

PROJECT PLAN

TAX INCREMENT DISTRICT #74
EAST MINNESOTA STREET
CITY OF RAPID CITY

Prepared by the

**Rapid City Community Planning and
Development Services Department**
May 2013

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 into 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 future development of property adjacent to Elks Country Estates and Elks Crossing by extending Minnesota Street to the east along the southern boundary of Elks Country Estates and Elks Crossing. The Tax Increment Funds would be utilized for the extension of Minnesota Street (including water, sewer, storm sewer, sidewalks, curb/gutter, street light conduit and street lighting), power line relocation, a drainage facility and an irrigation pipe. The proposed boundaries are located south and west of Elks Country Estates north and south of Elk Vale Road and east of S.D. Highway 79. The estimated cost of the improvements is \$3,355,000.

The Tax Increment Financing Committee met on February 26, 2013 to discuss this proposed Project Plan for Tax Increment District #74 and recommended approval of the Project Plan. The Tax Increment District will be financed by the Developer.

The development of the public improvements will enhance the ability for new development to occur in this area increasing the community's economic vitality and expanding the City's property tax base.

The Tax Increment District to be created is 472.38 acres, with 16.58 percent zoned commercially, 1.5 percent zoned industrially and 81.97 percent zoned as residential.

The City Finance Officer will review and analyze the proposed financing terms and forward a recommendation for approval or disapproval to the City Council along with the Developer's Agreement or proposal for refinancing. For purposes of developing the project plan, all interest expenses are to be calculated utilizing a fixed rate not to exceed 9 percent annual interest as directed by the Tax Increment Financing Guidelines. However, the applicant has requested that a 6 percent annual interest rate be used, as this will allow the district costs to be paid out in 20 years. With the City Council's approval, this 6% interest amount shall be included in the project plan and at no time during the term of the project shall the actual interest expense exceed the amount budgeted in the project plan. An imputed Administrative Fee in the amount of \$20,000 shall be charged by the City of Rapid City to every Tax Increment District for which a Project Plan is approved. This fee shall be paid to the City as a project cost from the tax increment fund balance in year five of the Tax Increment District. 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 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 \$2,925,000 in capital costs associated with funding the extension of East Minnesota Street to a minimum of collector standards per the Infrastructure Design Criteria, power line relocation, a drainage facility and an irrigation pipe. In addition, the project plan includes \$430,000 in professional services for engineering and contingency costs.

2. ECONOMIC FEASIBILITY STUDY

Current 2012 Valuation – Tax Increment District Number Seventy Four has been created 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 at \$13,137,500. In accordance with SDCL 11-9-20, the certification of the base value will be determined by 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 #74
\$13,137,500

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated 2012 Assessed Value of District	\$13,137,500
Estimated 2032 Assessed Value of Project	\$90,029,800
Other Anticipated Increases in Assessed Value	\$0
Estimated Increase in Assessed Value of Land*	\$0
Estimated 2032 Total Valuation	\$90,029,800

*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. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2013 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	8.947	51.0%
Pennington County	5.210	29.7%
City of Rapid City	3.344	19.1%
West Dakota Water District	0.030	0.2%
Total Mill Levy	17.531	100.0%

Anticipated 2013 Owner Occupied Tax Rate: 0.017531

The estimated tax increment, available to pay for project costs in the Plan, can be calculated by multiplying the anticipated tax rate by the valuation increment. This calculation results in the following tax increments, which become available as taxes are paid for the applicable periods. Tax Increment District 74 overlaps the existing Tax Increment District 65; the projected increment income begins after the anticipated payoff of Tax Increment District 65. Below is the anticipated tax increment revenue projections for Tax Increment District 74.

