

01TI002

PROJECT PLAN

**TAX INCREMENT DISTRICT NUMBER THIRTY-ONE
CITY OF RAPID CITY**

Prepared by the

Rapid City Planning Department
June 2001

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 SDCL11-9. 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 speculative Tax Increment District be created to fund drainage improvements in the Race Track Drainage Basin adjacent to Elk Vale Road. The Tax Increment revenues will fund the construction of a storm drainage pipe and related improvements 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 allow the Children Home's Society to locate a foster care facility in the area directly east of the proposed district. The estimated cost of the design and construction of the storm drainage pipe and related improvements is \$250,000.

Funding is also being requested in the amount of \$250,000 for the design and construction of an additional detention cell, located upstream in the drainage basin on the west side of Elk Vale Road. While there are no specific development plans currently under consideration for the additional detention cell, the improvements could be constructed at anytime within the five years following the adoption of the Tax Increment District.

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

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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 proposed district is speculative in nature in that the development immediately anticipated in the district is not adequate to support the projected payment schedule. It should again be noted that since the applicant is obtaining the funding, he will be responsible for any shortfall in funding.

Without the financial assistance proposed in the Plan, there is a possibility that the Children's Home Society will not be able to construct a foster care facility 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 Drainage Basin. Additional commercial and industrial development can also be accommodated in the area upstream of the proposed Children's Home Society's facility along Elk Vale Road as a result of the construction of the additional detention cell.

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

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and the construction of a detention cell on the west side of Elk Vale Road north of East Anamosa Street.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Thirty-one 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 \$7,512,899. 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 #31

\$7,512,899

Expected Increase in Valuation – The proposed district is speculative in nature. The only identified increment is associated with the Berquist building currently under construction in the Rushmore Business Park. Based on the Berquist building construction, an increase in valuation of \$2,006,884 can be projected. Because of the desirability of the area, it's location adjacent to the Heartland Express and the inclusion of the Rushmore Business Park within the district, additional development can be anticipated.

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$7,512,899
Estimated Assessed Value of Berquist project	\$2,006,884
Other Anticipated Increases in Assessed Value	\$ 185,000
Estimated Increase in Assessed Value of Land	\$ 0
Estimated Total Valuation	\$9,704,783

Revenue Estimates from Tax Increments

The Plan anticipates 37 semi-annual payments over 20 years. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2001 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	18.7151	66%
Pennington County	5.3888	19%
City of Rapid City	3.4252	12%
West Dakota Water District	0.0373	1%
Rapid Valley Sanitary District	0.6394	2%
Total Mill Levy	28.2058	100.0%

Anticipated 2001 Tax Rate: 0.0282058

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.

<u>PROJECTED TAX INCREMENT INCOME</u>			
<u>ASSESSMENT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TAX INCREMENT PAYMENT</u>
Nov. 2001	2003	\$2,191,884	\$61,824
Nov. 2002	2004	\$2,191,884	\$61,824
Nov. 2003	2005	\$2,191,884	\$61,824
Nov. 2004	2006	\$2,191,884	\$61,824
Nov. 2005	2007	\$2,191,884	\$61,824
Nov. 2006	2008	\$2,191,884	\$61,824
Nov. 2007	2009	\$2,191,884	\$61,824
Nov. 2008	2010	\$2,191,884	\$61,824
Nov. 2009	2011	\$2,191,884	\$61,824
Nov. 2010	2012	\$2,191,884	\$61,824
Nov. 2011	2013	\$2,191,884	\$61,824
Nov. 2012	2014	\$2,191,884	\$61,824
Nov. 2013	2015	\$2,191,884	\$61,824
Nov. 2014	2016	\$2,191,884	\$61,824
Nov. 2015	2017	\$2,191,884	\$61,824
Nov. 2016	2018	\$2,191,884	\$61,824
Nov. 2017	2019	\$2,191,884	\$61,824
Nov. 2018	2020	\$2,191,884	\$61,824

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Nov. 2019	2021	\$2,191,884	\$30,912
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TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/21 \$1,143,744

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2001 mill levy. Additionally, because of the time constraint on the length of districts, only a half-year payment is available in the year 2021.

3. PROJECT COSTS

Capital Costs – The capital costs for the Project Plan include the installation of a new storm drainage pipe and related improvements and construction of a storm water detention facility 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 is 9.0% and that is the rate that has been used for the purposes of the Plan. It is estimated that the financing costs will total \$620,000.

