Phase I project costs are anticipated to be \$1,200,000. Phase II project costs are anticipated to be \$2,200,000.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Sixty-Three 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 \$19,846. 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 #63

\$19,846

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

| | | |
|---|----|------------|
| Estimated Assessed Value of District | \$ | 19,846 |
| Estimated Assessed Value of project (year 20) | \$ | 67,500,000 |
| Other Anticipated Increases in Assessed Value | \$ | 0 |
| Estimated Increase in Assessed Value of Land* | \$ | 0 |
| Estimated Total Valuation (year 20) | \$ | 67,519,846 |

*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 35 semi-annual payments over 18 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.

2006 Owner Occupied 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 | 9.6045 | 56.0% |
| Pennington County | 4.5471 | 26.6% |
| City of Rapid City | 2.9680 | 17.3% |
| West Dakota Water District | .0281 | .1% |
| Total Mill Levy | 17.1477 | 100% |

Anticipated 2006 Owner Occupied Tax Rate: 0.0171477

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> | <u>SIX MONTH PAYMENTS</u> |
|--------------------------|--------------------------------|---|---------------------------------------|-------------------------------|
| Nov. 2007 | 2009 | \$ 3,750,000 | \$ 64,304 | \$ 32,152 |
| Nov. 2008 | 2010 | \$ 7,500,000 | \$ 128,608 | \$ 64,304 |
| Nov. 2009 | 2011 | \$ 11,250,000 | \$ 192,912 | \$ 96,456 |
| Nov. 2010 | 2012 | \$ 15,000,000 | \$ 257,216 | \$ 128,608 |
| Nov. 2011 | 2013 | \$ 18,750,000 | \$ 321,518 | \$ 160,759 |
| Nov. 2012 | 2014 | \$ 22,500,000 | \$ 385,822 | \$ 192,911 |
| Nov 2013 | 2015 | \$ 26,250,000 | \$ 450,126 | \$ 225,063 |
| Nov 2014 | 2016 | \$ 30,000,000 | \$ 514,430 | \$ 257,215 |
| Nov 2015 | 2017 | \$ 33,750,000 | \$ 578,734 | \$ 289,367 |
| Nov 2016 | 2018 | \$ 37,500,000 | \$ 643,038 | \$ 321,519 |
| Nov 2017 | 2019 | \$ 41,250,000 | \$ 707,342 | \$ 353,671 |
| Nov 2018 | 2020 | \$ 45,000,000 | \$ 771,646 | \$ 385,823 |
| Nov 2019 | 2021 | \$ 48,750,000 | \$ 835,950 | \$ 417,975 |
| Nov 2020 | 2022 | \$ 52,500,000 | \$ 900,254 | \$ 450,127 |
| Nov 2021 | 2023 | \$ 56,250,000 | \$ 964,558 | \$ 482,279 |
| Nov 2022 | 2024 | \$ 60,000,000 | \$1,028,862 | \$ 514,431 |
| Nov 2023 | 2025 | \$ 63,750,000 | \$1,093,166 | \$ 546,583 |
| Nov 2024 | 2026 | \$ 67,500,000 | \$1,157,470 | \$ 578,735 |
| Nov 2025 | 2027 | \$ 67,500,000 | \$1,157,470 | \$ 578,735 |
| Nov 2026 | 2028 | \$ 67,500,000 | \$1,157,470 | \$ 578,735 |

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/28:
\$13,310,896

NOTE: Tax increment payments are calculated using 100% of estimated future increment in property valuation and 100% of the 2006 mill levy.

3. PHASE I PROJECT COSTS

Capital Costs – Developer costs of Phase I capital costs total \$700,000. Phase I would include the costs associated with the extension of Homestead Street and a drainage crossing. Developer costs of Phase II capital costs total \$1,750,000 for the extension of E. Anamosa 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 9% for the applicant acquired financing. It is estimated that Developer financing costs for Phase I will total \$1,056,683.91. It is estimated that Developer financing costs for Phase II will total \$3,621,335.35. 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 –Professional service costs of \$220,000 have been included 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 \$70,000 are anticipated in the Project Plan.

