

PROJECT PLAN

TAX INCREMENT DISTRICT
DAKOTA CANYON MARKETPLACE
CITY OF RAPID CITY

Prepared by the

Rapid City Growth Management Department
September 2007

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 is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. The creation of this Tax Increment District for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment.

This financing method is invaluable for encouraging growth and development of blighted properties with special re-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 property located along U.S. Highway 16. The Tax Increment Funds would be utilized for site clearing and grading, erosion control, wetland mitigation, drainage system, storm sewer, sanitary sewer, water, landscaping, traffic controls, off-site sanitary sewer and nature preserve upgrade. The proposed boundaries are located east of U.S. Highway 16 and north of Catron Boulevard. The total estimated project cost is \$16,600,000.

The Tax Increment Financing Committee met on August 3, 2007 to discuss this proposed Project Plan for Tax Increment District - Dakota Canyon Marketplace and recommended approval of the Project Plan. The Tax Increment District will be financed by the Developer.

The development of the public improvements will enhance the ability for new development to occur in this area increasing the community's economic vitality and expanding the City's property tax base.

The estimated cost of the improvements will be financed by the Developer at an estimated 9% interest rate. All project expenditures must be completed within five years of the creation of the district. 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 \$12,025,000 in capital costs and \$550,000 in professional costs associated with the site clearing and grading, erosion control, wetland mitigation, drainage system, storm sewer, water, sanitary sewer, landscaping, nature preserve upgrade, traffic controls and off-site sanitary sewer. In addition, the project plan includes \$2,775,000 in contingency costs and \$1,250,000 in other necessary and convenient costs.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District - Dakota Canyon Marketplace has been created 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 projected as \$20,347,700. 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
\$20,347,700

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$ 20,347,700
Estimated Assessed Value of project (year 20)	\$ 145,671,402
Other Anticipated Increases in Assessed Value	\$ 0
Estimated Increase in Assessed Value of Land*	\$ 0
Estimated Total Valuation (year 20)	\$ 166,019,102

*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 would need 43 semi-annual payments over 21 1/2 years to be paid out; however, the District will be dissolved after 20 years. No payments will be received after the District is dissolved. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2006 Non Agriculture 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	15.1624	66.8%
Pennington County	4.5471	20.0%
City of Rapid City	2.9680	13.1%
West Dakota Water District	.0281	.1%
Total Mill Levy	22.7056	100%

Anticipated 2006 Non Agriculture Tax Rate: 0.0227056

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>ASSESSMT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TAX INCREMENT PAYMENTS</u>	<u>6 MONTH TOTAL</u>
Nov. 2007	2009	\$ 0	\$ 0	\$ 0
Nov.	2010	\$ 30,000,000	\$ 681,168	\$ 340,584

Tax Increment District
Project Plan

2008				
Nov.	2011	\$ 42,742,300	\$ 970,466	\$ 485,233
2009				
Nov.	2012	\$ 59,304,900	\$ 1,346,554	\$ 673,277
2010				
Nov.	2013	\$ 69,145,194	\$ 1,569,982	\$ 784,991
2011				
Nov.	2014	\$ 96,980,034	\$ 2,201,990	\$1,100,995
2012				
Nov	2015	\$ 115,817,556	\$ 2,629,706	\$1,314,853
2013				
Nov	2016	\$ 125,324,526	\$ 2,845,568	\$1,422,784
2014				
Nov	2017	\$ 133,204,530	\$ 3,024,488	\$1,512,244
2015				
Nov	2018	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2016				
Nov	2019	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2017				
Nov	2020	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2018				
Nov	2021	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2019				
Nov	2022	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2020				
Nov	2023	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2021				
Nov	2024	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2022				
Nov	2025	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2023				
Nov	2026	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2024				
Nov	2027	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2025				
Nov	2028	\$ 145,671,402	\$ 3,307,566	\$1,653,783
2026				

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/28:

\$ 51,653,148

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2006 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$12,025,000 included in the Project Plan are for site clearing and grading, erosion control, wetland mitigation, drainage system, storm sewer, water, sanitary sewer, landscaping, nature preserve upgrade, traffic controls and off-site sanitary sewer.

