TAX INCREMENT DISTRICT APPLICATION
FOR
PARK HILL SUBDIVISION

PREPARED BY:
PARK HILL DEVELOPMENT, INC.
July 21, 2018 —(EDITED 10/5/18)

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RAPID CITY DEPARTMENT OF COMMUNITY DEVELOPMENT
Park Meadows-Industrial TIF

1. Project Description:

Park Hill/Park Meadows Subdivision began 16 years ago as an in-fill development beginning with the construction of 17 long-time platted but undeveloped lots. Another 6 subsequent phases were developed into a combination of single family lots and a townhome subdivision. What remains of this in-fill development is a parcel adjacent to a light industrial zoned area developed in the late 1950’s which has been accumulating yard ornaments, visible to the public, since. The proposed project would consist of one level, no steps, side by side duplex’s. This housing product currently exists within the adjacent subdivision and is mainly occupied by mature singles and young professionals currently renting for an average of $995/mo. This area cannot be developed and be expected to compete with similar products. In other words, with the increased cost associated with the development of this site, without financial assistance, the price for the end product for the housing market would be much higher than any competition for the same product. This TIF would not give us an advantage over our competition. It would just allow us to compete on a level playing field.

The proposed Tax Increment District area is limited to the two tax ID parcels that would be developed adjacent to the light industrial zoned area. This area consists of metal buildings, Quonset hut-style structures with most of the lots being used for exterior storage of all types of materials in all types of condition. This industrial area is visible in every direction by the public including one of the gateways into Rapid City. The TIF is to cover the costs associated with;

a. screening between the industrial and residential properties. Screening will consist of mature evergreen & deciduous trees, plantings, topsoil, irrigation, native grass seeding, grading, etc. (see attached proposal). The intent is for an immediate impact towards visually screening between the 2 areas and to generally add an immediate beautification element to the industrial area in order to mitigate the unsightliness of the area.

b. offsite street improvements in order to access the site

c. **Offsite sidewalk to extend sidewalk from the Park Meadows Subdivision to Bridgeview Drive and along both the north and side sides of Bridgeview Drive.**

d. drainage improvements (detention cell & storm sewer)

e. importing of topsoil for erosion and sediment control and grading. The soil is not conducive to growing any vegetation.
f. additional foundation requirements are necessary due to unusual soil conditions

This project complies with the adopted Comprehensive Plan. While Highway 79 at this location is not mentioned as a gateway or entrance corridor on the Comprehensive Plan, there’s no doubt this portion of Highway 79 is seen by many travelling from the south towards the areas shopping destinations to the north.

2. Why create this TIF?

This project will;

1. enhance the quality of life for the residents within this community/neighborhood

2. facilitate the completion of the city’s existing infrastructure network to support the existing growth (in-fill development, “smart growth”)

3. enhance one of the least attractive, main entrance corridors into Rapid City. Travelled by many to reach shopping destinations to the north

4. provide a housing option for, among others, mature residents of our community. Housing which features no steps, attached garages and an association which cares for exterior landscaping

5. with the fence construction, reduce the potential for incursion of the public (minors) into the hazardous industrial area

6. be able to compete on a level playing field with other similar housing. It cannot be developed with the higher costs associated with the site, without TIF assistance

7. ensure a quality, long term neighborhood due to the extensive beautification efforts and maintenance program for these efforts and ensures the quality of the housing foundations
3. Project Costs:

