

**17TIF003 – East St Charles Street Housing
Preliminary Review
Proposed Tax Increment Project**

Applicant: Erik Braun for Creek Drive Apartments LLC

Proposed Project Title: East St Charles Street Housing

Purpose of Tax Increment District: The purpose of this Tax Increment District is to assist with developing work-force housing apartments on property located at the southwest corner of E St Charles Street and Creek Drive, north of E St Patrick Street. The applicant anticipates using tax increment funds for property acquisition, professional fees, onsite drainage and utility services, sidewalks and financing. On January 17, 2017, the City Council authorized the applicant to submit a tax increment financing application to include land acquisition and on-site costs related to professional services and on-site utility costs, not typically considered an eligible TIF expenditure. The applicants anticipate financing the Project Plan with conventional private financing. Additionally, they are seeking funding for the apartment complex through the Community Housing Development Program offered by South Dakota Housing Development Authority.

The applicants anticipate charging 110% of the U.S. Housing and Urban Development (HUD) 2017 Rapid City Fair Market Rent of \$681 per month for a one-bedroom unit and \$905 per month for a two-bedroom unit at the new Creek Drive Apartment complex, when construction is complete. The projected rent includes in-unit washer and dryer accommodations for all 91 units. The applicants have provided three rental price options, depending on the funding approvals. The following table identifies Rapid City’s HUD Fair Market Rents.



**FY 2017 FAIR MARKET RENT
DOCUMENTATION SYSTEM**

The Final FY 2017 Rapid City, SD HUD Metro FMR Area FMRs
for All Bedroom Sizes

Final FY 2017 FMRs By Unit Bedrooms					
	<u>Efficiency</u>	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>	<u>Four-Bedroom</u>
Final FY 2017 FMR	\$575	\$619	\$823	\$1,149	\$1,344
<u>Final FY 2016 FMR</u>	\$540	\$616	\$825	\$1,128	\$1,376
Percentage Change	6.5%	0.5%	-0.2%	1.9%	-2.3%

The Rapid City, SD HUD Metro FMR Area consists of the following counties: Pennington County, SD. All information here applies to the entirety of the Rapid City, SD HUD Metro FMR Area.

If tax increment financing is the only supplementary funding source, the applicants will reserve at least 46 units for those individuals making at or below 120% of the Area Median

Income (AMI) for the Rapid City HUD Metro Area. To calculate the 120% of AMI for the proposed TIF, the following table identifies the Fiscal Year 2017 Income Limits from HUD as the base for determining the 120% income levels.



FY 2017 INCOME LIMITS DOCUMENTATION SYSTEM

HUD.gov [HUD User Home Data Sets](#) [Fair Market Rents](#) [Section 8 Income Limits](#) [MTSP Income Limits](#) [HUD LIHTC Database](#)

FY 2017 Income Limits Summary

FY 2017 Income Limit Area	Median Income Explanation	FY 2017 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Rapid City, SD HUD Metro FMR Area	\$63,600	Very Low (50%) Income Limits (\$) Explanation	22,650	25,900	29,150	32,350	34,950	37,550	40,150	42,750
		Extremely Low Income Limits (\$)* Explanation	13,600	16,240	20,420	24,600	28,780	32,960	37,140	41,320
		Low (80%) Income Limits (\$) Explanation	36,250	41,400	46,600	51,750	55,900	60,050	64,200	68,350

Based on the information contained in the application and project description, the targeted income levels for 46 of the 91 units, at “move in” only, will be at or below the following staff calculated 120% income amounts:

“Median income” (AMI) based on 4 person family	120% Income Limits (\$)	Persons in Family				
		1	2	3	4	
		\$54,375	\$62,100	\$69,900	\$77,625	Annual
		\$26.14	\$29.86	\$33.61	\$37.32	Hourly
Monthly Housing Costs (including utilities)	30% of income	\$1,359.38	\$1,552.50	\$1,747.50	\$1,940.63	
		One Bedroom		Two Bedrooms		
Proposed Unit Rent		\$681		\$905		
2017 HUD Fair Market Rent		\$619		\$823		

This “targeted income” allows at least 71.9% of the 28,721 households within Rapid City to qualify for one of the targeted income units, based on the 2011-2015 American Community Survey 5-Year Estimates. (See link titled “US Census Bureau Table “S1901: Income in the Past 12 Months”)

The project description identifies the lack of housing for people in Rapid City making \$20 per hour or less and states that “the apartment complex...will have 91 one and two bedroom apartments with rents that we are willing to cap at an amount that will be affordable to those making \$13/hour and up.” However, it appears that the applicants intend to provide half of their units to renters with an hourly income of at least \$26 per hour for a single person based on the 120% AMI calculations.

