

IV. CONCLUSIONS

A. INTRODUCTION

This study evaluates the market potential of the 50-unit Sage View Glen low-income housing Tax Credit project for elderly tenants (age 62 and over) in Rapid City, South Dakota.

The proposed site is in the southern portion of Rapid City, on the south side of East Minnesota Street, 0.2 mile east of 5th Street (main north/south thoroughfare).

The proposed 50-unit Tax Credit age-restricted project will include 42 one-bedroom and 8 two-bedroom garden units within a three-story elevator-serviced building. Rents at the project will be based on 30%, 40%, 50%, and 60% of the area median household income.

The developer plans to offer 9 (18.0%) of the proposed units to elderly households (age 62 and over) with incomes up to 30% of the area median household income, 4 (8.0%) units to elderly households with incomes at or below 40% of the area median household income, 15 (30.0%) units to elderly households with income at or below 50% of the area median household income, and 22 (44.0%) units to elderly households with incomes at or below 60% of the area median household income.

The proposed Sage View Glen is expected to be completed and open by August 2019.

Our conclusions for the market potential of the subject project are based on a thorough analysis of the Effective Market Area (EMA). EMA refers to a methodology developed by the Danter Company to describe areas of similar economic and demographic characteristics.

B. EFFECTIVE MARKET AREA (EMA)

Basic to this study is the application of the Effective Market Area (EMA) approach to area analysis and development. The EMA is the smallest geographic area that is expected to generate between 60% and 70% of the support for the proposed project.

Each EMA is separated from adjacent market areas by natural and manmade barriers such as rivers, freeways, railroads, major arteries, or a marked difference in the socioeconomic makeup of a neighborhood or area. This methodology has a significant advantage over radial analyses that often do not consider these boundaries.

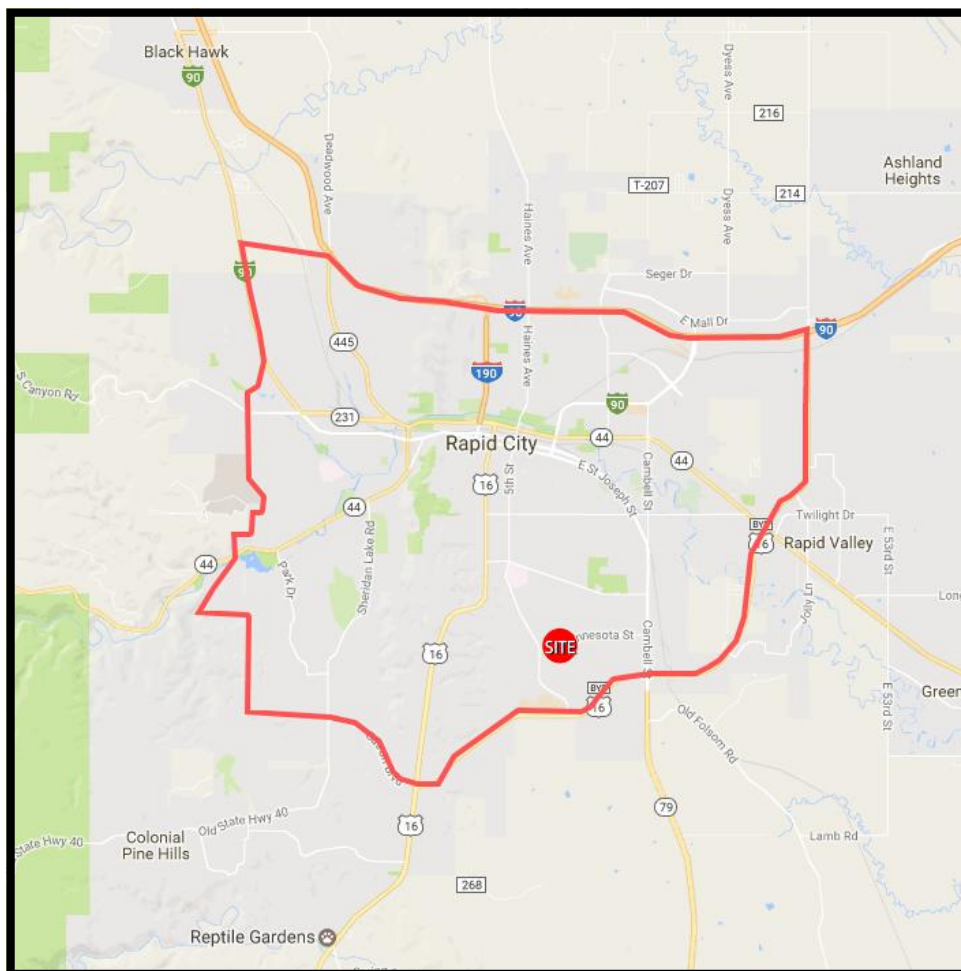
The EMA of the proposed site has been determined by:

- Interviews conducted with area apartment managers, real estate agents, planners, city officials, and area developers
- A demographic analysis
- An analysis of mobility patterns
- Personal observations of the field analyst

In addition, management at the adjacent sister property of the proposed site, Echo Glen (Map Code 43) provided information on where current residents of the property moved from was also considered in determining the Effective Market Area.

Generally, the Rapid City Site Effective Market Area (EMA) includes Rapid City and the immediate surrounding area. Specifically, the Site EMA is bounded by Interstate 90 to the north, US Route 16 Business to the east, Catron Boulevard to the south, and Sheridan Lake Road, Mountain View Road, and Deadwood Avenue to the west.

The following map illustrates the Rapid City Site EMA:



The following analyses have been conducted to identify market potential for the subject property:

- Analysis of the existing EMA rental housing market supply, including:
 - Historical housing trends
 - Current market conditions based on 100% field survey of modern apartments
- Area apartment demand factors, including
 - Income- and age-appropriate households based on program guidelines
 - Current and expected economic and household growth conditions
 - Comparable market rent for the proposed property as determined through a trend-line analysis
 - Appropriateness of the subject property for participation in the area Housing Choice Voucher program
 - Appropriateness of the site for the subject development

A trend line analysis, based on a “rent by comparability” index evaluation for all conventional apartment developments within the Site EMA, is used to evaluate and establish rents for comparable units at the proposed Sage View Glen Tax Credit development.

C. PROJECT CONCEPT

Our evaluation considers the current rental housing market, area demographic characteristics, projected growth, and the appropriateness of the site and site area for the subject development. Amenities, features, and services at the subject development are also considered.

Based on these factors, it is our opinion that a market exists for the 50-unit age-restricted rental housing development at the subject site, assuming the project is developed as detailed in this report. Changes in the project’s site, rent, unit mix, amenities, floor plans, or opening date may invalidate these findings.

The subject Sage View Glen project is proposed as follows:

| SAGE VIEW GLEN EAST MINNESOTA AVENUE RAPID CITY, SOUTH DAKOTA | | | | | | | |
|--|------------------------------------|--------|-------------|------------------------------|-------------------|-------------------|-----------|
| UNIT TYPE | PERCENT OF MEDIAN HOUSEHOLD INCOME | NUMBER | SQUARE FEET | MAXIMUM ALLOWABLE GROSS RENT | RENTS AT OPENING* | | |
| | | | | | GROSS | UTILITY ALLOWANCE | COLLECTED |
| One-Bedroom/ 1 Bath Garden | 30% | 8 | 604 | \$364 | \$364 | \$0 | \$364 |
| | 40% | 3 | | \$485 | \$485 | \$0 | \$485 |
| | 50% | 12 | | \$606 | \$588 | \$0 | \$588 |
| | 60% | 19 | | \$728 | \$693 | \$0 | \$693 |
| Two-Bedroom/ 1 Bath Garden | 30% | 1 | 764 | \$437 | \$437 | \$0 | \$437 |
| | 40% | 1 | | \$583 | \$583 | \$0 | \$583 |
| | 50% | 3 | | \$728 | \$728 | \$0 | \$728 |
| | 60% | 3 | | \$874 | \$831 | \$0 | \$831 |
| Total | | 50 | | | | | |

*August 2019

The developer plans to offer 9 (18.0%) of the proposed units to elderly households (age 62 and over) with incomes up to 30% of the area median household income, 4 (8.0%) units to elderly households with incomes at or below 40% of the area median household income, 15 (30.0%) units to elderly households with income at or below 50% of the area median household income, and 22 (44.0%) units to elderly households with incomes at or below 60% of the area median household income.

Rents will include electric heat, gas hot water, electricity, water/sewer, and trash removal services. Tenants will only be responsible for telephone and cable television. Because rents at the property will include all utilities, utility allowance adjustments will not be necessary and as a result, gross rents and collected rents will be the same.

In addition, the rents for any projects that do not include all utilities in the collection of rent have been adjusted to gross rent, which includes landlord-paid heat, hot water, electricity, water, sewer, and trash collection. Adjusting all rents to gross rent is used to more easily compare the proposed rents with existing market rents in the area.

These rents are meant as guidelines. Actual rents may vary based on the area median income and utility costs at the time of opening. It should be noted, however, that incomes sometimes increase at a greater rate than market area rents, and arbitrarily increasing rents whenever income guidelines allow may result in a development becoming less of a value. Future increases must always be considered within the context of the existing rental market.