PROJECTED TAX INCREMENT INCOME

<u>Assessment Date</u>	<u>Year Taxes Paid</u>	<u>Projected Increment in Valuation</u>	<u>Total Tax Increment Payments</u>	<u>6 Month Total</u>
Nov. 2013	2015	\$0	\$0	\$0.00
Nov. 2014	2016	\$0	\$0	\$0.00
Nov. 2015	2017	\$0	\$0	\$0.00
Nov. 2016	2018	\$0	\$0	\$0.00
Nov. 2017	2019	\$0	\$0	\$0
Nov. 2018	2020	\$0	\$0	\$0
Nov. 2019	2021	\$0	\$0	\$0
Nov. 2020	2022	\$47,629,800	\$834,998	\$417,499.01
Nov. 2021	2023	\$53,629,800	\$940,184	\$470,092.01
Nov. 2022	2024	\$59,629,800	\$1,045,370	\$522,685.01
Nov. 2023	2025	\$65,629,800	\$1,150,556	\$575,278.01
Nov. 2024	2026	\$71,629,800	\$1,255,742	\$627,871.01
Nov. 2025	2027	\$77,629,800	\$1,360,928	\$680,464.01
Nov. 2026	2028	\$83,629,800	\$1,466,114	\$733,057.01
Nov. 2027	2029	\$89,629,800	\$1,571,300	\$785,650.01
Nov. 2028	2030	\$90,029,800	\$1,578,312	\$789,156.21
Nov. 2029	2031	\$90,029,800	\$1,578,312	\$789,156.21
Nov. 2030	2032	\$90,029,800	\$1,578,312	\$789,156.21
Nov. 2031	2033	\$90,029,800	\$1,578,312	\$789,156.21
Nov. 2032	2034	\$90,029,800	\$1,578,312	\$789,156.21

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/32:
\$ 17,516,754

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2012 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$2,925,000 included in the Project Plan are funding the extension of East Minnesota Street (including all amenities required for a collector street per the Infrastructure Criteria Manual with any required utility oversizing costs), power line relocation, a drainage facility and an irrigation pipe.

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%. It is estimated that the financing costs will total \$3,104,457. 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 in the amount of \$190,000 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 – Contingency costs in the amount of \$240,000 are anticipated in this Project Plan.

Necessary and Convenient Payments – No 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 May 15, 2018, for its administrative costs in the amount of \$20,000. However, in no case shall the City be reimbursed less than \$1 on May 15, 2018.

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

Total Proposed TID Project Costs

Capital Costs:	
Minnesota Street	\$2,200,000.00
Drainage Pond	\$450,000.00
Irrigation Pipe	\$220,000.00
Power Line relocation	\$55,000.00
Professional Service Costs:	
Engineering	\$190,000.00
Financing Costs:	
Financing interest	\$3,104,457.25
Contingency Costs:	\$240,000.00
Necessary and Convenient Costs:	<u>\$0.00</u>
 TOTAL	 \$6,459,457.25
 Imputed Administrative Costs*	
City of Rapid City	\$20,000

*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 #74 fund available to the City Finance Officer on May 15, 2018.

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

<u>Year Taxes Paid</u>	<u>Total Valuation Increase</u>	<u>School</u>	<u>County</u>	<u>City</u>	<u>Water</u>	<u>Total</u>
2013	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2014	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2015	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2016	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2017	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2018	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2019	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2020	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2021	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2022	\$47,629,800	\$0.00	\$248,151.26	\$159,274.05	\$1,428.89	\$408,854.20
2023	\$53,629,800	\$0.00	\$279,411.26	\$179,338.05	\$1,608.89	\$460,358.20
2024	\$59,629,800	\$0.00	\$310,671.26	\$199,402.05	\$1,788.89	\$511,862.20
2025	\$65,629,800	\$0.00	\$341,931.26	\$219,466.05	\$1,968.89	\$563,366.20
2026	\$71,629,800	\$0.00	\$373,191.26	\$239,530.05	\$2,148.89	\$614,870.20
2027	\$77,629,800	\$0.00	\$404,451.26	\$259,594.05	\$2,328.89	\$666,374.20
2028	\$83,629,800	\$0.00	\$435,711.26	\$279,658.05	\$2,508.89	\$717,878.20
2029	\$89,629,800	\$0.00	\$466,971.26	\$299,722.05	\$2,688.89	\$769,382.20
2030	\$90,029,800	\$0.00	\$469,055.26	\$301,059.65	\$2,700.89	\$772,815.80
2031	\$90,029,800	\$0.00	\$469,055.26	\$301,059.65	\$2,700.89	\$772,815.80
2032	\$90,029,800	\$0.00	\$469,055.26	\$301,059.65	\$2,700.89	\$772,815.80

*The Plan anticipates 30 semi-annual payments over 15 years.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the applicants. The applicants will be responsible for any interest payments due that are not available from Tax Increment District #74. 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

Tax Increment District 74
Project Plan

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. The final payment from this Plan is anticipated to be made on December 1, 2027.

The projected amortization rate schedule is listed below showing the amount to be borrowed by the Developer using a 6% interest rate.

PROJECTED AMORTIZATION RATE

Tax Increment District 74 overlaps the existing Tax Increment District 65. The amortization schedule identifies tax increment payments beginning after the payoff of Tax Increment District 65.