Real Property Assembly Costs – No real property assembly costs are anticipated in the Project Plan.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The anticipated interest rate used for this projection by the Developer is 9%. It is estimated that the financing costs will total \$31,580,885.32. 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 in the amount of \$550,000 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 \$2,775,000 are anticipated in the Project Plan.

Necessary and Convenient Payments – Necessary and convenient costs in the amount of \$1,250,000 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 September 15, 2012, for its administrative costs in the amount of \$2,050. However, in no case shall the City be reimbursed less than \$1 on September 15, 2012.

TOTAL ESTIMATED PROJECT COSTS

Capital Costs

Site Clearing & Grading	\$ 5,800,000.00
Erosion Control	\$ 550,000.00
Wetland Mitigation	\$ 375,000.00
Drainage System	\$ 2,600,000.00
Storm Sewer	\$ 1,000,000.00
Water	\$ 1,150,000.00
On-site Sanitary Sewer & Abandon lift stations	\$ 1,625,000.00
Landscaping	\$ 300,000.00
Nature Preserve Upgrade	\$ 750,000.00
Traffic Controls	\$ 2,050,000.00
Off-site Sanitary Sewer	\$ 2,300,000.00
Retaining Walls	\$ 750,000.00
Streets, Curb & Gutter, Sidewalks	\$ 2,475,000.00
Private Utilities	\$ 125,000.00
Real Property Assembly Cost	\$ 0
Professional Service Costs	\$ 775,000.00
Financing Costs:	
Financing interest	\$31,580,885.32

Tax Increment District
Project Plan

Contingency Costs:	\$ 3,975,000.00
Relocation Costs:	\$ 0
Organizational Costs:	\$ 0
Necessary and Convenient Costs:	\$ 1,750,000.00
TOTAL	\$59,930,885.32

TOTAL ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:	
Site Clearing & Grading	\$ 2,000,000.00
Erosion Control	\$ 375,000.00
Wetland Mitigation	\$ 250,000.00
Drainage System	\$ 1,600,000.00
Storm Sewer	\$ 750,000.00
Water	\$ 950,000.00
Sanitary Sewer	\$ 1,375,000.00
Abandon lift stations	\$ 125,000.00
Landscaping	\$ 100,000.00
Nature Preserve Upgrade	\$ 750,000.00
Traffic Controls	\$ 1,450,000.00
Off-site Sanitary Sewer	\$ 2,300,000.00
Real Property Assembly Cost	\$ 0
Professional Service Costs	\$ 550,000.00
Financing Costs:	
Financing interest	\$31,580,885.32
Contingency Costs:	\$ 2,775,000.00
Relocation Costs:	\$ 0
Organizational Costs:	\$ 0
Necessary and Convenient Costs:	\$ 1,250,000.00
TOTAL	\$48,180,885.32
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 Tax Increment District fund available to the City Finance Officer on September 15, 2012.

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					
2009	\$ 0	\$0	\$ 0	\$ 0	\$ 0	\$ 0
2010	\$ 30,000,000	\$0	\$136,233	\$ 89,233	\$ 681	\$ 681,168
2011	\$ 42,742,300	\$0	\$194,093	\$ 127,131	\$ 970	\$ 970,466
2012	\$ 59,304,990	\$0	\$269,310	\$ 176,398	\$ 1,346	\$1,346,554
2013	\$ 69,145,194	\$0	\$313,996	\$ 205,667	\$ 1,569	\$1,569,982
2014	\$ 96,980,034	\$0	\$440,398	\$ 288,460	\$ 2,201	\$2,201,990
2015	\$ 115,817,556	\$0	\$525,941	\$ 344,491	\$ 2,629	\$2,629,706
2016	\$ 125,324,526	\$0	\$569,113	\$ 372,769	\$ 2,845	\$2,845,568
2017	\$ 133,204,530	\$0	\$604,897	\$ 396,207	\$ 3,024	\$3,024,488
2018	\$ 145,671,402	\$0	\$661,511	\$ 433,289	\$ 3,307	\$3,307,556
2019	\$ 145,671,402	\$0	\$661,511	\$ 433,289	\$ 3,307	\$3,307,556
2020	\$ 145,671,402	\$0	\$661,511	\$ 433,289	\$ 3,307	\$3,307,556
2021	\$ 145,671,402	\$0	\$661,511	\$ 433,289	\$ 3,307	\$3,307,556
2022	\$ 145,671,402	\$0	\$661,511	\$ 433,289	\$ 3,307	\$3,307,556
2023	\$ 145,671,402	\$0	\$661,511	\$ 433,289	\$ 3,307	\$3,307,556
2024	\$ 145,671,402	\$0	\$661,511	\$ 433,289	\$ 3,307	\$3,307,556
2025	\$ 145,671,402	\$0	\$661,511	\$ 433,289	\$ 3,307	\$3,307,556
2026	\$ 145,671,402	\$0	\$661,511	\$ 433,289	\$ 3,307	\$3,307,556

