

COMMUNITY PLANNING & DEVELOPMENT SERVICES

City of Rapid City
 300 Sixth Street, Rapid City, SD 57701-2724
 Phone: (605) 394-4120 Fax: (605) 394-6636 Web: www.rcgov.org

**APPLICATION FOR
 TAX INCREMENT
 FINANCING**

LEGAL DESCRIPTION

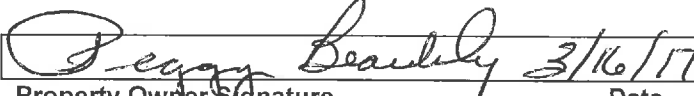
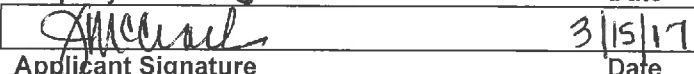
Legal Description (*Attached additional sheets as necessary*)
 Parcel ID 2036182001, TaxID 27270, Lot 14-16, Block 37, North Rapid, Sect 36, Twnshp 2N, Rng 07E
 Location 612 Dilger Ave
 Size of Site-Acres 0.24

APPLICANT

Name NeighborWorks® Dakota Home Resources Phone (605) 578-1401
 Address 795 Main St Fax (605) 578-1405
 City, State, Zip Deadwood, SD 57732

PROJECT PLANNER - AGENT

Name NeighborWorks® Dakota Home Resources Phone (605) 578-1401
 Address 795 Main St Fax (605) 578-1405
 City, State, Zip Deadwood, SD 57732

	<u>3/16/17</u>		
Property Owner Signature	Date	Property Owner Signature	Date
	<u>3/15/17</u>		
Applicant Signature (if difference from Property Owner)	Date	Applicant Signature (if difference from Property Owner)	Date
Print Name: <u>Joy McCracken</u>		Print Name:	
Title* <u>Executive Director</u>		Title*	

*required for Corporations, Partnerships, Etc.

An application for the use of Tax Increment Financing must include the following information or the project will not be processed. **Attachments may be provided in order to fully provide the following information.**

APPLICATION INFORMATION (<i>attach additional sheets as necessary</i>)	Submitted
1. A detailed project description.	<input checked="" type="checkbox"/>
2. Purpose of the Tax Increment Financing.	<input checked="" type="checkbox"/>
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.	<input checked="" type="checkbox"/>
4. A preliminary development financing plan, including sources of funds, identification of lender, interest rates, financing costs and loan terms.	<input checked="" type="checkbox"/>
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	<input checked="" type="checkbox"/>

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MAR 18 2017

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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.	
6. A pro forma indicating projected costs and revenues.	<input checked="" type="checkbox"/>
7. A statement and demonstration that the project would not proceed without the use of Tax Increment Financing.	<input checked="" type="checkbox"/>
8. A statement identifying the specific Statutory, Other Local and Discretionary evaluation criteria that the applicant believes the request meets. <i>(Please refer to the Tax Increment Financing Guide for specific evaluation criteria).</i>	<input checked="" type="checkbox"/>
9. Conceptual plans, sketches, maps or site plans for the project.	<input checked="" type="checkbox"/>
10. A development time schedule including specific phasing of improvements and project costs.	<input checked="" type="checkbox"/>
11. A list of the specific public improvements and a list of the specific private improvements proposed to be constructed along with the project.	<input checked="" type="checkbox"/>
12. 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.	<input checked="" type="checkbox"/>
13. A financial statement of the corporation, partnership, or individual for the most recent five years or life of the company.	<input checked="" type="checkbox"/>
14. 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.	<input type="checkbox"/>
15. 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.	<input checked="" type="checkbox"/>
16. A \$1,000 non-refundable application fee.	<input checked="" type="checkbox"/>
17. Other information that may be required by the Tax Increment Finance Project Review Committee.	<input type="checkbox"/>

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The Village on Monroe TIF Application Project Description

NeighborWorks® Dakota Home Resources has recently identified an opportunity to build five new homes in Rapid City in an area of great need for affordable housing. The offer is part of a collaborative effort set in motion by NeighborWorks® and the City of Rapid City, in conjunction with Dakota Land Trust (DLT), Rapid City Community Development and South Dakota Housing Development Authority.

