

**TAX INCREMENT  
FINANCING APPLICATION  
FOR:**

## **Camden Heights - Affordable Housing/Infrastructure Tax Increment District (TID)**

Prepared By:

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# CAMDEN HEIGHTS FLATS AFFORDABLE HOUSING TID

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## 1. INTRODUCTION AND PROJECT OVERVIEW

Tax Increment Financing (TIF) 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. In 1978, the South Dakota Legislature approved the use of Tax Increment Financing (TIF) by municipalities to help finance redevelopment projects. Tax Increment Financing is one of the few economic development and community redevelopment tools currently available to municipalities in South Dakota. Rapid City has effectively used Tax Increment Financing since the creation of the first district in 1983. All this is done without incurring a general obligation for the taxpayers of the entire City. The creation of this Tax Increment District for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment. This financing method is invaluable for encouraging economic growth since the amount of funds available for use by the project plan is directly related to the increase in valuation which a given project or development will create.

The Camden Heights Flats Affordable Housing Tax Increment District (TID), further referenced herein as the "Project" is of interest to the City of Rapid City and its growing population of residents as a project that will support the communities' affordable housing needs, meet core values of the comprehensive plan, and leverage public and private resources to establish a resilient community that improves the urban fabric of the City. The Project site and proposed TID is located at 1725 Camden Drive, east of Anamosa Street in Rapid City, South Dakota. The proposed Project and subject site will meet important objectives and values of the City's adopted Comprehensive Plan by providing a mix of uses in the area surrounding Rushmore Crossing to differentiate it from other Regional Activity Centers. In conjunction with the guidance of the Comprehensive Plan, the prospect of providing affordable housing at the subject property will further the goals of the North Rapid Neighborhood Area by offering a residential development among the adjacent retail and office uses for numerous reasons: (1) The Property has connectivity to a strong employment base and is highly visible; (2) the Property supports mobility with two major arterial streets adjacent to the site; (3) the development will be visitable with ample parking on and off street; (4) the development will deliver unique open space and educational opportunities, incorporating an adjacent 15-acre solar PV farm to offset 100% of the project electricity demand for residents; (5) the development approach will attract significant outside investment and financial resources, including federal, state and local resources to support long-term affordable housing and advance opportunities for equitable growth in the area.

## Housing Needs Summary

[from pg. 64 of Rapid City Housing Market Study; dated January 9, 2023]:

Rental unit projections are based on projected household growth, current housing tenure rates and affordability rates for current renter households. Based on population projections and target vacancy rate, the **total rental units needed by 2030 are in the range of 1,394 and 2,116, approximately 174 -264 net new units constructed per year.**

Figure 56. Rapid City Renter Housing Demand  
Source: MSA Projections

Rapid City RENTER Housing Demand to 2030			
Demand from Household Growth 2020-2030		% Renter	Renter Household Growth
Net Additional Households Under Age 55	2,081	45% - 55%	939 - 1,148
Net Additional Households Age 55-74	3,000	25% - 35%	749 - 1,049
Net Additional Households Age 75+	1,724	35% - 45%	597 - 767
Additional Units for 6% Vacancy			137 - 178
<b>Subtotal Units - Demand from Household Growth</b>	<b>6,805</b>		<b>2,422 - 3,142</b>
Units Needed to Restore Target Vacancy			
2020 Renter Households			11,815
2020 Renter Vacancy Rate			1.5%
Additional Vacancy to Achieve 6%			4.5%
<b>Subtotal - Units to Restore Target Vacancy</b>			<b>532</b>
Units Already Permitted in 2020 and 2021			
3-4 and 5+ Units Permitted in 2020			(731)
3-4 and 5+ Permitted in 2021			(834)
<b>Subtotal - Units already Permitted</b>			<b>(1,565)</b>
<b>Total Additional Renter Units by 2030:</b>			<b>1,394 - 2,115</b>
<b>Average Annual Net New Construction Rental Units Per Year:</b>			<b>174-264</b>

**\*The Housing Study was released in Jan. 2023 but the data they used only went through December 2021. The numbers above represent data from January 2022 – July 2023.**

**Subsequent Housing Supply data provided by City of Rapid City Finance Department [dated August 7, 2023 progress since the market study was released]:**

- **Single-family lots/units**
  - Completed = 300
  - Under construction/Pending/Proposed = 71
- **Multi-family lots/units**
  - Completed = 660
  - Under construction/Pending/Proposed = 174

**Figure 57. Rapid City Renter Housing Demand by Affordability**

Source: HUD CHAS data, MSA Projections

Rapid City RENTER Unit Demand by Affordability Level				
Income Level	% Share of Households	Maximum cost for 2-person Household	Maximum cost for 4-person Household	Unit Demand
0-30% AMI	25.0%	\$365	\$583	349-529
31-50% AMI	17.0%	\$767	\$1,020	237-360
51-80% AMI	23.0%	\$1,375	\$1,785	321-487
Over 80% AMI	35.0%	Over \$1,375	Over \$1,785	488-740
<b>Total Units</b>				<b>1,394-2,115</b>

The term “affordable housing”, as defined in the Rapid City Housing Study, as typically households earning 60% of Area Median Income (AMI) as calculated by the U.S. Department of Housing and Urban Development (HUD). The Project plans to serve a quarter of the total affordability demand for seniors and families within the 51-60% AMI income level, providing a range of unit and bedroom types to foster an intergenerational community.