Project cost to be funded by the TIF will include:

a. Plantings, Topsoil, Irrigation, Fence
   * Estimated Construction Costs: $104,600.00
   * Estimated Professional Fees: $6,276.00
   * Estimated Contingency Costs: $3,138.00

b. Off-Site Sidewalk
   * Estimated Construction Costs: $29,600.00
   * Estimated Professional Fees: $1,776.00
   * Estimated Contingency Costs: $888.00

c. Off-Site Street Improvements
   * Estimated Construction Costs: $91,600.00
   * Estimated Professional Fees: $5,496.00
   * Estimated Contingency Costs: $2,748.00

d. Drainage Improvements
   * Estimated Construction Costs: $122,300.00
   * Estimated Professional Fees: $7,284.00
   * Estimated Contingency Costs: $3,642.00

e. Grading Costs
   * Estimated Construction Costs: $255,100.00
   * Estimated Professional Fees: $15,300.00
   * Estimated Contingency Costs: $7,650.00

f. Financing Expenses
   * Estimated Financing Costs: $343,362.00

g. Total TIFD Cost
   * Total Cost: $1,000,741.00

For further clarification, reference our cost projection included in Appendix A.

4. Preliminary development financing plan:
The developer will fund the TIF component of the project through a loan at Black Hills Community Bank. The terms of the loan have not been finalized. It is anticipated that
the interest rate over the life of the TIF will be near 5.5%. It is anticipated that the interest rate will not exceed 9% during the life of the TIF.

5. **List of entities involved:**
The project is being proposed by Park Hill Development, Inc. Corporation documents for this entity are attached. Anthony Marshall, Mark Bradksy & Tim Duda are the officers of the corporation.

6. **Project financial feasibility (pro forma):**
The proposed development cannot proceed with the TIF. Due to the unusual costs associated with the site, the end product would be too expensive to compete on a level playing field with the market.

Our proforma of project costs and revenues is included in Appendix B.

7. **Project feasibility:**
The proposed development cannot proceed without the TIF.

8. **Statutory criteria:**
The Mandatory Criteria are met as defined below:

1. **1.B Stated As**

An area that substantially impairs or arrests the sound growth of the municipality, retards the provision of adequate housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, or morals, or welfare as a result of substandard, unsafe or deteriorating development: or,

Park Meadows Subdivision if left un-developed should be considered an area that would substantially impair or arrest the sound growth of the municipality. This area cannot be developed in its existing state and be expected to compete with similar products. The proposed Tax Increment District area is limited to the two tax ID parcels that would be developed adjacent to the light industrial zoned area.

1.C Stated As

An open area which because of the need for infill development and cost effective use of existing utilities and services, obsolete platting, diversity of ownership,
deterioration of structures or site improvements, or otherwise is determined to be blighted, substantially impairs or arrests the sound growth of the community.

The boundaries of this proposed TIF are surrounded by improved properties with existing access to city utilities and therefore qualifies as infill development and a cost effective use of existing utilities and services.

2. Stated As

The project must comply with the adopted Comprehensive Plan and all other appropriate plans and regulations.

The adopted Future Land Use Plan identifies Medium Density Residential development as appropriate for Park Meadows Subdivision.

3. Stated As

The use of the TIF for the project will not result in the net loss of pre-existing tax revenues to the City and other taxing jurisdictions.

Under existing conditions, no structures occupy the area proposed for development. Park Meadows Subdivision alone will add 15 Duplex Lots, 10 Townhouse Lots, and 1 Apartment Lot.

In addition, the project must meet two of the six criteria:

1. Stated As

The project must demonstrate that it is not economically feasible without the use of TIF. In addition, if the project has site alternatives, the proposal must demonstrate that it would not occur in Rapid City without TIF.

The Pro-Forma included in Appendix B outlines that without the use of a TIF, Park Meadows Subdivision would operate at a net loss. No other site alternatives are available.
3. Stated As

The project will not provide direct or indirect assistance to retail or service businesses competing with existing businesses in the Rapid City trade area.

Park Meadows Subdivision will consist of 15 Duplex Lots, 10 Townhouse Lots, and 1 Apartment Lot. No retail or service businesses are projected for MDR Zoning.