Necessary and Convenient Payments – Necessary and convenient costs in the amount of \$660,000 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 June 1, 2012, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on June 1, 2012.

TOTAL ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Phase I Project Costs

Capital Costs:

| | | |
|-------------------|----|------------|
| Homestead Street | \$ | 480,000.00 |
| Drainage Crossing | \$ | 220,000.00 |

Phase II Project Costs

Capital Costs:

| | | |
|-------------------|----|--------------|
| E. Anamosa Street | \$ | 1,000,000.00 |
| Water mains | \$ | 750,000.00 |

Professional Service Costs \$ 220,000.00

Financing Costs:

| | | |
|--------------------|----|--------------|
| Financing interest | \$ | 4,678,019.27 |
|--------------------|----|--------------|

| | | |
|-----------------------|----|-----------|
| Contingency Costs: | \$ | 70,000.00 |
| Relocation Costs: | \$ | 0 |
| Organizational Costs: | \$ | 0 |

| | | |
|---------------------------------|----|------------|
| Necessary and Convenient Costs: | \$ | 660,000.00 |
|---------------------------------|----|------------|

| | | |
|----------------------------|----|---------------------|
| <u>TOTAL PROJECT COSTS</u> | \$ | <u>8,078,019.27</u> |
|----------------------------|----|---------------------|

| | | |
|---|----|----------|
| Imputed Administrative Costs* City of Rapid City | \$ | 2,050.00 |
|---|----|----------|

*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 #63 fund available to the City Finance Officer on June 1, 2012.

PROJECT COSTS FOR PHASE I:

| | | |
|-------------------|----|------------|
| Capital Costs: | | |
| Homestead Street | \$ | 480,000.00 |
| Drainage Crossing | \$ | 220,000.00 |

| | | |
|----------------------------|----|-----------|
| Professional Service Costs | \$ | 70,000.00 |
|----------------------------|----|-----------|

| | | |
|--------------------|----|--------------|
| Financing Costs: | | |
| Financing interest | \$ | 1,056,683.92 |

| | | |
|-----------------------|----|-----------|
| Contingency Costs: | \$ | 70,000.00 |
| Relocation Costs: | \$ | 0 |
| Organizational Costs: | \$ | 0 |

| | | |
|---------------------------------|----|------------|
| Necessary and Convenient Costs: | \$ | 360,000.00 |
|---------------------------------|----|------------|

| | | |
|------------------------------------|----|---------------------|
| <u>TOTAL PHASE I PROJECT COSTS</u> | \$ | <u>2,256,683.92</u> |
|------------------------------------|----|---------------------|

PROJECT COSTS FOR PHASE II:

| | | |
|-------------------|----|--------------|
| Capital Costs: | | |
| E. Anamosa Street | \$ | 1,000,000.00 |
| Water mains | \$ | 750,000.00 |

| | | |
|----------------------------|----|------------|
| Professional Service Costs | \$ | 150,000.00 |
|----------------------------|----|------------|

| | | |
|--------------------|----|--------------|
| Financing Costs: | | |
| Financing interest | \$ | 3,621,335.35 |

| | | |
|-----------------------|----|---|
| Contingency Costs: | \$ | 0 |
| Relocation Costs: | \$ | 0 |
| Organizational Costs: | \$ | 0 |

| | | |
|---------------------------------|----|------------|
| Necessary and Convenient Costs: | \$ | 300,000.00 |
|---------------------------------|----|------------|

| | | |
|-------------------------------------|----|---------------------|
| <u>TOTAL PHASE II PROJECT COSTS</u> | \$ | <u>5,821,335.35</u> |
|-------------------------------------|----|---------------------|