Amortization Schedule - TID 74

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	6/1/2013	3,355,000.00	88,243.35	3,443,243.35	88,243.35	0.00	88,243.35	3,443,243.35	88,243.35
2	12/1/2013	3,443,243.35	90,564.33	3,533,807.67	90,564.33	0.00	90,564.33	3,533,807.67	178,807.67
3	6/1/2014	3,533,807.67	92,946.35	3,626,754.03	92,946.35	0.00	92,946.35	3,626,754.03	271,754.03
4	12/1/2014	3,626,754.03	95,391.03	3,722,145.06	95,391.03	0.00	95,391.03	3,722,145.06	367,145.06
5	6/1/2015	3,722,145.06	97,900.01	3,820,045.07	97,900.01	0.00	97,900.01	3,820,045.07	465,045.07
6	12/1/2015	3,820,045.07	100,474.98	3,920,520.05	100,474.98	0.00	100,474.98	3,920,520.05	565,520.05
7	6/1/2016	3,920,520.05	103,117.68	4,023,637.73	103,117.68	0.00	103,117.68	4,023,637.73	668,637.73
8	12/1/2016	4,023,637.73	105,829.88	4,129,467.62	105,829.88	0.00	105,829.88	4,129,467.62	774,467.62
9	6/1/2017	4,129,467.62	108,613.43	4,238,081.04	108,613.43	0.00	108,613.43	4,238,081.04	883,081.04
10	12/1/2017	4,238,081.04	111,470.18	4,349,551.22	111,470.18	0.00	111,470.18	4,349,551.22	994,551.22
11	6/1/2018	4,349,551.22	114,402.07	4,463,953.30	114,402.07	0.00	114,402.07	4,463,953.30	1,108,953.30
12	12/1/2018	4,463,953.30	117,411.08	4,581,364.38	117,411.08	0.00	117,411.08	4,581,364.38	1,226,364.38
13	6/1/2019	4,581,364.38	120,499.23	4,701,863.61	120,499.23	0.00	120,499.23	4,701,863.61	1,346,863.61
14	12/1/2019	4,701,863.61	123,668.61	4,825,532.22	123,668.61	0.00	123,668.61	4,825,532.22	1,470,532.22
15	6/1/2020	4,825,532.22	126,921.35	4,952,453.57	126,921.35	0.00	126,921.35	4,952,453.57	1,597,453.57
16	12/1/2020	4,952,453.57	130,259.64	5,082,713.20	130,259.64	0.00	130,259.64	5,082,713.20	1,727,713.20
17	6/1/2021	5,082,713.20	133,685.73	5,216,398.93	133,685.73	0.00	133,685.73	5,216,398.93	1,861,398.93
18	12/1/2021	5,216,398.93	137,201.94	5,353,600.87	0.00	439,412.23	137,201.94	4,914,188.64	1,998,600.87
19	6/1/2022	4,914,188.64	129,253.19	5,043,441.83	0.00	417,499.01	129,253.19	4,625,942.82	2,127,854.06
20	12/1/2022	4,625,942.82	121,671.74	4,747,614.56	0.00	417,499.01	121,671.74	4,330,115.55	2,249,525.80
21	6/1/2023	4,330,115.55	113,890.88	4,444,006.43	0.00	470,092.01	113,890.88	3,973,914.42	2,363,416.68
22	12/1/2023	3,973,914.42	104,522.06	4,078,436.48	0.00	470,092.01	104,522.06	3,608,344.47	2,467,938.74
23	6/1/2024	3,608,344.47	113,890.88	3,722,235.34	0.00	522,685.01	94,906.82	3,199,550.33	2,581,829.61
24	12/1/2024	3,199,550.33	84,154.70	3,283,705.04	0.00	522,685.01	84,154.70	2,761,020.03	2,665,984.32
25	6/1/2025	2,761,020.03	113,890.88	2,874,910.90	0.00	575,278.01	72,620.46	2,299,632.89	2,779,875.19
26	12/1/2025	2,299,632.89	60,485.04	2,360,117.93	0.00	575,278.01	60,485.04	1,784,839.92	2,840,360.23
27	6/1/2026	1,784,839.92	113,890.88	1,898,730.80	0.00	627,871.01	46,944.93	1,270,859.79	2,954,251.11
28	12/1/2026	1,270,859.79	33,426.21	1,304,285.99	0.00	627,871.01	33,426.21	676,414.98	2,987,677.31
29	6/1/2027	676,414.98	113,890.88	790,305.86	0.00	680,464.01	17,791.09	109,841.85	3,101,568.19
30	12/1/2027	109,841.85	2,889.06	112,730.91	0.00	112,730.91	2,889.06	0.00	3,104,457.25