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. of the residential and solar improvements reimbursed and certified by the TID. The project will design, entitle, and construct a 252-unit apartment complex and 1 Megawatt (MW) of on-site solar capacity to offsite the electricity needs. The Project requires various site improvements to supplement and support the proposed affordable housing/solar energy complex. To permit the intended uses of the Project, ECG requires subdividing Lot 11 and Lot 12 into two separate parcels and combining Lots 1A, 2, 3 and 4 of the Property with Lot 12 into a single parcel by recording a subdivision plat (the “Plat”). The Community Development Department of Rapid City (“City”) is requiring certain infrastructure improvements be constructed over Lot 12 to Utica Street and upgrades to the public Rights of Way (“ROW”) along Camden Drive, E. Anamosa Street as a condition to approval of the Plat. The Developer intends to finance the required site/infrastructure work in part through a grant from the South Dakota Housing and Development Authority (“SDHDA”), via the Housing Infrastructure Financing Program (“HIFP”) and through a local TIF Loan from the City. 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.

**2. PURPOSE OF TAX INCREMENT FINANCING**

The purpose of this TID is to provide a funding mechanism to construct site improvements which will otherwise not be constructed without additional subsidies and/or grants from outside groups. These improvements will aid in protecting the health of the residents that use them and add to the quality of life for the residents. The project plan would accomplish the following:

- a. Allow for the costs of the land acquisition for the project;
- b. Construct the necessary site improvements;
- c. Allow for a Contingency Fund for the project to cover any unforeseen costs associated with the necessary site improvements (not to exceed 5% of total expected Project Construction Costs); and
- d. Reinvest in the North Rapid Neighborhood Area neighborhoods and support continued expansion of the Rushmore Crossing Regional Activity Center.

### 3. DESCRIPTION OF ANTICIPATED PROJECT COSTS

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%
Imputed administrative fees and cost of issuance (associated legal, title, admin fees)	\$73,745	\$76,650	
<b>Total Project Costs Related to TID Eligible Expenditures</b>	<b>\$7,619,887</b>	<b>\$7,300,000</b>	
<u>Maximum TID Project Costs</u>	\$12,752,042	\$12,432,155	
Proposed Project Financing Costs	<b>\$5,132,155</b>	MAXIMUM TID FUNDED COSTS <b>\$12,432,155</b>	

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 Anticipated Project Costs, including Financing:  
Anticipated Cost: \$12,752,042**

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

## DETAIL OF PROJECT COSTS

### 4. FISCAL IMPACT

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 Tax Increment District. The taxing entities are only 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.

At first glance it may appear that the negative impact on the various entities is notable. But when it is considered that without the use of the Tax Increment Finance proposed in this plan, it is very likely that there would be no increase in the taxable value of the property within this district or, at least, any increase would be significantly delayed, the impact can be considered truly positive. Furthermore, if the **TID is classified as an Economic Development TID, then the School District revenue is allocated to real property statewide based on SDCL 13-13-10.9.**

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(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 on such obligations in an amount 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 convenient to the creation of tax incremental districts or the implementation of project plans.**

## 5. DEVELOPMENT FINANCING PLAN

The Developer will fund the project's eligible TIF costs through a direct loan from the City (expected to close July 30, 2024, and start construction). The terms and details of the loan from the City are subject to final approval of terms. The proposed interest rate of 5% will ensure the project financial feasibility amidst an unprecedented increase in long-term permanent tax-exempt financing interest rates and amount of LIHTC's seeking investment (driving down borrowing capacity and LIHTC equity pricing). The necessary GAP financing required for a 4% LIHTC project continues to increase in an inflationary market. Despite the higher-interest rate environment, construction costs for labor and materials remain high, making the need for GAP financing extremely important. Elmington has underwritten the development fully utilizing all available programs, including commitments from the State's *Housing Infrastructure Financing Program* (HIFP Loan of \$2.2 million) and the Black Hills Area Community Foundation (BHACF) *Rapid City Strategic Housing Trust Fund* (\$3 million loan predicated on delivery the proposed affordable program). Elmington also engaged in thoughtful value engineering (i.e. efficient building massing/layout; parking/circulation; standardized unit floor planning/amenities, cost-efficient material selection/energy measures, etc.) while seeking value-add financial structures (i.e. cash-collateralized Freddie Tax-Exempt Loan/4% Private Activity Bonds; combined Energy Bonus credits/rebates) and maximizing all available resources, including the Deferred Developer Fee and Owner Equity/Guarantees. The financing plan presented with this application includes the maximum amount of Deferred Developer Fee allowed under the LIHTC Program (repayment within 15 years from available operating cash flow after min. debt service payments) and guarantees to repay all debt within the terms of the signed commitment letters between the State and local BHACF.

