

# PROJECT PLAN

TAX INCREMENT DISTRICT FOR RED ROCK MEADOWS  
CITY OF RAPID CITY

Prepared by the

Rapid City Planning Department  
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## 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. In 2004, the state statute was amended to remove this additional tax for the School District's share of the increment if the Tax Increment District was established for economic development.

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 in the development of Red Rock Meadows, an 80 acre residential development located east of Red Rock Estates. The proposed project plan identifies two phases of project improvements. Phase I improvements include park improvements and the construction of a sanitary lift station and force main. Phase II improvements would include the purchase of a well site and well improvements. The total estimated cost of the improvements is \$1,700,000.

The improvements will increase the community's economic vitality and expand the City's property tax base while providing areas for residential development.

The applicant will finance Phase I improvements at an estimated 9% interest rate. The City will be responsible for obtaining funding for the Phase II improvements. The estimated interest rate for the City's costs is 6%. All project expenditures must be completed within five years. If funding is not available or the City Council determines it is not appropriate to proceed with the Phase II improvements, the district would be disbanded once the Phase I improvements are paid off. 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 capital costs associated with funding a park, the construction of a sewer lift station, and the expansion and purchase of a water well.

#### 2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Forty Six 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 \$33,704,620. 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 #46

\$33,704,620

Expected Increase in Valuation

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$ 33,704,620
Estimated Assessed Value of project (year 20)	\$ 50,350,000
Other Anticipated Increases in Assessed Value	\$ 0
Estimated Increase in Assessed Value of Land*	\$ 0
Estimated Total Valuation (year 20)	\$ 84,054,620

\*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 20 semi-annual payments over 10 years; however, because of the uncertainty associated with the development, the plan identifies a 20 year payback schedule. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2003 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	10.4134	56.3%
Pennington County	4.9092	26.5%
City of Rapid City	3.1493	17.0%
West Dakota Water District	.0331	.2%
Total Mill Levy	18.5050	100%

Anticipated 2003 Owner Occupied Tax Rate: 0.0185050

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. 2004	2006	\$ 1,200,000	\$ 22,206
Nov 2005	2007	\$ 4,800,000	\$ 88,824
Nov	2008	\$ 12,250,000	\$ 226,686

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2006 Nov	2009	\$ 21,750,000	\$ 402,484
2007 Nov	2010	\$ 29,600,000	\$ 547,748
2008 Nov	2011	\$ 37,900,000	\$ 701,340
2009 Nov.	2012	\$ 44,050,000	\$ 815,145
2010 Nov.	2013	\$ 50,350,000	\$ 931,726
2011 Nov.	2014	\$ 50,350,000	\$ 931,726
2012 Nov.	2015	\$ 50,350,000	\$ 931,726
2013 Nov.	2016	\$ 50,350,000	\$ 931,726
2014 Nov.	2017	\$ 50,350,000	\$ 931,726
2015 Nov.	2018	\$ 50,350,000	\$ 931,726
2016 Nov.	2019	\$ 50,350,000	\$ 931,726
2017 Nov.	2020	\$ 50,350,000	\$ 931,726
2018 Nov.	2021	\$ 50,350,000	\$ 931,726
2019 Nov.	2022	\$ 50,350,000	\$ 931,726
2020 Nov.	2023	\$ 50,350,000	\$ 931,726
2021 Nov.	2024	\$ 50,350,000	\$ 931,726
2022 Nov.	2025	\$ 50,350,000	\$ 931,726
2023			

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/25:  
\$ 14,916,871

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2003 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$1,700,000 included in the Project Plan is the construction of a sanitary sewer lift station and force main, the well purchase and expansion and a park.

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 9% for the applicant and 6% for the City. It is estimated that the financing costs will total

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\$1,573,504.18. 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 – No professional service costs are anticipated in the 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 \$170,000 have been included in the Project Plan.

Necessary and Convenient Payments – Other necessary and convenient costs in the amount of \$375,000 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 October 1, 2009, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on October 1, 2009.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:

Phase I

Sanitary sewer lift station	\$ 500,000.00
Sanitary sewer force Main	\$ 150,000.00
Park	\$ 300,000.00

Phase II

Well Lot Purchase	\$ 250,000.00
Well improvements	\$ 500,000.00

Professional Service Costs \$ 0

Financing Costs:

Financing interest \$ 1,573,504.18

Contingency Costs: \$ 170,000.00

Relocation Costs: \$ 0

Organizational Costs: \$ 0

Necessary and Convenient Costs: \$ 375,000.00

TOTAL \$ 3,818,504.18

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 #46 fund available to the City Finance Officer on October 1, 2009.

