

PROJECT PLAN

TAX INCREMENT DISTRICT #73
ST. JOSEPH STREET PARKING

Prepared by the

Rapid City Community Planning and Development Services Department
May 2012

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 the approved Tax Increment District will assist in the revitalization of Downtown Rapid City through the development of a parking structure on St. Joseph Street. The Tax Increment Funds would be utilized for the public parking structure, relocating power lines underground in the alley, removing contaminated soil, engineering, contingency, and necessary and convenient costs. The Tax Increment boundary is located between St. Joseph Street and Quincy Street and 5th Street to 6th Street. The estimated project cost of the improvements is \$11,676,375.

The Tax Increment Financing Committee met on April 16, 2012 to discuss this proposed Project Plan for the St. Joseph Street Parking Tax Increment District and recommended approval of the Project Plan. The Tax Increment District will be financed by the Developer.

The redevelopment of downtown property and 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.

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The City Finance Officer will review and analyze the proposed financing terms and forward a recommendation for approval or disapproval to the City Council along with the Developer's Agreement or proposal for refinancing. For purposes of developing the project plan, all interest expenses are to be calculated utilizing a fixed rate not to exceed 9 percent annual interest as directed by the adopted Tax Increment Financing Guidelines. However, the applicant has requested that a 7 percent annual interest rate be used, as this will allow the district costs to be paid out in 20 years. With the City Council's approval, this 7% interest amount shall be included in the project plan and at no time during the term of the project shall the actual interest expense exceed the amount budgeted in the project plan. An Imputed Administrative Fee in the amount of \$20,000 shall be charged by the City of Rapid City to every Tax Increment District for which a Project Plan is approved. This fee shall be paid to the City as a project cost from the tax increment fund balance in year five of the Tax Increment District. 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 \$9,790,000 in capital costs associated with funding the costs for the public parking structure, alley power relocation, and contaminated soil removal. In

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addition, the project plan includes \$924,250 in professional services for engineering costs.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation –

Tax Increment District #73 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 \$3,583,600. In accordance with SDCL 11-9-20, the 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

\$3,583,600

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated 2011 Assessed Value of District	\$	3,583,600
Estimated 2031 Assessed Value of project(year 20)	\$	74,000,000
Other Anticipated Increases in Assessed Value	\$	0
Estimated Increase in Assessed Value of Land*	\$	0
Estimated 2031 Total Valuation (year 20)	\$	77,583,600

*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 38 semi-annual payments over 19 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.

2011 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	13.690	63.0%
Pennington County	4.843	22.3%
City of Rapid City	3.150	14.6%
West Dakota Water District	0.087	0.1%
Total Mill Levy	21.711	100%

Anticipated 2011 Non Agriculture Tax Rate: 0.021711

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>ASSESSMT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TOTAL TAX INCREMENT PAYMENTS</u>	<u>6 MONTH TOTAL</u>
Nov. 2012	2014	\$ 0	\$ 0	\$ 0
Nov. 2013	2015	\$36,500,000	\$ 792,451	\$ 396,225
Nov. 2014	2016	\$36,500,000	\$ 792,451	\$ 396,225
Nov. 2015	2017	\$65,500,000	\$ 1,422,070	\$ 711,035
Nov. 2016	2018	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2017	2019	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2018	2020	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2019	2021	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2020	2022	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2021	2023	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2022	2024	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2023	2025	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2024	2026	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2025	2027	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2026	2028	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2027	2029	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2028	2030	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2029	2031	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2030	2032	\$74,000,000	\$ 1,606,614	\$ 803,307
Nov. 2031	2033	\$74,000,000	\$ 1,606,614	\$ 803,307

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/33:

\$ 28,712,796

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2011 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$9,790,000 included in the Project Plan are for a public parking structure, alley power relocation underground, and contaminated soil removal.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The interest rate used for this project plan is 7.0%. It is estimated that the financing costs will total \$12,004,816.38. If a lower interest rate is obtained, the

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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 and Professional fees in the amount of \$924,250 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 \$462,125 are anticipated in the Project Plan.

