

Rapid City Application for Tax Increment Financing

Ennen Development

1. Detailed Project Description

Prairie Meadows – Rapid City, SD

Project Narrative

Introduction – The Developer

Scull construction has been one of South Dakota’s leading construction companies for decades. Andy and Jim Scull started as a four-man construction crew and have evolved into one of the largest and most successful construction companies in South Dakota. The Developer entity for the proposed development is Ennen Development, LLC – A wholly owned subsidiary of Scull Construction.

The Need for Housing

Elevate Rapid City, the regional economic development organization has predicted a need for more than 3,000 new homes to accommodate the commitments the community has made to securing the new B-21 project at Ellsworth. This prediction was made prior to the COVID pandemic, which is important to note, for the pandemic has created even more demand for housing due to the influx of people moving to the Black Hills. According to Elevate Rapid City, “Rapid City has seen dramatic population growth with a 15% increase of the past ten-year period. The city is expected to grow at this faster rate for the next 8 years with an anticipated 18.9% increase over the 10-year period. Beyond 2030, the growth will continue but settle back to moderately lower rates. Growth has been driven by flight from larger urban regions (intensified by the COVID-19 pandemic), a favorable income tax climate, perceived affordability, job growth (including Ellsworth Airforce Base expansion), and recreational opportunities, and we see all of the factors continuing to drive growth”.

The following table shows important numbers regarding the growth of the Rapid City area.

Notable Numbers - Rapid City	
15%	Population change over last decade
18.90%	Projected population increase over 2020-2030
9.5%	Increase in number of households over last decade
2.52	Average household size
59%	Age Cohort increase over last decade for 65-84 year olds
\$53,760	Median income
60.8%	Percentage of single-family homes
1,795-2,422	Projected number of rental units needed by 2030
2,886-3,486	Projected number of ownership units needed by 2030
\$855	Median rent (2016-2020 ACS)
1-2%	Estimated rental vacancy

Source: 2020 ACS 5-Year Estimates, MSA Projections and Rapid City

Affordable housing is important to the economic vitality of communities. It can attract and retain employees to a community, supporting the local workforce so they can live close to their jobs. In revitalizing communities, the construction of affordable homes can also help to stimulate economic growth. A healthy mix of housing options ensures opportunities for all individuals to improve their economic situation and contribute to their communities. For many working families, homeownership represents the American Dream. From a community’s perspective, homeowners may provide stability to their neighborhoods in which they are invested. Regarding homeownership, Elevate Rapid City States, “Ownership unit demand for Rapid City through 2030 is projected to be 2,886-3,486 units. Of the homeownership units, approximately 159 are need for 0-30% Area Median Income (AMI) for 1-4 persons in a household. The 31-50% AMI bracket needs about 223 units, the 51-80% AMI requires 585 units and those households over 80% AMI are projected to need approximately 2,294 ownership units.”

The Proposed Development

The proposed Ennen Subdivision is located on the eastern side of the City of Rapid City. The development will consist of 156 total lots comprised of 74 single family homes and 82 scaled down homes. The single family homes will be priced at \$325,000 - \$400,000 range while the scaled down homes will be priced at \$140,000 - \$180,000. With the SDHDA grant, it will allow the single family home lots to be priced at approximately \$47,000 and the scaled down home lots to be priced at \$29,000.

The tax increment that the homes will produce will be used to offset project costs associated with Reservoir Road. Reservoir Road is a critical component to the success of the Ennen Housing Development and for future development in the area.

2. Purpose of Tax Increment Financing

The property upon which this Tax Incremental District (TID) is proposed to be implemented is located within the City of Rapid City, South Dakota.

As such, the creation of City of Rapid City TIF #9X shall be conditioned upon the creation of the District by resolution, and the establishment of the TID boundaries and approval of the TID Project plan by the City Planning and Zoning Commission.