These estimated project costs to be paid by the tax increment district can be identified as costs associated with the applicant and costs associated with the City. Those identified costs are:

PHASE I PROJECT COSTS (APPLICANT)

Capital Costs:	
Sanitary Sewer lift Station	\$ 500,000.00
Sanitary sewer Force Main	\$ 150,000.00
Park	\$ 300,000.00
Professional Service:	\$ 0
Financing Costs:	
Financing Interest	\$1,077,404.79
Contingency Costs	\$ 95,000.00
Relocation Costs	\$ 0
Organizational Costs	\$ 0
Other Necessary and Convenient Costs:	
Other	\$ 200,000.00
 TOTAL	 \$2,322,404.79

PHASE II PROJECT COSTS (CITY)

Capital Costs:	
Well Purchase	\$ 250,000.00
Well expansion	\$ 500,000.00
Professional Service:	\$ 0
Financing Costs:	
Financing interest	\$ 496,099.39
Contingency Costs	\$ 75,000.00
Relocation Costs	\$ 0
Organizational Costs	\$ 0
Other Necessary and Convenient Costs:	
Other	\$ 175,000.00
 TOTAL	 \$1,496,099.39

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
2006	\$ 1,200,000	\$ 0	\$ 5,885	\$ 3,775	\$ 44	\$ 22,206
2007	\$ 4,800,000	\$ 0	\$ 23,538	\$ 15,100	\$ 177	\$ 88,824
2008	\$12,250,000	\$ 0	\$ 60,071	\$ 38,536	\$ 453	\$226,686
2009	\$21,750,000	\$ 0	\$106,658	\$ 68,422	\$ 804	\$402,484
2010	\$29,600,000	\$ 0	\$145,153	\$ 93,117	\$ 1,095	\$547,748
2011	\$37,900,000	\$ 0	\$185,855	\$ 119,227	\$ 1,402	\$701,340
2012	\$44,050,000	\$ 0	\$216,013	\$ 138,574	\$ 1,630	\$815,145
2013	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2014	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2015	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2016	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2017	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2018	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2019	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2020	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2021	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2022	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2023	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2024	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726
2025	\$50,350,000	\$ 0	\$246,907	\$ 158,393	\$ 1,863	\$931,726

\*The Plan anticipates 20 semi-annual payments over 10 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 applicant. 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. Fifty five percent of the revenues received will be disbursed to the developer for project costs incurred by the developer and forty five percent will be disbursed to the City of Rapid City for project costs incurred by the City until the City's portion is repaid. 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.



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The final payment from this Plan is scheduled to be made on June 1, 2014; however, the district may run the full 20 years if necessary to insure repayment.

There are two projected amortization rate schedules listed below. The first schedule shows the amount to be borrowed by the applicant using a 9% interest rate. The second schedule shows the amount to be borrowed by the City using a 6% interest rate.