The anticipated 91-unit, four structure apartment complex on the north half of the property will generate sufficient revenues to repay the anticipated costs of the proposed district by December 2032. The anticipated revenues will also repay the underlying district within 6 years.

The proposed district boundary overlaps TID #52, approved in 2005. This district enabled the completion of East St. Charles Street from the terminus just east of the hardware store east to Creek Drive, addressed drainage issues for property located on the southwest corner of Cambell Street and East St. Patrick Street, and reclaimed city-owned property including the installation of a fence surrounding the existing snow removal storage site. As of this writing, one commercial retail structure was built in 2006, increasing the base valuation from \$650,000 to \$2,154,300. The current balance remaining on this TID is \$374,153.90. As provided in SDCL 11-9-6, overlapping TID boundaries are allowable. However, any funds generated from an overlapping TID will be used to pay for the improvements in the districts based on the chronological order in which the districts were created. With the additional apartment complex proposed, TID 52 should be fully repaid with the payment in December 2022.

Once TID 52 is dissolved, all increments generated within the proposed TID are then directed to repay the proposed project plan costs. As stated in the TIF Policy, the City will receive the \$20,000 interest free, imputed administrative fee beginning with funds available in Year 5 until fully paid. The proposed TID is projected to be repaid with the December 2032 payment.

Proposed Boundaries: The proposed boundary includes Lot B of Lot 3 of Tract D, Section 5, T1N, R8E, including all of the adjacent public rights-of-way. The property is located in the southwest quadrant of East St. Charles Street and Creek Drive.

Existing Base Valuation: \$650,000

Anticipated Increment: 91 units @ \$72,000

2016 Tax Rate: 88.4% of the Non-Ag Tax Levy - 20.322 per \$1,000

Anticipated Increment:	Anticipated Increment Revenue:*
2018 \$6,552,000	2020 \$117,704.37
2019 \$6,552,000	2021 \$117,704.37
2020 \$6,552,000	2022 \$117,704.37

2021	\$6,552,000	2023	\$117,704.37
2022	\$6,552,000	2024	\$117,704.37
2023	\$6,552,000	2025	\$117,704.37
2024	\$6,552,000	2026	\$117,704.37
2025	\$6,552,000	2027	\$117,704.37
2026	\$6,552,000	2028	\$117,704.37
2027	\$6,552,000	2029	\$117,704.37
2028	\$6,552,000	2030	\$117,704.37
2029	\$6,552,000	2031	\$117,704.37
2030	\$6,552,000	2032	\$117,704.37
2031	\$6,552,000	2033	\$117,704.37
2032	\$6,552,000	2034	\$117,704.37
2033	\$6,552,000	2035	\$117,704.37
2034	\$6,552,000	2036	\$117,704.37
2035	\$6,552,000	2037	\$117,704.37
2036	\$6,552,000	2038	\$117,704.37
2037	\$6,552,000	2039	\$117,704.37

Proposed TID Project Costs

Property Acquisition	\$360,000
Appraisal	\$5,000
Professional Fees	\$120,000
Onsite Drainage/Utility Costs/Sidewalk Costs	<u>\$245,000</u>
Total Capital Costs	\$730,000
Financing Interest	\$928,574
Imputed Administrative Fee (interest free)	\$20,000
Total TID Project Costs	\$1,658,574

Identified Funding Sources: TIF Funding will be financed by a local financial institution

Anticipated Time Frame: 15.5 years

Comments: The amortization schedules identify project cost payments using a 6.5% interest rate. The revenue projections were based on similar apartment unit values and a non-agricultural tax levy percentage for apartment complexes. Payoff projections of both TIDs are dependent upon completing all four apartment buildings within the proposed development prior to October 2018.

On January 17, 2017, the City Council approved including the property acquisition, professional fees for on-site design and construction of on-site improvements within the TIF application.