Necessary and Convenient Payments – Necessary and convenient costs in the amount of \$500,000 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 May 15, 2017, for its administrative costs in the amount of \$20,000. However, in no case shall the City be reimbursed less than \$1 on May 15, 2017.

TOTAL ESTIMATED PROJECT COSTS

Capital Costs:	
Parking Spaces	\$ 9,242,500.00
Private Structure	\$ 37,741,882.00
Contaminated Soil Removal	\$ 247,500.00
Alley Power Relocation Underground	\$ 300,000.00
Professional Costs:	
Engineering	\$ 924,250.00
Financing Costs:	
Interest	\$ 12,004,816.38
Contingency Costs:	\$ 462,125.00
Necessary and Convenient Costs	<u>\$ 500,000.00</u>
 TOTAL	 \$ 61,423,073.38

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

Total Proposed TID Project Costs

Capital Costs:	
Public Parking Structure	\$ 9,242,500.00
Alley Power Relocation Underground	\$ 300,000.00
Contaminated Soil Removal	\$ 247,500.00
Professional Costs:	
Engineering	\$ 924,250.00
Financing Costs:	
Financing Interest	\$ 12,004,816.38

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Contingency Costs:	\$ 462,125.00
Relocation Costs:	\$ 0
Organizational Costs:	\$ 0
Necessary and Convenient Costs:	<u>\$ 500,000.00</u>

Total \$ 23,681,191.38

Imputed Administrative Costs*
City of Rapid City \$ 20,000.00

*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 #73 fund available to the City Finance Officer on May 15, 2017.

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 Paid	Valuation Increase	Schools	County	City	Water	Total
2014	\$ 0	\$0	\$ 0	\$ 0	\$ 0	\$ 0
2015	\$ 36,500,000	\$0	\$ 176,716	\$ 115,697	\$ 792	\$ 792,451
2016	\$ 36,500,000	\$0	\$ 176,716	\$ 115,697	\$ 792	\$ 792,451
2017	\$ 65,500,000	\$0	\$ 317,121	\$ 207,622	\$ 1,422	\$1,422,070
2018	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2019	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2020	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2021	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2022	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2023	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2024	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2025	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2026	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2027	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2028	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2029	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2030	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614

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2031	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2032	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614
2033	\$ 74,000,000	\$0	\$ 358,274	\$ 234,565	\$ 1,606	\$1,606,614

*The Plan anticipates 38 semi-annual payments over 19 years.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the applicant. The applicant will be responsible for any interest payments due that are not available from Tax Increment District #73. 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 December 1, 2030.

The projected amortization rate schedule is listed below showing the amount to be borrowed by the Developer using a 7.0% interest rate.