Additionally, the Project Financing Plan assumes the full property tax payments will to be pledged to the City through the full 20-year term and will waive the Discretionary Formula tax abatement for the Project as an eligible low-income housing project. All building improvements will be assessed at 100% of taxable value upon completion and only the solar PV facility improvements will qualify for the Renewable Energy Exemption and assume 70% of the value of the improvements are exempt from property taxes in perpetuity. The Project (or tax credit Partnership, *ECG Rapid City Limited Partnership*) is budgeting an annual property tax expense of \$479,000 in the first year of stabilized operations with an assumed escalation rate of 3% per year (increasing to \$839,579 by year 20). Over the term of the TIF Loan projections, this provides a coverage of \$1.2 million of the expected amortizing principal + interest amount. The budgeted annual expense is approximately 1/3 of the stabilized operating expense (before Debt Service) and is almost triple the average operating expense for comparable projects under Elmington ownership and/or management. Although this is large burden for project to carry, the City of Rapid City's willingness to monetize this ongoing operating



expense as a direct TIF loan to the tax credit partnership, enables the Project to move forward as planned and leverage an additional \$73 million of public-private resources. An analysis of the Project's sources vs. uses is provided as part of the attached Exhibits and demonstrates how the Project is truly not feasible without this final gap resource. Elmington urges the City to recognize how the proposed TID/TIF tool available, is pivotal in creating the opportunity for the social and economic benefits presented herein to be realized.

## **6. LIST OF ENTITIES INVOLVED**

*ECG Rapid City, LP* is the Applicant for the project and will be the ultimate owner of the subject parcels and proposed improvements on the assembled property. A Certificate of Limited Partnership is included in Exhibit C and include the Developer entity: *ECG Rapid City Developer, LLC* and parent organization: *ECG Rapid City, GP* with *Elmington Affordable LLC* as the registered agent for both the Developer and General Partnership.

The boundary of the proposed TID is shown in Exhibit A. The tax parcels with the corresponding property owners and legal descriptions within the proposed TID boundary are listed in Table 2. The full details of all privately-owned individual parcel records from *RapidMap* are provided in *Exhibit B – Tax Parcel Report*. All owners within the proposed TID will be notified as required by local ordinance and signed application for Tax Increment Financing (or otherwise instructed by City staff).

**Table 2a. Subject Property Tax Parcels with the Corresponding Owners and Legal Descriptions Within Area of Proposed Camden Heights Affordable Housing/Accessory Solar TID**

TAX ID	OWNER	ADDRESS	LEGAL	AREA	2022 AV	2022 Tax
63349	AR GROUP LLC	1512 CAMDEN DR	ANAMOSA CROSSING SUBD; LOT 2 RAPID CITY, PENNINGTON CO., SOUTH DAKOTA	2.520 ACRES	\$356,800	\$5,942
63350	AR GROUP LLC	1440 CAMDEN DR	ANAMOSA CROSSING SUBD; LOT 3 RAPID CITY, PENNINGTON CO., SOUTH DAKOTA	3.590 ACRES	\$508,200	\$8,464
63351	AR GROUP LLC	CAMDEN DR	ANAMOSA CROSSING SUBD; LOT 4 RAPID CITY, PENNINGTON CO., SOUTH DAKOTA	3.980 ACRES	\$508,201	\$9,383
68578	AR GROUP LLC	CAMDEN DR	ANAMOSA CROSSING SUBD; LOT 1A RAPID CITY, PENNINGTON CO., SOUTH DAKOTA	1.890 ACRES	\$266,900	\$4,445
63358	AR GROUP LLC	E NORTH ST	CENTURY "21" SUBD, TRACT 1 LESS ANAMOSA CROSSING SUB. LOTS H1, H2, H3 & LESS ROW RAPID CITY, PENNINGTON CO., SOUTH DAKOTA	15.55 ACRES	\$598,736	\$9,898
N/A	AR GROUP LLC (currently)	Future Public Right of Way	Various Public Right-of-Way	0.11 ACRES	-	-
<b>SUBTOTAL SIZE OF Subject TID Parcels</b>				<b>27.53 ACRES</b>	<b>\$2,238,837</b>	<b>\$38,134</b>
				Land Sq. Ft.	AV pSF	Tax pSF
				1,199,206.80	\$1.87	\$0.03

