

PROJECT PLAN

TAX INCREMENT DISTRICT NUMBER THIRTY-FIVE
CITY OF RAPID CITY

Prepared by the

Rapid City Planning Department
March 2002

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 fund drainage improvements in the Race Track and Unnamed Tributary Drainage Basins adjacent to Elk Vale Road. The Tax Increment revenues will fund the construction of a storm drainage pipe to transport the storm drainage from a recently constructed detention cell lying east of Elk Vale Road. The pipe will be located along the western edge of Jolly Lane (formerly known as 39th Street) right-of-way. This improvement will assist in the cost of locating the Children's Home Society's foster care facility on the eastern edge of the proposed district. The estimated cost of the design and construction of the storm drainage pipe is \$250,000.

Mr. Doyle Estes has proposed to obtain private financing for the project costs. He would be reimbursed from any tax increment revenues. The City will only be responsible for passing on any revenues received. 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 roles more quickly.

The financial assistance proposed in the Plan will help finance the costs associated with the construction of the Children's Home Society's foster care facility located in the vicinity. The Children's Home Society facility will provide some expanded employment

opportunities in the community. This non-profit agency provides an important and needed community service. Additionally, downstream properties will be better served by the improved storm drainage in the Race Track and Unnamed Tributary Drainage Basins.

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 construction of a storm drainage pipe along the western edge of the Jolly Lane (formerly 39th Street) right-of-way.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Thirty-Five 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 \$416,827. 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 #35

\$416,827

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$ 416,827
Estimated Assessed Value of project	\$ 250,000
Other Anticipated Increases in Assessed Value	\$ 3,000,000
Estimated Increase in Assessed Value of Land	\$ 0
Estimated Total Valuation	\$ 3,666,827

Revenue Estimates from Tax Increments

The Plan anticipates 23 semi-annual payments over 12 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	18.7258	66%
Pennington County	5.4063	19%
City of Rapid City	3.4685	12%
Rapid Valley Sewer	.5692	2%
West Dakota Water District	.0373	1%
Total Mill Levy	28.2071	100%

Anticipated 2002 Non Agricultural Tax Rate: 0.0282071

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 2005	2007	\$3,000,000	\$84,620
Nov. 2006	2008	\$3,000,000	\$84,620
Nov. 2007	2009	\$3,000,000	\$84,620
Nov.	2010	\$3,000,000	\$84,620

Tax Increment District 35
Project Plan

2008			
Nov.	2011	\$3,000,000	\$84,620
2009			
Nov.	2012	\$3,000,000	\$84,620
2010			
Nov.	2013	\$3,000,000	\$42,310
2011			

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 6/30/13:
\$ 550,030

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 for the Project Plan include the installation of a new storm drainage pipe and related improvements.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained by the developer. The anticipated interest rate used for these projections is 9%. It is estimated that the financing costs will total \$ 264,103.23. If a lower interest rate is obtained, the project costs will be repaid more quickly and the property will be returned to the tax roles sooner.

Professional Service Costs – Professional service costs of \$15,000 for the design of the facility has been included in the Project Plan.

Relocation Costs – No relocation costs are anticipated in this Project Plan as land is either right-of-way or vacant.

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

Necessary and Convenient Payments – Contingency costs in the amount of \$50,000 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 March 15, 2007, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on March 15, 2007.

ESTIMATED PROJECT COSTS TO BE PAID BYE THE TAX INCREMENT DISTRICT

Capital Costs:

Drainage Pipe (Including excavation, fill, materials, etc.) \$185,000.00

Professional Service

Engineering Design, Construction and Administration \$ 15,000.00

Financing Costs:

Tax Increment District 35
Project Plan

Financing interest	\$264,103.23
Professional Fees	\$ 0
Relocation Costs:	\$ 0
Organizational Costs	\$ 0
Necessary and Convenient Costs:	
Contingency	\$ 50,000.00
Other	\$ 0
TOTAL	\$514,103.23
Imputed Administrative Costs*	
City of Rapid City	\$ 2,040

*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 #35 fund available to the City Finance Officer on March 15, 2007.

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	Sewer	Water	Tax
Paid	Increase						Increment
2007	\$3,000,000	\$0	\$16,078	\$10,154	\$1,692	\$846	\$84,620
2008	\$3,000,000	\$0	\$16,078	\$10,154	\$1,692	\$846	\$84,620
2009	\$3,000,000	\$0	\$16,078	\$10,154	\$1,692	\$846	\$84,620
2010	\$3,000,000	\$0	\$16,078	\$10,154	\$1,692	\$846	\$84,620
2011	\$3,000,000	\$0	\$16,078	\$10,154	\$1,692	\$846	\$84,620
2012	\$3,000,000	\$0	\$16,078	\$10,154	\$1,692	\$846	\$84,620
2013	\$3,000,000	\$0	\$16,078	\$10,154	\$1,692	\$846	\$84,620

*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.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the developer.

The City and Mr. Doyle Estes will enter into a Contract for Private Development. That agreement will establish that the debt on the Tax Increment District Project Costs covered in the Plan will be retired by deposits made in the Tax Increment District #35 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 and the Contract for Private Development. According to SDCL 11-9-25, positive tax increments will be allocated to that fund until the debt from the projects 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, 2013.

PROJECTED AMORTIZATION RATE

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	06/01/2002	250,000.00	11,250.00	0.00	261,250.00	11,250.00
2	12/01/2002	261,250.00	11,756.25	0.00	273,006.25	23,006.25
3	06/01/2003	273,006.25	12,285.28	0.00	285,291.53	35,291.53
4	12/01/2003	285,291.53	12,838.12	0.00	298,129.65	48,129.65
5	06/01/2004	298,129.65	13,415.83	0.00	311,545.48	61,545.48
6	12/01/2004	311,545.48	14,019.55	0.00	325,565.03	75,565.03
7	06/01/2005	325,565.03	14,650.43	0.00	340,215.46	90,215.46
8	12/01/2005	340,215.46	15,309.70	0.00	355,525.16	105,525.15
9	06/01/2006	355,525.16	15,998.63	0.00	371,523.79	121,523.79
10	12/01/2006	371,523.79	16,718.57	0.00	388,242.36	138,242.36
11	06/01/2007	388,242.36	17,470.91	24,839.09	363,403.27	155,713.26
12	12/01/2007	363,403.27	16,353.15	25,956.85	337,446.42	172,066.41
13	06/01/2008	337,446.42	15,185.09	27,124.91	310,321.51	187,251.50
14	12/01/2008	310,321.51	13,964.47	28,345.53	281,975.98	201,215.97
15	06/01/2009	281,975.98	12,688.92	29,621.08	252,354.90	213,904.89
16	12/01/2009	252,354.90	11,355.97	30,954.03	221,400.87	225,260.86
17	06/01/2010	221,400.87	9,963.04	32,346.96	195,894.24	235,223.89
18	12/01/2010	195,894.24	8,815.24	33,494.76	162,399.48	244,039.14
19	06/01/2011	162,399.48	7,307.98	35,002.02	127,397.46	251,347.11
20	12/01/2011	127,397.46	5,732.89	36,577.11	90,820.35	257,080.00
21	06/01/2012	90,820.35	4,086.92	38,223.08	52,597.27	261,166.91
22	12/01/2012	52,597.27	2,366.88	39,943.12	12,654.15	263,533.79
23	06/01/2013	12,654.15	569.44	12,654.15	0.00	264,103.23
24	12/01/2013	0.00	0.00	0.00	0.00	264,103.23