PROJECTED AMORTIZATION RATE

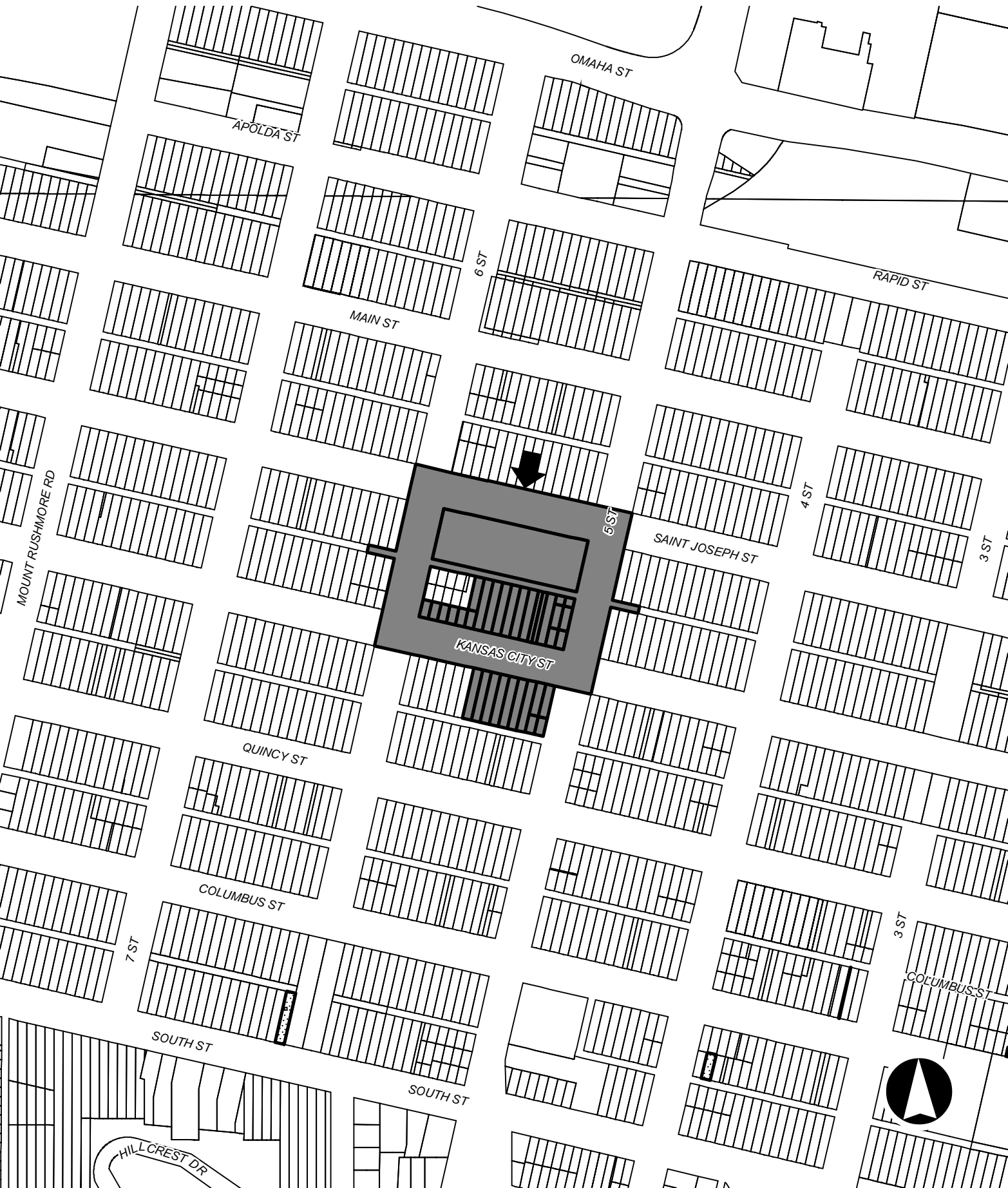
TABLE

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	6/1/2012		0.00	0.00		0.00	0.00	0.00	0.00
2	12/1/2012	5,000,000.00	175,000.00	5,175,000.00	175,000.00	0.00	175,000.00	5,175,000.00	175,000.00
3	6/1/2013	11,851,375.00	414,798.13	12,266,173.13	414,798.13	0.00	414,798.13	12,266,173.13	589,798.13
4	12/1/2013	12,266,173.13	429,316.06	12,695,489.18	429,316.06	0.00	429,316.06	12,695,489.18	1,019,114.18
5	6/1/2014	12,695,489.18	444,342.12	13,139,831.31	444,342.12	0.00	444,342.12	13,139,831.31	1,463,456.31
6	12/1/2014	13,139,831.31	459,894.10	13,599,725.40	459,894.10	0.00	459,894.10	13,599,725.40	1,923,350.40
7	6/1/2015	13,599,725.40	475,990.39	14,075,715.79	79,765.39	396,225.00	475,990.39	13,679,490.79	2,399,340.79
8	12/1/2015	13,679,490.79	478,782.18	14,158,272.97	82,557.18	396,225.00	478,782.18	13,762,047.97	2,878,122.97
9	6/1/2016	13,762,047.97	481,671.68	14,243,719.65	85,446.68	396,225.00	481,671.68	13,847,494.65	3,359,794.65
10	12/1/2016	13,847,494.65	484,662.31	14,332,156.96	88,437.31	396,225.00	484,662.31	13,935,931.96	3,844,456.96
11	6/1/2017	13,935,931.96	487,757.62	14,423,689.58	0.00	711,035.00	711,035.00	13,712,654.58	4,332,214.58
12	12/1/2017	13,712,654.58	479,942.91	14,192,597.49	0.00	711,035.00	711,035.00	13,481,562.49	4,812,157.49
13	6/1/2018	13,481,562.49	471,854.69	13,953,417.18	0.00	803,307.00	803,307.00	13,150,110.18	5,284,012.18
14	12/1/2018	13,150,110.18	460,253.86	13,610,364.03	0.00	803,307.00	803,307.00	12,807,057.03	5,744,266.03
15	6/1/2019	12,807,057.03	448,247.00	13,255,304.03	0.00	803,307.00	803,307.00	12,451,997.03	6,192,513.03
16	12/1/2019	12,451,997.03	435,819.90	12,887,816.92	0.00	803,307.00	803,307.00	12,084,509.92	6,628,332.92
17	6/1/2020	12,084,509.92	422,957.85	12,507,467.77	0.00	803,307.00	803,307.00	11,704,160.77	7,051,290.77
18	12/1/2020	11,704,160.77	409,645.63	12,113,806.40	0.00	803,307.00	803,307.00	11,310,499.40	7,460,936.40
19	6/1/2021	11,310,499.40	395,867.48	11,706,366.88	0.00	803,307.00	803,307.00	10,903,059.88	7,856,803.88
20	12/1/2021	10,903,059.88	381,607.10	11,284,666.97	0.00	803,307.00	803,307.00	10,481,359.97	8,238,410.97