The purpose of this Plan, to be implemented by the City of Rapid City, South Dakota, is to satisfy the requirements for a Tax Increment District Number 9X as specified in SDCL Chapter 11-9. The principal purpose of the Plan is to define eligible property and to define a Tax Increment Plan for funding eligible activities in an eligible area of the City. The Plan will describe the boundary, estimated costs, feasibility and fiscal impact of the District.

This Plan was prepared for adoption by the City Council in recognition that the area requires a coordinated, cooperative strategy, with financing possibilities, to promote affordable housing and accomplish the City's development objectives for improving the continued viability by promoting economic development within the City of Rapid City.

The driving interest in the establishment of this Plan is to offer tax increment financing as a tool to stimulate and leverage private sector development and redevelopment, and to promote economic development throughout the District by providing affordable housing.

The intention of this TIF Project is to increase the availability of affordable housing in the City of Rapid City, as well as improve community infrastructure. The lots and homes will be sold at or below the South Dakota Housing Development Authority's standard for first-time homebuyers.

The development of affordable housing will provide necessary housing to meet the needs of the increasing attraction of the region. Affordable housing is important to the economic vitality of communities; access to affordable housing improves a community's ability to attract and retain residents and remain competitive in the global economy. The tax increment generated from the Ennen and Hillsvie Subdivisions will be used to offset project costs associated with the development of Reservoir Road.

3. List of project costs to be funded by the Tax Increment Financing including identification of typical developer costs, exceptional costs and oversizing costs. The applicant shall provide written justification when the sum of the Necessary and Convenient Costs and Contingency Cost line items exceed 10% of the total Project Costs. The proposed project costs shall include an itemized list of all Estimated Costs, including the Professional Fees

Owner: Ennen Development, LLC.
Project: Ennen Subdivision Summary (v8)
Date: 2/14/2024
Contractor: Site Work Specialists



Line Item	Description of Item	Qty.	Unit	Unit Cost	Extd. Cost
General					
100	Mobilization	1.0	LS	\$ 15,000.00	\$ 15,000.00
101	Incidental Work	1.0	LS	\$ 20,000.00	\$ 20,000.00
102	Material Testing	1.0	LS	\$ 15,000.00	\$ 15,000.00
103	Construction Staking	1.0	LS	\$ 30,000.00	\$ 30,000.00
104	Traffic Control	1.0	LS	\$ 25,000.00	\$ 25,000.00
105	Erosion & Sediment Control	1.0	LS	\$ 7,500.00	\$ 7,500.00
Grading					
200	Unclassified Excavation	9,745.0	CY	\$ 4.50	\$ 43,852.50
201	Import Fill Material	7,241.0	CY	\$ 7.00	\$ 50,687.00
201	Topsoil, Strip	2,826.0	CY	\$ 4.00	\$ 11,304.00
202	Topsoil, Place	1,603.0	CY	\$ 5.00	\$ 8,015.00
203	Seeding	2.0	AC	\$ 2,000.00	\$ 4,000.00
Water Main					
300	Connect to Existing	1.0	EA	\$ 750.00	\$ 750.00
301	Abandon Existing 8" Connection	1.0	EA	\$ 500.00	\$ 500.00
302	12" C-900 Water Main	764.0	LF	\$ 115.00	\$ 87,860.00
303	Water Trench Check Dam	2.0	EA	\$ 250.00	\$ 500.00
304	12" Gate Valve	5.0	EA	\$ 5,800.00	\$ 29,000.00
305	12" x 6" Tee	2.0	EA	\$ 1,800.00	\$ 3,600.00
306	Fire hydrant W/ Aux. Valve	2.0	EA	\$ 10,350.00	\$ 20,700.00
307	12" HD Coupler	2.0	EA	\$ 1,500.00	\$ 3,000.00
308	12" Cross	1.0	EA	\$ 4,500.00	\$ 4,500.00
309	12" 45 Bend	2.0	EA	\$ 1,600.00	\$ 3,200.00
310	12" Plug	3.0	EA	\$ 800.00	\$ 2,400.00
311	12" x 8" Tee	-	EA	\$ 1,500.00	\$ -

