

PROJECT PLAN

TAX INCREMENT DISTRICT FOR RED ROCK WATER
RESERVOIR
CITY OF RAPID CITY

Prepared by the

Rapid City Planning Department
September 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 fund the construction of a water storage facility for the Red Rock Estate and surrounding area. The estimated cost of the improvements is \$3,830,000.

It is anticipated that the funding for these improvements will be borrowed from the Drinking Water State Revolving Fund, and 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 construction of a ground water storage facility.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Forty Three 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 \$18,284,260. 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 #43

\$18,284,260

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$ 18,284,260
Estimated Assessed Value of project (year 20)	\$117,699,880
Other Anticipated Increases in Assessed Value	\$ 0
Estimated Increase in Assessed Value of Land*	\$ 0
Estimated Total Valuation (year 20)	\$135,984,140

*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 25 semi-annual payments over 13 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.

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	17.2%
West Dakota Water District	.0350	.2%
Total Mill Levy	19.2583	100%

Anticipated 2002 Residential 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

<u>ASSESSMENT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TAX INCREMENT PAYMENT</u>
Nov. 2003	2005	\$ 0	\$ 0
Nov. 2004	2006	\$ 8,078,440	\$ 77,788
Nov 2005	2007	\$ 14,168,520	\$ 136,431
Nov 2006	2008	\$ 20,258,600	\$ 195,073
Nov 2007	2009	\$ 26,348,680	\$ 253,715
Nov 2008	2010	\$ 32,438,760	\$ 312,357
Nov 2009	2011	\$ 38,528,840	\$ 371,000
Nov. 2010	2012	\$ 44,618,920	\$ 429,642
Nov.	2013	\$ 50,709,000	\$ 488,284

Tax Increment District 43
Project Plan

2011 Nov.	2014	\$ 56,799,080	\$ 546,927
2012 Nov.	2015	\$ 62,889,160	\$ 605,569
2013 Nov.	2016	\$ 68,979,240	\$ 664,211
2014 Nov.	2017	\$ 75,069,320	\$ 722,853
2015 Nov.	2018	\$ 81,159,400	\$ 781,496
2016 Nov.	2019	\$ 87,249,480	\$ 840,138
2017 Nov.	2020	\$ 93,339,560	\$ 898,780
2018 Nov.	2021	\$ 99,429,640	\$ 957,423
2019 Nov.	2022	\$105,519,720	\$1,016,065
2020 Nov.	2023	\$111,609,800	\$1,074,707
2021 Nov.	2024	\$117,699,800	\$1,133,350
2022			

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/22:
\$ 11,505,809

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 \$2,974,900 included in the Project Plan is the construction of a water storage facility which is scheduled for construction in 2004.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The anticipated interest rate used for these projections is 6%. It is estimated that the financing costs will total \$2,678,870.13. If a lower interest rate is obtained, the project costs will be repaid more quickly and the property will be returned to the tax rolls sooner.

Professional Service Costs – Professional service costs for engineering expenses in the amount of \$275,100 have been included in the Project Plan.

Relocation Costs – No relocation costs are anticipated in this Project Plan, as land is currently vacant.

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

Necessary and Convenient Payments – Contingency costs in the amount of \$580,000 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, 2008, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on October 1, 2008.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:	
Ground reservoir water storage facility	\$2,974,900.00
Professional Service and Engineering Design:	
Ground reservoir water storage facility design	\$ 275,100.00
Financing Costs:	
Financing interest	\$2,678,870.13
Professional Fees	\$ 0
Relocation Costs:	\$ 0
Organizational Costs:	\$ 0
Necessary and Convenient Costs:	
Contingency:	\$ 580,000.00
TOTAL	\$6,508,870.13
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 #43 fund available to the City Finance Officer on October 1, 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	Tax
Paid	Increase					Increment
2005	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2006	\$ 8,078,440	\$ 0	\$ 20,769	\$ 13,379	\$ 155	\$ 77,788
2007	\$14,168,520	\$ 0	\$ 36,427	\$ 23,466	\$ 272	\$ 136,431
2008	\$20,258,600	\$ 0	\$ 52,084	\$ 33,552	\$ 390	\$ 195,073
2009	\$26,348,680	\$ 0	\$ 67,741	\$ 43,638	\$ 507	\$ 253,715
2010	\$32,438,760	\$ 0	\$ 83,399	\$ 53,725	\$ 624	\$ 312,357
2011	\$38,528,840	\$ 0	\$ 99,057	\$ 63,812	\$ 742	\$ 371,000
2012	\$44,618,920	\$ 0	\$114,714	\$ 73,898	\$ 859	\$ 429,642
2013	\$50,709,000	\$ 0	\$130,371	\$ 83,984	\$ 976	\$ 488,284
2014	\$56,799,080	\$ 0	\$146,029	\$ 94,071	\$ 1,093	\$ 546,927
2015	\$62,889,160	\$ 0	\$161,686	\$104,157	\$ 1,211	\$ 605,569
2016	\$68,979,240	\$ 0	\$177,344	\$114,244	\$ 1,328	\$ 664,211
2017	\$75,069,320	\$ 0	\$193,001	\$124,330	\$ 1,445	\$ 722,853
2018	\$81,159,400	\$ 0	\$208,659	\$134,417	\$ 1,562	\$ 781,496
2019	\$87,249,480	\$ 0	\$224,316	\$144,503	\$ 1,680	\$ 840,138
2020	\$93,339,560	\$ 0	\$238,639	\$153,730	\$ 1,787	\$ 893,780
2021	\$99,429,640	\$ 0	\$255,631	\$164,676	\$ 1,914	\$ 957,423
2022	\$105519720	\$ 0	\$271,289	\$174,763	\$ 2,032	\$1016,065
2023	\$111609800	\$ 0	\$286,946	\$184,849	\$ 2,149	\$1074,707
2024	\$117699880	\$ 0	\$302,604	\$194,936	\$ 2,266	\$1133,350