Real Property Assembly Costs – There are no real property assembly costs for the project.

Professional Service Costs – Professional service costs of \$30,000 for the design of the facilities have been included in the Project Plan.

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

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

Necessary and Convenient Payments – Contingency costs in the amount of \$100,000 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 July 15, 2006 for its administrative expense in an amount not more than \$2,050. However, in no case shall the City be reimbursed less than \$1.00 on July 15, 2006

ESTIMATE PROJECT COSTS

Capital Costs:	
Drainage Pipe (including excavation, fill, materials, etc.)	\$185,000
Detention Cell (including grading, excavation, etc.)	\$185,000
Professional Services	
Engineering Design, Construction and Administration	\$ 30,000
Financing Costs:	
Financing Interest	\$620,000

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Professional Fees	\$	0
Relocation Costs:	\$	0
Organizational Costs	\$	0
Necessary and Convenient Costs		
Contingency	\$	100,000
Other	\$	0
TOTAL		\$1,120,000
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 the TID #31 fund available to the City Finance Officer on July 15, 2006.

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 Financing 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

<u>Year</u> <u>Paid</u>	<u>Valuation</u> <u>Increase</u>	<u>Schools*</u>	<u>County</u>	<u>City</u>	<u>Water</u>	<u>RVSD</u>	<u>Tax</u> <u>Increment</u>
2003	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2004	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2005	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2006	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2007	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2008	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2009	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2010	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2011	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2012	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2013	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2014	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824

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2015	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2016	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2017	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2018	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2019	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2020	\$2,191,884	\$ 0	\$11,747	\$7,419	\$618	\$1236	\$61,824
2021	\$2,191,884	\$ 0	\$ 5,874	\$3,710	\$309	\$ 618	\$30,912

*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 mad in the Tax Increment District #31 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, 2021.