*The Plan anticipates 40 semi-annual payments over 20 years, as the District will be dissolved after 20 years.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the Developer. If the tax increment revenues exceed the anticipated loan payments, the debt will be retired early.

Tax Increment District
Project Plan

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 December 1, 2026, as the District will be dissolved after 20 years. The amortization schedule indicates that this Tax Increment District will not be fully paid out in 20 years if the projected costs and incremental values remain as indicated.

The projected amortization rate schedule listed below shows the amount to be borrowed by the Developer using a 9% 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	6/1/2007	4,980,000.00	224,100.00	5,204,100.00	224,100.00	0.00	224,100.00	5,204,100.00	224,100.00
2	12/1/2007	10,184,100.00	458,284.50	10,642,384.50	458,284.50	0.00	458,284.50	10,642,384.50	682,384.50
3	6/1/2008	13,962,384.50	628,307.30	14,590,691.80	628,307.30	0.00	628,307.30	14,590,691.80	1,310,691.80
4	12/1/2008	17,910,691.80	805,981.13	18,716,672.93	805,981.13	0.00	805,981.13	18,716,672.93	2,116,672.93
5	6/1/2009	18,716,672.93	842,250.28	19,558,923.21	842,250.28	0.00	842,250.28	19,558,923.21	2,958,923.22
6	12/1/2009	19,558,923.21	880,151.54	20,439,074.76	880,151.54	0.00	880,151.54	20,439,074.76	3,839,074.76
7	6/1/2010	20,439,074.76	919,758.36	21,358,833.12	579,174.36	340,584.00	919,758.36	21,018,249.12	4,758,833.12
8	12/1/2010	21,018,249.12	945,821.21	21,964,070.33	605,237.21	340,584.00	945,821.21	21,623,486.33	5,704,654.33
9	6/1/2011	21,623,486.33	973,056.88	22,596,543.22	487,823.88	485,233.00	973,056.88	22,111,310.22	6,677,711.22
10	12/1/2011	22,111,310.22	995,008.96	23,106,319.18	509,775.96	485,233.00	995,008.96	22,621,086.18	7,672,720.18
11	6/1/2012	22,621,086.18	1,017,948.88	23,639,035.05	344,671.88	673,277.00	1,017,948.88	22,965,758.05	8,690,669.06
12	12/1/2012	22,965,758.05	1,033,459.11	23,999,217.17	360,182.11	673,277.00	1,033,459.11	23,325,940.17	9,724,128.17
13	6/1/2013	23,325,940.17	1,049,667.31	24,375,607.47	264,676.31	784,991.00	1,049,667.31	23,590,616.47	10,773,795.48
14	12/1/2013	23,590,616.47	1,061,577.74	24,652,194.22	276,586.74	784,991.00	1,061,577.74	23,867,203.22	11,835,373.22
15	6/1/2014	23,867,203.22	1,074,024.14	24,941,227.36	0.00	1,100,995.00	1,100,995.00	23,840,232.36	12,909,397.36
16	12/1/2014	23,840,232.36	1,072,810.46	24,913,042.82	0.00	1,100,995.00	1,100,995.00	23,812,047.82	13,982,207.82
17	6/1/2015	23,812,047.82	1,071,542.15	24,883,589.97	0.00	1,314,853.00	1,314,853.00	23,568,736.97	15,053,749.97
18	12/1/2015	23,568,736.97	1,060,593.16	24,629,330.13	0.00	1,314,853.00	1,314,853.00	23,314,477.13	16,114,343.13
19	6/1/2016	23,314,477.13	1,049,151.47	24,363,628.60	0.00	1,422,784.00	1,422,784.00	22,940,844.60	17,163,494.61
20	12/1/2016	22,940,844.60	1,032,338.01	23,973,182.61	0.00	1,422,784.00	1,422,784.00	22,550,398.61	18,195,832.61
21	6/1/2017	22,550,398.61	1,014,767.94	23,565,166.55	0.00	1,512,244.00	1,512,244.00	22,052,922.55	19,210,600.55
22	12/1/2017	22,052,922.55	992,381.51	23,045,304.06	0.00	1,512,244.00	1,512,244.00	21,533,060.06	20,202,982.07
23	6/1/2018	21,533,060.06	968,987.70	22,502,047.77	0.00	1,653,778.00	1,653,778.00	20,848,269.77	21,171,969.77
24	12/1/2018	20,848,269.77	938,172.14	21,786,441.90	0.00	1,653,778.00	1,653,778.00	20,132,663.90	22,110,141.91
25	6/1/2019	20,132,663.90	905,969.88	21,038,633.78	0.00	1,653,778.00	1,653,778.00	19,384,855.78	23,016,111.78
26	12/1/2019	19,384,855.78	872,318.51	20,257,174.29	0.00	1,653,778.00	1,653,778.00	18,603,396.29	23,888,430.29
27	6/1/2020	18,603,396.29	837,152.83	19,440,549.12	0.00	1,653,778.00	1,653,778.00	17,786,771.12	24,725,583.13
28	12/1/2020	17,786,771.12	800,404.70	18,587,175.82	0.00	1,653,778.00	1,653,778.00	16,933,397.82	25,525,987.83
29	6/1/2021	16,933,397.82	762,002.90	17,695,400.73	0.00	1,653,778.00	1,653,778.00	16,041,622.73	26,287,990.73
30	12/1/2021	16,041,622.73	721,873.02	16,763,495.75	0.00	1,653,778.00	1,653,778.00	15,109,717.75	27,009,863.75
31	6/1/2022	15,109,717.75	679,937.30	15,789,655.05	0.00	1,653,778.00	1,653,778.00	14,135,877.05	27,689,801.05

