

# PROJECT PLAN

TAX INCREMENT DISTRICT NUMBER THIRTY-SEVEN  
CITY OF RAPID CITY

Prepared by the

Rapid City Planning Department  
July 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 extend Severson Drive, located north of Corral Drive and west of Sheridan Lake Road. The Tax Increment revenues will fund the construction of Severson Drive, including grading, storm sewer, curb & gutter, and asphalt surfacing. This improvement will reduce the impact of the Dunham Estates development on Arrowhead Hills Subdivision residents. The estimated cost of the design and construction of Severson Drive is \$200,000.

A funding source has not been identified. However, the Tax Increment Finance Committee has recommended that the Infrastructure Development Partnership fund be reviewed as a possible funding source. Any funding used for the improvement will be repaid by the Tax Increment District.

### 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 design and construction of Severson Drive, including grading, storm sewer, curb and gutter, and asphalt surfacing.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Thirty-Seven 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 \$5,818,452. 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 #37

\$5,818,452

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$ 5,818,452
Estimated Assessed Value of project	\$ 0
Other Anticipated Increases in Assessed Value	\$ 0
Estimated Increase in Assessed Value of Land*	\$ 1,295,000
Estimated Total Valuation	\$ 7,113,452

\* Increase in land value is based on platting of 37 lots in the Dunham Estates. Any increase in assessed value of homes on the lots will increase the tax increment payment and allow the district debt to be retired early.

Revenue Estimates from Tax Increments

The Plan anticipates 29 semi-annual payments over 15 years; however, the district may run up to a maximum of 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	11.2480	56%
Pennington County	5.4063	27%
City of Rapid City	3.4685	16%
West Dakota Water District	.0373	1%
Total Mill Levy	20.1601	100%

\*Provided by Pennington County Auditor's Office

Anticipated 2002 Owner Occupied Tax Rate: 0.0201601

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. 2003	2004	\$1,295,000	\$26,107
Nov. 2004	2005	\$1,295,000	\$26,107
Nov. 2005	2006	\$1,295,000	\$26,107
Nov. 2006	2007	\$1,295,000	\$26,107
Nov. 2007	2008	\$1,295,000	\$26,107
Nov. 2008	2009	\$1,295,000	\$26,107

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Nov. 2009	2010	\$1,295,000	\$26,107
Nov. 2010	2011	\$1,295,000	\$26,107
Nov. 2011	2012	\$1,295,000	\$26,107
Nov. 2012	2013	\$1,295,000	\$26,107
Nov. 2013	2014	\$1,295,000	\$26,107
Nov. 2014	2015	\$1,295,000	\$26,107
Nov. 2015	2016	\$1,295,000	\$26,107

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/30/16:  
\$ 339,391

NOTE: Tax increment payments are calculated using 100% of estimated future lot valuation and 100% of expected 2002 mill levy.

### 3. PROJECT COSTS

Capital Costs – The capital costs for the Project Plan include the design and construction costs associated with grading, curb and gutter, storm sewer, and asphalt surfacing of Severson Drive.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate available at the time of financing. The anticipated interest rate used for these projections is 6%. It is estimated that the financing costs will total \$ 121,735.32. 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 for design and construction management totaling \$18,000 have 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 of \$32,000 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 August 1, 2007, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on August 1, 2007.

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

Capital Costs:		
Severson Drive Extension		\$150,000.00
Professional Service		
Engineering Design, Construction and Administration		\$ 18,000.00
Financing Costs:		
Financing interest		\$121,735.32
Professional Fees		\$ 0
Relocation Costs:		\$ 0
Organizational Costs		\$ 0
Necessary and Convenient Costs:		
Contingency		\$ 32,000.00
Other		\$ 0
TOTAL		\$321,735.32
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 #37 fund available to the City Finance Officer on August 1, 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	Water	Tax
Paid	Increase					Increment
2004	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2005	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2006	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2007	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107

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2008	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2009	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2010	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2011	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2012	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2013	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2014	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2015	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107
2016	\$1,295,000	\$0	\$7,049	\$4,177	\$261	\$26,107

\*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.

\*The Plan anticipates completion December 2016. However, the district may be in effect until August 2022 to insure repayment of all project costs.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan has not been identified. The Tax Increment Financing Committee has recommended that the Infrastructure Development Partnership funds be reviewed as a possible funding source.

PROJECTED AMORTIZATION RATE



Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
12/01/2002	200,000.00	6,000.00	0.00	206,000.00	6,000.00
06/01/2003	206,000.00	6,180.00	0.00	212,180.00	12,180.00
12/01/2003	212,180.00	6,365.40	0.00	218,545.40	18,545.40
06/01/2004	218,545.40	6,556.36	0.00	225,101.76	25,101.76
12/01/2004	225,101.76	6,753.05	6,299.95	218,801.81	31,854.81
06/01/2005	218,801.81	6,564.05	6,488.95	212,312.86	38,418.87
12/01/2005	212,312.86	6,369.39	6,683.61	205,629.25	44,788.25
06/01/2006	205,629.25	6,168.88	6,884.12	198,745.13	50,957.13
12/01/2006	198,745.13	5,962.35	7,090.65	191,654.48	56,919.49
06/01/2007	191,654.48	5,749.63	7,303.37	184,351.11	62,669.12
12/01/2007	184,351.11	5,530.53	7,522.47	176,828.64	68,199.65
06/01/2008	176,828.64	5,304.86	7,748.14	169,080.50	73,504.51
12/01/2008	169,080.50	5,072.42	7,980.58	161,099.92	78,576.93
06/01/2009	161,099.92	4,833.00	8,220.00	152,879.92	83,409.93
12/01/2009	152,879.92	4,586.40	8,466.60	144,413.32	87,996.32
06/01/2010	144,413.32	4,332.40	8,720.60	135,692.72	92,328.72
12/01/2010	135,692.72	4,070.78	8,982.22	126,710.50	96,399.50
06/01/2011	126,710.50	3,801.32	9,251.68	117,458.82	100,200.82
12/01/2011	117,458.82	3,523.76	9,529.24	107,929.58	103,724.58
06/01/2012	107,929.58	3,237.89	9,815.11	98,114.47	106,962.47
12/01/2012	98,114.47	2,943.43	10,109.57	88,004.90	109,905.91
06/01/2013	88,004.90	2,640.15	10,412.85	77,592.05	112,546.05
12/01/2013	77,592.05	2,327.76	10,725.24	66,866.81	114,873.81
06/01/2014	66,866.81	2,006.00	11,047.00	55,819.81	116,879.82

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12/01/2014	55,819.81	1,674.59	11,378.41	44,441.40	118,554.41
06/01/2015	44,441.40	1,333.24	11,719.76	32,721.64	119,887.65
12/01/2015	32,721.64	981.65	12,071.35	20,650.29	120,869.30
06/01/2016	20,650.29	619.51	12,433.49	8,216.80	121,488.81
12/01/2016	8,216.80	246.50	7,970.30	0.00	121,735.32
06/01/2017	0.00	0.00	0.00	0.00	121,735.32