

HOMESTEAD STREET EXTENSION TID APPLICATION

1. PROJECT BACKGROUND

The City of Rapid City desires the Homestead Street connection between Timmons Boulevard and Missoula Street and has joined as co-applicant with Homestead Street Project LLC to accomplish this community benefit for the Rapid City Area Schools (RCAS) and the residents to the east of Elk Vale Road.

Homestead Street is currently identified as a collector-level roadway. The approximately 900-foot long segment between Missoula Street and Timmons Boulevard is not constructed. This project intends to eliminate this gap in the City's road network.

2. PURPOSE OF TAX INCREMENT FINANCING

The purpose of this proposed Homestead Street Extension TID is to provide a funding mechanism to construct this public improvement which could otherwise remain unconstructed for the foreseeable future. This street extension will aid in protecting public safety and add to the quality of life for the residents of Rapid City. The project plan would accomplish the following:

- a. Construct approximately 900 linear feet of collector-level roadway and associated infrastructure between Timmons Boulevard and Missoula Street.
- b. Provide direct access to Valley View Elementary School and East Middle School from Elk Vale Road.

3. PROJECT DESCRIPTION AND ANTICIPATED COSTS

The project will include the analysis, design, and construction of a collector-level roadway complete with the sanitary sewer main, water main, storm sewer main, services, fixtures, and appurtenances required and considered the minimum for subdivision improvements as identified in the Infrastructure Design Criteria Manual. Site grading approximately 300 feet on center for Homestead Street will ensure adequate elevations and drainage of the roadway along with the grading of slopes adjacent to the roadway to effectively convey drainage to the appropriate locations.

A. Construction of Homestead Street Extension Anticipated Cost: \$1,600,000

This task includes construction items to include the public infrastructure within the public right-of-way directly related to the Homestead Street public improvements:

- grading and erosion control related to the Homestead Street construction
- construction of a public water main with all fittings, a public sanitary sewer main, and a street storm sewer main per the Infrastructure Design Criteria Manual and Standard Specifications related to the Homestead Street construction
- installation of public infrastructure related to the Homestead Street construction, which may include fire hydrants, valves, manholes, storm sewer pipe, culverts, drop inlets, gravel base course, curb and gutter, paving, handicapped ramps and sidewalk connections, street light conduits and signage

The developer may realize cost efficiencies for extending private utilities and services to adjacent future lots by constructing and installing any necessary private utilities concurrently with the Homestead Street Extension construction project.

**B. Professional Fees and Professional Studies for the Roadway Extension
Anticipated Costs: \$130,000**

KTM Design Solutions, Inc. has been selected by the co-applicant to provide the Professional Services required for this project. This includes all necessary and convenient costs associated with surveying, engineering design, and construction administration.

**C. Contingency for the Roadway Extension
Anticipated Costs: \$160,000**

Any unforeseen items during the construction of the Homestead Street Extension.

**D. Financing Expenses Estimate based on 7.0% Interest Rate
Anticipated Costs: \$1,344,475**

**E. Total Anticipated Costs, including Financing:
Anticipated Costs: \$3,254,475**

It is anticipated that the TIF funding mechanism would be utilized for the total project costs to include the design and construction of the public infrastructure improvements described along with the financing expenses. The anticipated costs are summarized in Table 1.

**Table 1. Homestead Street Extension TID
Project Costs**

Project Cost Description	TID Funded Project Costs
Capital Costs	
Homestead Street Extension	\$1,600,000.00
Public Improvements Total	\$1,600,000.00
Other Development Costs	
Professional Fees	\$130,000.00
Contingencies	\$160,000.00
Financing Costs	\$1,344,475.49
Subtotal	\$3,234,475.49
Imputed Administrative Costs*	
City of Rapid City	\$20,000.00
TOTAL	\$3,254,475.49

4. DEVELOPMENT FINANCING PLAN

Homestead Street Project LLC will fund the TID costs in full for the project through a loan from a commercial lender. The terms and details of the loan have not been finalized. It is anticipated that an average interest rate of 7.0% would be incurred over the life of the TID.

5. LIST OF ENTITIES INVOLVED

Homestead Street Project, LLC, is the co-applicant with the City of Rapid City for the project.

