

PROJECT PLAN

TAX INCREMENT DISTRICT FOR 5TH STREET CITY OF RAPID CITY

Prepared by the

Rapid City Planning Department
June 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 assist in the development of the extension of 5th Street, located north of Catron Boulevard, west of S.D. Highway 79 and east of U.S. Highway 16. The Tax Increment Funds would be utilized to construct a portion of the City's project costs of 5th Street extension, and the extraordinary grading costs.

The City will finance the estimated cost of \$1,418,860 for this portion of the infrastructure improvements. 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.

This tax increment plan will allow 5th Street to extend south by assisting with infrastructure costs. The extension of 5th Street will enhance the ability of new development along this major north-south corridor from Interstate 90 to Catron Boulevard and will therefore increase the community's economic vitality and expand the City's property 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 City's costs of extending 5th Street and the extraordinary grading costs.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District for 5th Street 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 \$1,123,316. 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

\$1,123,316

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

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Estimated Assessed Value of District	\$ 1,123,316
Anticipated Increases in Assessed Value (Year 20)	\$ 31,113,800
Estimated Total Valuation (Year 20)	\$ 32,237,116

Revenue Estimates from Tax Increments

The Plan anticipates 18 semi-annual payments over 9 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

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	10.7729	55.9%
Pennington County	5.1463	26.7%
City of Rapid City	3.3041	17.1%
West Dakota Water District	.0350	.2%
Total Mill Levy	19.2583	100%

Anticipated 2002 Owner Occupied Tax Rate: 0.0192583

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

ASSESSMENT	YEAR TAXES	PROJECTED INCREMENT	TAX INCREMENT
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<u>DATE</u>	<u>PAID</u>	<u>IN VALUATION</u>	<u>PAYMENTS</u>	<u>TOTALS</u>
Nov 2003	2005	\$ 1,360,000(OO)	\$ 26,191	\$ 26,191
Nov 2004	2006	\$ 5,780,000(OO) \$ 4,191,400(NA)	\$ 111,314 \$ 109,774	\$221,088
Nov 2005	2007	\$ 11,651,200(OO) \$ 5,191,400(NA)	\$ 135,964 \$ 224,382	\$360,346
Nov 2006	2008	\$ 12,451,200(OO) \$ 6,191,400(NA)	\$ 239,788 \$ 162,156	\$401,944
Nov. 2007	2009	\$ 15,851,200(OO) \$ 7,191,400(NA)	\$ 305,268 \$ 188,346	\$493,614
Nov. 2008	2010	\$ 15,851,200(OO) \$ 8,191,400(NA)	\$ 305,266 \$ 214,538	\$519,804
Nov. 2009	2011	\$ 19,522,400(OO) \$ 8,191,400(NA)	\$ 375,968 \$ 214,538	\$590,506
Nov. 2010	2012	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov. 2011	2013	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov. 2012	2014	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov 2013	2015	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov 2014	2016	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov 2015	2017	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov 2016	2018	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov 2017	2019	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov 2018	2020	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov 2019	2021	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984

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Nov 2020	2022	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov 2021	2023	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984
Nov 2022	2024	\$ 22,922,400(OO) \$ 8,191,400(NA)	\$441,446 \$214,538	\$655,984

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/30/24:
\$ 11,141,285

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 \$1,418,860 for the Project Plan include funding for a portion of the City’s share of the extension of 5th Street and extraordinary grading costs.

Financing Costs – The financing costs for this Project Plan are estimated to be \$771,934.03. The anticipated interest rate used for these projections is 6%. If lower interest rates are obtained, the project costs will be repaid more quickly and the property will be returned to the tax rolls sooner.

Professional Service Costs – No Professional service costs are anticipated in this Project Plan.

Contingency Costs – No Contingency costs are anticipated in this 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 – No other necessary and convenient payment 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 July 15, 2008, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on July 15, 2008.