Tax Increment District
Project Plan

32	12/1/2022	14,135,877.05	636,114.47	14,771,991.51	0.00	1,653,778.00	1,653,778.00	13,118,213.51	28,325,915.52
33	6/1/2023	13,118,213.51	590,319.61	13,708,533.12	0.00	1,653,778.00	1,653,778.00	12,054,755.12	28,916,235.13
34	12/1/2023	12,054,755.12	542,463.98	12,597,219.10	0.00	1,653,778.00	1,653,778.00	10,943,441.10	29,458,699.11
35	6/1/2024	10,943,441.10	492,454.85	11,435,895.95	0.00	1,653,778.00	1,653,778.00	9,782,117.95	29,951,153.96
36	12/1/2024	9,782,117.95	440,195.31	10,222,313.26	0.00	1,653,778.00	1,653,778.00	8,568,535.26	30,391,349.26
37	6/1/2025	8,568,535.26	385,584.09	8,954,119.35	0.00	1,653,778.00	1,653,778.00	7,300,341.35	30,776,933.35
38	12/1/2025	7,300,341.35	328,515.36	7,628,856.71	0.00	1,653,778.00	1,653,778.00	5,975,078.71	31,105,448.71
39	6/1/2026	5,975,078.71	268,878.54	6,243,957.25	0.00	1,653,778.00	1,653,778.00	4,590,179.25	31,374,327.25
40	12/1/2026	4,590,179.25	206,558.07	4,796,737.32	0.00	1,653,778.00	1,653,778.00	3,142,959.32	31,580,885.32
41	6/1/2027	3,142,959.32							
42									