Within the Rapid City, SD Metro FMR Area, recent median income (as established by HUD) has increased at an annual average of 1.9% compared with the Site EMA's established rent increase of 2.7% between November 2015 and May 2017.

Each unit in the proposed development will include the following amenities:

- Range
- Frost-free refrigerator
- Microwave
- Central air conditioning
- Life line emergency response system
- Dishwasher
- Intercom entry system
- Window blinds
- Carpeting

Project amenities will include the following:

- Community and gathering rooms
- Kitchenette
- On-site management
- Referral services
- Elevator
- Community patio
- Laundry facility on each floor

The proposed project will include 3 washers and dryers on each floor that will be free of charge to residents.

The Sage View Glen project will provide referrals to tenants for services tailored towards elderly residents including safety and crime prevention, social and recreational activities, educational activities, information and health services.

A daily meal program will be available as an optional service for the residents. The cost of the meal is expected to range from \$4.50 to \$7.50 per meal.

Based on our site inspection, the site is deemed appropriate for the proposed development.

D. SITE DESCRIPTION/EVALUATION

The proposed site is in the southern portion of Rapid City, on the south side of East Minnesota Street, 0.2 mile east of 5th Street. Minnesota Street is an east-west thoroughfare within the site area. The site is undeveloped with slightly rolling terrain.

NORTH

East Minnesota Street borders the site to the north. East Minnesota Street is a major thoroughfare within the site area. Primrose Retirement Community, single-family residential homes (on the north side of East Minnesota Avenue) and the Rushmore Medical Center are on East Minnesota Avenue. Further north, established single-family homes and the Grandview Elementary School extend 1.0 mile to Fairmont Boulevard.

EAST

Centennial Apartments (Map Code 38) borders the site to the east and extends less than 0.1 mile to Parkview Drive. East of Parkview Drive, several multifamily properties including Bridge Wood Estates (Map Code 5), Prairie Tree (Map Code 2), Carriage Green Estates (Map Code 6), and Southern Cross (Map Code 13), Morningstar Assisted Living facility, and single-family homes extend 1.0 further east to Campbell Street.

SOUTH

Parkview pool and park and Echo Glen (Map Code 43) border the site to the south and extend nearly 0.3 mile. Parkview pool and park includes tennis courts, softball fields, playground equipment, and a public swimming pool. Further south, undeveloped land, single-family homes, and a small office building extend 0.3 mile to 5th Street. South of 5th Street, Walmart Supercenter, various small retail stores, several restaurants, several small office/medical buildings, and Mobile/Big D gas and convenience store extends 0.3 mile to East Catron Boulevard/US Route 16.

WEST

Rushmore medical clinic and undeveloped land borders the site to the west and extend 0.15 mile to 5th street, a major north-south thoroughfare within Rapid City and the site area. Several medical buildings and offices including ray dental group, wright vision center, regional heart doctor's clinic, and Dr. Tim watt are located near the 5th street and Minnesota Avenue intersection. Undeveloped land and single-family homes extend further west.

IN GENERAL

The site is in the southern portion of Rapid City on the south side of east Minnesota Avenue. The immediate site area includes medical offices, single-family homes, two multifamily buildings, and a city park. Numerous community services including medical services, recreation, grocery and convenience shopping, retail (Wal-Mart supercenter) and pharmacy are easily accessed from the proposed site. Most other community services are within 1.5 miles of the proposed site.

Community Services

The following table provides a listing of the community services that impact the proposed site:

| FACILITY/SERVICE | NAME/DESCRIPTION | DISTANCE FROM SITE | DIRECTION |
|--|--|--|--|
| Public Bus | Rapid Ride | Borders | North |
| Major Thoroughfares/Highways | Minnesota Avenue 5 th Street US Route 16 | Borders 0.1 Mile 1.2 Miles | North West South |
| Police | Pennington County Sheriff Office | 2.9 Miles | North |
| Fire | Rapid City Fire Department #6 | 3.1 Miles | Southwest |
| Convenience Store | Mobile/Big D Dollar Tree Family Dollar | 1.1 Miles 2.1 Miles 2.5 Miles | South Northwest Northeast |
| Grocery/Supermarket | Walmart Supercenter Safeway Save-A-Lot | 1.2 Miles 2.0 Miles 2.5 Miles | South Northwest Northeast |
| Pharmacy | Walmart Pharmacy Walgreens | 1.2 Miles 2.2 Miles | South Northwest |
| Shopping Mall/Center | Walmart Supercenter Rushmore Mall Rushmore Crossing | 1.2 Miles 5.5 Miles 5.4 Miles | South North Northeast |
| Employment Centers/ Major Employers | Downtown Rapid City Ellsworth Air Force Base Rapid City Regional Hospital | 3.0 Miles 13.4 Miles 1.4 Miles | North Northeast Northwest |
| Recreational Facilities | Parkview Park and Pool Robbinsdale Park Dinosaur Park Star of the West Sports Complex | Borders 1.6 Miles 4.1 Miles 3.7 Miles | South Northeast Northwest Northeast |
| Hospital/Medical Facility | Rapid City Regional Hospital | 1.4 Miles | Northwest |
| Banks | Sentinel Federal Credit Union Wells Fargo Bank Dacotah Bank Great Western Bank | 1.2 Miles 2.4 Miles 0.9 Miles 2.8 Miles | East Northeast Northwest Northeast |
| Post Office | USPS Main Office | 3.3 Miles | Northwest |
| Library | Rapid City Public Library | 2.9 Miles | Northwest |

Religion and Schools

Most major denominations are represented. School facilities in the Rapid City School District include 16 elementary schools, 5 middle schools, and 3 senior high schools. There are 12 private/parochial schools in the area. South Dakota School of Mines and Technology is also in the area.

Utilities

Electric service is provided by Black Hills Power or West River Electric. Gas service is provided by Montana-Dakota Utilities. Water and sewer services are provided by Rapid City. Telephone service is provided by Quest.

Financial Institutions

Ten banks and several credit unions serve the Rapid City area.

MEDIA

| Newspapers Circulated in the Site Area | | |
|---|-----------------------|---------------------------------|
| NEWSPAPER | CITY OF ORIGIN | FREQUENCY OF PUBLICATION |
| <i>Rapid City Journal</i> | Rapid City | Daily |

Television: KBHE (PBS), KEVN (FOX), KNBN (NBC), and KOTA (ABC) are local stations. Cable television is available.

Radio: Several broadcast locally.

SITE EVALUATION

The attributes of a site's location are primarily a function of three main characteristics:

- Access
- Visibility
- Community Services

Following is a summary of these site characteristics:

Access

Our evaluation of site access characteristics is most concerned with the ease of access to the site for potential residents. Therefore, we evaluate ingress and egress to the site, proximity to thoroughfares, and site location relative to public transportation.

| CRITERIA | ASSESSMENT RATING | | | |
|---|-------------------|--------------|------|-----------|
| | POOR | FAIR/AVERAGE | GOOD | EXCELLENT |
| Ingress | | | | X |
| Egress | | | | X |
| Proximity to Thoroughfare(s) | | | | X |
| Proximity and Access to Public Transportation | | | | X |
| Overall | | | | X |

The proposed site is on the south side of East Minnesota Avenue. Ingress and Egress to and from the site are not expected to be difficult.

Proximity to thoroughfares is considered excellent. Minnesota Street is an east-west thoroughfare within the site area. Access to 5th Street, a major north-south thoroughfare within the site area is 0.2 mile west of the proposed site. Access to U.S. Route 16-Bypass is 1.2 miles south of the proposed site and provides access to other area thoroughfares.

Proximity and Access to Public Transportation is considered excellent. Rapid Ride has scheduled stops along Minnesota Street at the proposed site.

Overall, access to the site is considered excellent.

Visibility

Our research has determined that a significant percent of traffic at any multifamily development is generated from drive-by traffic. The key to generating drive-by traffic is visibility from well-traveled arteries.

| | ASSESSMENT RATING | | | |
|-----------------|-------------------|--------------|------|-----------|
| | POOR | FAIR/AVERAGE | GOOD | EXCELLENT |
| Site Visibility | | | | X |
| Traffic Volume | | | X | |
| Overall | | | | X |



The proposed site is on the south side of East Minnesota Avenue. The site is clearly visible from East Minnesota Avenue. In addition, once constructed, the site will likely be visible from Parkview Drive, as well as from Parkview pool and park.

Traffic Volume is considered good; Traffic on East Minnesota Avenue is steady throughout most weekdays and can become heavy during peak hours. Traffic during weekends is moderate throughout most of the day.

Overall, visibility of the site is considered excellent.

Senior Community Services

In evaluating a site’s environment, it is critical to assess the curb appeal of surrounding views and land usage, as well as the site’s proximity to everyday community services.

| COMMUNITY SERVICE | ASSESSMENT RATING | | | |
|----------------------|-------------------|--------------|------|-----------|
| | POOR | FAIR/AVERAGE | GOOD | EXCELLENT |
| Grocery Store | | | | X |
| Convenience Shopping | | | X | |
| Retail Center | | | X | |
| Bank(s) | | | X | |
| Park(s) | | | | X |
| Senior Center | | X | | |
| Area Appeal | | | | X |
| Overall | | | | X |

Access to grocery shopping is considered excellent. Wal-Mart Supercenter is located 1.2 miles south of the proposed site. Safeway is 2.0 miles northwest of the site and Save-A-Lot is 2.5 miles northeast of the proposed site.