The proposed TID boundary is shown in Exhibit A. The tax parcels, along with the corresponding property owners and legal descriptions located within the proposed TID boundary, are listed below in Table 2.

Table 2. Tax Parcels and Ownership

TAX ID	OWNER	LEGAL DESCRIPTION
58943	PILOT PROPERTIES LLC	LOT 4, BLOCK 1, BIG SKY BUSINESS PARK
68894	DAKOTA HEARTLAND INC	LOT 5, BLOCK 1, BIG SKY BUSINESS PARK
68895	DAKOTA HEARTLAND INC	LOT 6, BLOCK 1, BIG SKY BUSINESS PARK
69315	DAKOTA HEARTLAND INC	LOT 3B, BLOCK 1, BIG SKY BUSINESS PARK
69316	DAKOTA HEARTLAND INC	LOT 3C, BLOCK 1, BIG SKY BUSINESS PARK
65540	WHISPER ROCK LIMITED PARTNERSHIP	LOT 1, BLOCK 5, BIG SKY BUSINESS PARK

68892	WHISPER ROCK II LIMITED PARTNERSHIP	LOT 2, BLOCK 5, BIG SKY BUSINESS PARK
68893	ABBOTT HOUSE INC	LOT 3, BLOCK 5, BIG SKY BUSINESS PARK
69202	BOOM INVESTMENTS LLC	LOT 4, BLOCK 5, BIG SKY BUSINESS PARK
69319	DAKOTA HEARTLAND INC	S1/2 GL 3 LESS BIG SKY SUB, LESS BIG SKY BUSINESS PARK AND LESS ROW; S1/2 GL 4 LESS BIG SKY BUSINESS PARK, LESS LOT H1, H2 AND ROW
57651	BLACK HILLS FED CREDIT UNION	LOT 1, BLOCK 1, BIG SKY BUSINESS PARK
58942	323 LLC	LOT 2, BLOCK 1, BIG SKY BUSINESS PARK
69200	JUNEAU DRIVE LLC	LOT 3A, BLOCK 1, BIG SKY BUSINESS PARK
57656	EQUITY DIVERSIFIED PROPERTIES LLC	LOT 3, BLOCK 4, BIG SKY BUSINESS PARK
61323	KLONDIKE TRAIL LLC	LOT 2, BLOCK 4, BIG SKY BUSINESS PARK
66621	BLACK HILLS URGENT CARE LLC	LOT 1, BLOCK 2, BIG SKY BUSINESS PARK
66937	BLACK HILLS URGENT CARE LLC	LOT 2, BLOCK 2, BIG SKY BUSINESS PARK
66938	BLACK HILLS URGENT CARE LLC	LOT 3, BLOCK 2, BIG SKY BUSINESS PARK
69317	DAKOTA HEARTLAND INC	LOT 1B, BLOCK 4, BIG SKY BUSINESS PARK
69318	DAKOTA HEARTLAND INC	W1/2SW1/4NW1/4 LESS BIG SKY BUSINESS PARK, LESS LOT H2 AND LESS ROW
57653	REAU SAW VALLEY LLC	LOT 1, BLOCK 3, BIG SKY BUSINESS PARK
66397	DTH LLC	LOT 2R, BLOCK 3, BIG SKY BUSINESS PARK
58768	ESTES/JOHNSON	SE1/4NW1/4 LESS BIG SKY SUB AND LESS ROW
70344	DTH LLC	TRACT A LESS TRACT BR OF NEFF SUBD #4, LESS AVENUE A SUBD, AND LESS ROW, F AND N SUBD
70319	DANIEL/WOLLMAN	LOT 2, BLOCK 9, AVENUE A SUBD
70320	BOOM CONSTRUCTION INC	LOT 3, BLOCK 9, AVENUE A SUBD
70321	BOOM CONSTRUCTION INC	LOT 4, BLOCK 9, AVENUE A SUBD
70322	BOOM CONSTRUCTION INC	LOT 5, BLOCK 9, AVENUE A SUBD
70323	BOOM CONSTRUCTION INC	LOT 6, BLOCK 9, AVENUE A SUBD
70324	BOOM CONSTRUCTION INC	LOT 7, BLOCK 9, AVENUE A SUBD
70325	BOOM CONSTRUCTION INC	LOT 8, BLOCK 9, AVENUE A SUBD
70326	BOOM CONSTRUCTION INC	LOT 9, BLOCK 9, AVENUE A SUBD
70327	ADAMS	LOT 10, BLOCK 9, AVENUE A SUBD
70328	HANSON	LOT 11, BLOCK 9, AVENUE A SUBD
70329	MILLS	LOT 12, BLOCK 9, AVENUE A SUBD
70330	BOOM CONSTRUCTION INC	LOT 13, BLOCK 9, AVENUE A SUBD
70331	BOOM CONSTRUCTION INC	LOT 2, BLOCK 10, AVENUE A SUBD
70332	BOOM CONSTRUCTION INC	LOT 3, BLOCK 10, AVENUE A SUBD
70333	BOOM CONSTRUCTION INC	LOT 4, BLOCK 10, AVENUE A SUBD
70334	BOOM CONSTRUCTION INC	LOT 5, BLOCK 10, AVENUE A SUBD
70335	BOOM CONSTRUCTION INC	LOT 6, BLOCK 10, AVENUE A SUBD
70336	BOOM CONSTRUCTION INC	LOT 7, BLOCK 10, AVENUE A SUBD
70337	BOOM CONSTRUCTION INC	LOT 8, BLOCK 10, AVENUE A SUBD