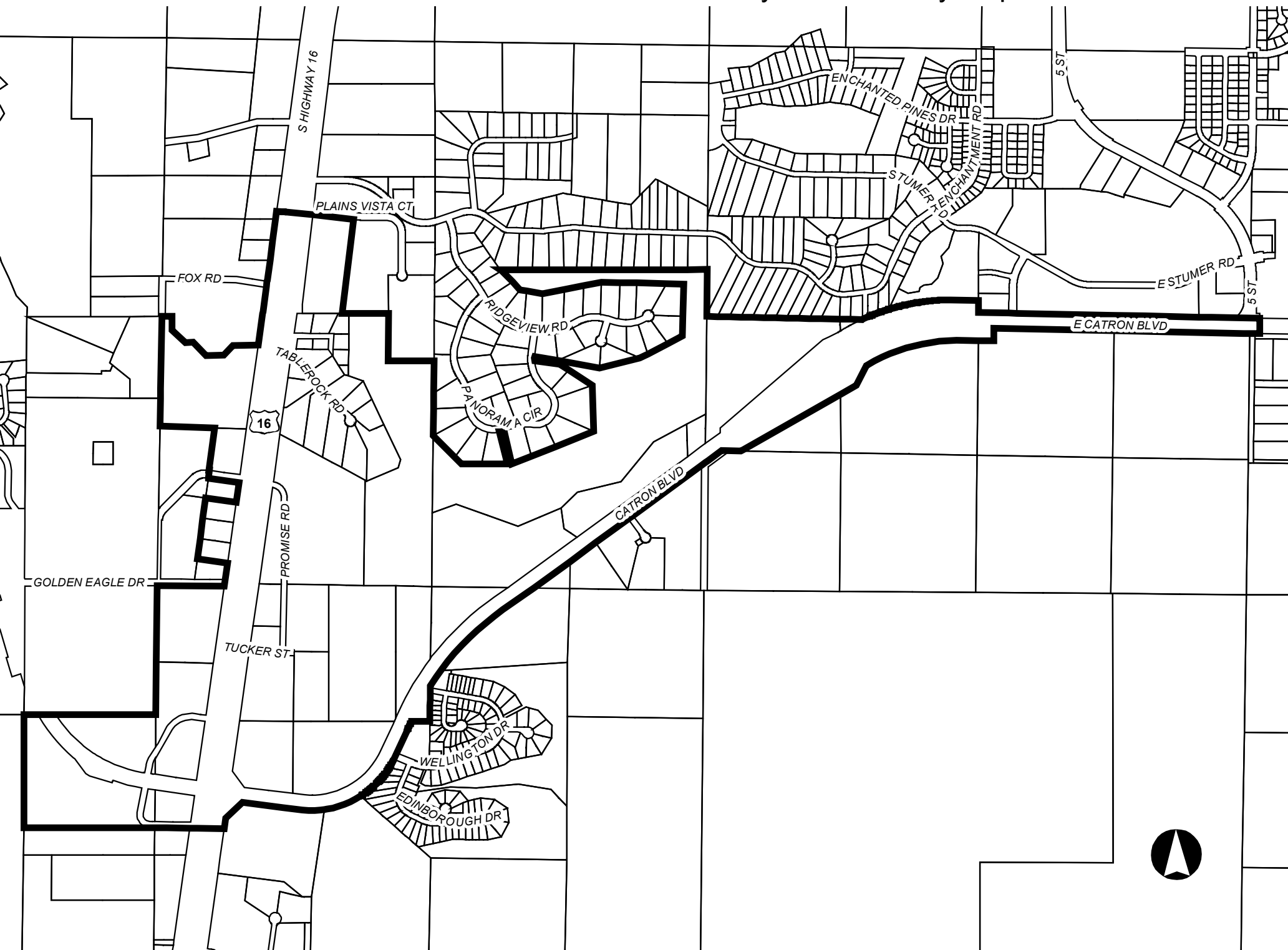
Tax Increment District - Dakota Canyon - Vicinity Map