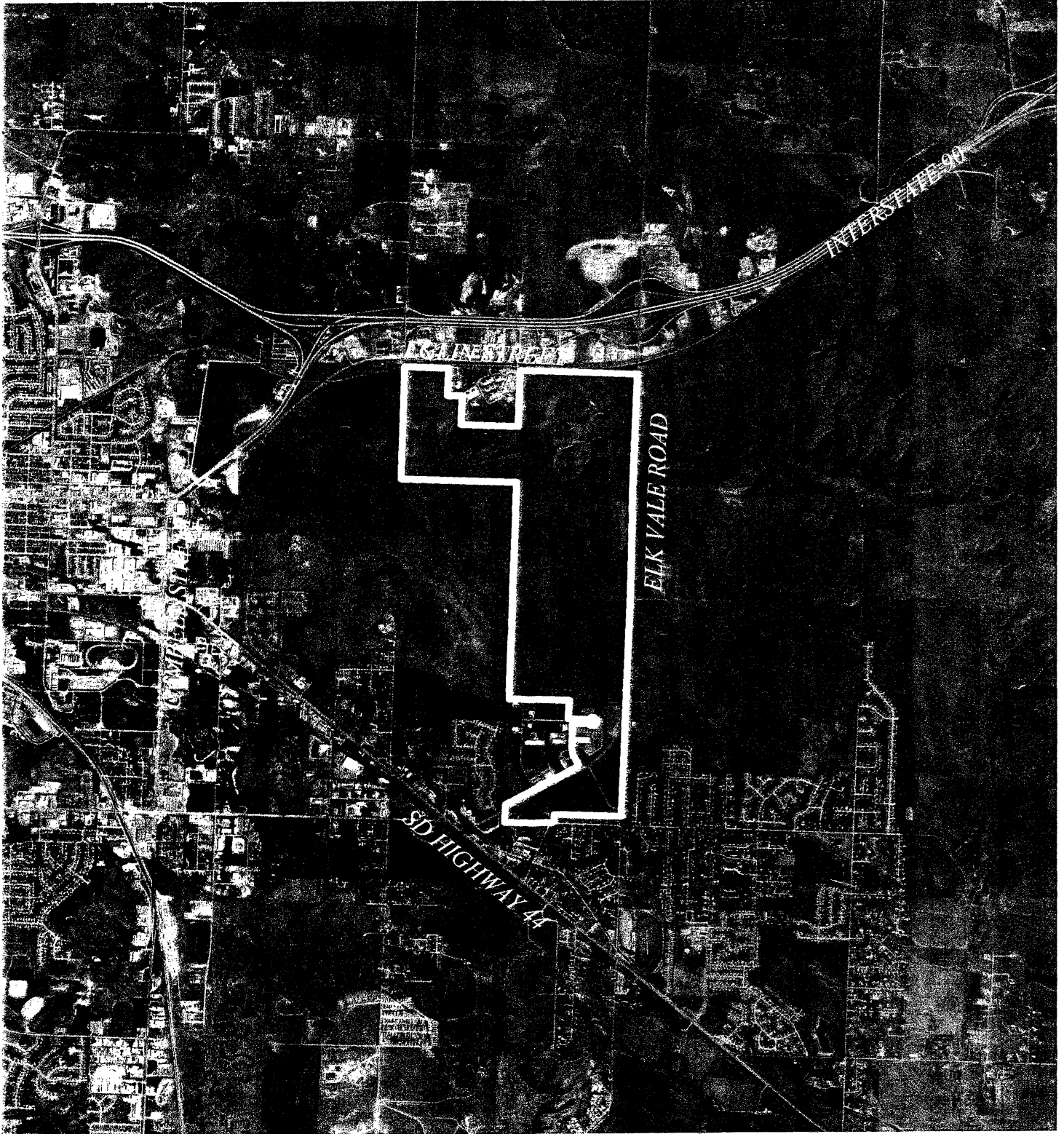
PROJECTED AMORTIZATION RATE

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	6/1/02	500,000.00	22,500.00	0.00	522,500.00	22,500.00
2	12/1/02	522,500.00	23,512.50	0.00	546,012.50	46,012.50
3	6/1/03	546,012.50	24,570.56	6,329.44	539,683.06	70,583.06
4	12/1/03	539,683.06	24,285.74	6,614.26	533,068.80	94,868.80
5	6/1/04	533,068.80	23,988.10	6,911.90	526,156.90	118,856.90
6	12/1/04	526,156.90	23,677.06	7,222.94	518,933.96	142,533.96
7	6/1/05	518,933.96	23,352.03	7,547.97	511,385.98	165,885.98
8	12/1/05	511,385.98	23,012.37	7,887.63	503,498.35	188,898.35
9	6/1/06	503,498.35	22,657.43	8,242.57	495,255.78	211,555.78
10	12/1/06	495,255.78	22,286.51	8,613.49	486,642.29	233,842.29
11	6/1/07	486,642.29	21,898.90	9,001.10	477,641.19	255,741.19
12	12/1/07	477,641.19	21,493.85	9,406.15	468,235.05	277,235.05
13	6/1/08	468,235.05	21,070.58	9,829.42	458,405.62	298,305.62
14	12/1/08	458,405.62	20,628.25	10,271.75	448,133.88	318,933.88
15	6/1/09	448,133.88	20,166.02	10,733.98	437,399.90	339,099.90
16	12/1/09	437,399.90	19,683.00	11,217.00	426,182.90	358,782.90
17	6/1/10	426,182.90	19,178.23	11,721.77	414,461.13	377,961.13
18	12/1/10	414,461.13	18,650.75	12,249.25	402,211.88	396,611.88
19	6/1/11	402,211.88	18,099.53	12,800.47	389,411.41	414,711.41
20	12/1/11	389,411.41	17,523.51	13,376.49	376,034.93	432,234.93
21	6/1/12	376,034.93	16,921.57	13,978.43	362,056.50	449,156.50
22	12/1/12	362,056.50	16,292.54	14,607.46	347,449.04	465,449.04
23	6/1/13	347,449.04	15,635.21	15,264.79	332,184.25	481,084.25
24	12/1/13	332,184.25	14,948.29	15,951.71	316,232.54	496,032.54