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 Increment |
|------|--------------|-----------|-----------|-----------|--------|---------------|
| Paid | Increase | | | | | |
| 2009 | \$ 3,750,000 | \$0 | \$ 17,104 | \$ 11,124 | \$ 64 | \$ 64,304 |
| 2010 | \$ 7,500,000 | \$0 | \$ 34,209 | \$ 22,249 | \$ 128 | \$ 128,608 |
| 2011 | \$11,250,000 | \$0 | \$ 51,314 | \$ 33,373 | \$ 192 | \$ 192,912 |
| 2012 | \$15,000,000 | \$0 | \$ 68,419 | \$ 44,498 | \$ 257 | \$ 257,216 |
| 2013 | \$18,750,000 | \$0 | \$ 85,523 | \$ 55,622 | \$ 321 | \$ 321,518 |
| 2014 | \$22,500,000 | \$0 | \$102,628 | \$ 66,747 | \$ 385 | \$ 385,822 |
| 2015 | \$26,250,000 | \$0 | \$119,733 | \$ 77,871 | \$ 450 | \$ 450,126 |
| 2016 | \$30,000,000 | \$0 | \$136,838 | \$ 88,996 | \$ 514 | \$ 514,430 |
| 2017 | \$33,750,000 | \$0 | \$153,943 | \$100,120 | \$ 578 | \$ 578,734 |
| 2018 | \$37,500,000 | \$0 | \$171,048 | \$111,245 | \$ 643 | \$ 643,038 |
| 2019 | \$41,250,000 | \$0 | \$188,152 | \$122,370 | \$ 707 | \$ 707,342 |
| 2020 | \$45,000,000 | \$0 | \$205,257 | \$133,494 | \$ 771 | \$ 771,646 |
| 2021 | \$48,750,000 | \$0 | \$222,362 | \$144,619 | \$ 835 | \$ 835,950 |
| 2022 | \$52,500,000 | \$0 | \$239,467 | \$155,743 | \$ 900 | \$ 900,254 |
| 2023 | \$56,250,000 | \$0 | \$256,572 | \$166,868 | \$ 964 | \$ 964,558 |
| 2024 | \$60,000,000 | \$0 | \$273,677 | \$177,993 | \$1028 | \$1028,862 |
| 2025 | \$63,750,000 | \$0 | \$290,782 | \$189,117 | \$1093 | \$1093,166 |
| 2026 | \$67,500,000 | \$0 | \$307,887 | \$202,242 | \$1157 | \$1157,470 |
| 2027 | \$67,500,000 | \$0 | \$307,887 | \$202,242 | \$1157 | \$1157,470 |
| 2028 | \$67,500,000 | \$0 | \$307,887 | \$202,242 | \$1157 | \$1157,470 |

*The Plan anticipates 35 semi-annual payments over 18 years; however, the district may run up to 20 years to insure repayment of the project costs.

**Pursuant to State Statute, the School District does not lose tax revenue as a result of the creation of the Tax Increment District.

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 that are not available from Tax Increment District #63. 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. One hundred percent of revenues received will be disbursed to the developer for project costs incurred by the developer for Phase I of the project. After Phase I is paid off, one hundred percent of revenues received will be disbursed to the developer for project costs incurred by the developer for Phase II of the project. According to SDCL 11-9-25, positive tax increments will be allocated to that fund until the debt from the project cost is retired or fifteen years following the last expenditure from the Project Plan whichever comes first. The final payment for Phase I of this Plan is scheduled to be made on December 1, 2016 in accordance with the attached amortization schedule. Final payment for Phase II of this Plan is scheduled to be made on June 1, 2024; 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 developer for Phase I using a 9% interest rate. Schedule #2 shows the amount to be borrowed by the Developer for Phase II using a 9% interest rate.

