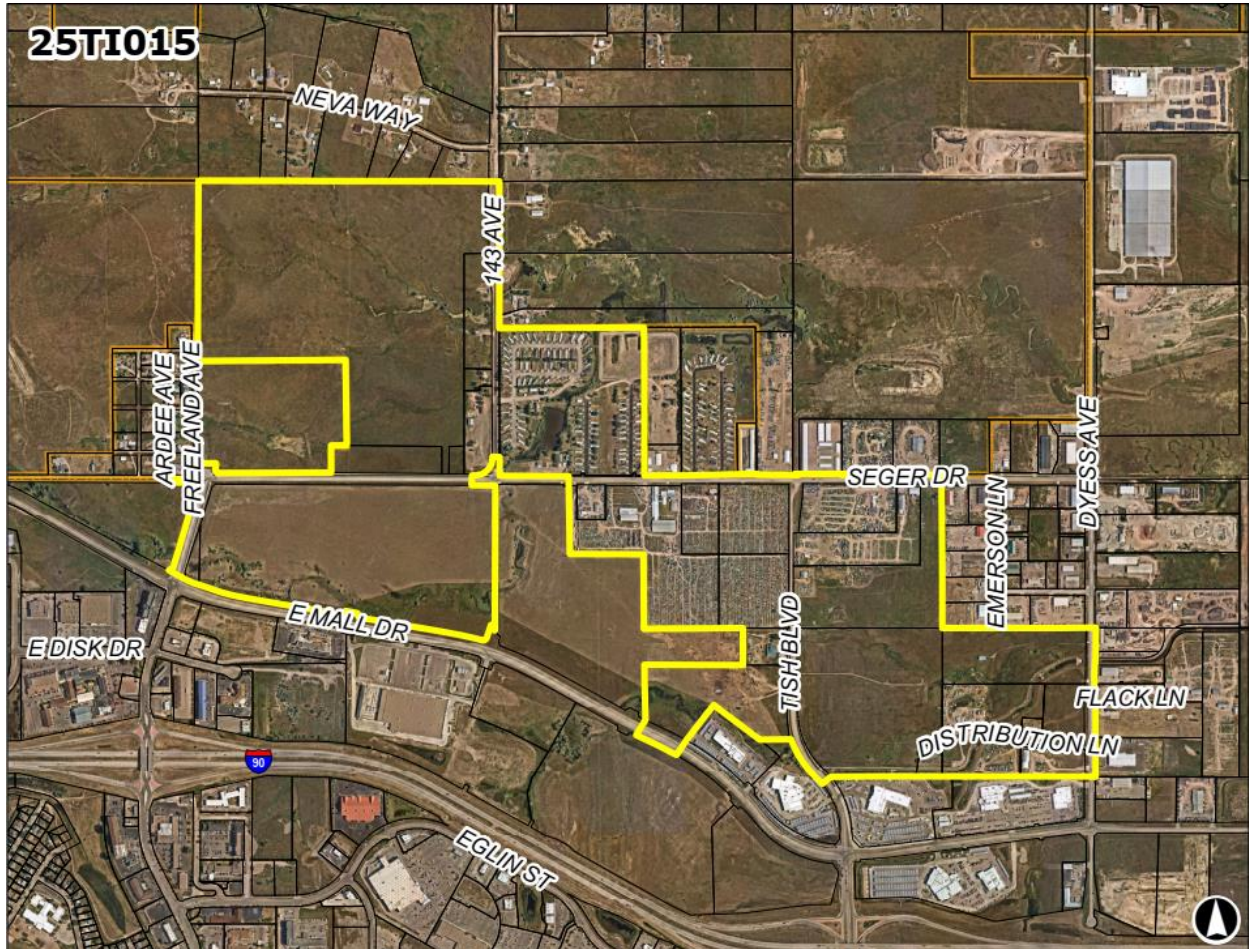


TAX INCREMENT DISTRICT PROJECT PLAN

Approved
00/00/0000

Effective
00/00/0000

TAX INCREMENT DISTRICT # _____
Rapid City Destination District
CITY OF RAPID CITY



Prepared by the
Rapid City Department of Finance
August 2025

INTRODUCTION

Tax increment financing is a method of financing improvements and development in an area which has been determined to be blighted or which has been determined to create economic development according to the criteria set forth in SDCL 11-9. All this is done without incurring general obligation for the taxpayers of the entire City, so long as the District is not classified as a local district.