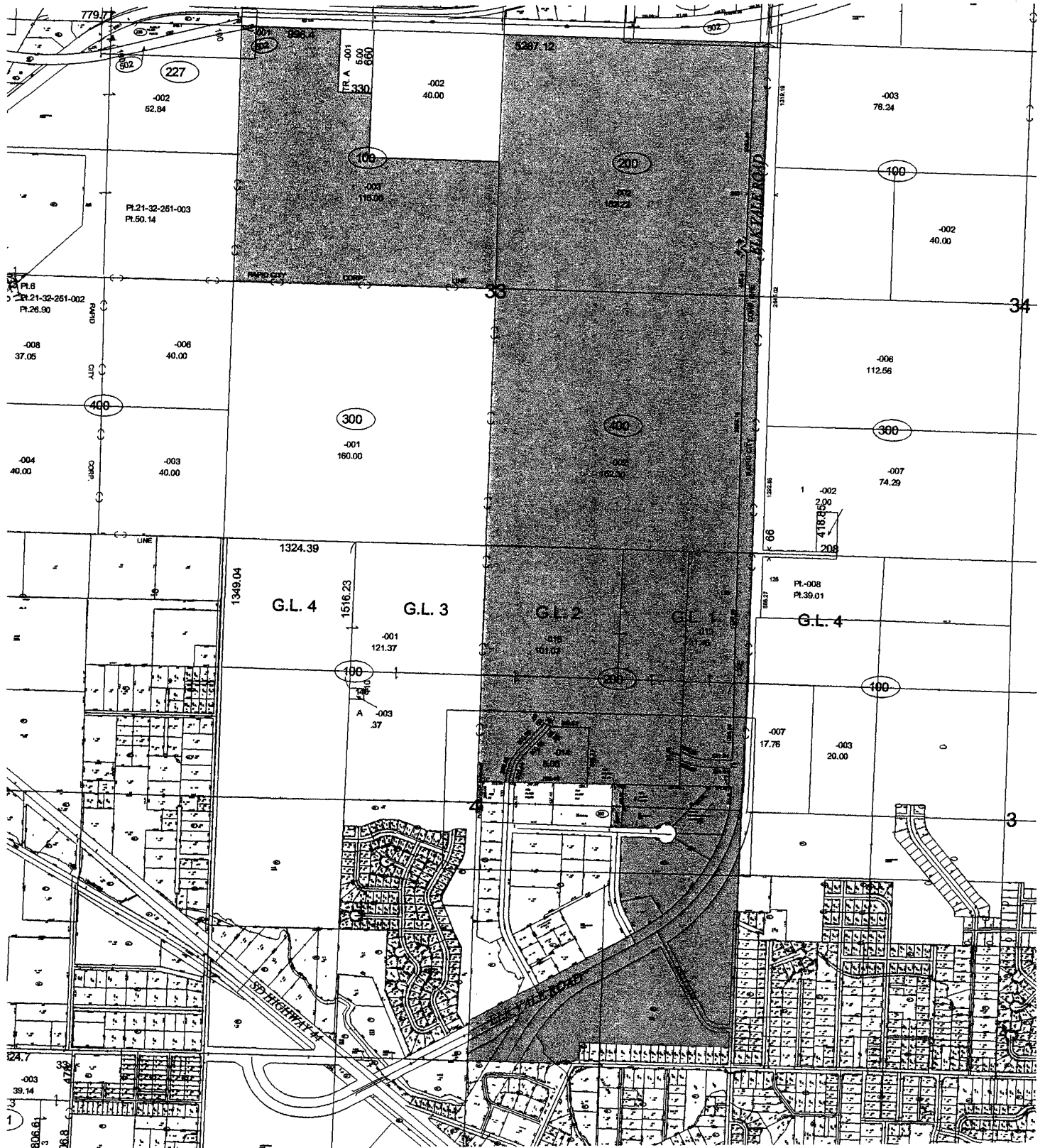
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No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
25	6/1/14	316,232.54	14,230.46	16,669.54	299,563.00	510,263.00
26	12/1/14	299,563.00	13,480.34	17,419.66	282,143.34	523,743.34
27	6/1/15	282,143.34	12,696.45	18,203.55	263,939.79	536,439.79
28	12/1/15	263,939.79	11,877.29	19,022.71	244,917.08	548,317.08
29	6/1/16	244,917.08	11,021.27	19,878.73	225,038.35	559,338.35
30	12/1/16	225,038.35	10,126.73	20,773.27	204,265.07	569,465.07
31	6/1/17	204,265.07	9,191.93	21,708.07	182,557.00	578,657.00
32	12/1/17	182,557.00	8,215.07	22,684.93	159,872.07	586,872.07
33	6/1/18	159,872.07	7,194.24	23,705.76	136,166.31	594,066.31
34	12/1/18	136,166.31	6,127.48	24,772.52	111,393.79	600,193.79
35	6/1/19	111,393.79	5,012.72	25,887.28	85,506.51	605,206.51
36	12/1/19	85,506.51	3,847.79	27,052.21	58,454.31	609,054.31
37	6/1/20	58,454.31	2,630.44	28,269.56	30,184.75	611,684.75
38	12/1/20	30,184.75	1,358.31	29,541.69	643.06	613,043.06
39	6/1/21	643.06	28.94	643.06	0.00	613,072.00