Schedule #1 – Phase I:

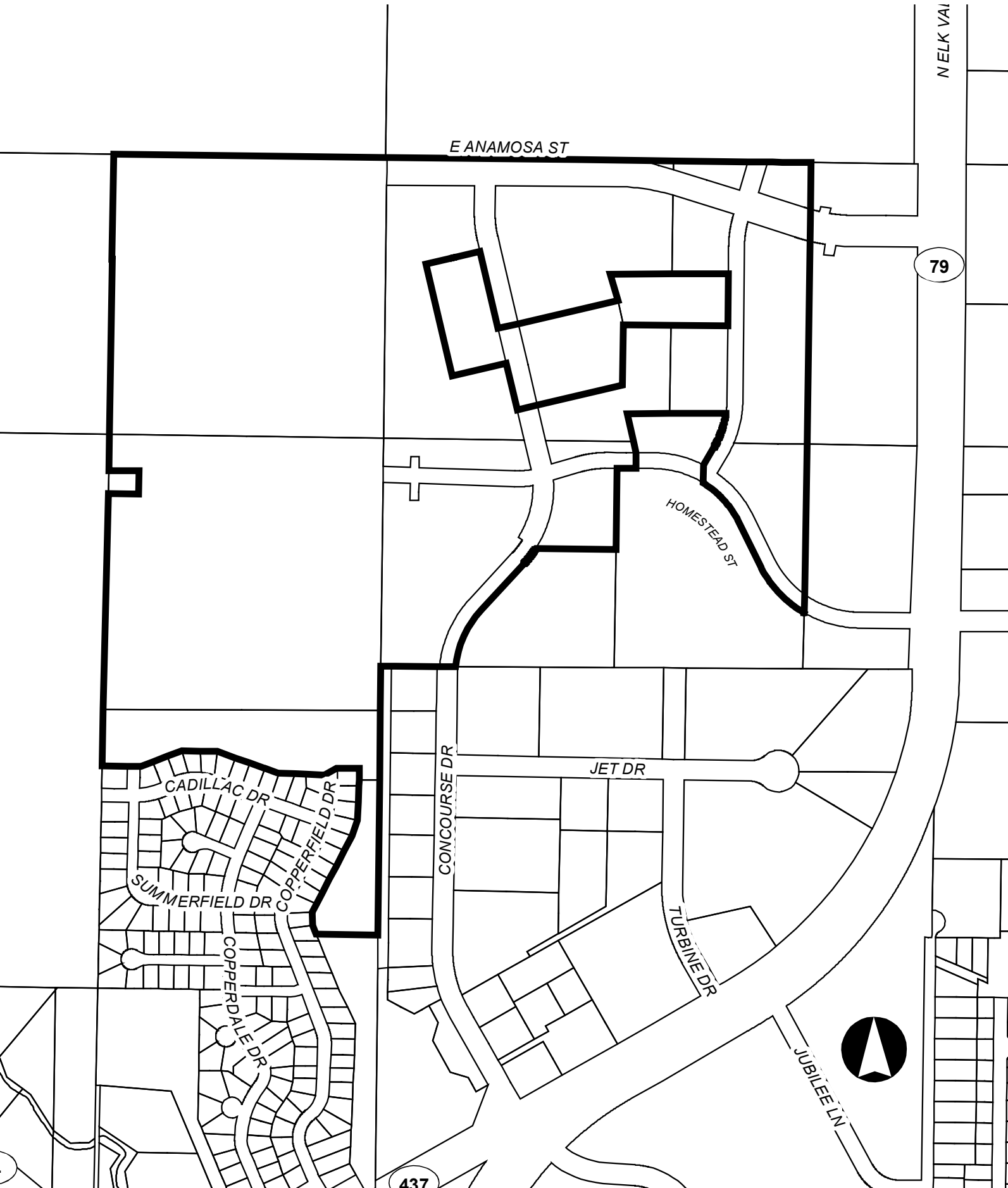
TABLE

| No. | Payment Date | Beginning Balance | Interest | Total Due | Capital Int Payment | Tax Inc Payment | Total Pay | Loan Balance | Cumulative Interest |
|-----|--------------|-------------------|-----------|--------------|---------------------|-----------------|------------|--------------|---------------------|
| 1 | 6/1/2007 | 1,200,000.00 | 54,000.00 | 1,254,000.00 | 54,000.00 | 0.00 | 54,000.00 | 1,254,000.00 | 54,000.00 |
| 2 | 12/1/2007 | 1,254,000.00 | 56,430.00 | 1,310,430.00 | 56,430.00 | 0.00 | 56,430.00 | 1,310,430.00 | 110,430.00 |
| 3 | 6/1/2008 | 1,310,430.00 | 58,969.35 | 1,369,399.35 | 58,969.35 | 0.00 | 58,969.35 | 1,369,399.35 | 169,399.35 |
| 4 | 12/1/2008 | 1,369,399.35 | 61,622.97 | 1,431,022.32 | 61,622.97 | 0.00 | 61,622.97 | 1,431,022.32 | 231,022.32 |
| 5 | 6/1/2009 | 1,431,022.32 | 64,396.00 | 1,495,418.33 | 32,244.00 | 32,152.00 | 64,396.00 | 1,463,266.33 | 295,418.33 |
| 6 | 12/1/2009 | 1,463,266.33 | 65,846.98 | 1,529,113.31 | 33,694.98 | 32,152.00 | 65,846.98 | 1,496,961.31 | 361,265.31 |
| 7 | 6/1/2010 | 1,496,961.31 | 67,363.26 | 1,564,324.57 | 3,059.26 | 64,304.00 | 67,363.26 | 1,500,020.57 | 428,628.57 |
