

Mike Dugan, Tax Increment Finance Planner
Finance Department

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MEMORANDUM

TO: Members of the Tax Increment Finance Committee

FROM: Mike Dugan

DATE: September 27, 2024

RE: Amendment #1 to the Project Plan for Tax Increment District #83
Homestead Street Extension

The original purpose of the Tax Increment District (TID) was to fund the design and construction of approximately 900 feet of Homestead Street between Missoula Street and Timmons Boulevard in compliance with the City's Infrastructure Design Criteria Manual as well as the Standard Specifications. This TID was approved October of 2020.

The City of Rapid City desired the Homestead Street connection between Timmons Boulevard and Missoula Street and joined as co-applicant with Homestead Street Project, LLC., (Developer) to accomplish this community benefit for the Rapid City Area School District (RCAS) and the residents to the east of Elk Vale Road. The Developer agreed to donate all of the necessary 68-foot right-of-way and provide funding for this Homestead Street connection.

Homestead Street is currently identified as a collector-level roadway. The approximate 900-foot-long segment between Missoula Street and Timmons Boulevard was not currently constructed, and the completion of this project eliminated this gap in the City's road network.

Amendment #1 to the Project Plan will increase project costs by 35% from \$2,719,969.68 to \$3,671,958.38. The difference is \$951,989.38. South Dakota Codified Law 11-9-23 provides for plan amendments, including additional project costs, provided the proposal does not exceed thirty-five percent of the original project plan costs and the additional project costs are incurred before the five-year time limit.

The 35% increase in project costs will be used for the City of Rapid City to purchase (3) lots in the Homestead Vista Subdivision. Currently the property is legally described as follows, but the intention is to have the property platted as further stated below.

Parcel ID: 3803152012

Tax ID: 74629

LOT 2R, LESS LOT H1, LESS HOMESTEAD VISTA SUBDIVISION, BLOCK 3, SECTION 3,
T1N, R8E, BHM, RAPID CITY, PENNINGTON COUNTY, SOUTH DAKOTA

Parcel ID: 3803301009

Tax ID: 71083

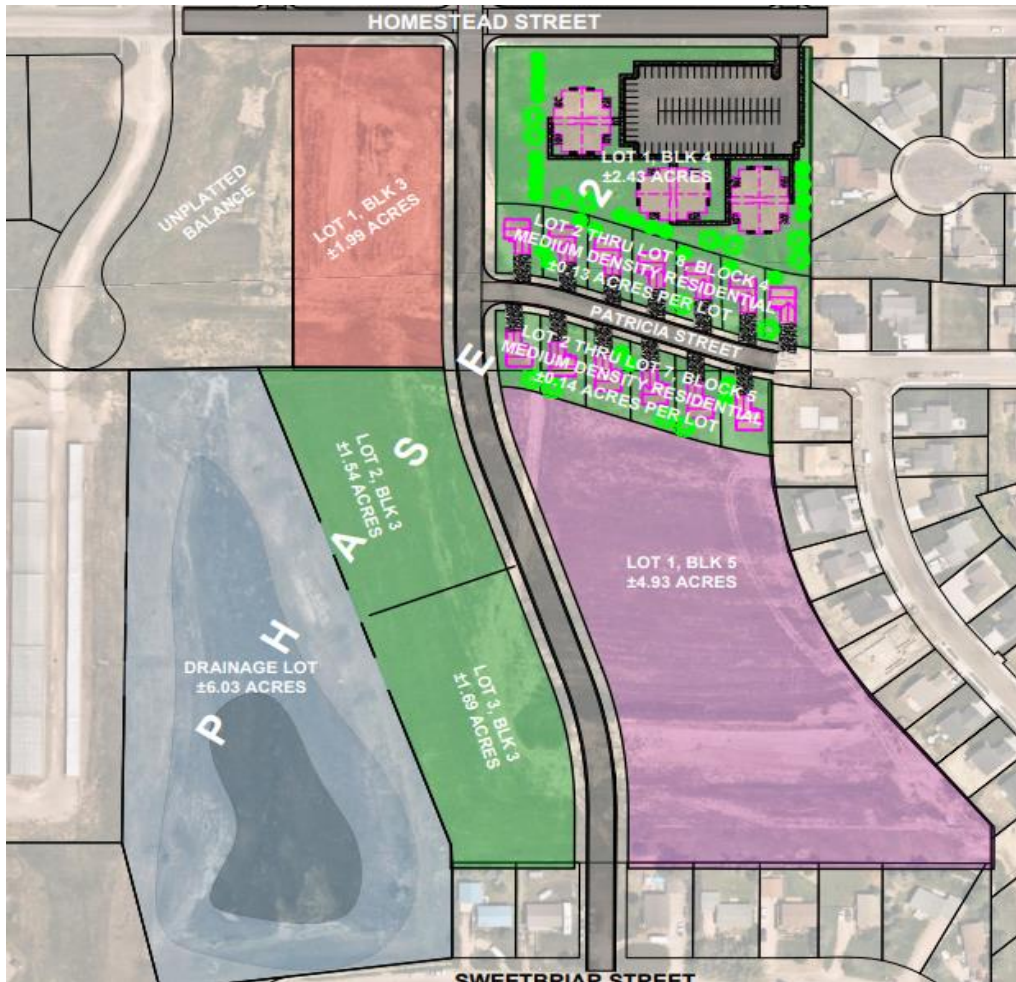
TRACT A LESS TRACT BR OF NEFF'S SUBDIVISION NO. 4, LESS AVENUE A SUBDIVISION, & LESS ROW, F & N SUBDIVISION, RAPID CITY, PENNINGTON COUNTY, SOUTH DAKOTA

