

PROJECT PLAN

TAX INCREMENT DISTRICT NUMBER THIRTY-EIGHT
CITY OF RAPID CITY

Prepared by the
Rapid City Planning Department
January 2003

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 facilitate the development of commercial property located east of Elk Vale Drive through the construction of public improvements including; water main from Beal Street, a sanitary lift station, a force main sewer extension, gravity sewer extension, two drainage detention dams, Eglin Street road improvements, a deceleration lane, intersection signalization and a 16 inch looped water main on Elk Vale Road. These improvements will bring water to properties south along Elk Vale Road and connect to the proposed loop at the Big Sky Business Park providing some additional water pressure and a looped system for fire protection. The lift station will provide sewer capability for this development as well as future development in the area. Eglin Street will be an arterial road through the commercial property. A deceleration lane on Elk Vale Road and intersection signalization will allow for safe movement of traffic at Elk Vale Road and Eglin Street.

The estimated cost for these infrastructure improvements is \$3,187,600. The applicant will obtain private financing to pay for these improvements and will be reimbursed from any tax increment revenues with the exception of the costs associated with the sewer lift station. The City will be responsible for passing on revenues received but will not guarantee repayment of the private financing. 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.

This tax increment plan will allow this commercial area to develop by assisting with infrastructure costs and will assist area property owners with needed water and sewer connections and allow development of their property in the future. This additional commercial development will increase the community's economic vitality while expanding the City's property and sales tax base.

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 water and sewer infrastructure, road, deceleration lane, signalization improvements and detention dams.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Thirty-Eight 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 \$3,481,794. 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 #38

\$3,481,794

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$ 3,481,794
Anticipated Increases in Assessed Value (Year 20)	\$ 67,721,400
Estimated Total Valuation (Year 20)	\$ 71,203,194

Revenue Estimates from Tax Increments

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. 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	17.7052	67.6%
Pennington County	5.1463	19.6%
City of Rapid City	3.3041	12.6%
West Dakota Water District	.0350	0.2%
Total Mill Levy	26.1906	100%

Anticipated 2002 Non Agricultural Tax Rate: 0.0261906

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	2005	\$ 4,859,800	\$ 127,281

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Nov 2004	2006	\$ 5,721,800	\$ 149,857
Nov 2005	2007	\$ 8,721,800	\$ 228,429
Nov 2006	2008	\$ 15,837,200	\$ 414,786
Nov. 2007	2009	\$ 18,837,200	\$ 493,358
Nov. 2008	2010	\$ 26,144,400	\$ 684,738
Nov. 2009	2011	\$ 29,144,400	\$ 763,309
Nov. 2010	2012	\$ 32,144,400	\$ 841,881
Nov. 2011	2013	\$ 35,144,400	\$ 920,452
Nov. 2012	2014	\$ 42,721,400	\$1,118,899
Nov 2013	2015	\$ 47,721,400	\$1,249,852
Nov 2014	2016	\$ 52,721,400	\$1,380,805
Nov 2015	2017	\$ 57,721,400	\$1,511,758
Nov 2016	2018	\$ 62,721,400	\$1,642,711
Nov 2017	2019	\$ 67,721,400	\$1,773,664
Nov 2018	2020	\$ 67,721,400	\$1,773,664
Nov 2019	2021	\$ 67,721,400	\$1,773,664
Nov 2020	2022	\$ 67,721,400	\$1,773,664
Nov 2021	2023	\$ 67,721,400	\$ 886,832

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 6/30/23:
\$ 19,509,604

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 of \$3,187,600 for the Project Plan include water and sewer extension improvements, Eglin Street (Phase I), deceleration lane, signalized intersection, and drainage detention dam (Phase I). Eglin Street costs are broken down into \$598,000 for Phase I and \$455,000 for Phase II. A second detention dam is also included in Phase II for a cost of \$130,000.

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 9.5%. It is estimated that the financing costs will total \$3,623,279.13. If a lower interest rate is obtained, the project costs will be repaid more quickly and the property will be returned to the tax roles sooner.

Professional Service Costs – Professional service costs of \$200,200 for the design and geotechnical fees and other fees have been included in the Project Plan for Phase I. Professional service costs of \$45,000 for the design, construction and administrative fees have been included in Phase II of the Project Plan.

Relocation Costs – No relocation costs are anticipated in this Project Plan.

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

Necessary and Convenient Payments – Contingency costs in the amount of \$400,400 for Phase I and \$90,000 for Phase II 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, 2008, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on February 15, 2008.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:

Water Main	\$ 300,000.00
Lift Station	\$ 350,000.00
Force Main	\$ 210,000.00
Eglin Street (Phase I)	\$ 460,000.00
Gravity Sewer	\$ 132,000.00
Deceleration Lane	\$ 30,000.00
Signalization Intersection	\$ 120,000.00
Water Main Loop	\$ 300,000.00
Detention Dam (Phase I)	\$ 100,000.00
Eglin Street (Phase II)	\$ 350,000.00
Detention Dam (Phase II)	\$ 100,000.00

Professional Service:

Engineering Design, Construction and Administration (Phase I)	\$ 200,200.00
Engineering Design, Construction and Administration (Phase II)	\$ 45,000.00

Financing Costs:

Financing interest	\$3,623,279.13
Professional Fees	\$ 0

Relocation Costs (Phase I) \$ 0

Organizational Costs \$ 0

Other Necessary and Convenient Costs:

Phase I	\$ 400,400.00
Phase II	\$ 90,000.00
TOTAL	\$6,810,879.13
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 #38 fund available to the City Finance Officer on February 15, 2008.