| 8 | 12/1/2010 | 1,500,020.57 | 67,500.93 | 1,567,521.49 | 3,196.93 | 64,304.00 | 67,500.93 | 1,503,217.49 | 496,129.49 |
| 9 | 6/1/2011 | 1,503,217.49 | 67,644.79 | 1,570,862.28 | 0.00 | 96,456.00 | 96,456.00 | 1,474,406.28 | 563,774.28 |
| 10 | 12/1/2011 | 1,474,406.28 | 66,348.28 | 1,540,754.56 | 0.00 | 96,456.00 | 96,456.00 | 1,444,298.56 | 630,122.56 |
| 11 | 6/1/2012 | 1,444,298.56 | 64,993.44 | 1,509,292.00 | 0.00 | 128,608.00 | 128,608.00 | 1,380,684.00 | 695,116.00 |
| 12 | 12/1/2012 | 1,380,684.00 | 62,130.78 | 1,442,814.78 | 0.00 | 128,608.00 | 128,608.00 | 1,314,206.78 | 757,246.78 |
| 13 | 6/1/2013 | 1,314,206.78 | 59,139.31 | 1,373,346.08 | 0.00 | 160,759.00 | 160,759.00 | 1,212,587.08 | 816,386.08 |
| 14 | 12/1/2013 | 1,212,587.08 | 54,566.42 | 1,267,153.50 | 0.00 | 160,759.00 | 160,759.00 | 1,106,394.50 | 870,952.50 |
| 15 | 6/1/2014 | 1,106,394.50 | 49,787.75 | 1,156,182.26 | 0.00 | 192,911.00 | 192,911.00 | 963,271.26 | 920,740.26 |
| 16 | 12/1/2014 | 963,271.26 | 43,347.21 | 1,006,618.46 | 0.00 | 192,911.00 | 192,911.00 | 813,707.46 | 964,087.46 |
| 17 | 6/1/2015 | 813,707.46 | 36,616.84 | 850,324.30 | 0.00 | 225,063.00 | 225,063.00 | 625,261.30 | 1,000,704.30 |
| 18 | 12/1/2015 | 625,261.30 | 28,136.76 | 653,398.06 | 0.00 | 225,063.00 | 225,063.00 | 428,335.06 | 1,028,841.06 |