PROJECTED AMORTIZATION RATE

**TABLE**

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	12/1/2004	1,484,684.00	66,810.78	1,551,494.70	66,810.78	0.00	66,810.78	1,484,684.00	66,810.78
2	6/1/2005	1,484,684.00	66,810.78	1,551,494.70	66,810.78	0.00	66,810.78	1,484,684.00	133,621.56
3	12/1/2005	1,484,684.00	66,810.78	1,551,494.70	66,810.78	0.00	66,810.78	1,484,684.00	200,432.34
4	6/1/2006	1,484,684.00	66,810.78	1,551,494.70	60,703.78	6,107.00	66,810.78	1,484,684.00	267,243.12
5	12/1/2006	1,484,684.00	66,810.78	1,551,494.70	60,703.78	6,107.00	66,810.78	1,484,683.92	334,053.90
6	6/1/2007	1,484,684.00	66,810.78	1,551,494.70	42,383.78	24,427.00	66,810.78	1,484,683.92	400,864.68
7	12/1/2007	1,484,683.92	66,810.78	1,551,494.70	42,383.78	24,427.00	66,810.78	1,484,683.92	467,675.46
8	6/1/2008	1,484,683.92	66,810.78	1,551,494.69	4,471.78	62,339.00	66,810.78	1,484,683.91	534,486.24
9	12/1/2008	1,484,683.91	66,810.78	1,551,494.69	4,471.78	62,339.00	66,810.78	1,484,683.91	601,297.02
10	6/1/2009	1,484,683.91	66,810.78	1,551,494.68	0.00	110,683.00	110,683.00	1,440,811.68	668,107.80
11	12/1/2009	1,440,811.68	64,836.53	1,505,648.21	0.00	110,683.00	110,683.00	1,394,965.21	732,944.33
12	6/1/2010	1,394,965.21	62,773.43	1,457,738.64	0.00	150,631.00	150,631.00	1,307,107.64	795,717.76
13	12/1/2010	1,307,107.64	58,819.84	1,365,927.49	0.00	150,631.00	150,631.00	1,215,296.49	854,537.60
14	6/1/2011	1,215,296.49	54,688.34	1,269,984.83	0.00	192,868.00	192,868.00	1,077,116.83	909,225.94
15	12/1/2011	1,077,116.83	48,470.26	1,125,587.09	0.00	192,868.00	192,868.00	932,719.09	957,696.20
16	6/1/2012	932,719.09	41,972.36	974,691.45	0.00	224,166.00	224,166.00	750,525.45	999,668.56
17	12/1/2012	750,525.45	33,773.65	784,299.09	0.00	224,166.00	224,166.00	560,133.09	1,033,442.21
18	6/1/2013	560,133.09	25,205.99	585,339.08	0.00	256,225.00	256,225.00	329,114.08	1,058,648.20
19	12/1/2013	329,114.08	14,810.13	343,924.22	0.00	256,225.00	256,225.00	87,699.22	1,073,458.33
20	6/1/2014	87,699.22	3,946.46	91,645.68	0.00	91,645.68	91,645.68	0.00	1,077,404.79
21	12/1/2014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,077,404.79
22	6/1/2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,077,404.79
23	12/1/2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,077,404.79
24	6/1/2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,077,404.79

**TABLE**

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	12/1/2004	1,125,508.00	33,765.24	1,159,273.24	33,765.24	0.00	33,765.24	1,125,508.00	33,765.24
2	6/1/2005	1,125,508.00	33,765.24	1,159,273.24	33,765.24	0.00	33,765.24	1,125,508.00	67,530.48
3	12/1/2005	1,125,508.00	33,765.24	1,159,273.24	33,765.24	0.00	33,765.24	1,125,508.00	101,295.72
4	6/1/2006	1,125,508.00	33,765.24	1,159,273.24	28,769.24	4,996.00	33,765.24	1,125,508.00	135,060.96
5	12/1/2006	1,125,508.00	33,765.24	1,159,273.24	28,769.24	4,996.00	33,765.24	1,125,508.00	168,826.20
6	6/1/2007	1,125,508.00	33,765.24	1,159,273.24	13,780.24	19,985.00	33,765.24	1,125,508.00	202,591.44
7	12/1/2007	1,125,508.00	33,765.24	1,159,273.24	13,780.24	19,985.00	33,765.24	1,125,508.00	236,356.68
8	6/1/2008	1,125,508.00	33,765.24	1,159,273.24	0.00	51,004.00	51,004.00	1,108,269.24	270,121.92

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9	12/1/2008	1,108,269.24	33,248.08	1,141,517.32	0.00	51,004.00	51,004.00	1,090,513.32	303,370.00
10	6/1/2009	1,090,513.32	32,715.40	1,123,228.72	0.00	90,558.00	90,558.00	1,032,670.72	336,085.40
11	12/1/2009	1,032,670.72	30,980.12	1,063,650.84	0.00	90,558.00	90,558.00	973,092.84	367,065.52
12	6/1/2010	973,092.84	29,192.79	1,002,285.62	0.00	123,243.00	123,243.00	879,042.62	396,258.31
13	12/1/2010	879,042.62	26,371.28	905,413.90	0.00	123,243.00	123,243.00	782,170.90	422,629.59
14	6/1/2011	782,170.90	23,465.13	805,636.03	0.00	157,802.00	157,802.00	647,834.03	446,094.72
15	12/1/2011	647,834.03	19,435.02	667,269.05	0.00	157,802.00	157,802.00	509,467.05	465,529.74
16	6/1/2012	509,467.05	15,284.01	524,751.06	0.00	183,407.00	183,407.00	341,344.06	480,813.75
17	12/1/2012	341,344.06	10,240.32	351,584.38	0.00	183,407.00	183,407.00	168,177.38	491,054.07
18	6/1/2013	168,177.38	5,045.32	173,222.70	0.00	173,222.70	173,222.70	0.00	496,099.39
19	12/1/2013	0.00	0.00	0.00	0.00	0.00	0.00	0.00	496,099.39
20	6/1/2014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	496,099.39
21	12/1/2014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	496,099.39