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.”

When the assessed valuation of the district increases in succeeding years, 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 (city, county, school, etc.) levying property taxes. The tax increment is deposited into a special fund. It is this plan which determines how these accumulated increment funds will be used.

PURPOSE & OVERVIEW

As Rapid City looks to continued growth in the years to come, this TIFD will support expanded economic growth via new employment opportunities, improved local infrastructure and increased housing.

The proposed multi-use project is located approximately 2.5 miles northeast of Downtown Rapid City. The project site is generally bounded by Seger Drive and existing industrial uses to the north, East Mall Drive and existing retail uses to the south, North Lacrosse Street to the west, and Tish Boulevard to the east. A 36-acre portion of the site is located to the east of Tish Boulevard directly opposite from the remainder of the site. Additionally, a 126-acre portion of the site is in the northwest quadrant of the intersection of Seger Drive and 143rd Avenue. The proposed development will facilitate a multi-faceted visitor-oriented destination which may include the following components:

- Historic-themed, interactive attraction(s)
- Lifestyle Center with retail, dining, and entertainment uses
- Lodging and conference facilities
- Housing\Timeshare and Community-Serving Retail
- New Public Infrastructure

In the Commercial and Entertainment Zone specifically, nearly 65,000 sq. ft. will be dedicated to entertainment venues, 25,000 sq. ft. to retail and 20,000 sq. ft. to dining. An initial hotel with 200 rooms and 8,000 sq. ft. of convention space will complete the “anchor” of the C&E Zone, along with a proposed 896 parking spots. In the Resort Village Zone, the Village Green area is proposed as a public space similar in nature to Main Street Square in Downtown Rapid City. This area will contain 360 living units in a mix of single-family and multi-family rentals. Further development phases in this Zone will add another 300 single-family lots for sale, along with over 12,000 linear feet of new roadways and additional open space.

Libertyland USA will be developer 1 for this project and the City of Rapid City will be developer 2 for this project. Please refer to Project Costs section for detailed information.

Staff recommendation to create a new TIFD was based on the requirements of SDCL 11-9-8, wherein:

- (1) "Not less than ... fifty percent, by area, of the real property within the district will stimulate and develop the economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources"; and
- (2) The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district.

Without the TIFD, the development team would not be able to improve 143rd. Avenue north of Seger Drive, connect Tish Boulevard from its current terminus near the North Street Fire Station to Seger Drive or complete the associated public utility improvements, i.e. potable water systems, sanitary sewer service extension and required drainage improvements. Without the TIFD, there would be no mechanism for other parties to participate in the cost of these infrastructure improvements.

This TIFD will support expanded economic growth via new employment opportunities, improved local infrastructure and increased housing.

PROJECT PLAN SUMMARY

This plan establishes the total project costs, as well as the Tax Increment District funded costs. As required by SDCL 11-9-13, the Project Plan will address the following elements:

- 1) Public Works and Other Improvements;
- 2) Economic Feasibility Study;
- 3) Project Costs;
- 4) Fiscal Impact Statement;
- 5) Financing Method Description; and
- 6) Certification.

Additionally, the following exhibits are offered:

- I. General Vicinity Map;
- II. Aerial Photo with 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 the Master Plan, Building Codes and Ordinances do not apply to this project plan and have not been included in this document as there are no persons that will be displaced with approval of this plan nor are there any changes needed in the City's Master Plan, existing Building Codes or Ordinances in order to implement this plan.