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					
2005	\$ 4,859,800	\$0	\$ 25,010	\$ 16,057	\$ 170	\$ 127,281
2006	\$ 5,721,800	\$0	\$ 29,446	\$ 18,905	\$ 200	\$ 149,857
2007	\$ 8,721,800	\$0	\$ 44,885	\$ 28,818	\$ 305	\$ 228,429
2008	\$15,837,200	\$0	\$ 81,503	\$ 52,328	\$ 554	\$ 414,786
2009	\$18,837,200	\$0	\$ 96,942	\$ 62,240	\$ 659	\$ 493,358
2010	\$26,144,400	\$0	\$134,547	\$ 86,384	\$ 915	\$ 684,738
2011	\$29,144,400	\$0	\$149,986	\$ 96,296	\$1,020	\$ 763,309
2012	\$32,144,400	\$0	\$165,425	\$106,208	\$1,125	\$ 841,881
2013	\$35,144,400	\$0	\$180,864	\$116,121	\$1,230	\$ 920,452
2014	\$42,721,400	\$0	\$219,857	\$141,156	\$1,495	\$1,118,899
2015	\$47,721,400	\$0	\$245,589	\$157,676	\$1,670	\$1,249,852
2016	\$52,721,400	\$0	\$271,320	\$174,197	\$1,845	\$1,380,805
2017	\$57,721,400	\$0	\$297,052	\$190,717	\$2,020	\$1,511,758
2018	\$62,721,400	\$0	\$322,783	\$207,238	\$2,195	\$1,642,711
2019	\$67,721,400	\$0	\$348,515	\$223,758	\$2,370	\$1,773,664
2020	\$67,721,400	\$0	\$348,515	\$223,758	\$2,370	\$1,773,664
2021	\$67,721,400	\$0	\$348,515	\$223,758	\$2,370	\$1,773,664
2022	\$67,721,400	\$0	\$348,515	\$223,758	\$2,370	\$1,773,664

2023	\$67,721,400	\$0	\$348,515	\$223,758	\$2,370	\$1,773,664
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*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 25 semi-annual payments over 13 years; however, the district may run up to 20 years to insure repayment of the project costs.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the developer with the exception of the costs associated with the sewer lift station. The applicant will be responsible for any interest payments due that are not available from Tax Increment District #38. Shortfalls are anticipated in years 2003 to 2009 requiring the applicant to absorb those interest costs. 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 #38 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. 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 scheduled to be made on December 1, 2015; however, the district may run the full 20 years if necessary to insure repayment.

PROJECTED AMORTIZATION RATE

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	12/01/2003	2,602,600.00	123,623.50	0.00	2,726,223.50	123,623.50
2	06/01/2004	2,726,223.50	123,623.50	0.00	2,849,847.00	247,247.00
3	12/01/2004	2,849,847.00	135,367.73	0.00	2,985,214.73	382,614.73
4	06/01/2005	2,985,214.73	135,367.73	0.00	3,056,941.96	517,982.46
5	12/01/2005	3,056,941.96	145,204.74	0.00	3,138,506.20	663,187.21
6	06/01/2006	3,138,506.20	145,204.74	0.00	3,208,782.44	808,391.95
7	12/01/2006	3,793,782.44	180,204.67	0.00	3,899,060.11	988,596.61
8	06/01/2007	3,899,058.61	180,204.67	0.00	3,965,048.78	1,168,801.28
9	12/01/2007	3,965,048.78	188,339.82	0.00	4,039,174.10	1,357,141.10
10	06/01/2008	4,039,174.10	188,339.82	19,053.18	4,020,120.92	1,545,480.92
11	12/01/2008	4,020,120.92	190,955.74	16,437.26	4,003,683.66	1,736,436.66
12	06/01/2009	4,003,683.66	190,955.74	55,723.26	3,947,960.40	1,927,392.40
13	12/01/2009	3,947,960.40	187,528.12	59,150.88	3,888,809.52	2,114,920.52
14	06/01/2010	3,888,809.52	187,528.12	154,840.88	3,733,968.64	2,302,448.64
15	12/01/2010	3,733,968.64	177,363.51	165,005.49	3,568,963.15	2,479,812.15
16	06/01/2011	3,568,963.15	177,363.51	204,290.49	3,364,672.66	2,657,175.66
17	12/01/2011	3,364,672.66	159,821.95	221,832.05	3,142,840.61	2,816,997.61
18	06/01/2012	3,142,840.61	159,821.95	261,118.05	2,881,722.56	2,976,819.56
19	12/01/2012	2,881,721.56	136,881.77	284,058.23	2,597,663.33	3,113,701.34

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20	06/01/2013	2,597,663.33	136,881.77	323,344.23	2,274,319.10	3,250,583.11
21	12/01/2013	2,274,318.60	108,030.13	352,195.87	1,922,122.73	3,358,613.24
22	06/01/2014	1,922,122.73	108,030.13	451,418.87	1,470,703.86	3,466,643.37
23	12/01/2014	1,470,703.86	69,858.43	489,590.57	981,113.29	3,536,501.80
24	06/01/2015	981,113.29	69,858.43	555,067.57	356,187.29	3,606,360.23
25	12/01/2015	356,187.29	16,918.90	356,187.29	0.00	3,623,279.13
26	12/01/2015	0.00	0.00	0.00	0.00	3,623,279.13
27	06/01/2016	0.00	0.00	0.00	0.00	3,623,279.13

Chart revised to reflect interest compounded annually in accordance with the financing anticipated by the applicant.