**Table 2b. Adjacent Property Tax Parcels with the Owners and Legal Descriptions Within Area of Proposed Camden Heights Affordable Housing/Accessory Solar TID**

TAX ID	OWNER	ADDRESS	LEGAL	AREA (Acres)	2022 AV	2022 Tax
63357	SOLO SAILOR LLC	E. ANAMOSA ST	ANAMOSA CROSSING SUBD, LOT 10	2.55	\$659,900	\$10,020
63354	AR GROUP LLC	LANDO LN	ANAMOSA CROSSING SUBD, LOT 7	3.1	\$438,900	\$6,664
68579	TIMBERLINE PROPERTIES LLC	1700 CAMDEN DR	ANAMOSA CROSSING SUBD, LOT 1B	3.99	\$2,374,000	\$35,610
68899	MENARD INC	735 N CREEK DR	MENARD SUBD, LOT B-2	2.31	\$628,600	\$9,544
68900	HALLE PROPERTIES LLC	825 N CREEK DR	MENARD SUBD, LOT B-1	1.35	\$1,926,400	\$27,705
68901	FIRST INTERSTATE BANK	847 N CREEK DR	MENARD SUBD, LOT C-1	0.7	\$1,374,300	\$20,237
<b>SUBTOTAL SIZE OF Subject TID Parcels</b>				<b>21.0 Acres</b>	<b>7,474,500</b>	<b>\$110,986</b>
				Land Sq. Ft.	AV pSF	Tax pSF
				925,214	\$8.08	\$0.12
<b>TOTAL SIZE/VALUE OF TAX DISTRICT PROPERTY</b>				<b>48.77</b>	<b>\$9,713,337</b>	<b>\$149,122</b>

## 7. FINANCIAL PRO-FORMA

The tax increment projected to be available to fund the proposed public improvements is based solely on the development of the 252-unit affordable housing project and 1MW Solar PV Facility. No additional development is used in the projection on the unimproved land and there is a conservative inflationary adjustment accounted for every other year of 4% (or 2% annual escalation factor<sup>1</sup>).

Property within the proposed Project TID area currently generates annual tax revenue of \$28,232. The base valuation for the Subject properties within the TID boundary is \$2,065,602 (applying the lower projected Effective Tax Rate or mill levy of 1.628% for assessment year 2023<sup>2</sup>). The base property valuation assessed value and the estimated tax increment revenue from the development of the Project improvements are shown in Table 3.

Additional development within the proposed Tax Increment District is expected to occur (increasing the value of the overall Tax Increment captured within the District) but this analysis only includes the Camden Heights Project but it is not included in this projection. The cash-flow analysis of the debt obligation of the TID and the projected tax increment revenues are shown in Table 4.

The unique programs of the affordable multifamily buildings and adjacent “accessory” solar PV and battery facility are valued based on conversations and coordination with the Pennington County Assessor Equalization Department. The actual values, applied assessment rate, and projected mill levy assumptions have been confirmed with the County Assessor and/or Rapid City staff.

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<sup>1</sup> The Developer’s Financial Proforma requires a 3% annual escalation for all stabilized operating expenses, including the baseline Property Tax expenses (not assuming any discretionary formula tax abatement during operations).

<sup>2</sup> The Pennington County Assessor provided a lower Effective Tax Rate of 1.628% for Assessment Year 2023 based on trends in equalization across the county (for taxes paid in Year 2025).

**Table 3. Projected Tax Increment Income Available for  
Proposed Camden Heights Affordable Housing/Accessory Solar TID**