70338	BOOM CONSTRUCTION INC	LOT 9, BLOCK 10, AVENUE A SUBD
70339	BOOM CONSTRUCTION INC	LOT 10, BLOCK 10, AVENUE A SUBD
70340	BOOM CONSTRUCTION INC	LOT 11, BLOCK 10, AVENUE A SUBD
70341	BOOM CONSTRUCTION INC	LOT 12, BLOCK 10, AVENUE A SUBD
70342	BOOM CONSTRUCTION INC	LOT 13, BLOCK 10, AVENUE A SUBD
70343	BOOM CONSTRUCTION INC	LOT 14, BLOCK 10, AVENUE A SUBD
70345	DTH LLC	DRAINAGE LOT A, BLOCK 9, AVENUE A SUBD

6. FINANCIAL PRO-FORMA

The tax increment projected to be available to fund the proposed public improvements is based solely on the development currently planned and in progress. Those projects are as follows:

- Twenty-five single family houses in the recently platted lots along Avenue A valued at \$200,000 each, constructed and sold between 2020 – 2022.
- Thirty-four single family houses along the recently approved layout plat for Chet Avenue valued at \$250,000 each, constructed and sold between 2021 – 2024.
- A 40-unit apartment complex under construction at 424 Neel Street valued at \$1,600,000 and completed in 2020.
- A 12-unit apartment complex under construction at 515 Neel Street valued at \$800,000 and is expected to be completed in 2020.
- A 12-unit apartment complex and a 15-unit apartment complex are planned for lots located near the northwest corner of Degeest Drive and Bernice Street. They are projected to be valued at \$800,000 each and are expected to be completed in 2021 and 2022, respectively.

The estimated TID valuation, based on the Pennington County Department of Equalization dataset, is \$13,970,800. The projected increment in valuation and the tax increment revenue from the development of these projects is shown in Table 3.

Table 3. Tax Increment Revenue Projections

Assessment Year	Year Taxes Paid	Item description	Estimated Cumulative Increase in Taxable Value	Projected Yearly Tax Increment Payments	6 Month Total
Nov 2020	2022	6 homes, 40 apts	\$2,800,000	\$47,218	\$23,609
Nov 2021	2023	16 homes, 24 apts	\$8,000,000	\$132,633	\$66,316
Nov 2022	2024	18 homes , 15 apts	\$12,900,000	\$211,944	\$105,972
Nov 2023	2025	13 homes	\$16,000,000	\$261,281	\$130,640
Nov 2024	2026	6 homes	\$17,500,000	\$285,153	\$142,577