The development, named The Village on Monroe, will consist of two multi-family homes, a three unit townhome and a two unit townhome. Three of the homes will be one bedroom and two of the homes will be two bedroom. Once the land has been re-platted, the address will change to Monroe St.

The idea is to sell the home and land together for an affordable price. However, if a buyer wishes, or can only qualify, to purchase the home itself DLT will purchase the land. The land, in turn, will be leased to the homeowner for \$25 per month. This facilitates affordability in offering the homes for sale starting under \$90,000 as the additional cost of the land is removed from the equation. The plan also maintains long-term affordability as DLT continues to own the land regardless of the sale of a home.

The Village on Monroe will be located on the south east corner of Dilger and Monroe Streets in Rapid City. The legal description is S.36, T2N, R7E, Block 37, Lots 14-16, also known as 612 Dilger Ave. This is just north of the Civic Center off North Street. DLT will be making the land purchase with the proposed funding from our local lender partnerships and the City of Rapid City. Upon purchase, the property must be re-platted to accommodate the five units as they will be constructed to fit the proposed plats. NeighborWorks Dakota Home Resources will provide all management and oversight for the development of the homes through our subsidiary, Neighborhood Housing Construction Services. Once the re-platting process is complete, bids will be solicited from local sub-contractors, builders, and materials suppliers, and permits and insurance will be obtained.

The two buildings will be built in a townhouse design and be multiple stories so as to provide maximum living space within a minimal lot size. Total living space for the one bedroom units will be 780 ft². Total living space for the two bedroom units will be 980 ft². Additionally, the two bedroom units will have a 22' x 22' two car garage and the one bedroom units will have a 15' x 26' single car garage. A home owners association will be formed in order to maintain the landscaping and snow removal, at minimal cost as the intent is to keep the housing affordable. Estimated home owners' association fees are \$50 per month. Landscaping will be low maintenance and snow removal will consist mostly of clearing the public sidewalk in front of the buildings. Once completed, the homes will have two garages facing Monroe Street and three rear entrance garages.



795 MAIN STREET
DEADWOOD, SD 57732
605-578-1401



330 Anamosa St #1
Rapid City, SD 57701
605-923-6007

The Village on Monroe

Statement and demonstration that project would not proceed without the use of Tax Increment Financing.

Affordable housing has been identified by Rapid City Collective Impacts group as one of the major components needed to improve the quality of life in Rapid City.

This lot was chosen because it is just north of the boundary area of the Down Town Area Masterplan. Individuals/families will be within walking distance of church, schools, jobs, grocery store, shopping, and events at the Civic Center or Main Street Square. This project will meet the goals of the *Down Town Area Masterplan: "As the City becomes increasingly diverse in terms of its household composition and age, a wider array of housing options—in terms of price, configuration, and location—will be needed"*.

This project also meets the goals with the Comprehensive Plan: *BPG-3.2A: Mix of Housing Types. "Encourage the development of a range of housing types, sizes, prices, and densities within individual neighborhoods and throughout the community to satisfy current demand and future needs."*

The purpose of Village on Monroe is to provide affordable homeownership opportunities for five individuals/families. Today's high construction costs challenges affordability. The TIF will assist with the affordability for the new homebuyers. The TIF will lower the purchase price of each home by \$10,000. NeighborWorks Dakota Home Resources will place a lien on the property for the amount of the TIF funds. The TIF will be paid by the homeowner at the time of the sale of the property; therefore the TIF funds will be available to assist the next buyer. If the homebuyer is in need of additional assistance provided by Dakota Land Trust, in which Dakota Land Trust purchases the land the TIF funds would remain with the land perpetually. If the next buyer is not in need of assistance the funds will be placed in the Rapid City Housing Impact Investment Fund held by NeighborWorks Dakota Home Resources to assist another eligible homebuyer in Rapid City.

The Rapid City Housing Impact Investment Funds (RC-HIIF) is designed similar to the Governor's House GAP program provided by South Dakota Development Authority. The RC-HIIF will provide gap financing to eligible households who are able to obtain a portion of the necessary loan funds, but not all. The maximum loan available under this program is limited to \$20,000 minus all grants and donated items taking into consideration the maximum first mortgage for which the borrower is qualified.