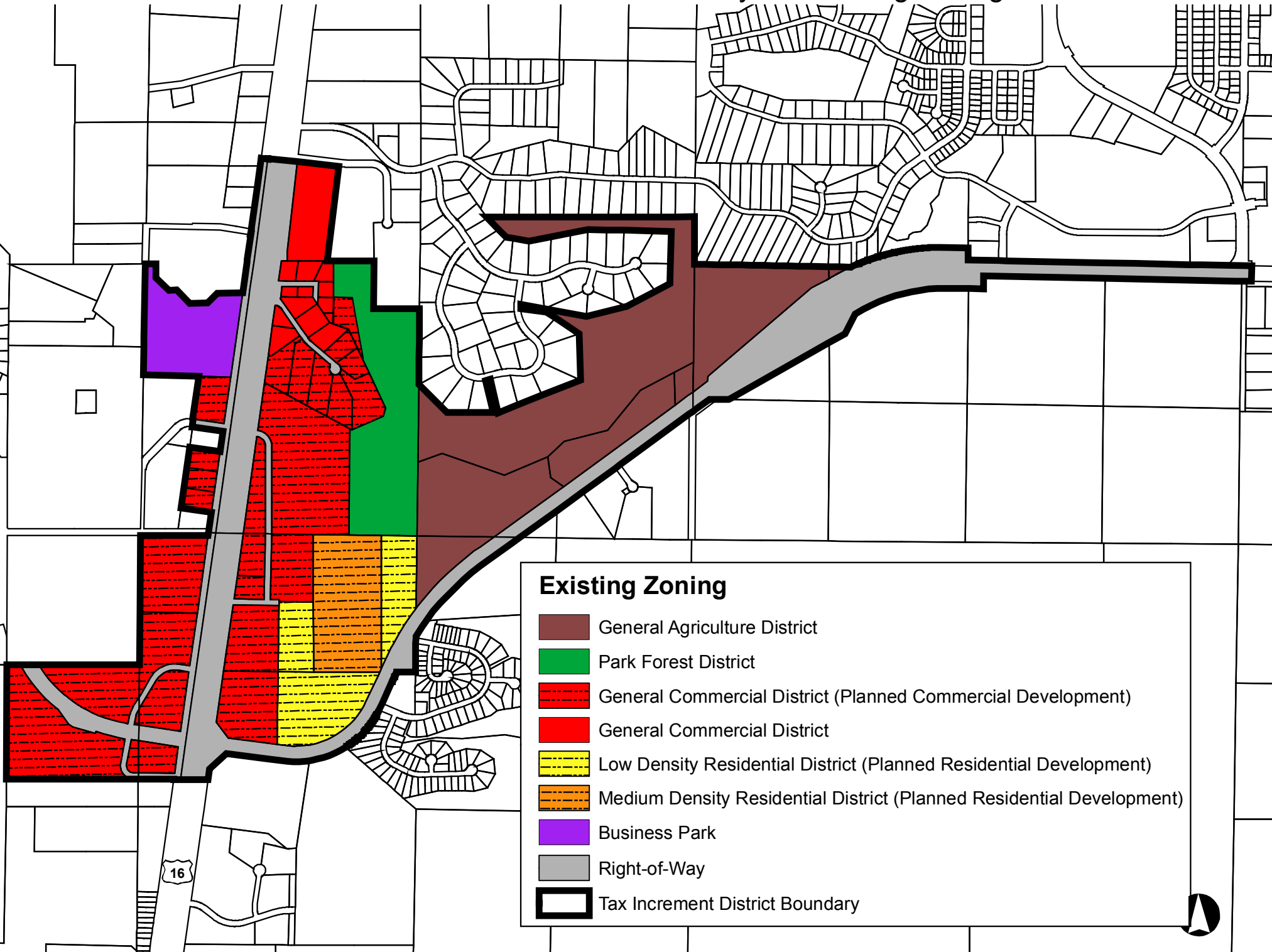
Tax Increment District - Dakota Canyon - Aerial Map