	Assessment Date	Year Taxes Paid	Scheduled Improvements for Projected Increment	Projected Increment of Total AV <sup>1</sup>	Exemption(s) Adjusted Increment AV <sup>2</sup>	Total TIF Payments <sup>3</sup>	Net TIF Payments
0	Nov. 2022	2024	TID/TIF BASE (Assessment/Tax Payment)	\$2,065,602		\$31,364	
1	Nov. 2023	2025	All land purchased (Aug. 2024) = Payment of FY2023 Assessed Land Value (100% FMV)	\$2,238,837	\$2,238,837	\$43,910	\$12,546
2	Nov. 2024	2026	All land purchased, construction started (100% Assessed Raw Land Value +20% cost of impvts)	\$10,298,871	\$10,298,871	\$169,215	\$137,851
3	Nov. 2025	2027	Mkt Land Value + 50% cost of Construction	\$16,952,130	\$19,506,236	\$326,906	\$295,542
4	Nov. 2026	2028	Substantial Construction Completion (C.O.)	\$32,990,100	\$35,646,370	\$597,399	\$566,035
5	Nov. 2027	2029	100% Leased/stabilized, Perm. Debt conversion (100% of Residential Impvts & 70% of Solar Facility Impvts abatement)	\$34,309,704	\$36,965,974	\$619,514	\$588,150
6	Nov. 2028	2030	Full Year of Stabilized Operations	\$34,309,704	\$37,072,225	\$621,295	\$589,931
7	Nov. 2029	2031	2nd Full Year of Stabilized Operations	\$35,682,092	\$38,444,613	\$644,295	\$612,931
8	Nov. 2030	2032		\$35,682,092	\$38,555,114	\$646,147	\$614,782
9	Nov. 2031	2033		\$37,109,376	\$39,982,398	\$670,066	\$638,702
10	Nov. 2032	2034		\$37,109,376	\$40,097,319	\$671,992	\$640,628
11	Nov. 2033	2035		\$38,593,751	\$41,581,694	\$696,869	\$665,505
12	Nov. 2034	2036		\$38,593,751	\$41,701,212	\$698,872	\$667,508
13	Nov. 2035	2037		\$40,137,501	\$43,244,962	\$724,744	\$693,380
14	Nov. 2036	2038		\$40,137,501	\$43,369,260	\$726,827	\$695,463
15	Nov. 2037	2039		\$41,743,001	\$44,974,760	\$753,734	\$722,370
16	Nov. 2038	2040		\$41,743,001	\$45,104,031	\$755,900	\$724,536
17	Nov. 2039	2041		\$43,412,721	\$46,773,751	\$783,883	\$752,519
18	Nov. 2040	2042		\$43,412,721	\$46,908,192	\$786,136	\$754,772
19	Nov. 2041	2043		\$45,149,230	\$48,644,701	\$815,238	\$783,874
20	Nov. 2042	2044		\$45,149,230	\$48,784,519	\$817,582	\$786,217
	Nov. 2043	2045		\$46,955,199	\$50,590,489	\$847,848	\$0

**TOTAL TAX INCREMENT FINANCE PERIOD PROJECTIONS**

**\$13,205,246**

**\$11,943,241**

<sup>1</sup>Calculation of Assessed Values are based upon the current combined 2023 *factored values* provided by the Pennington County Assessor--holding the full market land AV for non-agriculture and non-owner-occupied land use and applying project incremental value as improvements are completed.

<sup>2</sup>Assessed Valuation of Project improvements are based on Income Approach for the multifamily affordable at restricted rents and a 5.5% Capitalization Rate (approx. \$156,000 per unit) and a Cost Valuation Approach for the Solar PV Facility of \$2.35 per Watt (size of system ~ 1,000 Kilowatts); Projected base AV inputs are adjusted by the tiered Discretionary Formula (affordable residential) and the 70% exemption for Renewable Energy (Solar PV facility).

<sup>3</sup>Calculation of tax increment payment based upon the published AV & Effective Tax Rate FY 2023/2024 provided by the Pennington County Assessor.