Storm Sewer					
500	18" RCP, Class III	1,414.0	LF	\$ 84.00	\$ 118,776.00
501	24" RCP, Class III	1,106.0	LF	\$ 105.00	\$ 116,130.00
502	24" Bend	1.0	EA	\$ 3,000.00	\$ 3,000.00
503	24" FES	1.0	EA	\$ 3,000.00	\$ 3,000.00
504	Type B Inlet	21.0	EA	\$ 4,750.00	\$ 99,750.00
505	Special Type B Inlet	6.0	EA	\$ 6,000.00	\$ 36,000.00
506	Type E Inlet	4.0	EA	\$ 22,000.00	\$ 88,000.00
507	Rip Rap	50.0	T	\$ 150.00	\$ 7,500.00
Surfacing					
600	Aggregate Base Course Material 9"	5,800.0	T	\$ 32.00	\$ 185,600.00
601	Asphalt 6"	3,200.0	T	\$ 165.00	\$ 528,000.00
602	Curb and Gutter	4,210.0	LF	\$ 30.00	\$ 126,300.00
603	Fillet and Pans	293.0	SY	\$ 155.00	\$ 45,415.00
604	HC Ramps	10.0	EA	\$ 3,100.00	\$ 31,000.00
605	Sidewalk	23,485.0	SF	\$ 12.50	\$ 293,562.50
607	C-Wall (0-2')	960.0	LF	\$ 120.00	\$ 115,200.00
Erosion and Sediment Control					
700	Straw/Compost Wattles	5,000.0	LF	\$ 5.00	\$ 25,000.00
701	Vehicle Tracking Control	4.0	EA	\$ 3,500.00	\$ 14,000.00
Miscellaneous					
800	Utility Conduit	1.0	LS	\$ 100,000.00	\$ 100,000.00
801	Common Utility Trenching	2,515.0	LF	\$ 22.00	\$ 55,330.00
802	Replace and Raise Power Pole	1.0	EA	\$ 250,000.00	\$ 250,000.00
803	Relocate Power Line on Reservoir	2,500.0	LF	\$ 40.00	\$ 100,000.00
804	Place Transformer on Reservoir	1.0	EA	\$ 75,000.00	\$ 75,000.00
805	Provide Utility Crossing on Reservoir	1.0	EA	\$ 25,000.00	\$ 25,000.00
806	Warranty Bond	1.0	LS	\$ 25,000.00	\$ 25,000.00
807	Permits by Contractor	1.0	EA	\$ 15,000.00	\$ 15,000.00
Reservoir Road - Anamosa Street Intersection					
900	8" Sanitary Sewer Main	214.0	LF	\$ 85.00	\$ 18,190.00
901	48" Sanitary Manhole	4.0	EA	\$ 6,500.00	\$ 26,000.00
902	12" C-900 Water Main	180.0	LF	\$ 115.00	\$ 20,700.00
903	Fire hydrant W/ Aux. Valve	1.0	EA	\$ 10,350.00	\$ 10,350.00
904	12" Gate Valve	2.0	EA	\$ 5,500.00	\$ 11,000.00
905	6" Water Main	80.0	LF	\$ 65.00	\$ 5,200.00
906	12" x 6" Tee	1.0	EA	\$ 1,800.00	\$ 1,800.00
907	12" Cap	2.0	EA	\$ 800.00	\$ 1,600.00
908	12" Verticle Bends	2.0	EA	\$ 1,500.00	\$ 3,000.00
909	Pan and Fillets	322.0	SY	\$ 155.00	\$ 49,910.00
910	Handicap Ramps	6.0	EA	\$ 3,100.00	\$ 18,600.00
911	Sidewalk	566.0	SF	\$ 10.50	\$ 5,943.00
912	Aspahlt	235.0	TN	\$ 165.00	\$ 38,775.00
913	Base Course	900.0	TN	\$ 32.00	\$ 28,800.00
914	Unclassified Excavation	2,370.0	CY	\$ 5.00	\$ 11,850.00
				Subtotal:	\$ 3,119,650.00
				Engineering Design (10%):	\$ 311,965.00
				Traffic Study:	\$ 25,000.00
				Geotechnical Evaluation:	\$ 10,000.00
				Contingency (5%):	\$ 173,331.00
				Excise Tax (2.041%):	\$ 63,673.00
				Total:	\$ 3,703,619.00