Access to convenience shopping is considered good. Mobile/Big D is 1.1 miles south of the site. A Wal-Mart Supercenter is 1.2 miles south of the site and Walgreens is 2.2 miles northwest of the site.

Access to retail is considered good. A Wal-Mart Supercenter, along with several small retail stores is 1.2 miles south of the site. The Rushmore Mall is 5.5 miles northeast of the site and Rushmore Crossing is 5.4 miles northeast of the site.

Access to Banking is considered good. Sentinel Federal Credit Union is 1.2 miles east of the site and Wells Fargo Bank is located 2.4 miles northeast of the proposed site. Great Western Bank is located 2.8 miles northeast of the proposed site and Dacotah Bank located 0.9 mile northwest of the site.



Access to Parks and Recreation is considered excellent. Parkview Park and pool borders the site to the south. Dinosaur Park is located 4.1 miles northwest of the proposed site and Robbinsdale Park located 1.6 miles northeast of the site.

Access to senior centers is considered average. The Minneluzahan Senior Center is 3.5 miles north of the site and the Canyon Lake Senior Center is 5.3 miles northwest of the site.

Area Appeal is considered excellent. Much of the site area is newly developed over the past 3 to 6 years and includes single-family homes, several multifamily buildings, as well as medical services, a park, retail, grocery, and convenience shopping. The site has convenient access to many other community services including major thoroughfares, public transportation, banking, as well as various restaurants and several churches.

Overall, access to the community services is considered excellent.

Summary

Based on our evaluation of the site’s surrounding land usage, convenience to employment, and convenience to shopping, we rate the environment of the site for multifamily residential usage as excellent.

| SITE DEMAND FACTOR | ASSESSMENT RATING | | | |
|--------------------|-------------------|--------------|------|-----------|
| | POOR | FAIR/AVERAGE | GOOD | EXCELLENT |
| Access | | | | X |
| Visibility | | | | X |
| Community Services | | | | X |
| Overall | | | | X |

E. DEMOGRAPHIC AND ECONOMIC FACTORS

Population and household growth rates, age breakdown and migration trends, household income, and employment stability and growth are important considerations when determining support for a residential development. We have reviewed these factors for the Sage View Glen Site EMA.

Data generated for this section are derived primarily from ESRI, Incorporated, which is a nationally recognized demographic research firm. Data specific to Rapid City and Pennington County are within the Demographics section of this report.



1. HOUSEHOLD AND POPULATION GROWTH

The following tables provide key information on Site EMA demographics, including population trends, household trends, and household income trends.

| POPULATION AND HOUSEHOLDS RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA | | | |
|--|-------------------|-------------------|-------------------------------------|
| YEAR | POPULATION | HOUSEHOLDS | POPULATION PER HOUSEHOLD |
| 1990 | 47,425 | 18,697 | 2.54 |
| 2000 | 52,514 | 21,390 | 2.46 |
| Change 1990-2000 | 10.7% | 14.4% | - |
| 2010 Census | 55,686 | 23,747 | 2.34 |
| Change 2000-2010 | 6.0% | 11.0% | - |
| 2016 (Estimated) | 60,682 | 25,942 | 2.34 |
| 2021 (Projected) | 65,381 | 28,001 | 2.33 |
| Change 2016-2021 | 7.7% | 7.9% | - |
| Sources: Danter Company, LLC 2000 Census ESRI, Incorporated | | | |

As the previous above table illustrates, the total population and households within the Rapid City Site EMA increased between 1990 and 2000. During this time period, the total population increased 10.7% from 47,425 in 1990 to 52,514 in 2000. During this same time period, households increased 14.4% from 18,697 in 1990 to 21,390 in 2000.

Both the total population and households grew between 2010 and 2016. During this time period, the population grew 9.0% while households grew 9.2%.

Both the total population and households are expected to continue to increase through 2021. The population is expected to increase by 4,699 (7.7%) between 2016 and 2021 while households are expected to increase by 2,059 (7.9%) from 25,942 in 2016 to 28,001 in 2021.

The median population age in the 2010 Census was 35.8 years old, .6 years younger than reported in the 2000 Census. By 2021, the median population age is expected to be 37.4 years old. The following tables detail the area population by age groups:

| DISTRIBUTION OF POPULATION BY AGE RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2000 CENSUS, 2010 CENSUS | | | | |
|---|---------------|----------------|---------------|----------------|
| TOTAL POPULATION BY AGE | 2000 | | 2010 | |
| | NUMBER | PERCENT | NUMBER | PERCENT |
| Under 5 Years | 3,593 | 6.8% | 4,080 | 7.3% |
| 5 to 9 Years | 3,304 | 6.3% | 3,558 | 6.4% |
| 10 to 14 Years | 3,849 | 7.3% | 3,341 | 6.0% |
| 15 to 19 Years | 3,983 | 7.6% | 3,696 | 6.6% |
| 20 to 24 Years | 4,701 | 9.0% | 4,607 | 8.3% |
| 25 to 34 Years | 6,963 | 13.3% | 8,080 | 14.5% |
| 35 to 44 Years | 8,157 | 15.5% | 6,072 | 10.9% |
| 45 to 54 Years | 6,679 | 12.7% | 7,665 | 13.8% |
| 55 to 64 Years | 4,115 | 7.8% | 6,462 | 11.6% |
| 65 to 74 Years | 3,636 | 6.9% | 3,850 | 6.9% |
| 75 to 84 Years | 2,536 | 4.8% | 2,930 | 5.3% |
| 85 Years and Over | 997 | 1.9% | 1,346 | 2.4% |
| Total | 52,514 | 100.0% | 55,686 | 100.0% |
| Median Age | 36.4 | | 35.8 | |
| Sources: Danter Company, LLC 2000 Census, 2010 Census ESRI, Incorporated | | | | |

| DISTRIBUTION OF POPULATION BY AGE RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2016 (ESTIMATED), AND 2021 (PROJECTED) | | | | |
|---|-------------------------|----------------|-------------------------|----------------|
| TOTAL POPULATION BY AGE | 2016 (ESTIMATED) | | 2021 (PROJECTED) | |
| | NUMBER | PERCENT | NUMBER | PERCENT |
| Under 5 Years | 4,160 | 6.9% | 4,445 | 6.8% |
| 5 to 9 Years | 3,813 | 6.3% | 3,949 | 6.0% |
| 10 to 14 Years | 3,616 | 6.0% | 3,860 | 5.9% |
| 15 to 19 Years | 3,822 | 6.3% | 3,988 | 6.1% |
| 20 to 24 Years | 4,742 | 7.8% | 4,955 | 7.6% |
| 25 to 34 Years | 9,083 | 15.0% | 9,565 | 14.6% |
| 35 to 44 Years | 6,691 | 11.0% | 7,617 | 11.7% |
| 45 to 54 Years | 7,103 | 11.7% | 7,019 | 10.7% |
| 55 to 64 Years | 7,668 | 12.6% | 7,894 | 12.1% |
| 65 to 74 Years | 5,092 | 8.4% | 6,408 | 9.8% |
| 75 to 84 Years | 3,204 | 5.3% | 3,759 | 5.7% |
| 85 Years and Over | 1,687 | 2.8% | 1,923 | 2.9% |
| Total | 60,682 | 100.0% | 65,381 | 100.0% |
| Median Age | 36.6 | | 37.4 | |
| Sources: Danter Company, LLC ESRI, Incorporated | | | | |

The flowing table illustrates the total population of those ages 62 or older within the EMA.

| DISTRIBUTION OF POPULATION AGE 62 OR OLDER RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2016 (ESTIMATED), AND 2021 (PROJECTED) | | | | |
|--|-------------|-------------|-----------------------------|-----------------------------|
| AGE RANGE | 2000 | 2010 | 2016 (ESTIMATED) | 2021 (PROJECTED) |
| 62 to 64 Years | 1,235 | 1,939 | 2,300 | 2,368 |
| 65 to 74 Years | 3,636 | 3,850 | 5,092 | 6,408 |
| 75 to 84 Years | 2,536 | 2,930 | 3,204 | 3,759 |
| 85 Years and Over | 997 | 1,346 | 1,687 | 1,923 |
| Total | 8,404 | 10,065 | 12,283 | 14,458 |
| Sources: Danter Company, LLC 2000 Census, 2010 Census ESRI, Incorporated | | | | |



As the previous table illustrates, the population age 62 or older in the EMA is growing. Between 2010 and 2016, the population age 62 or older grew by 2,218 people, or 22.0%. By 2021, the population age 62 or older is expected to increase by 2,175 people, or 17.7%.

