

Preliminary Review of Proposed Tax Increment Project

Applicant: Elmington Affordable, LLC.

Proposed Project Title: Camden Heights – Affordable Housing/Infrastructure Tax Increment District.

Purpose of Tax Increment District:

The Developer of this project, ECG Rapid City Developer, LLC (“Developer”), specializes in the use of federal Low Income Housing Tax Credits (“LIHTC”) to finance and construct multifamily projects of similar size and scale across the country. The creation of this District will support the design, and construction of a 252-unit apartment complex and 1 Megawatt (MW) of on-site solar capacity to offsite the electricity needs and reduce utility expense. The project is for both seniors and families within at the 60% AMI income level, providing a range of unit and bedroom types to foster an intergenerational community.

The Project site and proposed TID is located at 1725 Camden Drive, east of Anamosa Street. The total proposed project costs are \$12,432,135 with \$5,132,155 reserved for financing costs.

The requested TIF proposal is structured as a grant, pursuant to South Dakota Codified law 11-9-15, with various project components qualifying under the traditional TIF policy. The financing for this project will be provided by the City of Rapid City. A summary of the proposed costs are provided in the table below:

Proposed Project Cost Description	Proposed Total TIF Eligible Project Costs	PROPOSED TIF FUNDED COSTS	
Purchase of Lot 12 for use as an accessory Solar Facility (or Value of TIF Revenue from waived Tax Abatement)	\$1,700,000	\$1,377,208	
Removal/Import of structural fill for site improvements	\$1,780,489		
Utility Re-location, extension, and public improvements	\$1,695,674	\$5,077,526	
Public ROW/Roadway/Streetscape Construction	\$1,601,362		
Design, Engineering, Testing, Legal, and Administrative Costs of the TID	\$514,740	\$514,740	10.1%
<i>Project Contingency</i>	\$253,876	\$253,876	5.0%
Legal, Title, Admin fees	\$73,745	\$76,650	
<i>Subtotal Proposed Project Costs</i>	\$7,619,887	\$7,300,000	
Financing Costs	\$5,132,155	\$5,132,155	
Total Maximum TID Project Costs	\$12,752,042	\$12,432,155	
PROPOSED PROJECT PLAN TOTAL TID COSTS		\$12,432,155	

The anticipated eligible Project Costs are as follows:

- Grant Anticipated Cost: \$7,300,000
- Financing Expenses Anticipated: \$5,132,155 (based on 5.0% Interest Rate, amortizing repayment of full Grant/Loan plus interest over 20-years)

Total Proposed Funded Project Costs, including Financing: \$12,432,155

Proposed Boundary: The legal description of the proposed boundary was provided with the application. The Project site and proposed TID is located at 1725 Camden Drive, east of Anamosa Street and north of East North Street.

Estimated Base Valuation: The Pennington County Department of Equalization base valuation of the proposed district is \$9,540,102. This figure is based on the certified 2023 values. The proposed TID is a total of 48.77 acres. The developer took a conservative approach in the amortization table below, only using the subject area to be built on value of \$2,065,602 (27.53 acres.) There would be additional income for repayment that is not included that would strengthen this proposed TID.

2023 4D RCTax Rate: 0.016288 Non-Agriculture Tax Levy
0.013124 Owner-Occupied Tax Levy
0.011488 Agriculture Tax Levy

Anticipated Time Frame: 20 years

Amortization Table: The applicant estimates a 20 year pay off using a 5% interest rate. Financing expenses are requested totaling \$5,132,155 as shown in the table below.