Note: the 10% noted is an estimation of anticipated fees for design, bidding and construction administration services.

4. A preliminary development financing plan, including sources of funds, identification of lender, interest rates, financing costs and loan terms.

- To be Determined

5. The applicant shall identify all persons and entities that have an interest in the project and/or in the entity applying for the tax increment financing district. The disclosures shall require identification of all members of an LLC or LLP, other partners, investors, shareholders and directors of a corporation or any other person who has a financial interest in the project or in the entity applying for the tax increment financing. This provision requires identification of all persons who have an interest in the project, including those whose interest exists through, an LLC, LLP, corporation (whether as a director or shareholder) or other legal entity. The applicant shall be under a continuing obligation to update this disclosure within thirty (30) days of any changes throughout the application process and throughout the life of the developer's agreement. If the applicant is a publicly traded company, the applicant shall be deemed to have complied with this provision if it has provided the City a copy of its most recent annual report with the application.

Names	Phones	Types of Ownership	% Ownership
Andy Scull	605-342-2379	Owner	50%
Jim Scull		Owner	50%

6. A statement and demonstration that the project would not proceed without the use of Tax Increment Financing.

- The Ennen Subdivision would not be successfully completed without the use of a tax increment district. The following table shows that lot sales will not even cover the principal of the conventional loan without the use of a tax increment district.

Lot Sale Summary			
Type	Number of Homes	Lot Price	Revenue from Lots
Single Family Homes	74	\$47,000	\$3,478,000
Scaled Down Homes	82	\$29,000	\$2,378,000
Total			\$5,856,000

Sources and Uses without Reservoir Road TIF	
Sources of Funds	
SDHDA Grant	\$3,535,707
Conventional Bank Loan @ 7.5%	\$7,575,227
Total Sources	\$11,110,934
Total Use of Funds	
Total Project Costs per Engineer's Estimate	\$11,110,934

Sources and Uses With Reservoir Road TIF	
Sources of Funds	
SDHDA Grant	\$3,535,707
Reservoir Road TIF	\$3,703,619
Conventional Loan @ 7.5%	\$3,871,608
Total Sources	\$11,110,934
Total Uses of Funds	
Total Project Costs per Engineer's Estimate	\$11,110,934

7. A statement identifying the specific Statutory, Other Local and Discretionary evaluation criteria that the applicant believes the request meets. (Please refer to the Tax Increment Financing Guide for specific evaluation criteria).

- The Ennen Subdivision will be for the purpose of increasing availability of affordable housing in the Rapid City area and to improve associated community infrastructure.
- The project will comply with the adopted Comprehensive Plan and all other appropriate plans and regulations.
- 11-8-17. Findings required for approval of urban renewal project in open area. If the urban renewal area consists of an area of open land to be acquired by the municipality, such area shall not be so acquired unless:
 - (1) If it is to be developed for residential uses, the local governing body shall determine that a shortage of housing of sound standards and design which is decent, safe, and sanitary exists in the municipality; that the need for housing accommodations has been or will be increased as a result of the clearance of slums in other areas; that the conditions of blight in the area and the shortage of decent, safe, and sanitary housing cause or contribute to an increase in and spread of disease and crime and constitute a menace to the public health, safety, morals, or welfare; and that the acquisition of the

area for residential uses is an integral part of and essential to the program of the municipality.

- The project costs are limited to those specific costs associated with a site that 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.)