The Village on Monroe TIF Application Purpose of TIF

1. The Village on Monroe project will convert an empty, litter strewn eyesore of a lot into five new housing units. These homes will house five households active in the community and five new homeowners interested in preserving their investment.
2. The National Association of Realtors reports that for every home sold there is an increase of nearly \$60,000 in local economic activity including one new job for every two homes sold. In addition to the short term construction jobs created, the spending habits of five new homeowners at places such as restaurants, retailers and service industries will allow for the creation of at least two long term positions at local businesses.
3. In addition to this request NeighborWorks[®] is seeking funds from a number of sources for The Village on Monroe. NWDHR has developed a partnership with local lenders, the City of Rapid City, HUD, and various funding sources to finance the Village on Monroe project.

The Rapid City CDC has merged with NeighborWorks[®] making available \$260,000 in core funds for the purpose of developing affordable housing in Rapid City. NeighborWorks[®] will utilize these funds initially for The Village on Monroe. Once the funds are recouped through the sale of the Monroe units they will be returned to the core fund to be available for future similar projects.

NeighborWorks[®] is also in the process of requesting funding from the Rapid City Community Development Block Grant (CDBG) in the amount of \$50,000. These funds would be used to assist senior citizens into homeownership. Again, first in The Village on Monroe and then on other similar projects.

Any further required funds will be obtained from local lenders at favorable rates as discussions for this possibility have already begun and received very positive results.

With these collaborative financing efforts NeighborWorks[®] will be setting a new standard for various entities working together in providing affordable housing for Rapid City residents. This approach will protect the public's investment in affordable housing, expand and preserve access to affordable homeownership, stabilize neighborhoods of disinvestment, and ensure accountability for funders, tax payers, and the residents served by Dakota Land Trust and NeighborWorks[®] Dakota Home Resources.

4. According to Realtor.com an annual household income of \$46,966 would allow a household to afford a home with a purchase price of \$149,500. This purchase price, at current market rates and with local costs, including taxes and insurance would give a household with the median income a housing cost of 30% of total income. The current average selling price of a three bedroom home in Rapid City, according to Coldwell Banker-LKH, is \$189,900. The expected monthly housing costs to households at the median income level for this purchase price would amount to over 36% of household income.

A recent search of the Rapid City real estate listings found 33 two bedroom units for sale at \$149,500 or less. Many of the listings state that some level of rehab would be needed after purchase. Also, these listings tend to be on the small size with 17 being less than 1,000 ft². These 33 listings represent barely 0.1% of the housing units in Rapid City.

The Village on Monroe units are expected to be listed at \$104,400 for the one bedroom homes and \$142,000 for the two bedroom homes. These prices will allow for housing costs ranging from 18% to 25% of total income for households at the median income of \$46,966. A purchase price of \$104,400 would allow a household with an income as low as \$28,500 to afford a home with an expected housing cost of 30% of total income.

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The Village on Monroe
ProForma

Total Project Costs	
Land&Blding	\$611,200
Prof Fees	\$ 9,750
Financing	\$ 8,850
Other costs	<u>\$ 5,000</u>
	\$634,800

Sources of Funding	
NeighborLending	\$104,800
SDHDA	\$220,000
RC CDC	\$260,000
RC TIF	<u>\$ 50,000</u>
	\$634,800

Revenues	
Sale of 3-2bed	\$426,000
Sale of 2-1bed	<u>\$208,800</u>
	\$634,800

THIS INSTITUTION IS AN EQUAL OPPORTUNITY PROVIDER, AND EMPLOYER



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The Village on Monroe Statutory Statement

The Village on Monroe project will transform an empty, litter strewn eyesore of a lot into five new housing units. The project will remove an empty undervalued lot, create five additional housing units and increase area property values. As such the TIF request satisfies the following statutory criteria;

SDCL 11-9-8. Findings required as to blighted areas—Likelihood of enhanced value from improvements.

To implement the provisions of this chapter, the resolution required by 11-9-5 shall contain findings that:

- (1) Not less than twenty-five percent, by area, of the real property within the district is a blighted area; and
- (2) The improvements of the area is likely to enhance significantly the value of substantially all of the other real property in the district.

It is not necessary to identify the specific parcels meeting the criteria. No county may create a tax incremental district located, in whole or in part, within a municipality, unless the governing body of such municipality has consented thereto by resolution.

SDCL 11-9-11. Open areas impairing growth defined as blighted.

Any area which is predominantly open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of a municipality, is a blighted area.