Tax Increment District No. 63 - Copperfield Vistas Vicinity Map



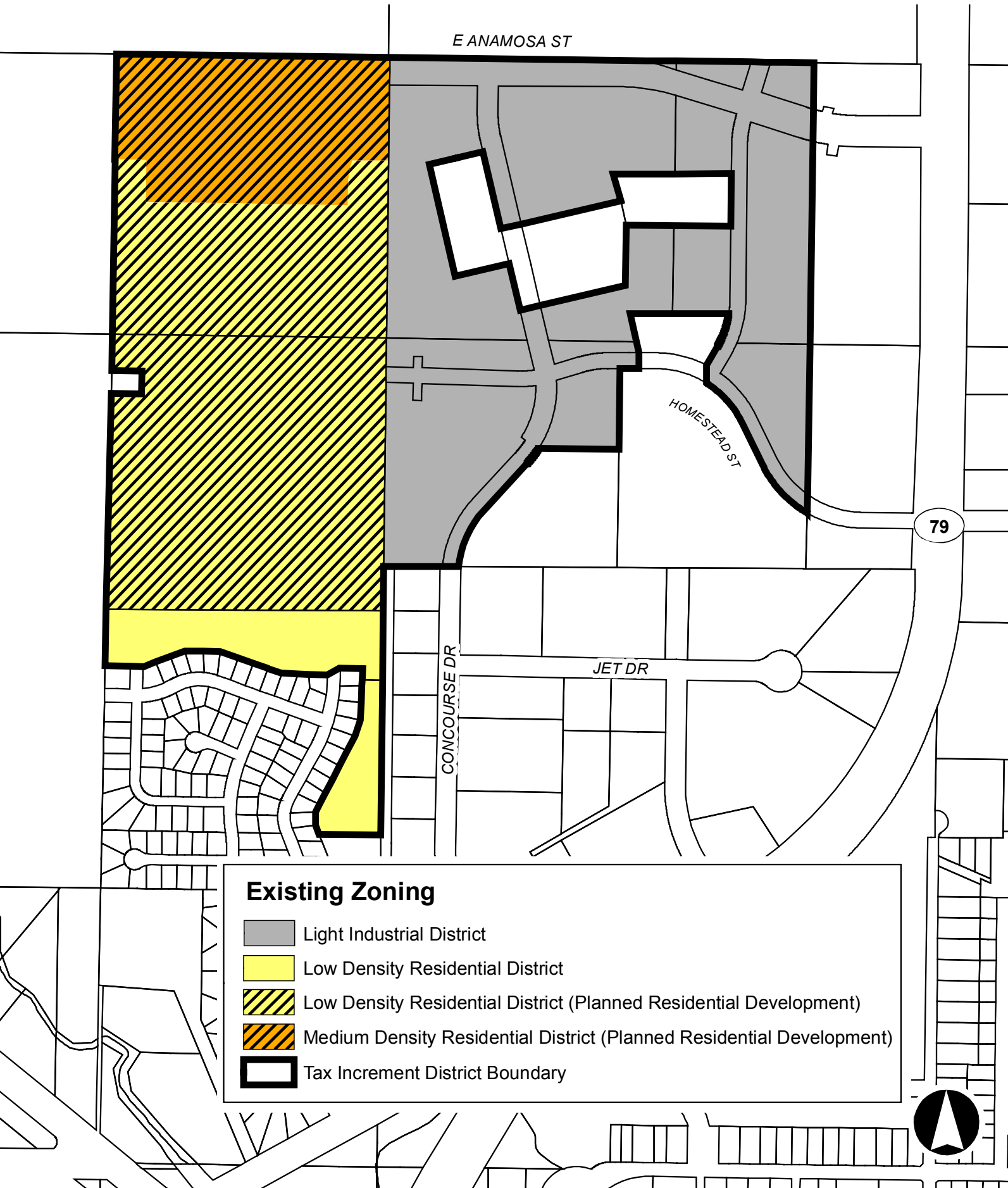
Tax Increment District No. 63 - Copperfield Vistas Boundary Map