8. Conceptual plans, sketches, maps or site plans for the project.

- Plans can be submitted through a portal due to size.

9. A development time schedule including specific phasing of improvements and project costs.

Spring 2024 – Final plans are approved by DANR and City of Rapid City
Summer 2024 - Construction of infrastructure commences
Fall 2024 - Construction of infrastructure is completed
Fall 2024 - Construction of homes / lots begins
2025-2030 - Remainder of homes are constructed – see proforma

10. A list of the specific public improvements and a list of the specific private improvements proposed to be constructed along with the project.

- See item #3 for the list of improvements to Reservoir Road.

11. Corporation, LLC, partnership papers or other business documents identifying the parties with ownership interest in the corporation and property involved in the project, including land ownership, contract for deed or other contractual information relating to control of the property and the applicant's ability to complete the project.

- Articles of Ennen Development, LLC are on the following pages.



South Dakota Secretary of State

Monae L. Johnson
Secretary of State

Thomas J. Deadrick
Deputy Secretary of State

Ennen Development LLC
PO BOX 7591
RAPID CITY, SD 57709

August 1, 2023

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

Business ID :	DL255782		
Filing Type:	Limited Liability Company - Domestic		
Filing Date:	08/01/2023		
Status:	Good Standing	Annual Report Due:	08/01/2024
Duration Term:	Perpetual		
Managed By:	Member-Managed		

Registered Agent Address:

Andrew J Scull
803 INDUSTRIAL AVE
RAPID CITY, SD 57709
(605) 431-4557
ascull@scullconst.com

Principal Address:

803 INDUSTRIAL AVE
RAPID CITY, SD 57709

Congratulations on the successful filing of your **Articles of Organization** for **Ennen Development LLC** in the State of South Dakota which is effective on the date shown above.

You must file an Annual Report with this office on or before the Annual Report Due Date noted above and maintain an active South Dakota Registered Office and Registered Agent. Failure to do so will subject the business to Administrative Dissolution/Revocation.

Monae L. Johnson
Secretary of State
State of South Dakota

State of South Dakota

Office of the Secretary of State

Certificate of Organization

Domestic Limited Liability Company

I, **Monae L. Johnson**, Secretary of State of the State of South Dakota, hereby certify that the Articles of Organization for

Ennen Development LLC

BUSINESS ID# DL255782

with an effective date of: August 1, 2023, duly signed and verified, pursuant to the provisions of the South Dakota Limited Liability Company Act, 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, August 1, 2023.

A handwritten signature in black ink that reads "Monae L. Johnson".

Monae L. Johnson
Secretary of State

08/01/2023 6:57 AM

12. A financial statement of the corporation, partnership, or individual for the most recent five years or life of the company.

- Ennen Development, LLC is a new entity and has very little, if any, financial history.

13. A copy of the proposed wage scale, employee benefits package, and full and part time employment levels or, in the case of an affordable housing project, a copy of the applicable federal housing grant program.

- The project consists of an affordable housing project but does not have any federal grants. The Developer did receive a grant from SDHDA in the amount of \$3,535,707.

Development name: Ennen Housing Development

Development location: Meadow Ridge Subdivision, Rapid City

Developer: Ennen Development, LLC

HIFP General Grant Funds approved: \$3,535,707

Development summary: The project consists of infrastructure development for 156 single family lots.

14. The applicant shall notify by certified, return receipt mail every owner of property contained within the proposed boundaries of a tax increment district and shall notify by first class mail every owner of property that is adjacent to the proposed boundaries of the tax increment district. The notification shall contain the proposed boundaries as well as a description of the proposed improvements. The Growth Management Department shall provide the applicant with a list of property owners to be notified. The return receipts shall be directed to the Growth Management Department. The applicant shall pay a fee of \$20.00 per list for the cost of compiling the two property owners lists.

- The Developer is the owner of both Ennen Subdivision and Hillview subdivision (the TIF District).

15. A \$2,500 non-refundable application fee.