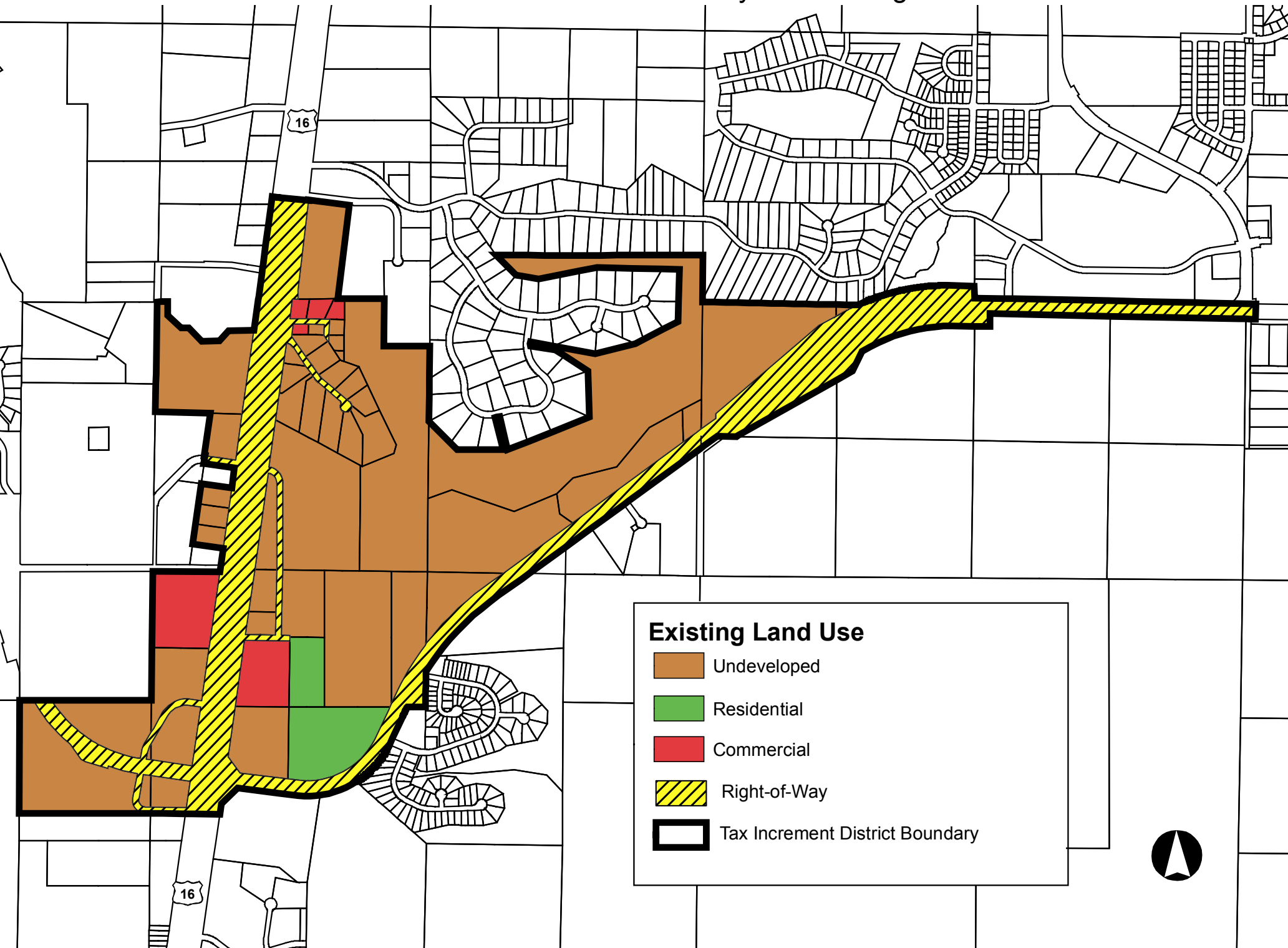
Tax Increment District - Dakota Canyon - Boundary Map