Nov 2025	2027		\$17,500,000	\$285,153	\$142,577
Nov 2026	2028		\$17,500,000	\$285,153	\$142,577
Nov 2027	2029		\$17,500,000	\$285,153	\$142,577
Nov 2028	2030		\$17,500,000	\$285,153	\$142,577
Nov 2029	2031		\$17,500,000	\$285,153	\$142,577
Nov 2030	2032		\$17,500,000	\$285,153	\$142,577
Nov 2031	2033		\$17,500,000	\$285,153	\$142,577
Nov 2032	2034		\$17,500,000	\$285,153	\$142,577
Nov 2033	2035		\$17,500,000	\$285,153	\$142,577
Nov 2034	2036		\$17,500,000	\$285,153	\$142,577
Nov 2035	2037		\$17,500,000	\$285,153	\$142,577
Nov 2036	2038		\$17,500,000	\$285,153	\$142,577
Nov 2037	2039		\$17,500,000	\$285,153	\$142,577
Nov 2038	2040		\$17,500,000	\$285,153	\$142,577
Nov 2039	2041		\$17,500,000	\$285,153	\$142,577

There are several lots located within the proposed boundary where new development may occur; however, this potential development has not been included in the above-referenced incremental revenue projections. If these developments come to fruition, the development will generate additional valuations and thus incremental revenue, thereby creating an opportunity to pay off the district project costs earlier than anticipated.

The amortization schedule and cash-flow analysis of the TID debt obligations and the projected tax increment revenues are shown in Table 4.

Table 4. Amortization Schedule – Cash Flow Analysis

Homestead Street Extension Proposed TID						
As of August 19, 2020						
Annual Interest Rate			7.00%			
Expires	10/19/2040	(1)				
Pmt Date	Days	Beginning	Payment	Interest	Principal	Ending
	Outstanding	Balance	Amount	Amount	Amount	Balance
10/20/2020		-	-	-	-	-
12/1/2020	42	-	(470,000.00)	-	(470,000.00)	470,000.00
6/1/2021	182	470,000.00	(1,420,000.00)	16,404.93	(1,436,404.93)	1,906,404.93
12/1/2021	183	1,906,404.93		66,906.98	(66,906.98)	1,973,311.91
6/1/2022	182	1,973,311.91	23,609.16	68,876.70	(45,267.54)	2,018,579.45
12/1/2022	183	2,018,579.45	23,609.16	70,843.84	(47,234.68)	2,065,814.13

6/1/2023	182	2,065,814.13	66,316.32	72,105.40	(5,789.08)	2,071,603.21
12/1/2023	183	2,071,603.21	66,316.32	72,704.76	(6,388.44)	2,077,991.65
6/1/2024	183	2,077,991.65	105,972.15	72,928.97	33,043.18	2,044,948.47
12/1/2024	183	2,044,948.47	105,972.15	71,769.29	34,202.86	2,010,745.60
6/1/2025	182	2,010,745.60	130,640.40	70,183.28	60,457.12	1,950,288.49
12/1/2025	183	1,950,288.49	130,640.40	68,447.11	62,193.29	1,888,095.20
6/1/2026	182	1,888,095.20	142,576.65	65,902.28	76,674.37	1,811,420.83
12/1/2026	183	1,811,420.83	142,576.65	63,573.43	79,003.22	1,732,417.61
6/1/2027	182	1,732,417.61	142,576.65	60,468.49	82,108.16	1,650,309.45
12/1/2027	183	1,650,309.45	142,576.65	57,919.08	84,657.57	1,565,651.88
6/1/2028	183	1,565,651.88	142,576.65	54,947.95	87,628.70	1,478,023.18
12/1/2028	183	1,478,023.18	142,576.65	51,872.54	90,704.11	1,387,319.07
6/1/2029	182	1,387,319.07	142,576.65	48,423.14	94,153.51	1,293,165.56
12/1/2029	183	1,293,165.56	142,576.65	45,384.80	97,191.85	1,195,973.70
6/1/2030	182	1,195,973.70	142,576.65	41,744.40	100,832.25	1,095,141.45
12/1/2030	183	1,095,141.45	142,576.65	38,434.96	104,141.69	990,999.77
6/1/2031	182	990,999.77	142,576.65	34,589.96	107,986.69	883,013.08
12/1/2031	183	883,013.08	142,576.65	30,990.13	111,586.52	771,426.56
6/1/2032	183	771,426.56	142,576.65	27,073.90	115,502.75	655,923.81
12/1/2032	183	655,923.81	142,576.65	23,020.23	119,556.42	536,367.39
6/1/2033	182	536,367.39	142,576.65	18,721.43	123,855.22	412,512.17
12/1/2033	183	412,512.17	142,576.65	14,477.48	128,099.17	284,413.00
6/1/2034	182	284,413.00	142,576.65	9,927.18	132,649.47	151,763.53
12/1/2034	183	151,763.53	142,576.65	5,326.28	137,250.37	14,513.16
6/1/2035	182	14,513.16	15,019.73	506.57	14,513.16	-
Total		-	1,344,475.49	1,344,475.49		