**Table 4. Projected TIF Capacity Debt Obligations - Camden Heights Affordable TID**

Year of TID Term	PMT Date	Days	Beginning Balance	Payment Amount	Interest Amount <sup>2</sup>	Principal Amount	Ending Balance	Interest Reserve PMT
1	6/1/2024		-	(7,300,000.00)	-	(7,300,000.00)	7,300,000.00	
	12/1/2024	183	7,300,000.00	6,273.12	183,000.00	-	7,300,000.00	(176,726.88)
2	6/1/2025	182	7,300,000.00	68,925.38	182,000.00	-	7,300,000.00	(113,074.62)
	12/1/2025	183	7,300,000.00	68,925.38	183,000.00	-	7,300,000.00	(114,074.62)
3	6/1/2026	182	7,300,000.00	147,770.81	182,000.00	(11,105.31)	7,311,105.31	(23,123.88)
	12/1/2026	183	7,311,105.31	147,770.81	183,278.39	(35,507.58)	7,346,612.89	
4	6/1/2027	182	7,346,612.89	283,017.35	183,162.13	99,855.23	7,246,757.66	
	12/1/2027	183	7,246,757.66	283,017.35	181,665.29	101,352.06	7,145,405.60	
5	6/1/2028	183	7,145,405.60	294,075.00	179,124.55	114,950.45	7,030,455.16	
	12/1/2028	183	7,030,455.16	294,075.00	176,242.92	117,832.08	6,912,623.07	
6	6/1/2029	182	6,912,623.07	294,965.33	172,342.11	122,623.22	6,789,999.85	
	12/1/2029	183	6,789,999.85	294,965.33	170,215.06	124,750.27	6,665,249.58	
7	6/1/2030	182	6,665,249.58	306,465.28	166,174.72	140,290.57	6,524,959.02	
	12/1/2030	183	6,524,959.02	306,465.28	163,570.89	142,894.39	6,382,064.63	
8	6/1/2031	182	6,382,064.63	307,391.23	159,114.49	148,276.74	6,233,787.89	
	12/1/2031	183	6,233,787.89	307,391.23	156,271.67	151,119.56	6,082,668.33	
9	6/1/2032	183	6,082,668.33	319,351.18	152,483.33	166,867.85	5,915,800.48	
	12/1/2032	183	5,915,800.48	319,351.18	148,300.20	171,050.97	5,744,749.51	
10	6/1/2033	182	5,744,749.51	320,314.16	143,225.26	177,088.90	5,567,660.62	
	12/1/2033	183	5,567,660.62	320,314.16	139,572.86	180,741.30	5,386,919.32	
11	6/1/2034	182	5,386,919.32	332,752.50	134,304.02	198,448.49	5,188,470.83	
	12/1/2034	183	5,188,470.83	332,752.50	130,067.15	202,685.36	4,985,785.48	
12	6/1/2035	182	4,985,785.48	333,754.01	124,303.14	209,450.86	4,776,334.61	
	12/1/2035	183	4,776,334.61	333,754.01	119,735.51	214,018.49	4,562,316.12	
13	6/1/2036	183	4,562,316.12	346,689.89	114,370.39	232,319.50	4,329,996.62	
	12/1/2036	183	4,329,996.62	346,689.89	108,546.49	238,143.40	4,091,853.23	
14	6/1/2037	182	4,091,853.23	347,731.45	102,016.07	245,715.38	3,846,137.85	
	12/1/2037	183	3,846,137.85	347,731.45	96,416.88	251,314.57	3,594,823.28	
15	6/1/2038	182	3,594,823.28	361,184.76	89,624.36	271,560.40	3,323,262.88	
	12/1/2038	183	3,323,262.88	361,184.76	83,309.19	277,875.57	3,045,387.31	
16	6/1/2039	182	3,045,387.31	362,267.99	75,926.09	286,341.89	2,759,045.42	
	12/1/2039	183	2,759,045.42	362,267.99	69,165.11	293,102.88	2,465,942.54	
17	6/1/2040	183	2,465,942.54	376,259.44	61,817.46	314,441.97	2,151,500.57	
	12/1/2040	183	2,151,500.57	376,259.44	53,934.88	322,324.56	1,829,176.01	
18	6/1/2041	182	1,829,176.01	377,385.99	45,604.11	331,781.87	1,497,394.13	
	12/1/2041	183	1,497,394.13	377,385.99	37,537.41	339,848.57	1,157,545.56	
19	6/1/2042	182	1,157,545.56	391,937.10	28,859.36	363,077.74	794,467.82	
	12/1/2042	183	794,467.82	391,937.10	19,916.11	372,020.98	422,446.84	
20	6/1/2043	182	422,446.84	393,108.71	10,532.24	382,576.47	39,870.36	
	12/1/2043	183	39,870.36	393,108.71	999.49	39,870.36	-	
	6/1/2044	183	-	393,108.71	-	-	-	

12/1/2044	183	-	393,108.71	-	-	-
Total		-	5,423,185.63	4,711,729.35	-	-

6/1/2024 payment includes \$20,000 Imputed Administrative Fee and other Cost of Issuance fees (equal to 1% of Loan)

<sup>2</sup>Interest Payments for the first 4 bi-annual payments from Interest Reserve (during construction)

## 8. PROJECT FEASIBILITY

The construction of the Camden Heights Project will not happen without the use of Tax Increment Financing to fill the funding gap for the project. If the TID is not approved, the construction of the project will not occur, and the City of Rapid City will lose out on 252 long-term affordable housing units. The complete design of the Planned Development is underway and applications for all the various funding sources necessary to finance the project will be secured over the next 2-6 weeks. Elmington has formal Term Sheets for the Project’s full equity and debt needs and has already secured soft debt (a.k.a. subordinate gap loans) commitments from BHACF and the SDHDA as previously stated. The State is expected to complete review of formal Housing Tax Credit and 4% Bond Application(s) by the end of March 2024 with formal resolution(s) to induce Bonds and reserve the necessary Tax Credits for the Project in April of this year.

The financial Pro-forma outlines the baseline property valuation assumptions, tax increment projections, and the tax revenue financing generated from the proposed TID (showing only the pledged TIF revenue expected from the subject Project Development). The Financial Proforma, included with Exhibit F provides cash flow generated by the project to conservatively repay the full TIF Loan amount within 20 years.

## 9. STATUTORY CRITERIA

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

- Not less than 25% of the land area is blighted as defined in SDCL 11-9-11 “Open areas impairing growth defined as blighted.”
- This TID will provide funding for affordable housing, while also providing improvements for the surrounding industrial and commercial properties. These properties will advance the commercial and economic development of the City and the State.

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

- The proposed parcels which involve the construction of the Project (Lots 1a,2,4, 5, 12) impair the sound growth of the City of Rapid City due to the lack of development, while the surrounding properties have been constructed on. Topographic challenges, in addition to a defunct plating arrangement, are some of the challenges with the parcels identified.