6. Stated As

The project will result in the construction of affordable housing units defined as housing where the occupant is paying no more than thirty percent (30%) of gross income for housing costs including utilities and complies with the following requirements:

A. Affordable housing projects must target residents at or below the eighty percent (80%) of median income with rents at thirty percent (30%) of the tenants income or the Fair Market Rent (FMR) for the Section 8 Program, whichever is greater. A minimum of 51% of the dwelling units of the proposed development shall be occupied by households meeting this income guideline;

B. Affordable housing is required to remain affordable as defined for ten (10) years. If affordability is less than ten (10) years, repayment of prorate share of increment benefit will be due and payable to the City.

The monthly rent for the dwelling units built within the TIF district will be below the Tax Increment Financing Affordable Housing Classification Monthly Rental Rate for 10 years. At least 51% of the dwelling units within the proposed development will have a monthly rent/mortgage payment within the same guidelines.

Discretionary Criteria

5. Stated As
The building or site that is to be developed itself displays conditions of blight as established by the provisions of SDCL 11-9.

11-9-11 states; Open areas impairing growth defined as blighted. Any area which is predominantly open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of a municipality, is a blighted area. This is a residentially zoned parcel adjacent to light industrial zoned parcels. The proposed TIF district parcel slightly rises in elevation above the light industrial parcel with full view of it from virtually every vantage point. Expecting residents to live within full view of light industrial properties is too high of an investment risk. Further, obsolete platting exists as there should have been a zoning buffer between the light industrial and residential zoning.

8. Stated As

The project site has displayed a recent pattern of declining real property assessments, as measured by the Pennington County Director of Equalization.

See the attached Pennington County history of values for both Tax I.D. numbers within the proposed TIF District to evidence declining values.

9. Stated As

The project costs are limited to those specific costs associated with a site the exceed the typical or average construction costs (i.e. excessive fill, relocation costs, additional foundation requirements associated with unusual soil conditions, extension of sewer or water mains, on-site or off-site vehicular circulation improvements, etc.)

Off-Site Street and Sidewalk Improvements are required to access the site. In addition, the site receives significant run-on storm water which must be conveyed through the property. Furthermore, the terrain of the area requires substantial grading to ensure buildable lots and street sections that conform to
the requirements of the City of Rapid City Infrastructure Design Criteria Manual.

9. Conceptual plans:

A set of the Preliminary Construction Drawings are included in Appendix C.

10. Development time schedule:

Should the Tax Increment District be formed, we project that construction would commence in the summer of 2019. We anticipate the following construction schedule:

<table>
<thead>
<tr>
<th>Year</th>
<th>Projects</th>
</tr>
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<tbody>
<tr>
<td>2019</td>
<td>4 Duplex Lots &amp; 2 Townhouse Lots</td>
</tr>
<tr>
<td>2020</td>
<td>4 Duplex Lots &amp; 2 Townhouse Lots</td>
</tr>
<tr>
<td>2021</td>
<td>4 Duplex Lots &amp; 2 Townhouse Lots</td>
</tr>
<tr>
<td>2022</td>
<td>3 Duplex Lots &amp; 2 Townhouse Lots</td>
</tr>
<tr>
<td>2023</td>
<td>1 Apartment Lot &amp; 2 Townhouse Lots</td>
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</tbody>
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11. List of public and private improvements:

The City of Rapid City will not be paying oversize for this project. No TIFD Eligible public improvements are included.

12. Corporation Papers:

A Certificate of Incorporation as well as a copy of the Annual Report for the following South Dakota Corporation is included in Appendix D.


13. Financial information:

The Required Financial Information can be provided on a confidential basis.

14. Wage scale:

Wage Scale is not applicable to a Residential Housing Project.
15. Other Information:

Appendix E contains the following Exhibits for Use.

Exhibit “A” (Tax Increment District Boundary Map)
Exhibit “B” (Drainage, Off-Site Street Improvements, Off-Site Sidewalk, Over Ex.)
Exhibit “C” (Mass Grading, Plantings, Irrigation, Topsoil, Fencing)
Exhibit “D” (Mass Grading Waste Site)