(1) Date based on Council approving resolution to create district at the October 19, 2020 meeting.

7. PROJECT FEASIBILITY

The construction of Homestead Street between Timmons Boulevard and Missoula Street will not happen in the near term without the use of Tax Increment Financing. If the TID is not approved, the construction of the Homestead Street Extension would not occur within the foreseeable future. The alignment of the Homestead Extension runs through a platted lot. The development of this lot would create a 68-foot-wide corridor for the City to construct public improvements. In that event, the City would be responsible for the cost of funding construction of improvements along this corridor plus the cost of acquiring the road easement, which has an estimated value in excess of \$300,000. This proposed Tax Increment District provides a mechanism to fund the improvements at no cost to the City. The right of way would be donated for public use by the co-applicant if the requested district is formed.

The financial Pro-forma shows that the valuation increment and the tax revenue generated from this increment from development underway is enough to fully pay for the project costs in less than seven years.

8. STATUTORY CRITERIA

This project meets the requirements for **SDCL 11-9-8**, as shown below:

It is anticipated that this project would enhance the value of the surrounding properties. The residents in the area would realize an improved transportation system. Parents would be able to access the two schools along Homestead Street in a more efficient manner. *Additionally, not less than fifty percent, by area, of the real property within the district will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources development (SDCL 11-9-8(a)); and*

This project meets the requirements for **SDCL 11-9-10**, as shown below:

The shortcomings of the inefficient street system east from Elk Vale Road at Homestead Street are apparent. This project would improve the City's existing street configuration to the benefit of all who live and work in the area.

This project meets the requirements for **SDCL 11-9-11**, as shown below:

The parcel through which most of the proposed improvements would be constructed is an open area. No development is planned for this parcel in the foreseeable future. The Homestead Street Extension through this open area would improve the growth and safety in the area east of Degeest Street.

In addition, this project meets the additional criteria as set forth by the City of Rapid City:

1. This project is not economically viable within the foreseeable future without the use of Tax Increment Financing. The owners of the land along the proposed roadway have no plans to construct the roadway or the associated utilities without the adoption of a Tax Increment District.
2. A direct route to the homes located on the east side of Elk Vale Road would significantly reduce response times by emergency services. Furthermore, access to the elementary and middle schools along Homestead Street would

be substantially improved.

9. CONCEPTUAL PLANS

Please see the attached Conceptual Master Plan (Exhibit B) showing the proposed layout for the Homestead Street Extension.

10. DEVELOPMENT TIME SCHEDULE

The Homestead Street Extension project would be completed no later than the end of 2021.

11. LIST OF PUBLIC IMPROVEMENTS

Public improvements to be provided in this project are as follows:

Project Cost Description	TID Funded Project Costs
Capital Costs	
Homestead Street Extension	\$1,600,000.00
Public Improvements Total	\$1,600,000.00
Other Development Costs	
Professional Fees	\$130,000.00
Contingencies	\$160,000.00
Financing Costs	\$1,344,475.49
Subtotal	\$3,234,475.49
Imputed Administrative Costs*	
City of Rapid City	\$20,000.00
TOTAL	\$3,254,475.49

12. ARTICLES OF ORGANIZATION - HOMESTEAD STREET PROJECT, LLC

The City of Rapid City, as Co-Applicant, is a municipality founded in 1876 and incorporated in 1883.

Homestead Street Project, LLC, as Co-Applicant, was approved by the SD Secretary of State on February 8, 2020. It is a single-member limited liability company. The sole member of the LLC is Doyle Estes. The Certificate of Organization, the operating agreement, and Certificate No. 1 showing ownership are provided in Exhibit C.