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21	6/1/2022	10,481,359.97	366,847.60	10,848,207.57	0.00	803,307.00	803,307.00	10,044,900.57	8,605,258.57
22	12/1/2022	10,044,900.57	351,571.52	10,396,472.09	0.00	803,307.00	803,307.00	9,593,165.09	8,956,830.09
23	6/1/2023	9,593,165.09	335,760.78	9,928,925.87	0.00	803,307.00	803,307.00	9,125,618.87	9,292,590.87
24	12/1/2023	9,125,618.87	319,396.66	9,445,015.53	0.00	803,307.00	803,307.00	8,641,708.53	9,611,987.53
25	6/1/2024	8,641,708.53	302,459.80	8,944,168.33	0.00	803,307.00	803,307.00	8,140,861.33	9,914,447.33
26	12/1/2024	8,140,861.33	284,930.15	8,425,791.48	0.00	803,307.00	803,307.00	7,622,484.48	10,199,377.48
27	6/1/2025	7,622,484.48	266,786.96	7,889,271.43	0.00	803,307.00	803,307.00	7,085,964.43	10,466,164.43
28	12/1/2025	7,085,964.43	248,008.76	7,333,973.19	0.00	803,307.00	803,307.00	6,530,666.19	10,714,173.19
29	6/1/2026	6,530,666.19	228,573.32	6,759,239.50	0.00	803,307.00	803,307.00	5,955,932.50	10,942,746.50
30	12/1/2026	5,955,932.50	208,457.64	6,164,390.14	0.00	803,307.00	803,307.00	5,361,083.14	11,151,204.14
31	6/1/2027	5,361,083.14	187,637.91	5,548,721.05	0.00	803,307.00	803,307.00	4,745,414.05	11,338,842.05
32	12/1/2027	4,745,414.05	166,089.49	4,911,503.54	0.00	803,307.00	803,307.00	4,108,196.54	11,504,931.54
33	6/1/2028	4,108,196.54	143,786.88	4,251,983.42	0.00	803,307.00	803,307.00	3,448,676.42	11,648,718.42
34	12/1/2028	3,448,676.42	120,703.67	3,569,380.10	0.00	803,307.00	803,307.00	2,766,073.10	11,769,422.10
35	6/1/2029	2,766,073.10	96,812.56	2,862,885.66	0.00	803,307.00	803,307.00	2,059,578.66	11,866,234.66
36	12/1/2029	2,059,578.66	72,085.25	2,131,663.91	0.00	803,307.00	803,307.00	1,328,356.91	11,938,319.91
37	6/1/2030	1,328,356.91	46,492.49	1,374,849.40	0.00	803,307.00	803,307.00	571,542.40	11,984,812.40
38	12/1/2030	571,542.40	20,003.98	591,546.38	0.00	591,546.38	591,546.38	0.00	12,004,816.38
39	6/1/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,004,816.38
40	12/1/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,004,816.38