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

1. This project is not economically viable without using Tax Increment Financing. The Applicant has a funding gap within the Project's pro-forma which needs to be closed before the development of the property can occur.
2. The project will extend an off-site access road across the neighboring parcels to allow for access to this; in addition, a Low-Level water main will be upsized and extended along with a main sewer sanitary line (benefiting both the subject Property and adjacent properties within the TID).
3. The Project will result in the construction of affordable housing units serving both families and seniors. The Project will also ensure future low-income residents pay only 30% of household income towards rent + utilities by including all monthly sewer, water, trash, and electricity bills in max rent. This added economic resiliency is made possible by acquiring and improving the adjacent vacant Lot 12 with a ground-mounted solar photovoltaic (PV) facility designed to offset 100% of the project's annual electricity demand.
4. It is the intention of the Applicant to classify the TID as an affordable housing TID. The primary purpose of this TID is to add affordable housing stock of the City of Rapid City with assurance of long-term affordability restrictions bound by affordable housing requirements from the use of Federal LIHTC and land use restriction agreement with the South Dakota Housing and Development Authority.

## 10. CONCEPTUAL PLANS

Please see the attached *Project Site Plans* (EXHIBIT C – Project Improvements) showing the location and proposed layout for the Project's TIF eligible costs and public ROW improvements. Conceptual design of the on-site work and building plans have been provided to the City as part of *Utica Street Roadway and Utilities Development Engineering submittal*. It is anticipated that the Project Team will resubmit these plans and associated studies, reports, etc. as required by Public Works (and outlined below in Section will secure all necessary financing by July 2024, starting construction next summer and complete all work by May of 2026.

## 11. DEVELOPMENT TIME SCHEDULE

Master / Phasing Plan: a Master / Phasing Plan has been submitted to the City for review pursuant to §16.12.030 of the Rapid City Municipal Code. The plan identifies that proposed Lot 11 will be purchased and developed with solar arrays, Lots 1A, 2, 3, and 4 will simultaneously be purchased and developed with six apartment buildings and associated site work improvements. The southern non-transferable balance of the assembled property will continue to be used for stormwater runoff as part of one continuous construction effort to place the buildings (and solar facility) in service with-in 18 to 24 months from issuance of all required building permit(s). The Project Site Improvements for this project will start construction by September 2024 and be **completed no later than 8/1/2026**. It is expected that all Granted TIF Loan proceeds will be utilized in the first 12-16 months on eligible project costs.

## 12. LIST OF IMPROVEMENTS

Improvements to be provided in this project are intended to be in accordance with SDCL 11-9 and are listed as follows:

Project Acquisition Costs: The combined purchase price for the 27.53 acres is \$3,950,000, secured with executed Purchase and Sale Agreements for Lots 1A, 2-4 and Lot 12 respectively. Elmington has negotiated terms that allow for acquisition of both subject properties at the time of Project's financial Tax Credit closing (expected by July 30<sup>th</sup>, 2024). The proposed TIF funded costs requests that a portion of the acquisition price for Lot 12 be considered for reimbursement to support the overall project benefits, including expanding project improvements to offset electricity costs for residents (typically passed-on for residents to pay), limiting peak electricity demand capacity for the local utility (Black Hills Energy), capturing additional economies of scale to extend further public ROW improvements along Utica Street, Unimproved Section Line ROW, and the Unnamed ROW, creating more opportunities for economic development in the TID area. Additionally, the cost for land acquisition provides no financial benefit under the LIHTC program as it's considered uneligible cost basis and therefor requires other sources to cover the cost. In the case of Camden Heights, the conventional sources can afford approx. \$10,000 per unit in land basis (enough to cover the full cost of Lots 1A, 2-4 of \$2,250,000).

General Summary of Improvements: Grading includes excavation (and soil compaction), material import and export, 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, controlled low strength material, cathodic protection, sanitary sewer main, manholes, sewer services, storm sewer pipe, storm sewer manholes and structures, drop inlet boxes, infrastructure to connect to the existing infrastructure, erosion control measures, seeding, fertilizing, mulching, signage, roadway striping, joint utility trench, private utility extensions to serve the Project improvements and residential buildings.

Traffic Impact Study: A Traffic Impact Study for the proposed development. The study analyzed the impact of the development on the East Anamosa Street/Camden Drive intersection and the East North Street intersections with Camden Drive and Century Road. In summary, the study states that "neither of these intersections are projected to meet signal warrants, thus no changes to traffic control are recommended. An exclusive southeast-bound right turn lane along Century Road is recommended to alleviate queue lengths. The Anamosa Street/East North Street signalized intersection will effectively serve as an outlet for facilitating the difficult left turns onto East North Street. Based on this recommendation, no additional street improvements are required other than meeting the minimum design standards pursuant to the Infrastructure Design Criteria Manual.

