

Preliminary Review of Proposed Tax Increment Project

Applicant: Ennen Development, LLC

Proposed Project Title: Ennen Housing Development Tax Increment District (TID)

Purpose of Tax Increment District:

The proposed TID Boundary is made up of the Hillsview Estates, future Hillsview, and future Ennen Subdivisions. In total there are 211 new lots proposed within the TID boundary; 156 of which are associated with the future Ennen Subdivision. The development within the Ennen Subdivision will consist of 156 total lots comprised of 74 single family homes and 82 “scaled down” homes. The single-family homes will initially be priced at \$325,000 - \$385,000 range while the scaled down homes will be priced at \$175,000 - \$190,000. This proposed development is anticipated to be classified as an Affordable Housing District by the Department of Revenue. To be classified as an Affordable Housing District, the max selling price of single family homes within the District must be below the South Dakota Housing Development Authority’s first-time home buyer max purchase price. This amount is current \$385,000.

The purpose of this proposed TID is to complete Reservoir Road; which will connect to the future E. Anamosa Street. The tax increment that the homes produce will be used to offset project costs associated with Reservoir Road that will have a direct impact related to a reduction of lot prices for the benefit of the homeowner. Reservoir Road is a critical component to the success of the Ennen Housing Development and for future development in the area.

The total proposed project costs are \$7,817,989; of which \$4,143,731 reserved for financing costs.

<u>Proposed Project Cost Description</u>	<u>TID Funded Project Costs</u>
Capital Costs	3,015,225
Professional Fees	330,492
Contingency	328,541
<i>Subtotal</i>	3,674,258
Financing	4,143,731
Total Project Costs	7,817,989

The anticipated eligible Project Costs are as follows:

- Anticipated Cost: \$3,674,258
- Financing Expenses Anticipated: \$4,143,731 (based on 7.5% Interest Rate, amortizing repayment of full cost/Loan plus interest over 20-years)

Total Proposed Funded Project Costs, including Financing: \$7,817,989

Proposed Boundary: The proposed TID contains approximately 80 acres and is located east of Elk Vale Road and north of Homestead Street.

Estimated Base Valuation: The Pennington County Department of Equalization estimated base valuation of the proposed district is \$13,308,800.

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

Anticipated Time Frame: 15 years

Amortization Table: The applicant estimates a 15 year pay off using a 7.5% interest rate. Financing expenses are requested totaling \$4,143,731 as shown in the table below.