ELEMENTS OF THE PROJECT PLAN

1. PUBLIC WORKS AND OTHER IMPROVEMENTS

The Project Plan includes multiple phases with total expenses of \$125,058,020. Interest expense will be accrued at an interest rate of 7.5%.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation

The Rapid City Destination District TIFD 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. The 2024 assessed valuation for the proposed district is projected at \$8,087,500. In accordance with SDCL 11-9-20, the Finance Director will request that the South Dakota Department of Revenue certify the base valuation following creation and approval of the district by the City Council.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY- \$8,087,500

Expected Increase in Valuation

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT	
Estimated 2025 Assessed Value of District	\$8,087,500
Other Anticipated Increases in Assessed Value	\$0
Estimated 2045 Total Valuation (year 20)	\$585,176,519

Revenue Estimates from Tax Increments

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

2024 NA Tax Levies and Percentage of Total Levy for 4/D-RC-NA

City of Rapid City within the Rapid City Area School District		
<u>Taxing Entity</u>	<u>Tax Levy</u>	<u>% of Total Levy</u>
Rapid City Area School District	9.334	60.00%
Pennington County	3.685	23.70%
City of Rapid City	2.506	16.12%
West Dakota Water District	<u>0.017</u>	<u>0.018%</u>
Total Mill Levy	15.542	100.00%

Anticipated 2024 NA 4/D-RC-NA Tax Rate: 0.015542

PROJECTED TAX INCREMENT INCOME

	Year	Assessment	Year Taxes	Projected	Cumulative	Increment
		<u>Year</u>	<u>Paid</u>	<u>Valuation</u>	<u>Increase</u>	<u>Payments</u>
Created	2025	2024	2026	8,087,500	-	-
1	2026	2025	2027	8,330,125	242,625	5,040
2	2027	2026	2028	70,145,707	62,058,207	848,176
3	2028	2027	2029	186,652,264	178,322,139	2,710,868
4	2029	2028	2030	326,706,218	318,618,718	4,821,296
5	2030	2029	2031	380,919,277	372,589,152	5,663,881
6	2031	2030	2032	392,336,328	384,248,828	5,966,389
7	2032	2031	2033	404,095,890	395,765,765	6,150,257
8	2033	2032	2034	416,208,239	408,120,739	6,339,642
9	2034	2033	2035	428,683,959	420,353,834	6,534,708
10	2035	2034	2036	441,533,950	433,446,450	6,735,626
11	2036	2035	2037	454,769,441	446,439,316	6,942,572
12	2037	2036	2038	468,401,997	460,314,497	7,155,726
13	2038	2037	2039	482,443,529	474,113,404	7,375,274
14	2039	2038	2040	496,906,307	488,818,807	7,601,409
15	2040	2039	2041	511,802,959	503,715,459	7,834,329
16	2041	2040	2042	527,156,520	519,069,020	8,074,235
17	2042	2041	2043	542,960,388	534,872,888	8,321,339
18	2043	2042	2044	559,238,372	550,908,247	8,575,856
19	2044	2043	2045	576,004,696	567,917,196	8,838,009
20	2045	2044	2046	593,274,010	585,176,519	9,108,026
					Total	125,602,658

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/45: \$125,602,658

NOTE: Tax Increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2024 mill levy for the City of Rapid City (4/D-RC-NA). For purposes of reviewing a proposed TIFD factored value (also known as taxable value as differentiated by the Department of Equalization), is not part of the assumptions for projecting values and incremental revenue. The estimated cumulative increase in taxable value is an estimate based on the incremental revenue generated from the proposed valuation increase.

3. **PROJECT COSTS**

Improvements to be provided in this project are intended to be in accordance with SDCL 11-9.

CAPITAL COSTS

For purposes of this project plan, capital costs shall refer to public improvements that will meet public bid requirements. The following are the capital cost projects:

Improvements made with this project are intended to be in accordance with **SDCL §11-9** and may include excavation (and soil compaction), material import and export, stockpiling, topsoil stripping and replacement, removals, subgrade preparation, base course, pavement, curb and gutter, underdrain, concrete sidewalk, ADA sidewalk ramps, concrete pans and fillets, water main, fittings and appurtenances, fire hydrants, valves, water services, joint restraints, cathodic protection, sanitary sewer main, manholes, sewer services, storm sewer pipe, storm sewer manholes and structures, drop inlet boxes, erosion control measures, seeding, fertilizing, mulching, signage, roadway striping, joint utility trench, street lighting, landscaping\streetscaping and private utility extensions to serve the project. Improvements in each project area are as follows:

Commercial and Entertainment Zone: (Responsibility of the applicant)

- Overlot grading, surfacing, and common utilities -\$4,221,423
- Regional drainage improvements in accordance with the Box Elder Drainage Basin Design Plan - \$630,960

Existing Street Network/Infrastructure: (All would be a responsibility of the City of Rapid City and will be reimbursed from the development generated increment.)