TOTAL PROJECT COSTS

Capital Costs:	Original Estimate*	Current Estimate*
Street Extension	\$4,540,000	\$5,348,600
Drainage Basin Improvements	\$ 610,000	\$ 664,900
Sanitary Sewer Extension	\$ 50,000	\$ 510,000

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Water Extension	<u>\$ 100,000</u>	<u>\$ 109,000</u>
TOTAL	\$5,300,000	\$6,632,500

*PRELIMINARY ESTIMATES – Design is not complete

*Does not include costs of acquiring Walgar property for right-of-way

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:

City's portion of 5 th Street	\$1,018,860.00
Extraordinary Grading	\$ 400,000.00

Professional Service:

Engineering Costs	\$ 0
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Contingency Costs:

\$ 0

Financing Costs:

Financing interest	\$ 771,934.03
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Relocation Costs

\$ 0

Organizational Costs

\$ 0

Other Necessary and Convenient Costs:

\$ 0

TOTAL

\$2,190,794.03

Imputed Administrative Costs*

City of Rapid City	\$ 2,050
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*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 fund available to the City Finance Officer on July 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.

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NET IMPACT ON TAXING ENTITIES

Year	Valuation	Schools	County	City	Water	Total
Paid	Increase					
2005	\$ 1,360,000 (00)	\$0	\$ 6,992	\$ 4,478	\$ 52	\$ 26,191
2006	\$ 5,780,000(00)	\$0	\$ 29,720	\$ 19,034	\$ 222	\$111,314
	\$ 4,191,400(NA)		\$21,515	\$13,831	\$ 219	\$109,774
2007	\$ 11,651,200(00)	\$0	\$ 59,909	\$ 38,369	\$ 448	\$224,382
	\$ 5,191,400(NA)		\$26,648	\$17,131	\$ 271	\$135,964
2008	\$ 12,451,200(00)	\$0	\$ 64,023	\$ 41,003	\$ 479	\$239,788
	\$ 6,191,400(NA)		\$31,782	\$20,431	\$ 324	\$162,156
2009	\$ 15,851,200(00)	\$0	\$81,506	\$ 52,200	\$ 610	\$305,268
	\$ 7,191,400(NA)		\$36,915	\$23,731	\$ 376	\$188,346
2010	\$ 15,851,200(00)	\$0	\$81,506	\$ 52,200	\$ 610	\$305,266
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2011	\$ 19,522,400(00)	\$0	\$100,383	\$ 64,290	\$751	\$375,968
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2012	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2013	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2014	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2015	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2016	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2017	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2018	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2019	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2020	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2021	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2022	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2023	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538
2024	\$ 22,922,400(00)	\$0	\$117,866	\$75,487	\$882	\$441,446
	\$ 8,191,400(NA)		\$42,049	\$27,031	\$429	\$214,538

*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 18 semi-annual payments over 9 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 City. 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. 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 June 1, 2011; 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	1,667,609.18	50,028.28	0.00	1,717,637.46	50,028.28
2	06/01/2004	1,717,637.46	51,529.12	0.00	1,769,166.58	101,557.40
3	12/01/2004	1,769,166.58	53,075.00	0.00	1,822,241.58	154,632.40
4	06/01/2005	1,822,241.58	54,667.25	0.00	1,876,908.82	209,299.64
5	12/01/2005	1,876,908.82	56,307.26	0.00	1,920,120.58	265,606.91
6	06/01/2006	1,920,120.58	57,603.62	0.00	1,964,628.70	323,210.53
7	12/01/2006	1,964,628.70	58,938.86	51,605.14	1,913,023.56	382,149.39
8	06/01/2007	1,913,023.56	57,390.71	53,153.29	1,859,870.27	439,540.09
9	12/01/2007	1,859,870.27	55,796.11	124,376.89	1,735,493.38	495,336.20
10	06/01/2008	1,735,493.38	52,064.80	128,108.20	1,607,385.18	547,401.00
11	12/01/2008	1,607,385.18	48,221.56	152,750.44	1,454,634.74	595,622.56
12	06/01/2009	1,454,634.74	43,639.04	157,332.96	1,297,301.78	639,261.60
13	12/01/2009	1,297,301.78	38,919.05	207,887.95	1,089,413.83	678,180.65
14	06/01/2010	1,089,413.83	32,682.41	214,124.59	875,289.24	710,863.07
15	12/01/2010	875,289.24	26,258.68	233,643.32	641,645.92	737,121.75
16	06/01/2011	641,645.92	19,249.38	240,652.62	400,993.30	756,371.12
17	12/01/2011	400,993.30	12,029.80	283,223.20	117,770.10	768,400.92
18	06/01/2012	117,770.10	3,533.10	117,770.10	0.00	771,934.03
19	12/01/2012	0.00	0.00	0.00	0.00	771,934.03
20	06/01/2013	0.00	0.00	0.00	0.00	771,934.03
21	12/01/2013	0.00	0.00	0.00	0.00	771,934.03

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