**Tax Increment District #31
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Vicinity Map
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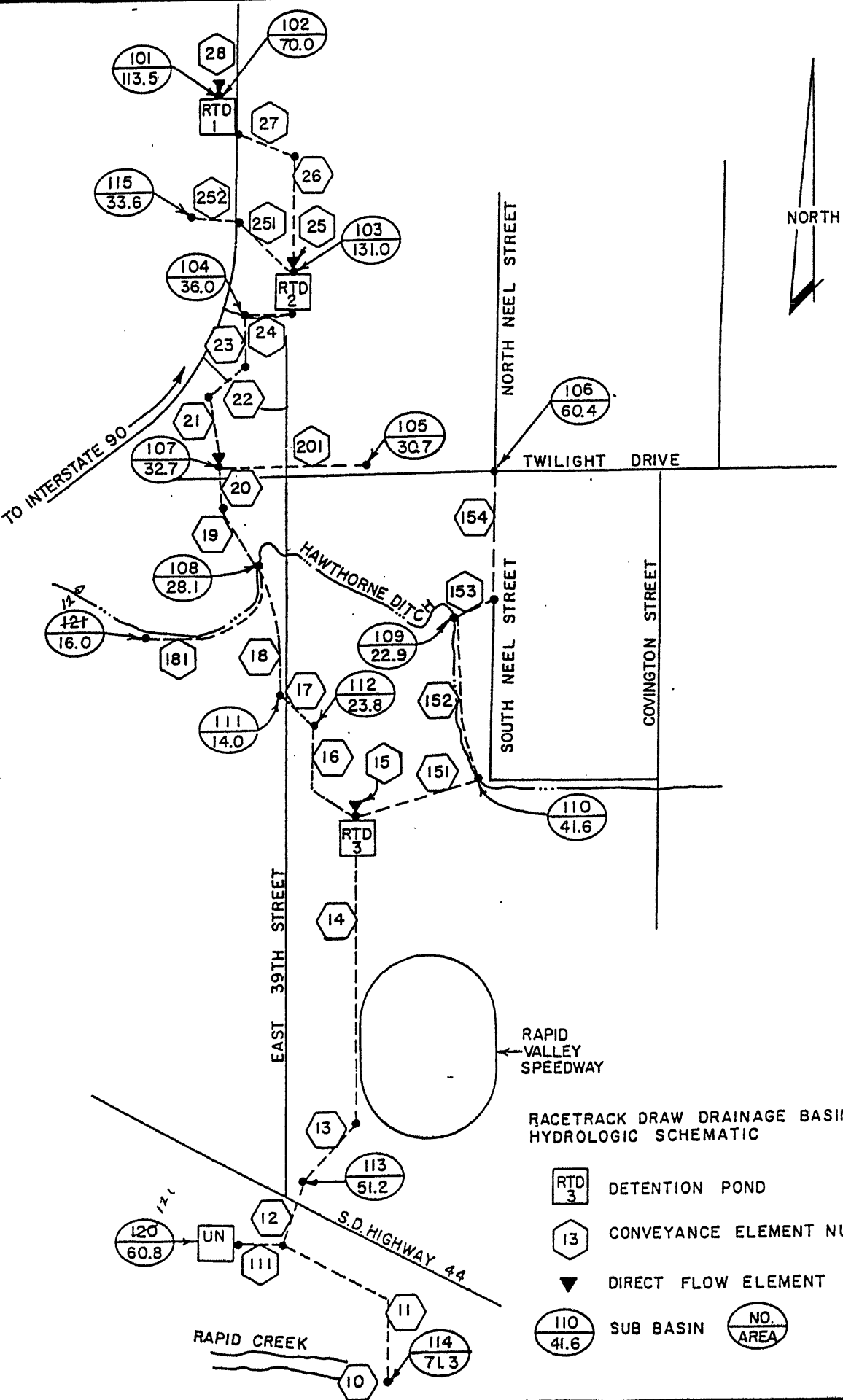


Tax Increment District #31 Project Plan Boundary Map 01TI002








Tax Increment District #31 Project Plan Existing Zoning 01TI002





RACETRACK DRAW DRAINAGE BASIN
HYDROLOGIC SCHEMATIC

-  DETENTION POND
-  CONVEYANCE ELEMENT NUMBER
-  DIRECT FLOW ELEMENT
-  SUB BASIN
-  NO. AREA