Tax Increment District - Dakota Canyon - Existing Zoning



Tax Increment District - Dakota Canyon - Existing Land Use

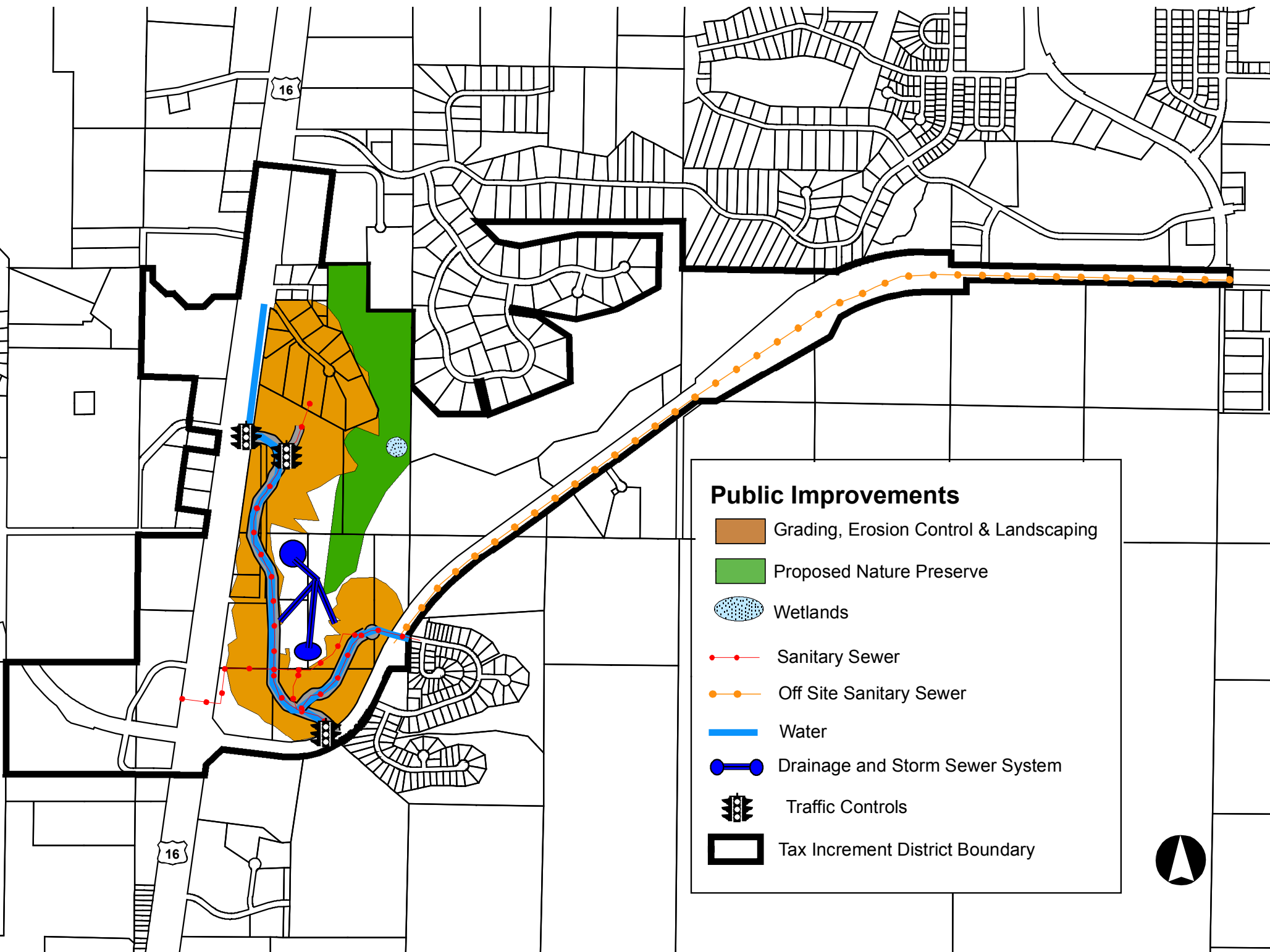


Existing Land Use

- Undeveloped
- Residential
- Commercial
- Right-of-Way
- Tax Increment District Boundary



Tax Increment District - Dakota Canyon - Public Improvements



Public Improvements

- Grading, Erosion Control & Landscaping
- Proposed Nature Preserve
- Wetlands
- Sanitary Sewer
- Off Site Sanitary Sewer
- Water
- Drainage and Storm Sewer System
- Traffic Controls
- Tax Increment District Boundary