- Extension of Tish Blvd. to Seger Drive and/or Extension of North Lacrosse Street - \$4,909,036 (If the Tish Blvd. extension is completed first, there is a possibility that the North Lacrosse Street project will not get completed as a part of this plan. Any unused funds allocated to the Tish Blvd. extension can be used towards the North Lacrosse Street project.)
- Downstream sanitary sewer connection - \$425,709 (At the City's sole discretion)
- Widening of 143rd Ave North Seger Drive and storm sewer - \$1,765,008
- Widening of Seger Drive from 3 to 5 lanes - \$2,360,474 (If required by traffic study.)
- Contingency Cost of \$3,041,505

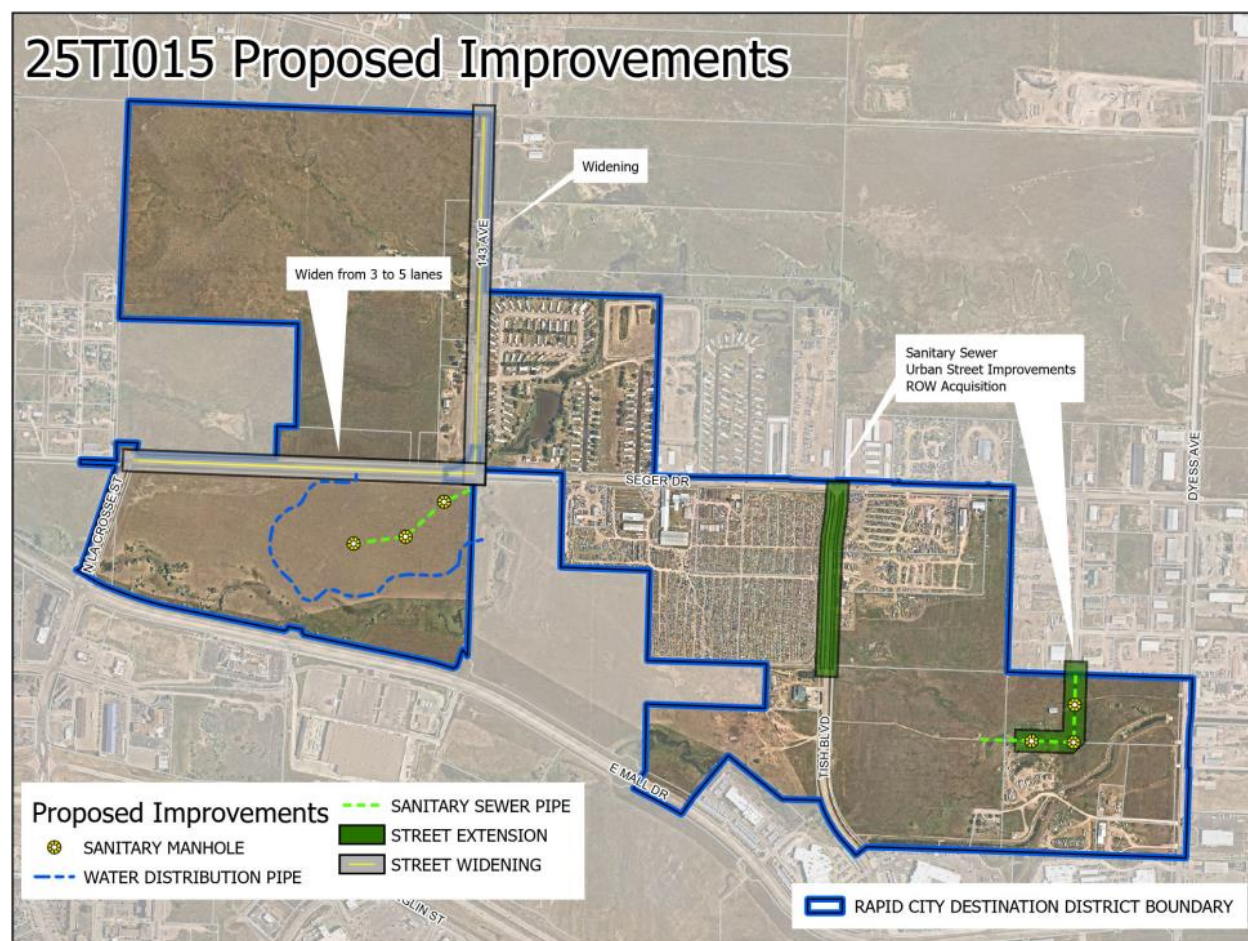
The City of Rapid City (developer 2) will receive 13.4% of the tax increment proceeds generated from the project in order to repay the City's TIFD loan needed to complete the capital projects. The applicant (developer 1) would receive the remaining 86.6% for repayment.