The lots will be used for a future Police & Fire Station and a City park. The proposed three lots are as follows and are shown on the following picture:

- Lot 1, Blk 3 Homestead Vista \$ 565,000 (Future Police & Fire Stations)
- Lot 2, Blk 3 Homestead Vista* \$ 280,000 (Future City Park)
- Lot 3, Blk 3 Homestead Vista* \$ 305,000 (Future City Park)

Total Purchase Price of Lots \$1,150,000

*These (2) lots may be combined into one legal description.



Also, a \$15,000 Imputed Administrative Fee shall be charged by Pennington County. This fee is paid to the County as a project cost from the tax increment fund balance in year five of the District. The County will receive this fee after the City has received its Imputed Administrative Fee.

Additionally, the original Project Plan funds will be reallocated as detailed herein. These reallocated funds will go toward the City’s purchase of the lots and to fund City improvements for a City Park.

This TID was certified January 12, 2023. The original developer, Homestead Street Project, LLC certified a total of \$940,267.58 in Public Improvements costs and has no further costs to certify in this category. Homestead Street Project, LLC certified a total of \$102,861.51 in Professional Fees and has no further costs to certify in this category. Homestead Street Project, LLC has certified a total of \$154,952.21 in Financing Costs thus far. The TID is now in the disbursement stage. There has been a total of \$494,856.20 disbursed to Midwest Business Solutions, L.L.C. d/b/a Pactola (“Pactola”). (This is the Homestead Street Project, LLC lender.)

Project Cost Description	TID Funded Project Costs	Certified Costs	Difference
Item	Original	& Interest to Date	
Capital Costs			
Street	907,958.77	571,960.89	335,997.88
Water	274,737.55	125,383.76	149,353.79
Sanitary Sewer	89,775.29	58,122.52	31,652.77
Storm Water	184,800.16	184,800.41	(0.25)
Public Improvements Total	1,457,271.77	940,267.58	517,004.19
Other Development Costs			
Professional Fees	121,434.10	102,861.51	18,572.59
Contingency	100,005.00	-	100,005.00
Financing Costs	1,021,258.13	154,952.21	866,305.92
Other Development Costs Total	1,242,697.23	257,813.72	984,883.51
Imputed Administrative Fee			
City of Rapid City	20,000.00	-	20,000.00
Pennington County	-		
Total	2,719,969.00	1,198,081.30	1,501,887.70

\$517,014.19 will be reallocated from the Public Improvements total and \$318,577.59 will be reallocated from Other Development Costs. Other Development Costs Consist of:

Professional Fees	\$ 18,572.59
Contingency	\$100,005.00
Financing Costs	<u>\$200,000.00</u>
Total	\$318,577.59

The total reallocated fund amount is \$835,591.78.