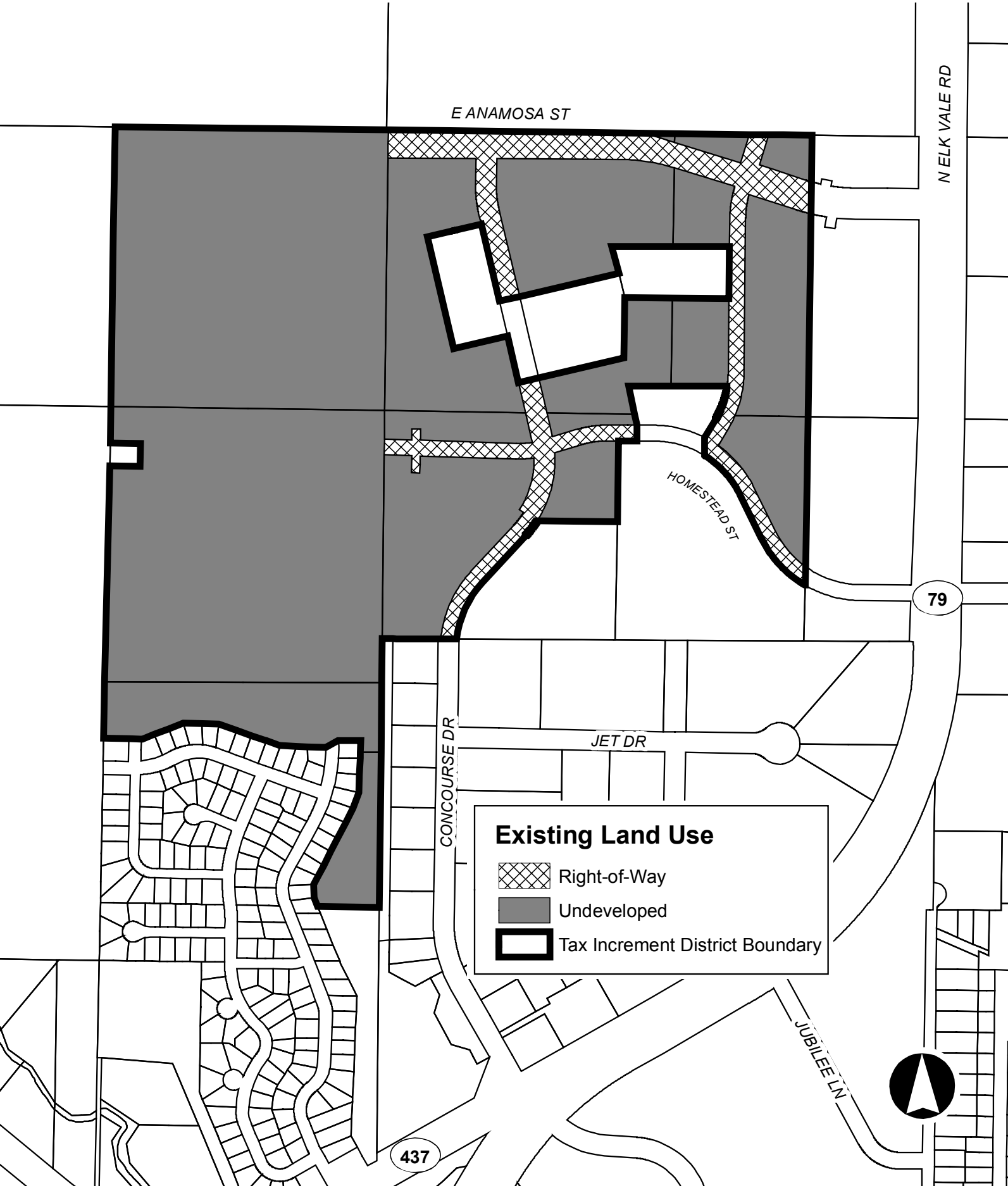
Tax Increment District No. 63 - Copperfield Vistas Aerial Map



Tax Increment District No. 63 - Copperfield Vistas Zoning Map



Tax Increment District No. 63 - Copperfield Vistas Land Use Map



Tax Increment District No. 63 - Copperfield Vistas Public Improvements