13. FINANCIAL INFORMATION

Homestead Street Project, LLC, has \$1,000 on hand with no liabilities.

14. WAGE SCALE

Homestead Street Project, LLC, does not have employees. It is not anticipated that the company would have employees for this project. This project would provide jobs with the contractors during the construction with an average wage in excess of the minimum wage.

EXHIBIT A

Homestead Street Extension Tax Increment District Boundary Map

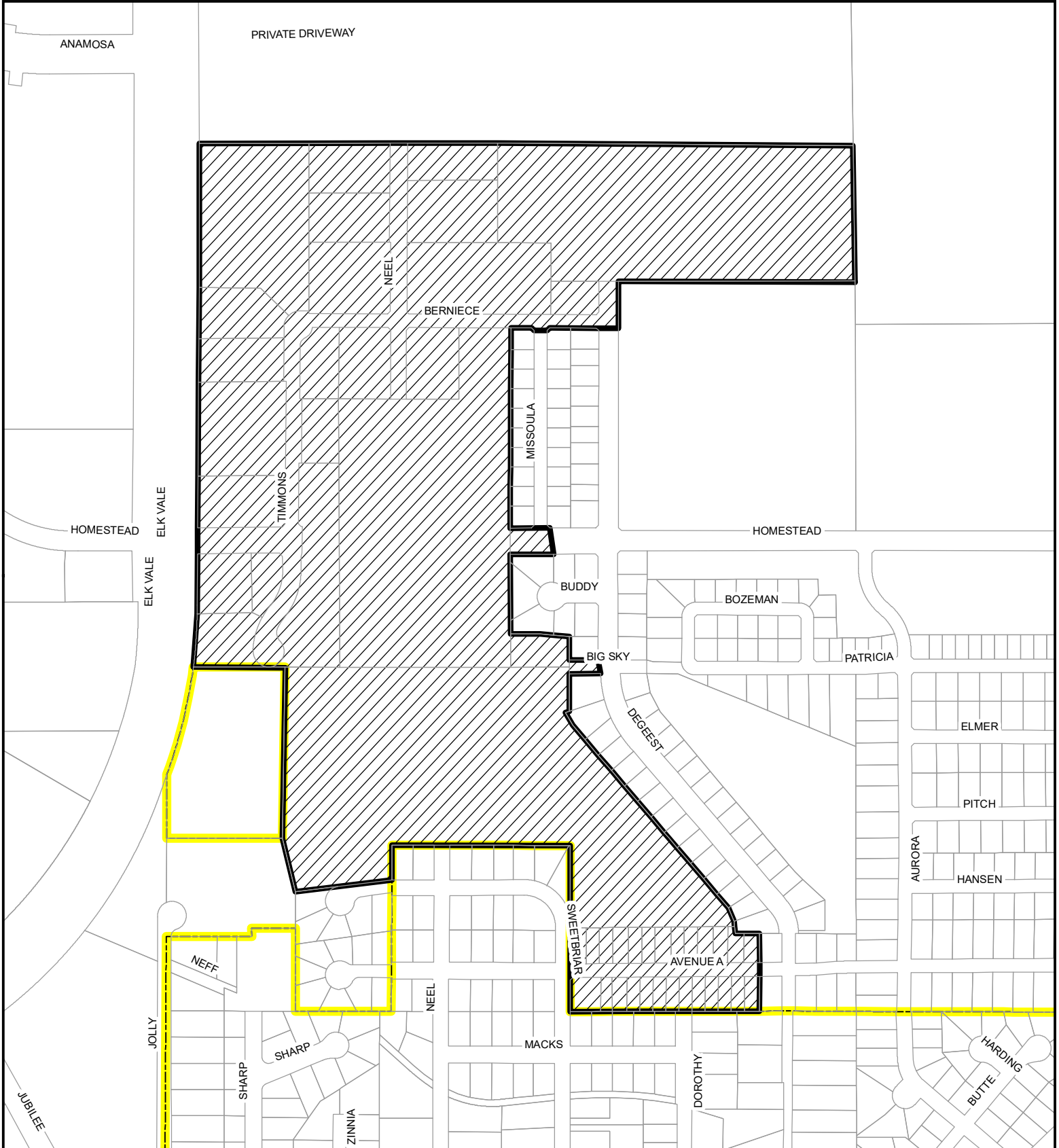
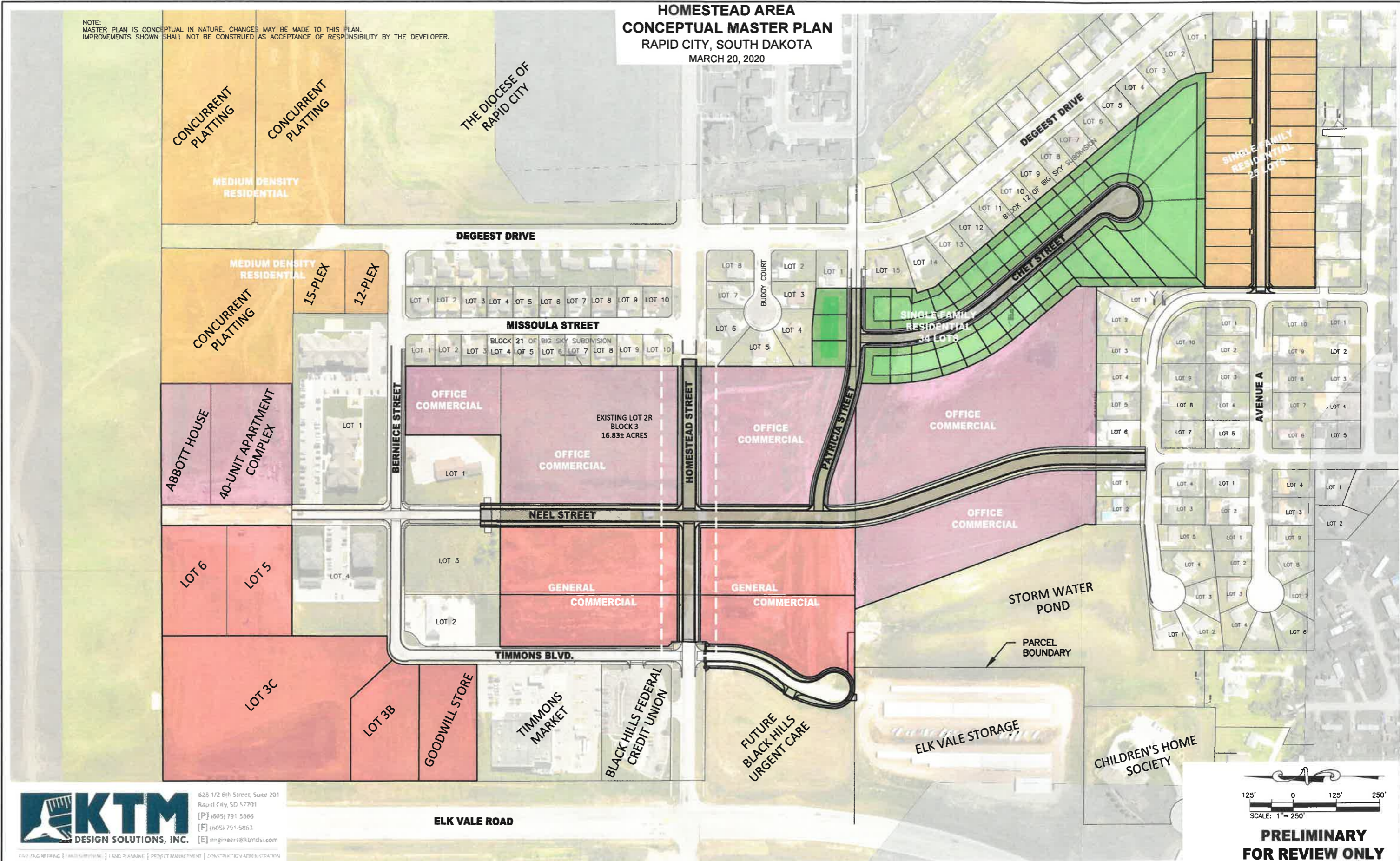


EXHIBIT B

**HOMESTEAD AREA
CONCEPTUAL MASTER PLAN
RAPID CITY, SOUTH DAKOTA
MARCH 20, 2020**

NOTE:
MASTER PLAN IS CONCEPTUAL IN NATURE. CHANGES MAY BE MADE TO THIS PLAN.
IMPROVEMENTS SHOWN SHALL NOT BE CONSTRUCTED AS ACCEPTANCE OF RESPONSIBILITY BY THE DEVELOPER.