The Chart Below is an Excerpt Taken from Application

NOTE AMORTIZATION							
Date	Principle	Interest	P & I	Semi-Annual Net Revenue	Capitalized Interest	Loan Balance Outstanding	
12/01/24	0.00	0.00	0.00	0.00	184,387.50	4,917,000.00	
06/01/25	0.00	0.00	0.00	0.00	184,387.50	4,917,000.00	
12/01/25	0.00	0.00	0.00	0.00	184,387.50	4,917,000.00	
06/01/26	0.00	0.00	0.00	0.00	184,387.50	4,917,000.00	
12/01/26	0.00	0.00	0.00	0.00	184,387.50	4,917,000.00	
06/01/27	0.00	58,007.49	58,007.49	58,007.49	126,380.01	4,917,000.00	
12/01/27	0.00	58,007.49	58,007.49	58,007.49	126,380.01	4,917,000.00	
06/01/28	0.00	164,931.76	164,931.76	164,931.76	19,455.74	4,917,000.00	
12/01/28	0.00	164,931.76	164,931.76	164,931.76	19,455.74	4,917,000.00	
06/01/29	83,514.77	184,387.50	267,902.27	267,902.27	0.00	4,833,485.23	
12/01/29	74,562.86	193,339.41	267,902.27	267,902.27	0.00	4,758,922.37	
06/01/30	177,889.69	190,356.89	368,246.58	368,246.58	0.00	4,581,032.68	
12/01/30	185,005.27	183,241.31	368,246.58	368,246.58	0.00	4,396,027.41	
06/01/31	192,405.48	175,841.10	368,246.58	368,246.58	0.00	4,203,621.93	
12/01/31	200,101.70	168,144.88	368,246.58	368,246.58	0.00	4,003,520.23	
06/01/32	208,105.77	160,140.81	368,246.58	368,246.58	0.00	3,795,414.46	
12/01/32	216,430.00	151,816.58	368,246.58	368,246.58	0.00	3,578,984.46	
06/01/33	225,087.20	143,159.38	368,246.58	368,246.58	0.00	3,353,897.26	
12/01/33	234,090.69	134,155.89	368,246.58	368,246.58	0.00	3,119,806.57	
06/01/34	243,454.32	124,792.26	368,246.58	368,246.58	0.00	2,876,352.25	
12/01/34	253,192.49	115,054.09	368,246.58	368,246.58	0.00	2,623,159.76	
06/01/35	263,320.19	104,926.39	368,246.58	368,246.58	0.00	2,359,839.57	
12/01/35	267,953.40	100,293.18	368,246.58	368,246.58	0.00	2,091,886.17	
06/01/36	279,341.42	88,905.16	368,246.58	368,246.58	0.00	1,812,544.75	
12/01/36	291,213.43	77,033.15	368,246.58	368,246.58	0.00	1,521,331.32	
06/01/37	303,590.00	64,656.58	368,246.58	368,246.58	0.00	1,217,741.32	
12/01/37	316,492.57	51,754.01	368,246.58	368,246.58	0.00	901,248.75	
06/01/38	329,943.51	38,303.07	368,246.58	368,246.58	0.00	571,305.24	
12/01/38	343,966.11	24,280.47	368,246.58	368,246.58	0.00	227,339.13	
06/01/39	227,339.13	9,661.91	237,001.04	237,001.04	0.00	0.00	
12/01/39	0.00	0.00	0.00	0.00	0.00	0.00	
06/01/40	0.00	0.00	0.00	0.00	0.00	0.00	
12/01/40	0.00	0.00	0.00	0.00	0.00	0.00	
06/01/41	0.00	0.00	0.00	0.00	0.00	0.00	
12/01/41	0.00	0.00	0.00	0.00	0.00	0.00	
06/01/42	0.00	0.00	0.00	0.00	0.00	0.00	
12/01/42	0.00	0.00	0.00	0.00	0.00	0.00	
06/01/43	0.00	0.00	0.00	0.00	0.00	0.00	
12/01/43	0.00	0.00	0.00	0.00	0.00	0.00	
06/01/44	0.00	0.00	0.00	0.00	0.00	0.00	
12/01/44	0.00	0.00	0.00	0.00	0.00	0.00	
	4,917,000.00	2,930,122.52	7,847,122.52	7,847,122.52	1,213,609.00		
			Total Interest	4,143,731.52	7,847,122.52		
			Project Costs	3,703,391.00			
			TIF Requested	7,847,122.52			

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, but instead be made up across

the entirety of the State of South Dakota.

2. 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. Per the applicant's pro-forma statement, lot sales would not even cover the principal of the conventional loan without the use of a tax increment district. The increment revenue cash flow shows the TID will pay off in the 20-year requirement.
3. 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. Atypical costs would be associated with the grading of East Anamosa Street.
4. Reservoir Road/East Anamosa: For prior developments around the proposed TID boundary, exceptions for the completion of Reservoir Road have been granted in the past. According to the Major Street Plan, Reservoir Road is a proposed principal arterial. The completion of Reservoir Road is a critical component to the success of this proposed development and for future development in the area. This proposed TID will also allow for grading of a section of East Anamosa which is also identified as a proposed principal arterial according to the Major Street Plan.
5. Developer's Agreement: The developer's agreement will include covenant agreements or other legal instruments to verify that the housing units are available on the market as proposed in alignment with the State's affordability criteria.

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.