The following table illustrates the households by age in the Site EMA in 2000, 2016 (estimated), and 2021 (projected):

| HOUSEHOLDS BY AGE RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2000 CENSUS, 2016 (ESTIMATED), AND 2021 (PROJECTED) | | | | | | |
|---|---------------|---------------|------------------|---------------|------------------|---------------|
| HOUSEHOLD AGE | 2000 | | 2016 (ESTIMATED) | | 2021 (PROJECTED) | |
| | NUMBER | PERCENT | NUMBER | PERCENT | NUMBER | PERCENT |
| Under 25 Years | 1,925 | 9.0% | 1,895 | 7.3% | 1,985 | 7.1% |
| 25 to 34 Years | 3,658 | 17.1% | 4,797 | 18.5% | 5,016 | 17.9% |
| 35 to 44 Years | 4,513 | 21.1% | 3,732 | 14.4% | 4,199 | 15.0% |
| 45 to 54 Years | 4,064 | 19.0% | 4,175 | 16.1% | 4,077 | 14.6% |
| 55 to 64 Years | 2,417 | 11.3% | 4,678 | 18.0% | 4,760 | 17.0% |
| 65 to 74 Years | 2,481 | 11.6% | 3,271 | 12.6% | 4,057 | 14.5% |
| 75 and Older | 2,310 | 10.8% | 3,393 | 13.1% | 3,907 | 14.0% |
| Total | 21,390 | 100.0% | 25,942 | 100.0% | 28,001 | 100.0% |
| Sources: Danter Company, LLC 2000 Census ESRI, Incorporated | | | | | | |

The following table illustrates the total households by age:

| HOUSEHOLDS BY AGE RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2000 CENSUS, 2016 (ESTIMATED), AND 2021 (PROJECTED) | | | |
|---|--------------|------------------|------------------|
| HOUSEHOLD AGE | 2000 | 2016 (ESTIMATED) | 2021 (PROJECTED) |
| 52 to 64 Years | 725 | 1,403 | 1,428 |
| 65 to 74 Years | 2,481 | 3,271 | 4,057 |
| 75 and Older | 2,310 | 3,393 | 3,907 |
| Total | 5,516 | 8,067 | 9,392 |
| Sources: Danter Company, LLC 2000 Census ESRI, Incorporated | | | |



Between 2000 and 2016, the households age 62 or older grew by 46.2%. This trend is expected to continue. By 2021, households are expected to increase 16.4% from 8,067 in 2016 to 9,392 in 2021.

2. HOUSEHOLD INCOME

Median income within the Site EMA was estimated at \$43,956 in 2016, which is 29.1% higher than the median income in 2000. By 2021, the median income within the area is projected to increase 16.1% to \$51,042.

The following table illustrates the distribution of income among all households in the Site EMA in 2000, 2016 (estimated), and 2021 (projected). Again, it is worth remembering that income data were not collected for the 2010 Census.

| DISTRIBUTION OF INCOME RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2000 CENSUS, 2016 (ESTIMATED), AND 2021 (PROJECTED) | | | | | | |
|---|---------------|----------------|-------------------------|----------------|-------------------------|----------------|
| HOUSEHOLD INCOME | 2000 | | 2016 (ESTIMATED) | | 2021 (PROJECTED) | |
| | NUMBER | PERCENT | NUMBER | PERCENT | NUMBER | PERCENT |
| Less than \$15,000 | 3,722 | 17.4% | 3,664 | 14.1% | 4,097 | 14.6% |
| \$15,000 to \$24,999 | 3,807 | 17.8% | 2,893 | 11.2% | 2,972 | 10.6% |
| \$25,000 to \$34,999 | 3,508 | 16.4% | 3,443 | 13.3% | 3,753 | 13.4% |
| \$35,000 to \$49,999 | 4,021 | 18.8% | 4,398 | 17.0% | 2,802 | 10.0% |
| \$50,000 to \$74,999 | 3,658 | 17.1% | 4,924 | 19.0% | 5,850 | 20.9% |
| \$75,000 to \$99,999 | 1,455 | 6.8% | 2,762 | 10.6% | 3,430 | 12.2% |
| \$100,000 to \$149,999 | 770 | 3.6% | 2,352 | 9.1% | 3,113 | 11.1% |
| \$150,000 to \$199,999 | 214 | 1.0% | 674 | 2.6% | 1,001 | 3.6% |
| \$200,000 or More | 257 | 1.2% | 831 | 3.2% | 984 | 3.5% |
| Total | 21,390 | 100.0% | 25,942 | 100.0% | 28,001 | 100.0% |
| Median Income | \$34,055 | | \$43,956 | | \$51,042 | |

The following tables illustrate the distribution of income by age in 2000, 2016 (estimated), and 2021 (projected), the most recent available:

| DISTRIBUTION OF INCOME BY AGE RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2000 CENSUS | | | | | | | |
|--|-----------|-------|-------|-------|-------|-------|-------|
| 2000 HOUSEHOLD INCOME | AGE GROUP | | | | | | |
| | UNDER 25 | 25-34 | 35-44 | 45-54 | 55-64 | 65-74 | 75+ |
| Less than \$10,000 | 327 | 304 | 420 | 256 | 280 | 218 | 356 |
| \$10,000-\$14,999 | 302 | 249 | 248 | 146 | 121 | 201 | 291 |
| \$15,000-\$24,999 | 531 | 768 | 596 | 439 | 377 | 531 | 554 |
| \$25,000-\$34,999 | 364 | 680 | 749 | 614 | 353 | 417 | 323 |
| \$35,000-\$49,999 | 289 | 739 | 853 | 736 | 466 | 531 | 402 |
| \$50,000-\$74,999 | 69 | 640 | 966 | 996 | 404 | 342 | 236 |
| \$75,000-\$99,999 | 23 | 205 | 329 | 471 | 244 | 102 | 72 |
| \$100,000-\$149,999 | 12 | 62 | 194 | 248 | 131 | 84 | 44 |
| \$150,000-\$199,999 | 0 | 0 | 41 | 102 | 24 | 45 | 5 |
| \$200,000 or More | 6 | 7 | 122 | 57 | 17 | 15 | 32 |
| Total | 1,925 | 3,658 | 4,513 | 4,064 | 2,417 | 2,481 | 2,310 |

| DISTRIBUTION OF INCOME BY AGE RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2016 ESTIMATED | | | | | | | |
|---|-----------|----------|----------|----------|----------|----------|----------|
| 2016 HOUSEHOLD INCOME | AGE GROUP | | | | | | |
| | UNDER 25 | 25-34 | 35-44 | 45-54 | 55-64 | 65-74 | 75+ |
| Less than \$15,000 | 523 | 711 | 447 | 449 | 637 | 299 | 597 |
| \$15,000-\$24,999 | 263 | 545 | 325 | 307 | 447 | 327 | 680 |
| \$25,000-\$34,999 | 321 | 685 | 456 | 424 | 476 | 531 | 549 |
| \$35,000-\$49,999 | 367 | 876 | 630 | 566 | 693 | 699 | 567 |
| \$50,000-\$74,999 | 258 | 920 | 750 | 901 | 926 | 697 | 472 |
| \$75,000-\$99,999 | 82 | 471 | 437 | 612 | 635 | 233 | 293 |
| \$100,000-\$149,999 | 58 | 401 | 409 | 523 | 552 | 247 | 162 |
| \$150,000-\$199,999 | 11 | 102 | 91 | 184 | 133 | 117 | 36 |
| \$200,000 or More | 13 | 86 | 187 | 209 | 179 | 120 | 36 |
| Total | 1,895 | 4,797 | 3,732 | 4,175 | 4,678 | 3,271 | 3,393 |
| Median Income | \$29,206 | \$41,485 | \$50,170 | \$57,086 | \$51,545 | \$43,951 | \$32,010 |
| Average Income | \$37,748 | \$55,678 | \$70,214 | \$76,370 | \$68,352 | \$63,951 | \$45,111 |

**DISTRIBUTION OF INCOME BY AGE
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
2021 PROJECTED**

| 2021 HOUSEHOLD INCOME | AGE GROUP | | | | | | |
|-----------------------|-----------|----------|----------|----------|----------|----------|----------|
| | UNDER 25 | 25-34 | 35-44 | 45-54 | 55-64 | 65-74 | 75+ |
| Less than \$15,000 | 608 | 782 | 513 | 441 | 649 | 421 | 683 |
| \$15,000-\$24,999 | 268 | 533 | 338 | 254 | 423 | 396 | 758 |
| \$25,000-\$34,999 | 343 | 713 | 506 | 396 | 477 | 688 | 628 |
| \$35,000-\$49,999 | 236 | 532 | 406 | 315 | 405 | 523 | 385 |
| \$50,000-\$74,999 | 317 | 1,063 | 940 | 927 | 1,011 | 953 | 638 |
| \$75,000-\$99,999 | 103 | 597 | 576 | 677 | 717 | 339 | 421 |
| \$100,000-\$149,999 | 80 | 537 | 558 | 608 | 697 | 374 | 260 |
| \$150,000-\$199,999 | 15 | 151 | 139 | 239 | 187 | 195 | 74 |
| \$200,000 or More | 14 | 107 | 221 | 221 | 194 | 167 | 60 |
| Total | 1,985 | 5,016 | 4,199 | 4,077 | 4,760 | 4,057 | 3,907 |
| Median Income | \$27,642 | \$48,113 | \$56,556 | \$64,671 | \$58,059 | \$50,000 | \$32,641 |
| Average Income | \$39,669 | \$62,333 | \$77,130 | \$84,668 | \$75,567 | \$70,345 | \$51,906 |