The original developer for this project was Homestead Street Project, LLC (“Homestead”). Homestead entered into a Contract for Construction of Public Improvements By Private Developer For Tax Increment District Number Eighty-three, wherein Homestead agreed to terms about the construction of the public improvements and the reimbursement for such through the TIF 83 Fund. Homestead obtained a lender to loan the funds to Homestead to accomplish the purposes set forth in the original Project Plan. This lender was Midwest Business Solutions, L.L.C. d/b/a Pactola (“Pactola”). The City, Homestead, and Pactola entered into an Assignment Agreement, wherein the parties agreed that “City will pay directly to [Pactola] those positive tax increments which are collected by the City and deposited in the Fund described in Section 1.3 of the Original Contract [also known as the Contract for Construction of Public Improvements By Private Developer For Tax Increment District Number Eighty-three] and which are due to [Homestead] pursuant to the Original Contract until [Homestead’s] loan obligation to [Pactola] is paid in full or the Tax Increment District is dissolved, whichever comes first.” Pursuant to this Project Plan Amendment #1, the City will be paying Homestead’s loan obligation to Pactola, and the City will replace Homestead as the developer. The City will be entitled to be reimbursed for the cost of paying Homestead’s loan obligation to Pactola plus the City’s cost of financing this amount of debt at a fixed rate of 7%. The cost of paying the loan obligation off of \$711,090.32 and the costs that the City will expend to pay for the acquisition of the property and public improvements on the property up to \$1,787,581.16 will be combined into one note totaling \$2,498,671.48 and financed by the City of Rapid City at a rate of 7% fixed.

The remaining balance of the Financing Costs will be used for the repayment of the original TID loan and for the repayment of Amendment #1. The remaining balance of Financing Costs is \$666,305.92. Per the updated amortization below, the estimated Financing Costs needed is \$532,897.01

Sources	
35% Increase in Costs	951,989.38
Reallocated Funds	<u>835,591.78</u>
Total Sources	1,787,581.16
Uses	
Lot Purchases	1,150,000.00
County Imputed Admin Fee	15,000.00
City Park Improvements	<u>622,581.16</u>
Total Uses	1,787,581.16

Updated Amortization Schedule

(Initial balance calculated at current balance of loan (\$711,090.32) + 35% increase in costs and reallocated funds (\$1,787,581.16) = \$2,498,671.48.) Interest Rate of 7% Fixed.

	<u>Valuation</u>	<u>Increment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
	2% Increase	-	-	-	2,498,671.48
2025	37,937,556*	617,926	443,019.00	174,907.00	2,055,652.48
2026	38,696,307	630,285	486,389.33	143,895.67	1,569,263.15
2027	39,470,233	642,891	533,042.58	109,848.42	1,036,220.57
2028	40,259,638	655,749	583,213.57	72,535.43	453,007.00
2029	41,064,831	668,864	453,007.00	31,710.49	-
2030	41,886,127	682,241		-	-
2031	42,723,850	695,886	-	-	-
2032	43,578,327	709,804	-	-	-
2033	44,449,893	724,000	-	-	-
2034	45,338,891	738,480	-	-	-
2035	46,245,669	753,249	-	-	-
2036	47,170,582	768,314	-	-	-
2037	48,113,994	783,681	-	-	-
2038	49,076,274	799,354	-	-	-
2039	50,057,799	815,341	-	-	-
2040	51,058,955	<u>831,648</u>	-	-	-
		11,517,715	2,498,671.48	532,897.01	

*2023 Equalized Tax Valuation Per State

Per the original amortization, this TID was projected to payoff in 2032. It is now estimated to payoff in 2029.



City Finance Office

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