Utica Street: Utica Street is located west of the subject property and is classified as an Industrial Street in the



Infrastructure Design Criteria Manual. The Infrastructure Design Criteria Manual requires that this street be located in a minimum 60-foot wide right-of-way and constructed with a minimum 26-foot wide paved surface, curb, gutter, sidewalk, street light conduit, water, and sewer. As part of the *Utica Street Roadway and Utilities Development Engineering submittal* and development requirements, the north-south portion of Utica Street roadway will be improved, and utilities constructed. Improvements will not be extended west through the existing section line right-of-way to the east of Utica Street. The presence of the railroad right of way and development of Rushmore Crossing shopping center preclude continuation of a street to the east of Utica Street. Utica Street will be built as an asphalt pavement roadway with curb and gutter. The roadway will be constructed with a cul-de-sac turnaround approximately 650 feet from the intersection with East Anamosa Street. A boulevard and sidewalk will be constructed on the east side of Utica Street. An Exception Request will be submitted to allow a cul-de-sac greater than 500-ft in a commercial area.

Section Line Highway and Unnamed Right-of-Way: An unimproved Section Line Highway extends east to west along the northern property line and an unnamed right-of-way perpendicular to East North Street extends east to west along the southeastern portion of the property. Construction of roadway improvements through this right-of-way have been administratively waived by the Public Works Department in the Preliminary Subdivision Plan submittal process. The construction of utilities through this section has been discussed with City staff and it is anticipated that utilities will not be required through this section. This will be addressed in a revised Development Engineering Plan submittal.

East North Street: East North Street is located east of the subject property and is classified as a Principal Arterial Street on the City's Major Street Plan. The Infrastructure Design Criteria Manual requires that this street be located in a minimum 100-foot wide right-of-way and constructed with a minimum 36-foot wide paved surface, curb, gutter, sidewalk, street light conduit, water, and sewer. All improvements to East North Street required as part of this plat have been administratively waived by the Public Works Department. As a part of any future Building Permit application, property line sidewalks must be constructed along the street right-of-way frontages adjacent to the proposed lots or a Variance must be obtained from City Council. Approximately 240 feet of sidewalk will be constructed along East North Street.

Water: An 8-inch water main will be connected to the existing High Level Water Zone water main along East Anamosa Street and terminate immediately north of the proposed Utica Street cul-de-sac. Revised Engineering Development Plans will be submitted for review and approval identifying an alternate water main design, including criteria for obtaining an Exception to allow a dead-end water main.

Sanitary Sewer: Currently, access to CoRC sanitary sewer is not available along Utica Street. Through the Utica Street Roadway & Improvements project it is proposed to install approximately 350-ft of gravity sewer main along the south end of Utica Street. The multi-family units proposed to be located on Lots 1A, 2, 3, and 4 of the Anamosa Crossing Subdivision will connect to an existing sanitary sewer located along Camden Drive and a

solar panel array will be installed across most of Proposed Lot 11 and will not be connected to the sanitary sewer system. The sanitary sewer main proposed within Utica Street would serve future development on Lot A of West Century Subdivision.

Drainage: As part of the formal Development Engineering Plan application, a drainage report has been prepared and submitted for review and approval, addressing water quantity calculations and quality specifications. All final engineering reports will be signed and sealed by the Project's Professional Engineer and contain a Certification Statement of Conformance with City Standards, as required by the Infrastructure Design Criteria Manual.

Development Agreement: A Development Agreement is a tool which will provide the City and the developer with an instrument to document the financial and procedural requirements for the development of public improvements. City Community Development Staff recommends that prior to approval of the Development Engineering Plan application, a Development Agreement must be entered into with the City for all public improvements.

Warranty Surety: On June 19, 2006, the City Council adopted a resolution establishing a formal warranty process for subdivision improvements. The resolution requires that the developer provide an acceptable Warranty Surety for the required public improvements. The Warranty Surety must be in force for a period of two years after the required final inspection and the City has accepted the improvements. Prior to the City's acceptance of any public improvements, a Warranty Surety must be submitted for review and approval along with the final subdivision plat and planned development engineering plans for the property.

### **13. ARTICLES OF ORGANIZATION**

The Applicant, *ECG Rapid City, LP* was approved by the Department of the Treasury Internal Revenue Service on November 15, 2023. The approved Certificate of Organization is included in Exhibit D.

### **14. FINANCIAL INFORMATION**

ECG Rapid City, LP has no liabilities. Financial information of the parent organization and guarantor (*Elmington Affordable, LLC*) is available upon request.

### **15. WAGE SCALE**

ECP Rapid City, LP. does not have employees. It is not anticipated that the company will have employees for this project. This project will provide jobs with the hired contractors and laborers during the construction with an average wage which exceeds the minimum wage. It is anticipated that an Apprenticeship Program

will be deployed as part of the Project's construction with requirements to seek local low-income residents and provide on-the-job training along with employment opportunities.