\$46,517,513 of the request is structured as a grant. This is in compliance with SDCL 11-9-15 under item (8):

(8) Payments and grants made, at the discretion of the governing body, that are found to be necessary or convenient to the creation of a district, the implementation of project plans, or to stimulate and develop the general economic welfare and prosperity of the state. No payment or grant may be used for any residential structure pursuant to § [11-9-42](#).

Discretionary Costs and Grants will be used for the development of the Commercial and Entertainment Zone and amenities of the Resort Village. These funds will also be used for

professional service costs; including costs incurred for architectural, planning, engineering and legal advice & services. Grant funds cannot be used to developed residential structures.



PROFESSIONAL, LEGAL, and ADMINISTRATIVE COSTS

The Project Plan includes \$40,000 in professional, legal, and administrative costs associated with completing the TIFD eligible project components.

FINANCING EXPENSES

Financing expenses are calculated at a 7.5% interest rate during the life of the TIFD. Interest expense is eligible up to \$54,210,333. 7.5% is the interest rate for the developer and the City of Rapid City.

The City of Rapid City and the applicant financing costs are included together in this total amount.

Imputed Administrative Costs: An imputed administrative fee in the amount of \$25,000 will be paid to the City of Rapid City. This fee is paid to the City as a project cost from the TIFD fund balance within the first five years of the District for its administrative costs. Also, a \$15,000 imputed administrative fee shall be charged by Pennington County. This fee is paid to the County as a project cost from the Tax Increment fund balance within the first five years of the District for its administrative costs.

Costs of Public Works or Improvements. In accordance with SDCL § 11-9-13, the following table represents the kind, number, location and dollar amount of estimated project costs, costs of public works and improvements.

DETAIL OF PROJECT COSTS

Kind of Project	Number of Projects	Location ⁽¹⁾	Amount	Reference ⁽²⁾
Capital Costs and Contingency	6	District	\$17,354,115	11-9-15(1)
Financing Costs	2	District	\$54,210,333	11-9-15(2)
Real Property Assembly	1	District	\$6,936,059*	11-9-15(3)
Professional Fees	N/A	District	N/A	11-9-15(4)
Administrative Costs	2	District	\$40,000	11-9-15(5)
Relocation Costs	N/A	N/A	N/A	11-9-15(6)
Organizational Costs	N/A	N/A	N/A	11-9-15(7)
Discretionary Costs and Grants	1	District	46,517,513	11-9-15(8)
Eligible Project Costs			\$125,058,020	

* An appraisal will be completed on the land to be purchased. The land purchase reimbursement received cannot exceed the total amount the property was appraised for.

The applicant will dedicate all owned construction easements and rights-of-way to the City of Rapid City that are necessary to affectionate the plan.

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 TIFD. The taxing entities are 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.

⁽¹⁾District shall mean the Tax Increment District

⁽²⁾**SDCL §11-9-14. Project costs defined.** "Project costs" are any expenditures made or estimated to be made, or monetary obligations incurred or estimated to be incurred, by a municipality which are listed in a project plan as grants, costs of public works, or improvements within a tax incremental district, plus any costs incidental thereto, diminished by any income, special assessments, or other revenues, other than tax increments, received, or reasonably expected to be received, by the municipality in connection with the implementation of the plan.