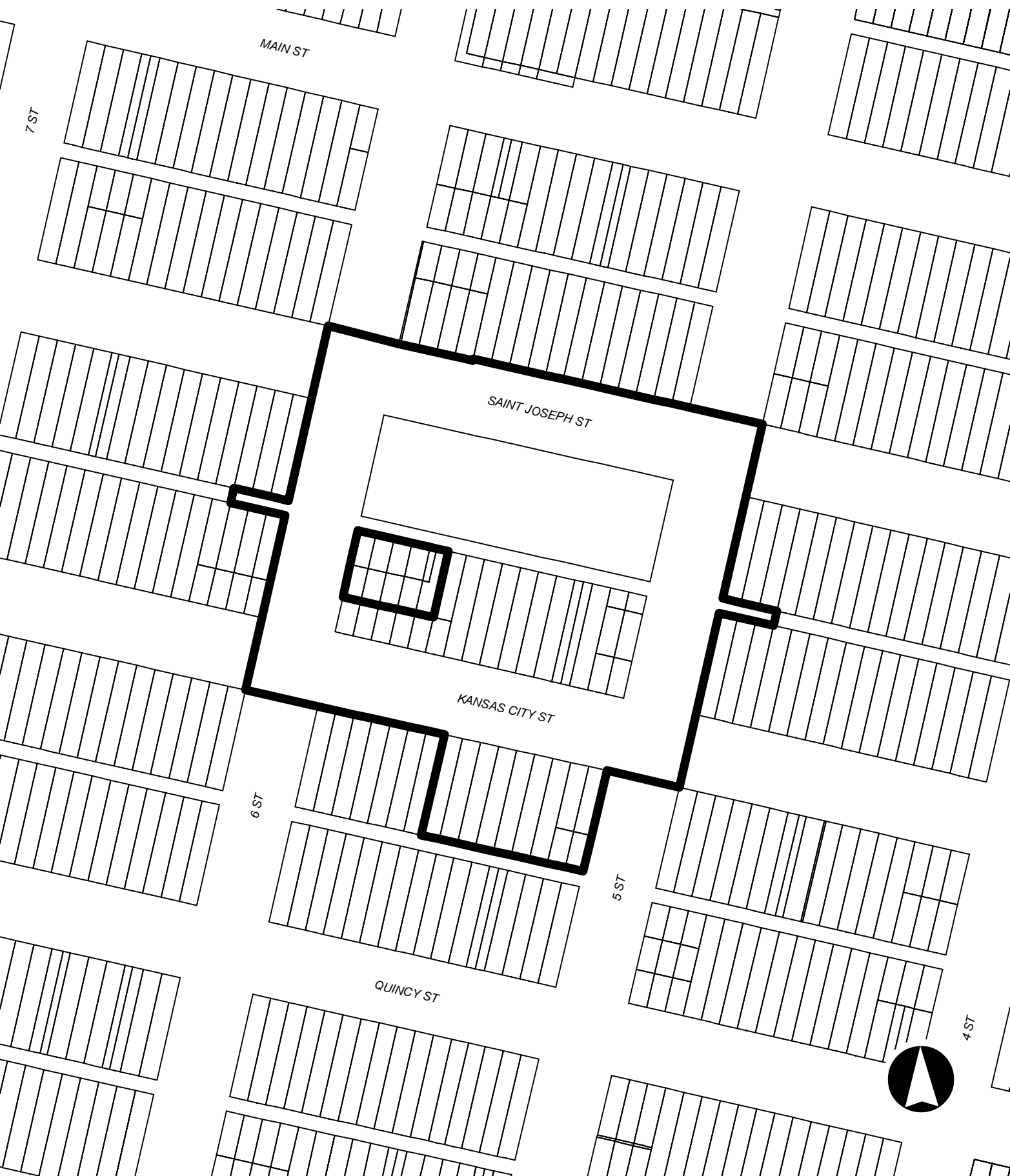
Tax Increment District No. 73 Saint Joseph Street Parking Vicinity Map