Year of Tax Collection	Beginning Principal Balance	Forecast AV Increment	Forecast Revenue for Debt Service	Principal Payments	Interest Payments	TIF Loan P&I (Total Payments)	DSCR
	\$ (441,650)	<i>1Total amount expected to be paid directly to the City/3rd Parties or held in escrow (not available for Project Fund)</i>					
2024	\$7,300,000	\$0	\$0	\$0	\$365,000	\$365,000	1.0
2025	\$7,300,000	\$126,295	\$126,295	-\$238,705	\$365,000	\$126,295	1.0
2026	\$7,538,705	\$292,288	\$292,288	\$137,353	\$376,935	\$514,288	1.0
2027	\$7,401,352	\$562,781	\$562,781	\$192,714	\$370,068	\$562,781	1.0
2028	\$7,208,638	\$584,897	\$584,897	\$224,465	\$360,432	\$584,897	1.0
2029	\$6,984,173	\$586,677	\$586,677	\$237,469	\$349,209	\$586,677	1.0
2030	\$6,746,705	\$609,677	\$609,677	\$272,342	\$337,335	\$609,677	1.0
2031	\$6,474,363	\$611,529	\$611,529	\$287,811	\$323,718	\$611,529	1.0
2032	\$6,186,552	\$635,449	\$635,449	\$326,121	\$309,328	\$635,449	1.0
2033	\$5,860,430	\$637,375	\$637,375	\$344,353	\$293,022	\$637,375	1.0
2034	\$5,516,077	\$662,252	\$662,252	\$386,448	\$275,804	\$662,252	1.0
2035	\$5,129,629	\$664,255	\$664,255	\$407,773	\$256,481	\$664,255	1.0
2036	\$4,721,856	\$690,126	\$690,126	\$454,034	\$236,093	\$690,126	1.0
2037	\$4,267,823	\$692,209	\$692,209	\$478,818	\$213,391	\$692,209	1.0
2038	\$3,789,004	\$719,116	\$719,116	\$529,666	\$189,450	\$719,116	1.0
2039	\$3,259,338	\$721,283	\$721,283	\$558,316	\$162,967	\$721,283	1.0
2040	\$2,701,023	\$749,265	\$749,265	\$614,214	\$135,051	\$749,265	1.0
2041	\$2,086,808	\$751,519	\$751,519	\$647,178	\$104,340	\$751,519	1.0
2042	\$1,439,630	\$780,621	\$780,621	\$708,639	\$71,982	\$780,621	1.0
2043	\$730,991	\$782,964	\$782,964	\$746,414	\$36,550	\$782,964	1.0
2044	-\$15,424	\$813,230	\$813,230	\$814,002	-\$771	\$813,230	1.0
Totals		\$12,673,809	\$12,673,809	\$8,129,425	\$5,131,384	\$13,260,809	
		Sum-Totals over 20-Year TID	\$11,860,579	\$7,315,424	\$5,132,155	\$12,447,579	

Staff Comments:

1. **District Classification:** The proposed District is anticipated to be classified as an affordable housing TIF District, which will not impose an additional school levy on all real property within the Rapid City Area Schools District.
2. **Affordable Housing Criteria:** The adopted TIF Policy indicates that projects targeting affordable housing should meet the following criteria:
 - a. Units for occupants at 80% or below Area Median Income (AMI) and who pay no more than 30% of income or Fair Market Rent whichever is greater
 - b. A minimum of 51% of the dwelling units of the proposed development shall be occupied by households meeting this income guideline
 - c. Affordable housing is to remain affordable for 10 years

This proposal exceeds this criterial by targeting occupants at 60% AMI paying no more than 30% of their income on housing. Refer to the "Unit Mix and Operating Budget" Summary located on page 33 of their application.

3. **Pro-forma/Financial Feasibility:** The pro-forma cash flow shows the construction of the project will not occur without use of the TIF to fill the funding gap. The project is leveraging several funding sources including permanent debt financing, Low Income Housing Tax Credits, Solar Tax Credits, a SD Housing Infrastructure Grant, and funds from the Strategic Housing Trust Fund. The increment revenue cash flow shows the TID will pay off in the 20-year requirement. The cash flow is conservative as the base value and future values are only using the subject property and not the outer parcels within the TID.
4. **Financing:** The City of Rapid City is proposing handling the financing for this project. The proposed interest is 5% fixed with a 1% loan origination fee. This partnership enables a reduction in the overall project costs, reducing the amount of time needed for the TID to payoff.
5. **Plan Review:** The proposed development has an approved Initial Planned Development Overlay authorizing the use of the property for residential development. A Final Planned Development Overlay is anticipated in the coming weeks.
6. **Developer's Agreement:** The developer's agreement will include legal instruments and/or other requirements to verify that units are available on the market as proposed. This may include covenant agreements and/or or be set up to coincide with documentation provided to the SD Housing Development Authority Low Income Housing Tax Credits, etc. as applicable.
7. **Project Costs:** The proposed TIF District includes costs which are typical TIF costs, as well as some atypical costs only authorized by the City council. The applicant requests that this District be categorized as a grant as authorized under South Dakota Codified Law 11-9-15 (8) which includes "Payments and grants made, at the discretion of the governing body, which 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."

Policy Review: The applicant has provided a separate document identifying how the project aligns with State statute, the TIF Policy, and other adopted plans. Staff concur that the proposed project meets the intent of the TIF Policy and South Dakota Codified Law.

Recommendation: If the Committee finds that the project meets the intent of SDCL and the City's Tax Increment Financing Policy, then Staff recommends that the Committee direct staff to prepare a Resolution to create the TID boundary, and prepare a project plan with the recommendations included herein.