SDCL 11-9-15. Specific items included in project costs. Project costs include:

- (1) Capital costs, including the actual costs of the construction of public works or improvements, buildings, structures, and permanent fixtures; the demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and permanent fixtures; the acquisition of equipment; the clearing and grading of land; and the amount of interest payable on tax incremental bonds or notes issued pursuant to this chapter until such time as positive tax increments to be received from the district, as estimated by the Project Plan, are sufficient to pay the principal of and interest on the tax incremental bonds or notes when due;

- (2) Financing costs, including all interest paid to holders of evidences of indebtedness issued to pay for Project Costs, any premium paid over the principal amount thereof because of the redemption of such obligations prior to maturity and a reserve for the payment of principal of and interest on such obligations in an amount determined by the governing body to be reasonably required for the marketability of such obligations;
- (3) Real property assembly costs, including the actual cost of the acquisition by a municipality of real or personal property within a tax incremental district less any proceeds to be received by the municipality from the sale, lease, or other disposition of such property pursuant to a Project Plan;
- (4) Professional service costs, including those costs incurred for architectural, planning, engineering, and legal advice and services;
- (5) Imputed administrative costs, including reasonable charges for the time spent by municipal employees in connection with the implementation of a Project Plan;
- (6) Relocation costs;
- (7) Organizational costs, including the costs of conducting environmental impact and other studies and the costs of informing the public of the creation of tax incremental districts and the implementation of project plans; and
- (8) Payments and grants made, at the discretion of the governing body, which are found to be necessary or convenient to the creation of tax incremental districts or the implementation of project plans.

NET IMPACT ON TAXING ENTITIES

<u>Year</u>					
<u>Paid</u>	<u>School</u>	<u>County</u>	<u>City</u>	<u>Water</u>	<u>Yearly Total</u>
2026	3,024	1,194	812	9	5,040
2027	508,906	201,018	136,726	1,527	848,176
2028	1,626,521	642,476	436,992	4,880	2,710,868
2029	2,892,778	1,142,647	777,193	8,678	4,821,296
2030	3,398,329	1,342,340	913,018	10,195	5,663,881
2031	3,579,833	1,414,034	961,782	10,740	5,966,389
2032	3,690,154	1,457,611	991,421	11,070	6,150,257
2033	3,803,785	1,502,495	1,021,950	11,411	6,339,642
2034	3,920,825	1,548,726	1,053,395	11,762	6,534,708
2035	4,041,376	1,596,343	1,085,783	12,124	6,735,626
2036	4,165,543	1,645,390	1,119,143	12,497	6,942,572
2037	4,293,436	1,695,907	1,153,503	12,880	7,155,726
2038	4,425,164	1,747,940	1,188,894	13,275	7,375,274
2039	4,560,845	1,801,534	1,225,347	13,683	7,601,409
2040	4,700,597	1,856,736	1,262,894	14,102	7,834,329
2041	4,844,541	1,913,594	1,301,567	14,534	8,074,235
2042	4,992,803	1,972,157	1,341,400	14,978	8,321,339
2043	5,145,514	2,032,478	1,382,428	15,437	8,575,856
2044	5,302,805	2,094,608	1,424,687	15,908	8,838,009
2045	5,464,816	2,158,602	1,468,214	16,394	9,108,026

The State of South Dakota uses a formula to calculate the amount of general funding distributed to a school district each year. A portion of the money going into the formula is funded by taxes collected by the State, and a portion is funded by local property taxes. The formula is designed to hold the school district harmless when a TIFD is created. For TIFD's classified as "Local" the revenues to the school district must be made up by property owners within the District. For all other TIFD classifications (economic development, affordable housing, industrial, etc.) the revenues are made up across the entire state. This District is anticipated to be classified as an Economic District.

5. FINANCING METHOD

If the tax increment revenues exceed the anticipated loan payments, the debt will be retired early.