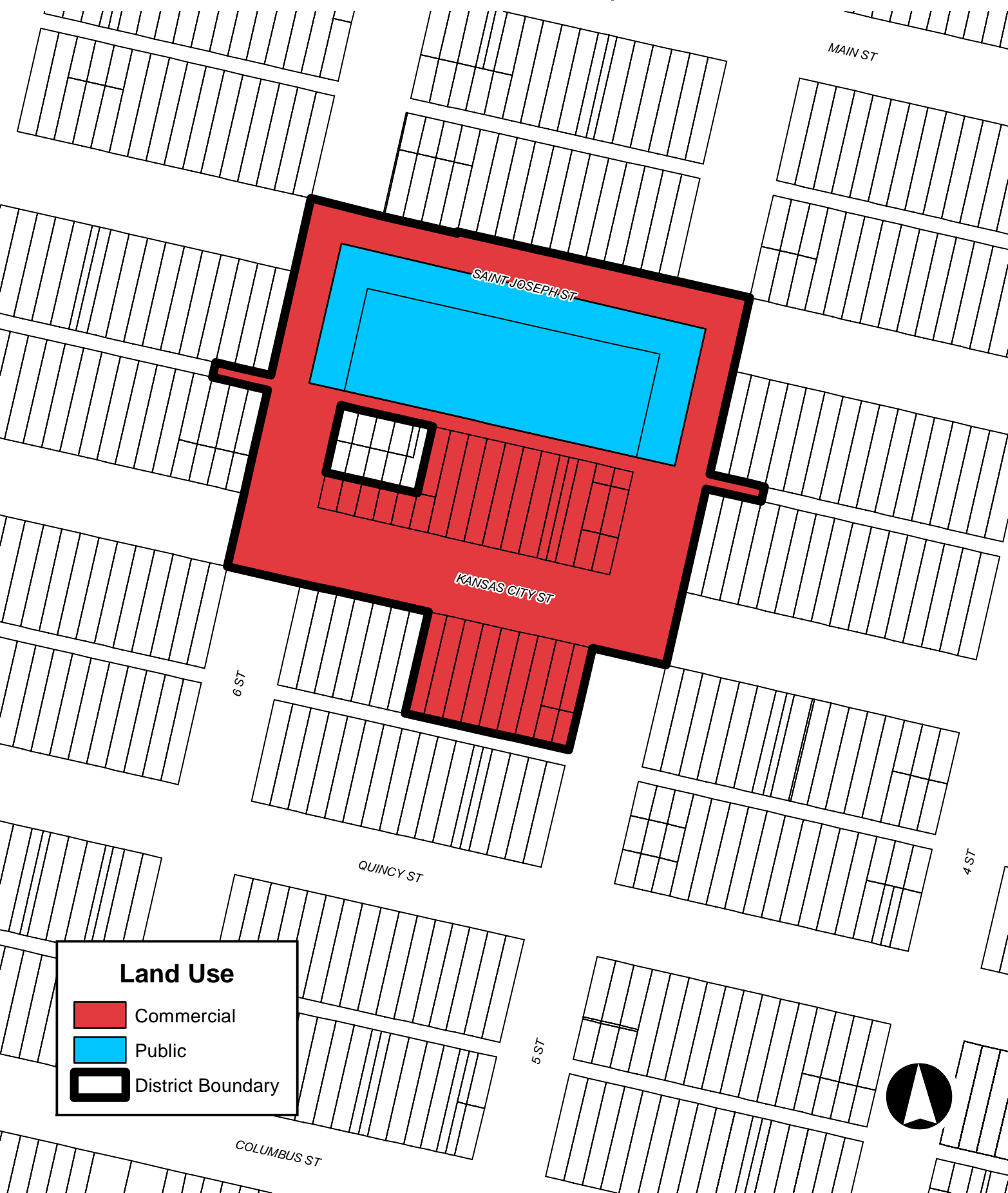
Tax Increment District No. 73 Saint Joseph Street Parking Aerial Map