3. EMPLOYMENT FACTORS

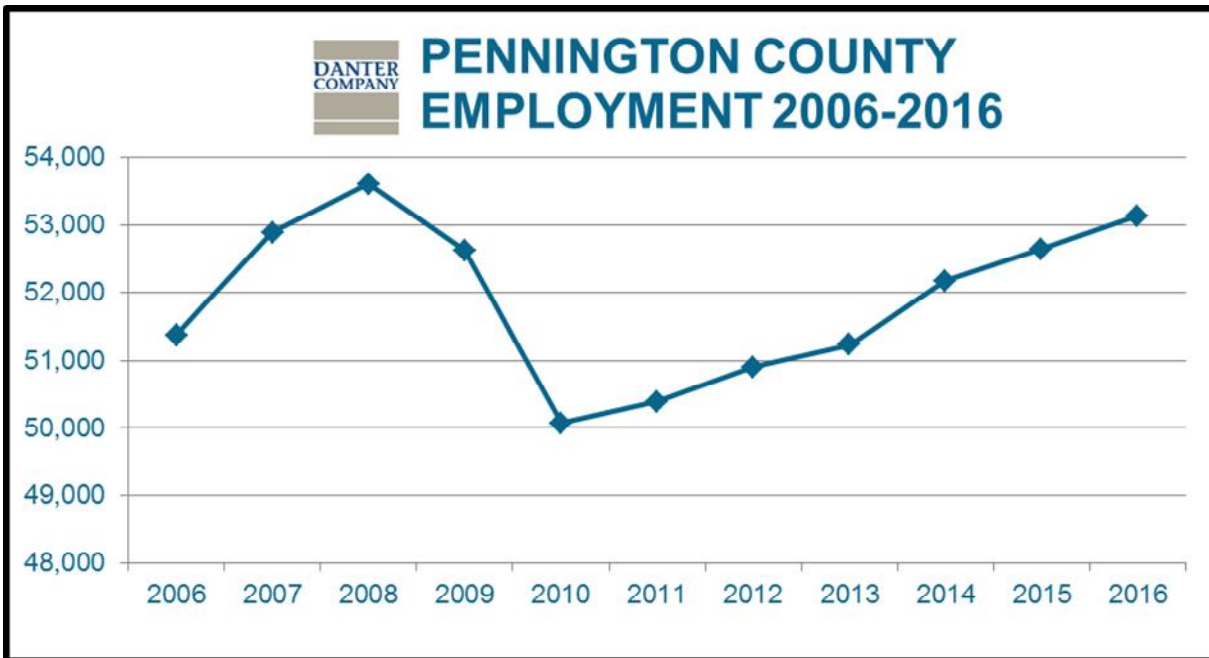
Employment in Pennington County showed a pre-recession high of 53,608 in 2008, and then decreased 6.6% to 50,073 in 2010. Since then, employment has increased 6.1% to 53,136 in 2016, just below the pre-recession high in 2008.

Unemployment in Pennington County was 2.9% in 2016, below the statewide average of 4.9%. It is significantly below the recession-era high of 5.2% in 2010.

Most area residents find employment within the Rapid City or Box Elder area.

| EMPLOYMENT AND UNEMPLOYMENT RATES PENNINGTON COUNTY, SOUTH DAKOTA 2006-2016 | | | | |
|---|------------|--------------------|-----------------------|------|
| YEAR | EMPLOYMENT | UNEMPLOYMENT RATES | | |
| | | PENNINGTON COUNTY | STATE OF SOUTH DAKOTA | US |
| 2006 | 51,377 | 3.0% | 3.1% | 4.6% |
| 2007 | 52,890 | 2.7% | 2.8% | 4.6% |
| 2008 | 53,608 | 2.9% | 3.1% | 5.8% |
| 2009 | 52,622 | 4.9% | 4.9% | 9.3% |
| 2010 | 50,073 | 5.2% | 5.0% | 9.6% |
| 2011 | 50,393 | 4.8% | 4.7% | 8.9% |
| 2012 | 50,901 | 4.4% | 4.3% | 8.1% |
| 2013 | 51,237 | 3.9% | 3.8% | 7.4% |
| 2014 | 52,166 | 3.4% | 3.4% | 6.2% |
| 2015 | 52,645 | 3.1% | 3.1% | 5.3% |
| 2016 | 53,136 | 2.9% | 2.8% | 4.9% |

Source: US Bureau of Labor Statistics



**DISTRIBUTION OF EMPLOYMENT BY CATEGORY
PENNINGTON COUNTY AND THE RAPID CITY EMA, 2017**

| EMPLOYMENT CATEGORY | PENNINGTON COUNTY | | EFFECTIVE MARKET AREA | |
|--|-------------------|---------------|-----------------------|---------------|
| | TOTAL EMPLOYMENT | DISTRIBUTION | TOTAL EMPLOYMENT | DISTRIBUTION |
| Forestry, Fishing, Hunting and Agricultural Support | 136 | 0.2% | 50 | 0.1% |
| Mining | 54 | 0.1% | 36 | 0.1% |
| Utilities | 573 | 0.8% | 450 | 0.8% |
| Construction | 4,668 | 6.7% | 3,341 | 6.3% |
| Manufacturing | 3,447 | 5.0% | 2,129 | 4.0% |
| Wholesale Trade | 3,368 | 4.8% | 2,538 | 4.8% |
| Retail Trade | 9,792 | 14.1% | 6,898 | 13.0% |
| Transportation and Warehousing | 1,162 | 1.7% | 676 | 1.3% |
| Information | 1,442 | 2.1% | 1,144 | 2.2% |
| Finance and Insurance | 2,099 | 3.0% | 1,912 | 3.6% |
| Real Estate and Rental and Leasing | 1,444 | 2.1% | 1,154 | 2.2% |
| Professional, Scientific and Technical Services | 3,334 | 4.8% | 3,014 | 5.7% |
| Management of Companies and Enterprises | 89 | 0.1% | 89 | 0.2% |
| Administrative Support, Waste Management, Remediation Services | 2,021 | 2.9% | 1,575 | 3.0% |
| Educational Services | 3,622 | 5.2% | 2,553 | 4.8% |
| Health Care and Social Assistance | 14,707 | 21.2% | 13,701 | 25.9% |
| Arts, Entertainment, and Recreation | 2,089 | 3.0% | 1,228 | 2.3% |
| Accommodation and Food Services | 8,132 | 11.7% | 4,770 | 9.0% |
| Other Services (Except Public Administration) | 3,286 | 4.7% | 2,683 | 5.1% |
| Public Administration | 3,803 | 5.5% | 2,880 | 5.4% |
| Unclassified Establishments | 203 | 0.3% | 144 | 0.3% |
| Total | 69,471 | 100.0% | 52,965 | 100.0% |

Source: ESRI, Incorporated

Employment within the Site EMA accounts for 76.2% of the total employment within Pennington County.

The highest shares of employment in Pennington County and the Rapid City EMA are within Health Care and Social Assistance (21.2% and 25.9% respectively). Retail Trade ranks second in Pennington County and the Rapid City EMA (14.1% and 13.0% respectively).



Recent economic developments in Rapid City are as follows:

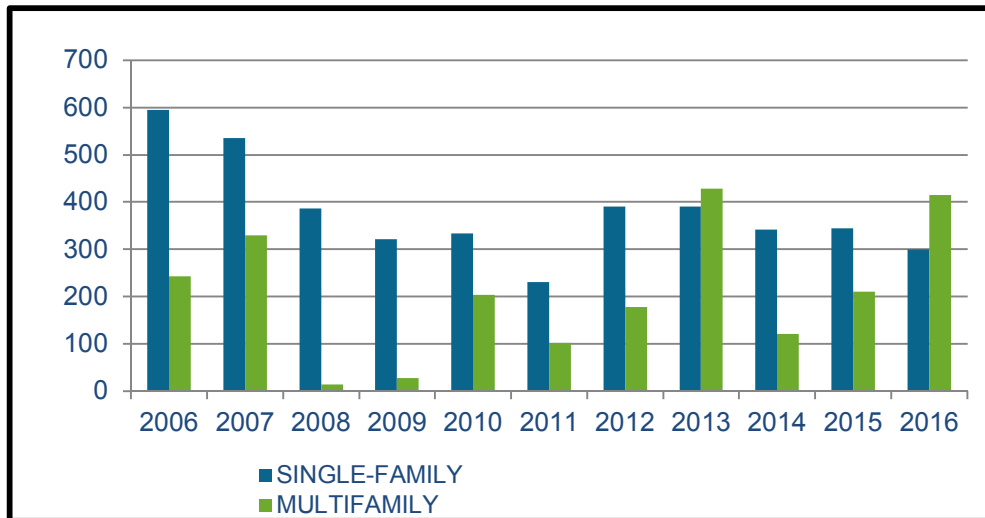
- In June 2017, Regional Health announced the opening of a \$55 million orthopedic and sports medicine institution at the corner of Catron Boulevard and Highway 16, scheduled to open in Fall 2018. *News Center 1*
- In March 2017, Black Hills Corp. announced the opening of the new corporate headquarters, “Horizon Point” near Catron Boulevard & Mt. Rushmore Drive, bringing approximately 500 jobs to the Rapid City area. *Blackhillscorp.com*
- In March 2017, Einstein Bros. Bagels and Caribou Coffee opened new locations, creating 50 jobs in the Rapid City area. *Kota TV*
- In September 2016, Synchrony Financial announced they would be adding 175 jobs to their Rapid City location over the next 3 years. *Kota TV*

B. HOUSING STARTS

In an analysis of housing starts by building permits in Pennington County, South Dakota since 2006, the peak year was 2007 with 865 units; 38.2% of these were multifamily units. In 2014, there were 464 starts, and there were 554 in 2015. In 2016, there were 715 starts, 58% of which were multifamily units.