State of South Dakota

Office of the Secretary of State

Certificate of Organization

Domestic Limited Liability Company

I, **Steve Barnett**, Secretary of State of the State of South Dakota, hereby certify that the ARTICLES OF ORGANIZATION for

Homestead Street Project LLC

BUSINESS ID# DL177082

with an effective date of: February 9, 2020, duly signed and verified, SDCL 47-34A-203, 2:2 has been received in this office and is found to conform to law.

ACCORDINGLY, and by virtue of the authority vested in me by law, I hereby issue this Certificate of Organization and attach hereto a duplicate of the ARTICLES OF ORGANIZATION.



IN TESTIMONY WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of South Dakota, in Pierre, the Capital City, this day, February 9, 2020.

Steve Barnett

Steve Barnett
Secretary of State

02/09/2020 4:13 PM

B0129-4212 02/09/2020 4:13PM Rec'd by SD SOS



DL177082

ARTICLES OF ORGANIZATION

DOMESTIC LIMITED LIABILITY COMPANY
SDCL 47-34A-203, 212

Secretary of State
500 E. Capitol Ave
Pierre, SD 57501-5070
(605) 773-4845

Filing Fee: \$150

Total Fee: \$150

Please Type or Print Clearly In Ink
Please submit one Original
Make payable to the SECRETARY OF STATE

Article I

The name of the Company: **Homestead Street Project LLC**

Article II

The address of the initial designated office in or out of the State of South Dakota where the company conducts its business:

Actual Street Address

**4020 JACKSON BOULEVARD
SUITE 4
RAPID CITY, SD 57702**

Mailing Address

**BOX 330
RAPID CITY, SD 57709**

Article III

SDCL 59-11-6

The South Dakota Registered Agent's Name:

South Dakota law permits the registered agent to be either (a) a noncommercial registered agent or (b) a commercial registered agent.

(a) The South Dakota Noncommercial Registered Agent's name

Name **DOYLE D ESTES**

Actual Street Address in this State

**24054 PALMER GULCH RD
HILL CITY, SD 57745-6525**

Mailing Address in this State

**PO BOX 330
RAPID CITY, SD 57709-0330**

Article IV

The name and address of each organizer

Name

Address

Doyle Estes

Box 330, Rapid City, SD 57709

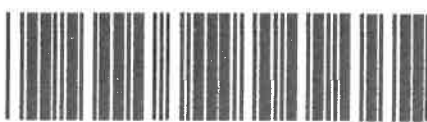
Article V

The duration of the company if other than perpetual is: **Perpetual**

If the document is not to be effective upon filing by the Secretary of State, the delayed effective date is: _____

B0129-4210 02/09/2020 4:13PM Rec'd by SD SOS

B0129-4211 02/09/2020 4:13PM Rec'd by SD SOS



Article VI

Member-Managed Manager-Managed

Name	Address
Doyle Estes	Box 330, Rapid City, SD 57709

Article VII

Whether one or more of the members of the company are to be liable for its debts and obligations as set forth under SDCL 47-34A-303(c).

Yes No

Article VIII

Beneficial Owners (optional): A beneficial owner is a person who has or in some manner controls an equity security. Please consult an attorney for legal advice if you have any questions concerning this entry. Any question under this heading is considered a request for legal advice and the secretary of state's office is, by statute, not permitted, to provide legal advice.

Signature/Authorization

The Articles of Organization must be executed by the organizers.

No person may execute this report knowing it is false in any material respect. Any violation may be subject to a criminal penalty (SDCL 22-39-36).

Doyle Estes	<i>Doyle Estes</i>	Organizer	02/09/2020
PRINTED NAME	SIGNATURE	TITLE	DATED