Tax Increment District No. 73 East Saint Joseph Street Parking Boundary Map



Tax Incremental District No. 73 Saint Joseph Street Parking Land Use Map

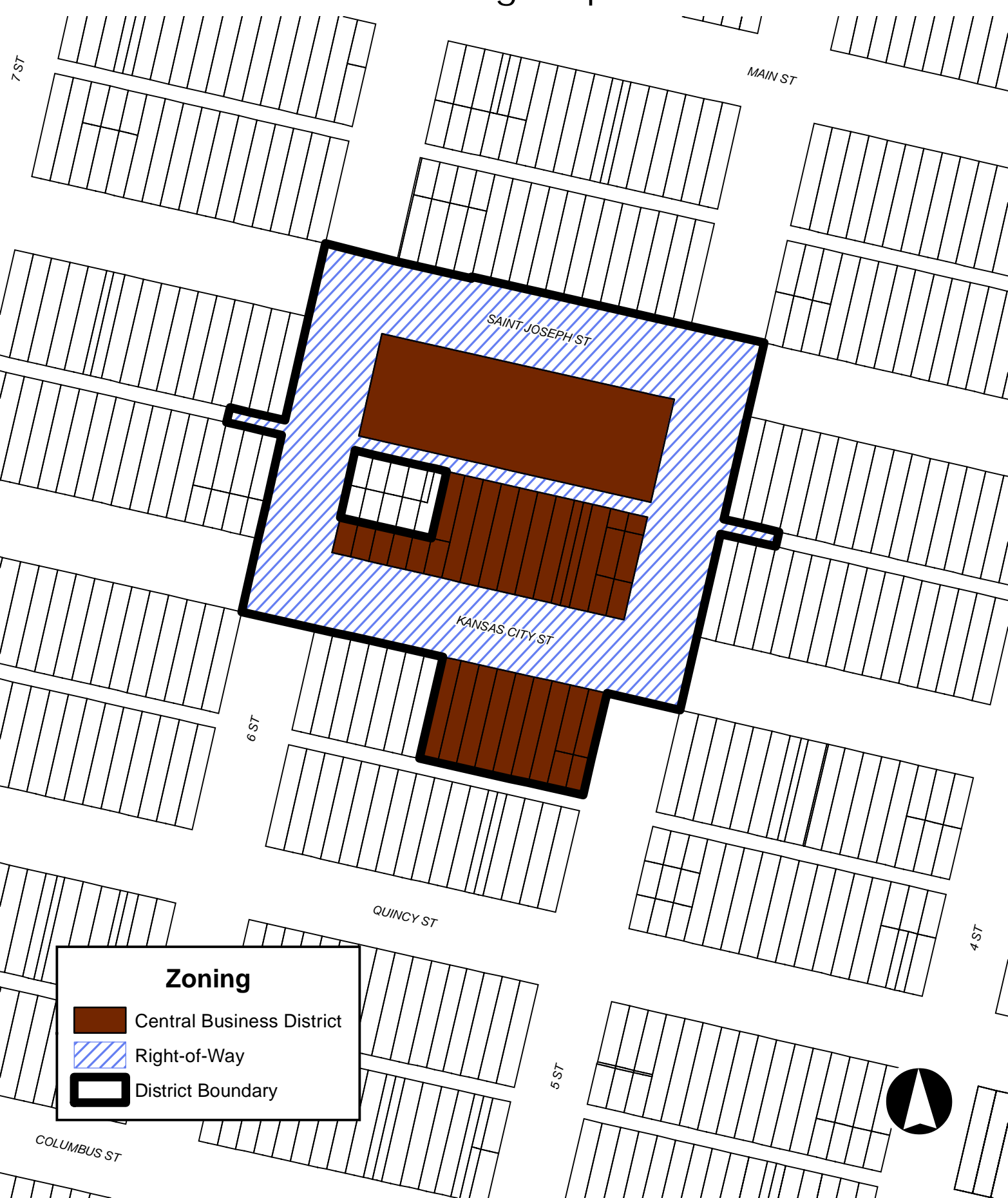


Land Use




-  Commercial
-  Public
-  District Boundary



Tax Increment District No. 73 Saint Joseph Street Parking Zoning Map