Housing starts in Rapid City accounted for 64.2% of the total Pennington County starts. Since 2006, there have been permits issued representing 4,136 units in Rapid City, 48.9% of which have been multifamily units.

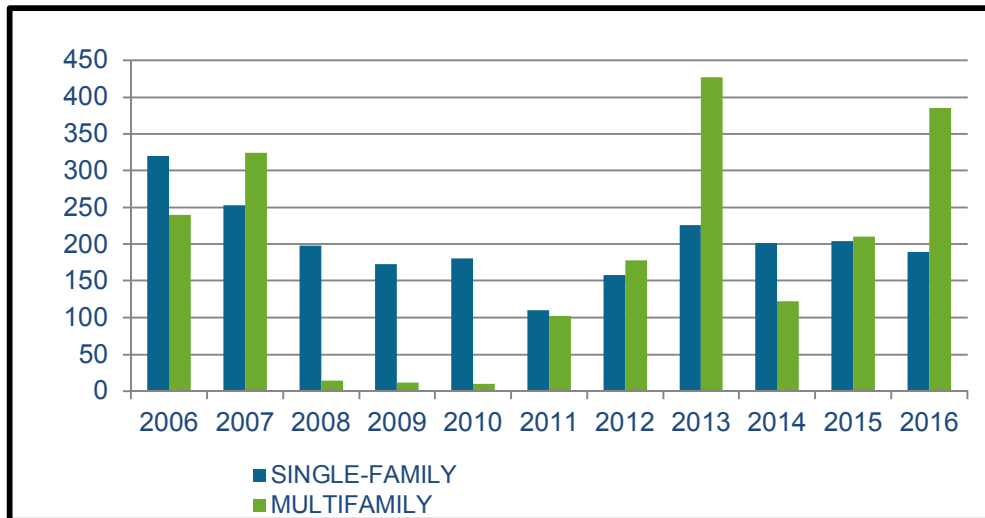
| HOUSING UNITS AUTHORIZED PENNINGTON COUNTY, SOUTH DAKOTA 2006-2016 | | | |
|--|---------------|-------------|-------|
| YEAR | SINGLE-FAMILY | MULTIFAMILY | TOTAL |
| 2006 | 595 | 243 | 838 |
| 2007 | 535 | 330 | 865 |
| 2008 | 386 | 14 | 400 |
| 2009 | 322 | 28 | 350 |
| 2010 | 334 | 204 | 538 |
| 2011 | 231 | 102 | 333 |
| 2012 | 391 | 178 | 569 |
| 2013 | 390 | 429 | 819 |
| 2014 | 342 | 122 | 464 |
| 2015 | 344 | 210 | 554 |
| 2016 | 300 | 415 | 715 |



The Pennington County building permit system covers the entire county.

SOURCES: U.S. Department of Commerce, C-40 Construction Reports
Danter Company, LLC

| HOUSING UNITS AUTHORIZED RAPID CITY, SOUTH DAKOTA 2006-2016 | | | |
|---|---------------|-------------|-------|
| YEAR | SINGLE-FAMILY | MULTIFAMILY | TOTAL |
| 2006 | 320 | 240 | 460 |
| 2007 | 253 | 324 | 577 |
| 2008 | 198 | 14 | 212 |
| 2009 | 173 | 12 | 185 |
| 2010 | 180 | 10 | 190 |
| 2011 | 110 | 102 | 212 |
| 2012 | 158 | 178 | 336 |
| 2013 | 226 | 427 | 653 |
| 2014 | 201 | 122 | 323 |
| 2015 | 204 | 210 | 414 |
| 2016 | 189 | 385 | 574 |



SOURCES: U.S. Department of Commerce, C-40 Construction Reports
Danter Company, LLC

4. MAJOR EMPLOYERS

Major employers in the Rapid City area are:

| EMPLOYER | NUMBER OF EMPLOYEES | SECTOR |
|-----------------------------------|----------------------------|-----------------------------------|
| Ellsworth Air Force Base Military | 4,503 | US Military |
| Rapid City Regional Hospital | 3,281 | Health Care and Social Assistance |
| Federal Government | 2,905 | Public Administration |
| Regional Health | 2,824 | Health Care and Social Assistance |
| City of Rapid City | 1,906 | Public Administration |
| Rapid City Area Schools | 1,684 | Educational Services |
| State of South Dakota | 1,125 | Public Administration |
| SD National Guard Army | 1,013 | Public Administration |
| Wal-Mart / Sam's Club | 888 | Retail Trade |
| Pennington County | 639 | Public Administration |

Source: Rapid City Chamber of Commerce 2016

F. RESIDENTIAL ANALYSIS

1. EFFECTIVE MARKET AREA HOUSING BASE

Detailed data regarding the Rapid City, South Dakota Site Effective Market Area's rental base are provided by ESRI, Incorporated, the 2010 Census and the 2000 Census.

In 2010, there were 23,747 occupied housing units within the Rapid City Site EMA. This is an increase from the 21,390 units identified in the 2000 Census. By 2021, the number of occupied area housing units is projected to increase 17.9% from 2010 to 28,001.

Distributions of housing units for 2000 and 2010 are as follows:

| | 2000 CENSUS | | 2010 CENSUS | |
|--------------|--------------------|----------------|--------------------|----------------|
| | NUMBER | PERCENT | NUMBER | PERCENT |
| Occupied | 21,390 | 95.2% | 23,747 | 94.3% |
| By Owner | 12,573 | 58.8% | 13,078 | 55.1% |
| By Renter | 8,817 | 41.2% | 10,669 | 44.9% |
| Vacant | 1,082 | 4.8% | 1,438 | 5.7% |
| Total | 22,472 | 100.0% | 25,185 | 100.0% |

The above data are a distribution of all rental units (e.g., duplexes, conversions, units above storefronts, single-family homes, mobile homes, and conventional apartments) regardless of age or condition.

The 2010 Census marked a significant change in information gathering procedures. The information formerly gathered on the long form (income, rents, and mortgage details) is no longer being collected for the decennial Census. Instead, everyone received a short form. This information is being collected on the much less sampled American Community Survey and being released as five-year rolling averages, limiting its usefulness for small area demographics.

When available, we have presented 2010 Census data along with 2016 estimates and 2021 projections. When 2010 Census data are not available, we have presented 2000 Census data.

In 2000, there were approximately 8,817 renter-occupied housing units in the EMA. This includes all housing units (e.g., duplexes, single-family homes, mobile homes) regardless of age or condition.

A summary of the existing rental units in the market by type follows:

| DISTRIBUTION OF RENTED UNITS BY UNIT TYPE RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2000 | | |
|--|--------------------------------------|-------------------------------|
| UNIT TYPE | TOTAL NUMBER OF HOUSING UNITS | SHARE OF HOUSING UNITS |
| Single, Detached | 2,072 | 23.5% |
| Single, Attached | 335 | 3.8% |
| 2 to 4 | 2,046 | 23.2% |
| 5 to 9 | 935 | 10.6% |
| 10 to 19 | 688 | 7.8% |
| 20 to 49 | 1,252 | 14.2% |
| 50+ | 1,093 | 12.4% |
| Mobile Home or Trailer | 397 | 4.5% |
| Other | 0 | 0.0% |
| Total | 8,817 | 100.0% |

Of the 8,817 renter-occupied housing units in the EMA in 2000, 2,804 (31.8%) were within single-family detached and attached, and mobile homes or trailers. This is a moderate share of renter-occupied units in non-conventional alternatives.