The debt on the TIFD project costs covered in the plan will be retired by deposits made into the TIFD fund as property taxes are paid in succeeding years. The City of Rapid City Finance Director 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 no longer than 20 years after the calendar year of creation. The final payment from this plan is anticipated to be made on or before December 1, 2045. The projected amortization rate schedule is listed below showing the amount to be financed using a 7.5% interest rate. This project plan includes financing costs of \$54,210,333.

The following amortization schedule was taken from the developer's application.

AMORTIZATION				
Date	Beginning	Interest 7.5%	Annual Net Revenue	Ending
2025	\$2,000,000	\$150,000		\$2,150,000
2026	\$2,150,000	\$161,250	\$5,040	\$10,306,210
2027	\$10,306,210	\$772,966	\$848,176	\$20,230,999
2028	\$20,230,999	\$1,517,325	\$2,710,868	\$30,037,457
2029	\$30,037,457	\$2,252,809	\$4,821,296	\$39,468,970
2030	\$39,468,970	\$2,960,173	\$5,663,881	\$46,765,261
2031	\$46,765,261	\$3,507,395	\$5,966,389	\$61,306,267
2032	\$61,306,267	\$4,597,970	\$6,150,257	\$59,753,980
2033	\$59,753,980	\$4,481,548	\$6,339,642	\$57,895,886
2034	\$57,895,886	\$4,342,191	\$6,534,708	\$55,703,370
2035	\$55,703,370	\$4,177,753	\$6,735,626	\$53,145,496
2036	\$53,145,496	\$3,985,912	\$6,942,572	\$50,188,837
2037	\$50,188,837	\$3,764,163	\$7,155,726	\$46,797,274
2038	\$46,797,274	\$3,509,796	\$7,375,274	\$42,931,795
2039	\$42,931,795	\$3,219,885	\$7,601,409	\$38,550,270
2040	\$38,550,270	\$2,891,270	\$7,834,329	\$33,607,212
2041	\$33,607,212	\$2,520,541	\$8,074,235	\$28,053,518
2042	\$28,053,518	\$2,104,014	\$8,321,339	\$21,836,192
2043	\$21,836,192	\$1,637,714	\$8,575,856	\$14,898,051
2044	\$14,898,051	\$1,117,354	\$8,838,009	\$7,177,396
2045	\$7,177,396	\$538,305	\$9,108,026	\$0
	TOTAL INTEREST	\$54,210,333		

For the amortization, it was assumed that the beginning balances each year 2025-2032 reflect the added proposed financed amount for that year, as shown below, with an initial investment of \$2 Million in 2025 and an overall investment of \$70 Million by 2031.

Projected TIFD Expense Timeline	
2025	\$2,000,000
2026	\$8,000,000
2027	\$10,000,000
2028	\$11,000,000
2029	\$12,000,000
2030	\$10,000,000
2031	\$17,000,000

6. CERTIFICATION

To facilitate orderly development and increment recapture, the parties agree to a phased certification for each building or group of affiliated buildings in the TIFD. Certified costs associated with any commercial, infrastructure, professional fees or other amenities in this project plan can be certified. Each phase shall be eligible for certification upon (1) substantial completion of the building or group of affiliated buildings, and (2) submission by the developer of (a) a formal request for certification, (b) an itemized breakdown of costs, and (c) a temporary certificate of occupancy or comparable proof of completion. Total increment provided to developer shall not exceed the developer's share of pro-rata certified costs and interest expense.

The City of Rapid City (developer 2) will receive 13.4% of the tax increment proceeds generated from the project in order to repay the City's TIFD loan needed to complete the capital projects. The applicant (developer 1) would receive the remaining 86.6% for repayment.

The City of Rapid City can start repayment for its costs anytime separate from developer 1.

Increment funds will be collected and held until developer 1 or developer 2 certify its costs and will be reimbursed per pro-rata share. However, if after 6 years from the effective date of the resolution for the creation of the district, developer 1 has not certified its costs, all increment funds held in the TIFD account will go towards repayment of developer 2 costs. Similarly, if after 6 years from the effective date of the resolution for the creation of the district, developer 2 has not submitted its costs, all increment funds held in the TIFD account will go towards repayment of developer 1 costs.