

Preliminary Review of Proposed Tax Increment Project

Applicant: Black Hills Corporation by Chris Anderson / Todd Meierhenry

Proposed Project Title: Rushmore Gateway Corridor

Purpose of Tax Increment District: The purpose of this proposed Tax Increment District is to stimulate job creation and assist in the development of critical public infrastructure to serve the general public and commercial development along the south Mount Rushmore Road / US 16 Highway Corridor. The Tax Increment Funds would be utilized for extension of public infrastructure including water, sewer and storm water, road construction, traffic signal and sidewalk/bike paths. The Project Plan will be funded by the developer.

Black Hills Corporation intends to construct a new corporate headquarters on the property. The anticipated commercial development on the property will generate revenues to repay the costs of the proposed public improvements. The proposed district is considered an economic development Tax Increment District based on creating at least 50 new jobs. Black Hills Corporation has indicated that if the tax increment district is approved, the existing corporate headquarters project plans will be adjusted to improve an additional 150 workspaces within the corporate headquarters project.

Centrally Assessed Entity: Black Hills Service Company and its parent company Black Hills Corporation are centrally assessed entities. All of the tax revenues generated by the property owned with the centrally assessed company are equally disbursed throughout all properties owned in South Dakota, regardless of how or where the tax revenues were generated. Black Hills Corporation has requested that the State Revenue Department set up a special tax district so that any tax revenue generated from the subject property is directed to the proposed Tax Increment District. This special tax district would ensure that any incremental tax revenues generated by the subject property would pay for the approved TIF project plan costs.

Overlapping Tax Increment District: The City Council created Tax Increment District 70 (TID 70) on September 15, 2008. The associated Project Plan was approved on February 6, 2012, and includes cost reimbursements up to \$6,410,528.30. The sewer main has been installed as well as Moon Meadows Drive constructed to the eastern property edge. The traffic signal base installation, all of the structures (poles and signal heads), and the power required to operate the traffic signal are included in the project cost. However, the traffic signal and poles cannot be installed at the intersection until the traffic warrants are met. The poles and signal heads are purchased and stored at the city street facility until warrants are met. As of this writing, the public improvements that have been constructed to date within TID 70 have not yet been accepted by the city.

Because the Black Hills Corporation property identified in this application is included within TID 70, all incremental tax revenues generated within the proposed District will first be applied to TID 70. The Black Hills Corporation proposed incremental tax revenues are applied to the proposed district as soon as the certified costs within TID 70 are fully paid off. As of this writing, TID 70 costs have not yet been submitted for certification.

Proposed Boundaries: The proposed boundary is located in the southwest quadrant of US Highway 16 and Catron Boulevard inclusive of Catron Boulevard and includes only property owned by Black Hills Service Company.

Existing Base Valuation (2014): \$4,296,700

2014 Tax Rate: 0.022470 Non-Agriculture Tax Levy

Anticipated Increment:		Anticipated Increment Revenue:*	
2016	\$18,413,550	2018	\$413,752
2017	\$21,448,050	2019	\$481,938
2018	\$20,767,800	2020	\$466,652
2019	\$20,818,400	2021	\$467,789
2020	\$20,869,101	2022	\$468,929
2021	\$20,919,904	2023	\$470,070
2022	\$20,971,808	2024	\$471,237
2023	\$21,021,814	2025	\$472,360
2024	\$21,072,922	2026	\$473,509
2025	\$21,124,132	2027	\$474,659
2026	\$21,175,445	2028	\$475,812
2027	\$21,226,860	2029	\$476,968
2028	\$21,278,378	2030	\$478,125
2029	\$21,330,000	2031	\$479,285
2030	\$21,381,724	2032	\$480,447
2031	\$21,433,552	2033	\$481,612
2032	\$21,485,483	2034	\$482,779
2033	\$21,537,519	2035	\$483,948
2034	\$21,589,658	2036	\$485,120
2035	\$21,641,902	2037	\$486,294

*Revenue based on applicant's estimated increment at build out

Proposed Project Costs:

Corporate Office Space	\$70,000,000
Road Construction (Les Hollers Dr and Energy Park Dr)	\$2,160,405
Storm/Sewer/Water	\$601,078
Traffic signal/lighting (Les Hollers)	\$393,570

Sidewalks/Bike Paths	\$66,566
Professional Fees	\$254,508
Financing Interest	<u>\$3,198,103</u>
Total	\$76,674,228

Total Proposed TID Project Costs:

Road Construction (Les Hollers Dr and Energy Park Dr)	\$2,160,405
Storm/Sewer/Water	\$601,078
Traffic signal/lighting (Les Hollers)	\$393,570
Sidewalks/Bike Paths	\$66,566
Professional Fees	\$254,508
Financing Interest	<u>\$3,198,103</u>
Total	\$6,674,228

Identified Funding Sources:

Financed by the developer

Comments: The applicant has indicated that the anticipated interest rate will be 5.5%. The Tax Increment Financing Guidelines adopted by the City Council indicates that a 9% interest rate must be included in the Project Plan. Using a 9% interest rate and only the existing TID 70 incremental revenue and the proposed district revenue to calculate the repayment of both TID 70 and the proposed project costs, will pay off only the TID 70 approved project costs within the required 20 year time frame. Any development within the existing TID 70 boundary will generate additional incremental revenues over and above those identified within the proposed boundary, decreasing the amount of time to payoff both TID 70 and the proposed district.