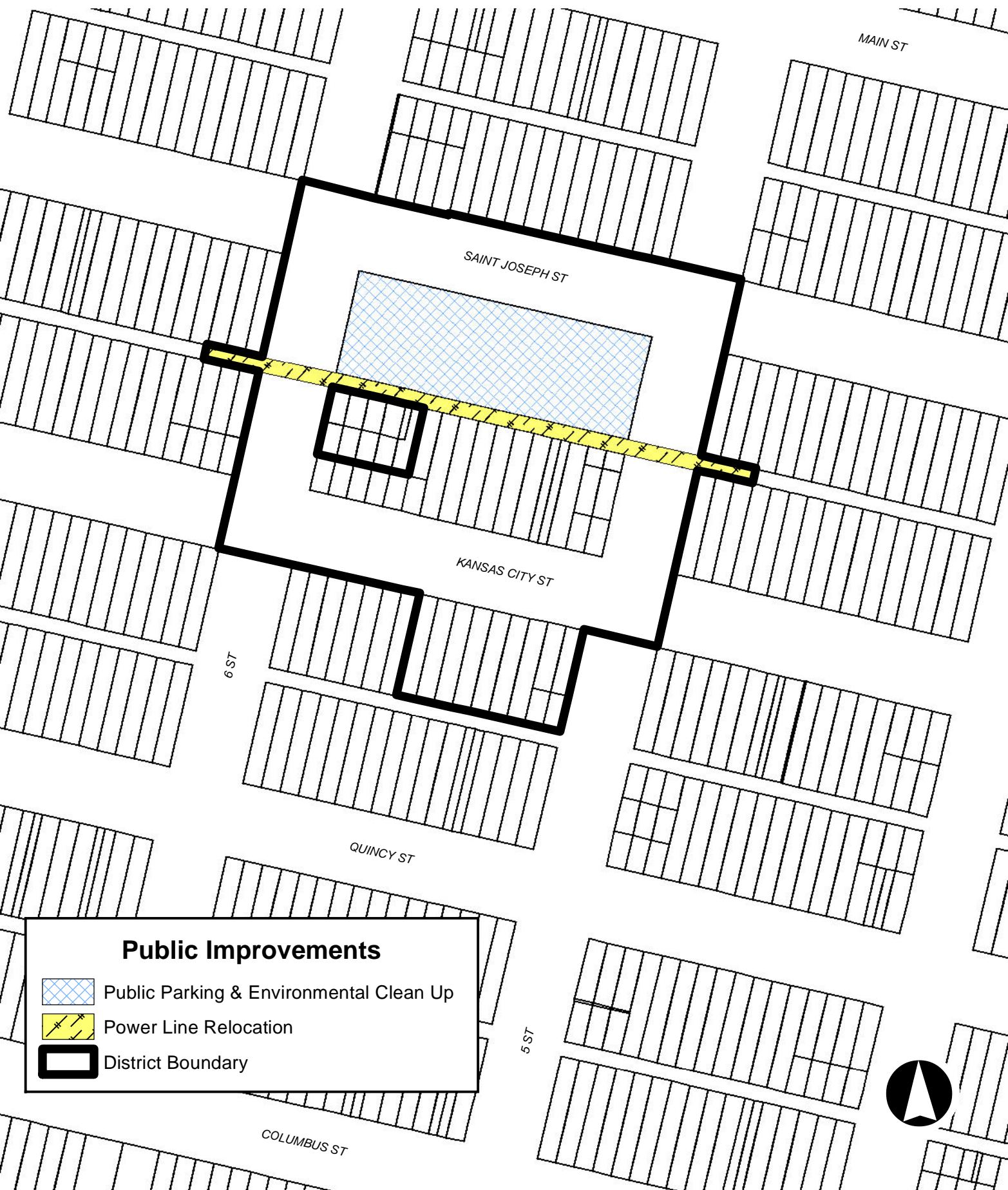


Zoning




-  Central Business District
-  Right-of-Way
-  District Boundary



Tax Increment District No. 73 Saint Joseph Street Parking Public Improvements



Public Improvements

-  Public Parking & Environmental Clean Up
-  Power Line Relocation
-  District Boundary