*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 the ground water storage facility will come from a loan from the Drinking Water State Revolving Fund, guaranteed by the Water Rate Users fees and repaid from the Tax Increment District funds. Tax Increment District #32 must be paid before the overlapping Tax Increment District #43 funds may be used to make loan payments. The Tax Increment District #32 is projected to be paid in December 2007. Tax increment payments on Tax Increment District #43 will begin in June 2008.

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	12/01/2003	0.00	0.00			0.00		0.00	0.00
2	06/01/2004	4,708,700.34	141,261.01	4,849,961.35	141,261.01	0.00	141,261.01	4,708,700.34	141,261.01
3	12/01/2004	4,708,700.34	141,261.01	4,819,961.35	141,261.01	0.00	141,261.01	4,708,700.34	282,522.02
4	06/01/2005	4,708,700.34	141,261.01	4,819,961.35	141,261.01	0.00	141,261.01	4,708,700.34	423,783.03

Tax Increment District 43
Project Plan

5	12/01/2005	4,708,700.34	141,261.01	4,819,961.35	141,261.01	0.00	141,261.01	4,708,700.34	565,044.04
6	06/01/2006	4,708,700.34	141,261.01	4,819,961.35	141,261.01	0.00	141,261.01	4,708,700.34	706,305.05
7	12/01/2006	4,708,700.34	141,261.01	4,819,961.35	141,261.01	0.00	141,261.01	4,708,700.34	847,566.06
8	06/01/2007	4,708,700.34	141,261.01	4,849,961.35	141,261.01	0.00	141,261.01	4,708,700.34	988,827.07
9	12/01/2007	4,708,700.34	141,261.01	4,849,961.35	141,261.01	0.00	141,261.01	4,708,700.34	1,130,088.08
10	06/01/2008	4,708,700.34	141,261.01	4,849,961.35	0.00	195,073.00	195,073.00	4,654,888.35	1,271,349.09
11	12/01/2008	4,654,888.35	139,646.65	4,794,535.00	0.00	195,073.00	195,073.00	4,599,462.00	1,410,995.74
12	06/01/2009	4,599,462.00	137,983.86	4,737,445.86	0.00	253,715.00	253,715.00	4,483,730.86	1,548,979.40
13	12/01/2009	4,483,730.86	134,511.93	4,618,242.79	0.00	253,715.00	253,715.00	4,364,527.79	1,683,491.53
14	06/01/2010	4,364,527.79	130,935.83	4,495,463.62	0.00	312,357.00	312,357.00	4,183,106.62	1,814,427.36
15	12/01/2010	4,183,106.62	125,493.20	4,308,599.82	0.00	312,357.00	312,357.00	3,996,242.82	1,939,920.56
16	06/01/2011	3,996,242.82	119,887.28	4,116,130.10	0.00	371,000.00	371,000.00	3,745,130.10	2,059,807.84
17	12/01/2011	3,745,130.10	112,353.90	3,857,484.01	0.00	371,000.00	371,000.00	3,486,484.01	2,172,161.74
18	06/01/2012	3,486,484.01	104,594.52	3,591,078.53	0.00	429,642.00	429,642.00	3,161,436.53	2,276,756.26
19	12/01/2012	3,161,436.53	94,843.10	3,256,279.62	0.00	429,642.00	429,642.00	2,826,637.62	2,371,599.36
20	06/01/2013	2,826,637.62	84,799.13	2,911,436.75	0.00	488,284.00	488,284.00	2,423,152.75	2,456,398.49
21	12/01/2013	2,423,152.75	72,694.58	2,495,847.33	0.00	488,284.00	488,284.00	2,007,563.33	2,529,093.07
22	06/01/2014	2,007,563.33	60,226.90	2,067,790.23	0.00	546,927.00	546,927.00	1,520,863.23	2,589,319.97
23	12/01/2014	1,520,863.23	45,625.90	1,566,489.13	0.00	546,927.00	546,927.00	1,019,562.13	2,634,945.87
24	06/01/2015	1,019,562.13	30,586.86	1,050,149.00	0.00	605,569.00	605,569.00	444,580.00	2,665,532.73
25	12/01/2015	444,580.00	13,337.40	457,917.40	0.00	457,917.40	457,917.40	0.00	2,678,870.13
26	06/01/2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,678,870.13
27	12/01/2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,678,870.13