Following is a summary of the renter households in the Site EMA by household size:

| DISTRIBUTION OF RENTER HOUSEHOLDS BY HOUSEHOLD SIZE RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2010 CENSUS | | |
|--|---------------|----------------|
| HOUSEHOLD SIZE | NUMBER | PERCENT |
| One Person | 4,811 | 45.1% |
| Two Persons | 2,812 | 26.4% |
| Three Persons | 1,401 | 13.1% |
| Four Persons | 907 | 8.5% |
| Five or More Persons | 738 | 6.9% |
| Total | 10,669 | 100.0% |
| Sources: 2010 Census ESRI, Incorporated | | |

In 2010, the owner- and renter-occupied households within the Rapid City Site Effective Market area were distributed as follows:

| DISTRIBUTION OF TENURE BY AGE RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2010 CENSUS | | | | |
|--|-----------------------|----------------|------------------------|----------------|
| TENURE | OWNER-OCCUPIED | | RENTER-OCCUPIED | |
| | NUMBER | PERCENT | NUMBER | PERCENT |
| Householder 15 to 24 Years | 230 | 1.8% | 1,691 | 15.8% |
| Householder 25 to 34 Years | 1,565 | 12.0% | 2,748 | 25.8% |
| Householder 35 to 44 Years | 1,837 | 14.0% | 1,598 | 15.0% |
| Householder 45 to 54 Years | 2,912 | 22.3% | 1,669 | 15.6% |
| Householder 55 to 64 Years | 2,856 | 21.8% | 1,138 | 10.7% |
| Householder 65 to 74 Years | 1,862 | 14.2% | 645 | 6.0% |
| Householder 75 to 84 Years | 1,393 | 10.7% | 665 | 6.2% |
| Householder 85 Years and Over | 424 | 3.2% | 515 | 4.8% |
| Total | 13,079 | 100.0% | 10,669 | 100.0% |

In 2000, existing gross rents in the Effective Market Area were distributed as follows:

| DISTRIBUTION OF RENTAL UNITS BY GROSS RENT RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2000 CENSUS | | |
|--|---------------|----------------|
| RENT RANGE | NUMBER | PERCENT |
| No Cash Rent | 297 | 3.4% |
| Under \$250 | 1,021 | 11.6% |
| \$250 - \$349 | 969 | 11.0% |
| \$350 - \$449 | 1,755 | 19.9% |
| \$450 - \$549 | 1,599 | 18.1% |
| \$550 - \$649 | 1,387 | 15.7% |
| \$650 - \$749 | 707 | 8.0% |
| \$750 - \$899 | 670 | 7.6% |
| \$900 - \$999 | 201 | 2.3% |
| \$1,000 - \$1,499 | 190 | 2.2% |
| \$1,500 and Over | 25 | 0.3% |
| Total | 8,817 | 100.0% |
| Median Gross Rent | \$482 | |
| Source: 2000 Census | | |

The following table provides a summary of gross rent as a percentage of household income for the renter households in the Rapid City Site EMA:

| GROSS RENT AS A PERCENT OF INCOME RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA 2000 CENSUS | | |
|---|--------------------------|----------------|
| PERCENTAGE | RENTER HOUSEHOLDS | |
| | NUMBER | PERCENT |
| Less than 20% | 2,566 | 29.1% |
| 20% to 24% | 1,358 | 15.4% |
| 25% to 29% | 1,102 | 12.5% |
| 30% to 34% | 749 | 8.5% |
| 35% or More | 2,575 | 29.2% |
| Not Computed | 467 | 5.3% |
| Total | 8,817 | 100.0% |

A total of 3,324 renter households, 37.7% of the total, paid over 30% of their annual household income for rental housing costs in 2000. A total of 29.2% renter households paid 35% or more of their income for rental housing costs, a significant number of rent-burdened households.

2. FIELD SURVEY OF CONVENTIONAL APARTMENTS

Rents at the subject Sage View Glen will include heat, hot water, cooking, electricity, water, sewer, and trash collection. Rents for existing projects that feature different utility responsibilities have been adjusted to gross rent (includes landlord-paid heat, hot water, cooking, electricity, water, sewer, and trash collection) in order to more accurately compare with rents at the subject property.

A total of 5,889 conventional apartment units in 73 projects were surveyed in the Rapid City, South Dakota Site EMA. A total of 4,776 of these units are in 52 market-rate and Tax Credit developments. The remaining 1,113 units are in 21 subsidized developments. The vacancy rate among the subsidized units is only 0.1%.

There are also 344 additional units are currently under construction within one existing property and three new properties. These properties are summarized as follows:

- Arrowhead View (Map Code 48) is a new market-rate property that is under construction and is expected to have 24 units available by the middle of June 2017. According to the developer, 10 of the initial 24 units have been preleased. It is of note that an additional 72 units are planned to be built at Arrowhead View between summer 2017 and summer 2019.
- Northern Light (Map Code 49) is a new 30-unit Tax Credit property that is under construction and is expected to have units available by June 2017. Northern Light will include one-, two-, and three-bedroom units with rents based on 30%, 40%, 50%, and 60% of the area median income.
- Copper Ridge (Map Code 68) is an existing 150-unit market-rate property that opened in 2015 and has an additional 278 market-rate units under construction. Copper Ridge includes studio, one-, two-, and three-bedroom units and has an overall vacancy rate of 2.7%. According to management, the new units are expected to be ready for occupancy in early June and all units under construction are expected to be completed by late summer or early fall 2017.
- The Garfield (Map Code 73) is a new 12-unit market-rate property that is under construction. The Garfield is a former school building at 925 Dilger Avenue and is expected to include one-, two-, and three-bedroom units. These 12 units are expected to be ready for occupancy by late summer or early fall 2018.

Following is a distribution of government subsidized units surveyed by unit type and vacancy rate:

| SUMMARY OF GOVERNMENT SUBSIDIZED APARTMENTS RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA MAY 2017 | | | |
|---|-------------------------|----------------|---------------------|
| UNIT TYPE | SUBSIDIZED UNITS | | VACANCY RATE |
| | NUMBER | PERCENT | |
| Studio | 65 | 5.8% | 0.0% |
| One-Bedroom | 581 | 52.2% | 0.0% |
| Two-Bedroom | 327 | 29.4% | 0.3% |
| Three-Bedroom | 127 | 11.4% | 0.0% |
| Four-Bedroom | 13 | 1.2% | 0.0% |
| Total | 1,113 | 100.0% | 0.1% |

Following is a distribution of market-rate units surveyed by unit type and vacancy rate:

| SUMMARY OF MARKET-RATE APARTMENTS RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA MAY 2017 | | | | |
|---|--------------------------|----------------|---------------------|--------------------|
| UNIT TYPE | MARKET-RATE UNITS | | VACANCY RATE | MEDIAN RENT |
| | NUMBER | PERCENT | | |
| Studio | 136 | 3.4% | 2.2% | \$524 |
| One-Bedroom | 1,113 | 27.6% | 1.5% | \$808 |
| Two-Bedroom | 2,327 | 57.7% | 3.1% | \$971 |
| Three-Bedroom | 455 | 11.3% | 2.4% | \$1,096 |
| Total | 4,031 | 100.0% | 2.6% | |

Following is a distribution of low-income housing Tax Credit units surveyed by unit type and vacancy rate:

| SUMMARY OF TAX CREDIT APARTMENTS RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA MAY 2017 | | | | |
|--|-------------------------|----------------|---------------------|--------------------|
| UNIT TYPE | TAX CREDIT UNITS | | VACANCY RATE | MEDIAN RENT |
| | NUMBER | PERCENT | | |
| One-Bedroom | 158 | 21.2% | 1.3% | \$655 |
| Two-Bedroom | 326 | 43.8% | 1.5% | \$825 |
| Three-Bedroom | 247 | 33.2% | 0.4% | \$936 |
| Four-Bedroom | 14 | 1.9% | 0.0% | \$1,041 |
| Total | 745 | 100.0% | 1.1% | |

The overall vacancy rate within the 4,776 combined market-rate and Tax Credit units is 2.3%. The market-rate units have an overall vacancy rate of 2.6%, while the Tax Credit units have an overall vacancy rate of 1.1%.

All of these vacancy rates are considered extremely low and would indicate that the market is limited by a lack of both market-rate and affordable rental housing supply, rather than lacking demand.

The distribution of units by bedroom size indicates that the market is in good balance by unit type.

Based on previous studies conducted by the Danter Company, rents in the EMA have increased at an established annual rate of 2.7% between November 2015 and May 2017.

Apartment development in the Site EMA has been relatively consistent. Of the 52 properties in the EMA, 15 (28.8%) were built and opened prior to 1980 and 18 properties (34.6%) were built and opened between 1980 and 2000. Since 2000, 19 properties have opened in the Site EMA.

The 19 properties that have opened since 2000 include 1,936 units and 43 vacancies, a 2.2% vacancy rate. Included in this total are 8 properties that operate within the low-income housing Tax Credit program and 11 that are market-rate with no income or rent restrictions.

A distribution of units and vacancies by year opened is as follows:

| PERIOD | PROJECTS BUILT | UNITS BUILT | CURRENT VACANCY RATE |
|--------------|----------------|--------------|----------------------|
| Before 1970 | 2 | 170 | 1.2% |
| 1970-1979 | 13 | 1,033 | 2.5% |
| 1980-1989 | 8 | 843 | 2.7% |
| 1990-1999 | 10 | 794 | 2.3% |
| 2000-2005 | 6 | 603 | 0.7% |
| 2006-2010 | 5 | 521 | 1.7% |
| 2011 | 0 | 0 | - |
| 2012 | 1 | 162 | 1.9% |
| 2013 | 0 | 0 | - |
| 2014 | 1 | 216 | 4.6% |
| 2015 | 3 | 248 | 4.8% |
| 2016 | 3 | 186 | 2.7% |
| 2017* | 0 | 0 | - |
| Total | 52 | 4,776 | 2.3% |

*Through May 2017

Conventional apartment projects range in size from 9 units at Windsor Block Lofts (Map Code 41) to 278 units at Stoney Creek Highlands (Map Code 58), for an overall average size of 92 units.

The 11 existing Tax Credit projects in the Site EMA include 24 to 156 units for an average property size of 62 units.

The following table provides a distribution of units by the size of the project:

| TOTAL UNITS IN PROJECTS | PROJECTS | | UNITS | | VACANCY RATE |
|-------------------------|-----------|---------------|--------------|---------------|--------------|
| | NUMBER | PERCENT | NUMBER | PERCENT | |
| Less Than 25 | 7 | 13.5% | 117 | 2.4% | 2.6% |
| 25 To 49 | 8 | 15.4% | 348 | 7.3% | 2.0% |
| 50 To 74 | 11 | 21.2% | 638 | 13.4% | 2.2% |
| 75 To 99 | 10 | 19.2% | 877 | 18.4% | 2.7% |
| 100 To 199 | 11 | 21.2% | 1,568 | 32.8% | 2.0% |
| 200 Or Greater | 5 | 9.6% | 1,228 | 25.7% | 2.7% |
| Total | 52 | 100.0% | 4,776 | 100.0% | 2.3% |

The area apartment market has been evaluated by the comparability rating of each property. Comparability ratings are based on a rating system that awards points to each project based on its unit amenities, project amenities, and aesthetic amenities (curbside appeal). The median overall comparability rating in the Site EMA of just under 20.0 is below average for a typical apartment property offering ample amenities.

The following table identifies units and vacancies by comparability rating:

| COMPARABILITY RATING RANGE | NUMBER OF PROJECTS | NUMBER OF UNITS | VACANCY RATE |
|-----------------------------------|---------------------------|------------------------|---------------------|
| Less Than 16.0 | 8 | 477 | 1.9% |
| 16.0 To 18.5 | 15 | 953 | 1.5% |
| 19.0 To 21.5 | 12 | 836 | 2.8% |
| 22.0 To 24.5 | 5 | 653 | 2.3% |
| 25.0 To 27.5 | 10 | 1,363 | 2.5% |
| 28.0 Or Higher | 2 | 494 | 3.4% |
| Total | 52 | 4,776 | 2.3% |

Nearly 70% of the apartment properties in the Site EMA have overall comparability ratings below 22.0. In comparison, only 12 properties (or 23.1% of the total) have comparability ratings of 25.0 and above. This is a good illustration of how the Site EMA is dominated by lower-quality product.

The above table is also a good illustration of how larger properties typically provide more amenities to serve the larger tenant base, compared with smaller properties, which subsequently contributes to higher overall comparability ratings.

The average size of the properties with overall comparability ratings below 22.0 is 65 units, while the average size of the properties with ratings of 25.0 and above is nearly 2.5 times larger, at 155 units.

The highest-rated conventional project in the area is the 278-unit Stoney Creek Highlands (Map Code 58), which opened in 2008 and has a rating of 30.0.

The proposed Sage View Glen site is anticipated to have an overall comparability rating of 22.0, which will be higher than nearly 70% of the existing apartment properties in the market area. Sage View Glen will also have the highest comparability rating of any Tax Credit properties in the market.

A distribution of amenities for market-rate and Tax Credit properties, including the 3 new properties under construction (Arrowhead, Norther Light, and The Garfield) follows:

| AMENITY | INCLUDED AT SUBJECT | TOTAL NUMBER OF PROJECTS (OUT OF 55) | SHARE OF PROJECTS WITH AMENITY |
|-----------------------------------|---------------------|--------------------------------------|--------------------------------|
| Range | X | 55 | 100.0% |
| Refrigerator | X | 55 | 100.0% |
| Carpet | X | 55 | 100.0% |
| Air Conditioning | X | 52 | 94.5% |
| Window Coverings | X | 51 | 92.7% |
| Dishwasher | X | 43 | 78.2% |
| On-Site Management | X | 42 | 76.4% |
| Disposal | | 41 | 74.5% |
| Balcony/Patio | | 40 | 72.7% |
| Ceiling Fan | | 35 | 63.6% |
| Microwave | X | 33 | 60.0% |
| Garage | | 32 | 58.2% |
| Picnic Area | | 32 | 58.2% |
| Laundry | X | 31 | 56.4% |
| Intercom Security/Security System | X | 28 | 50.9% |
| Washer/Dryer Hookups | | 25 | 45.5% |
| Playground | | 25 | 45.5% |
| Community Building/Room | X | 24 | 43.6% |
| Pool | | 19 | 34.5% |
| Washer/Dryer | | 15 | 27.3% |
| Fitness Center | X | 15 | 27.3% |
| Elevator | | 13 | 23.6% |
| Hot Tub | | 10 | 18.2% |
| Sports Court | | 10 | 18.2% |
| Jog/Bike Trail | | 9 | 16.4% |
| Storage | | 9 | 16.4% |
| Vaulted/9' Ceilings | | 8 | 14.5% |
| Sauna | | 8 | 14.5% |
| Tennis Court | | 5 | 9.1% |
| Security Gate | | 5 | 9.1% |
| Fireplace | | 4 | 7.3% |
| Business Center | | 4 | 7.3% |
| Stainless Steel Appliances | | 4 | 7.3% |
| Hardwood Flooring | | 4 | 7.3% |
| Carport | | 3 | 5.5% |
| Granite Countertops | | 3 | 5.5% |
| Courtyard | | 3 | 5.5% |
| Game Room | | 3 | 5.5% |
| Dog Park | | 3 | 5.5% |
| Basement | | 2 | 3.6% |
| Fire Pit | | 2 | 3.6% |
| Security System | | 2 | 3.6% |
| Walking Trail | | 2 | 3.6% |
| Library | | 1 | 1.8% |

*Includes properties in which some or all of the units contain the amenity

The standard amenities featured in at least 60% of apartments in the EMA include a range, refrigerator, carpeting, air conditioning, window blinds, dishwasher, on-site management, disposal, balcony or patio, ceiling fan, and a microwave.

Standard amenities offered in at least 60% properties, but will not be offered at the proposed site include a disposal, balcony or patio, and ceiling fan. However, despite the lack of these unit amenities, the proposed site will feature several project amenities that are not common among the existing rental housing base, such as a fitness center and community room.

All of these amenities will contribute to the overall comparability rating at the proposed site of 22.0.

Analysis of Tax Credit Apartment Supply

There are 12 existing Tax Credit properties and one new Tax Credit property under construction in the Site EMA. The existing 12 Tax Credit developments contain a total of 745 one-, two-, three-, and four-bedroom units. The Tax Credit property currently under construction contains 30 one-, two-, and three-bedroom units. Following is a summary of the subject site and the Tax Credit properties in the market:

| MAP CODE | NAME | YEAR OPENED | TOTAL UNITS | GROSS RENTS | | | | OCCUPANCY RATE |
|----------|--------------------------------------|-------------|-------------|--|--|---|---------------|--------------------|
| | | | | ONE-BR | TWO-BR. | THREE-BR. | FOUR-BR | |
| SITE | Sage View Glen (Subject Site) | 2019 | 50 | \$364 (30%) \$485 (40%) \$588 (50%) \$693 (60%) | \$437 (30%) \$583 (40%) \$728 (50%) \$831 (60%) | - | - | - |
| 4 | Memorial Park (62+) | 1999 | 60 | \$620 (50%) \$694 (60%) | - | - | - | 100.0% |
| 9 | South Creek Village | 2004 | 80 | - | \$825 (50%) \$870 (60%) | \$956 (50%) \$1,001 (60%) | - | 100.0% |
| 10 | Rapid Creek | 2007 | 54 | - | - | \$759 (60%) | \$813 (60%) | 100.0% |
| 20 | Whisper Rock | 2015 | 62 | \$334 (30%) \$459 (40%) \$574 (50%) \$669 (60%) | \$560 (40%) \$720 (50%) \$840 (60%) | \$784 (40%) \$831 (50%) \$936 (60%) | - | 90.3% |
| 31 | Sundial Square I & II | 1992 | 63 | \$729 (60%) | \$942 (60%) | \$1,105 (60%) | \$1,268 (60%) | 98.4% |
| 35 | Eagle Ridge I & II | 2007 | 156 | - | \$657 (40%) \$789 (50%) \$937 (60%) | \$789 (40%) \$934 (50%) \$1,107 (60%) | - | 99.4% |
| 43 | Echo Glen (62+) | 2016 | 50 | \$367 (30%) \$490 (40%) \$593 (50%) \$694 (60%) | \$588 (40%) \$734 (50%) \$831 (60%) | - | - | 100.0% |
| 46 | Cornerstone (Disabled & Handicapped) | 2008 | 24 | - | \$612 (40%) \$744 (50%) \$892 (60%) | \$724 (40%) \$868 (50%) \$1,041 (60%) | - | 100.0% |
| 49 | Northern Light | June 2017 | 30 | \$362 (30%) \$472 (40%) \$577 (50%) \$677 (60%) | \$591 (30%) \$696 (40%) \$736 (50%) \$831 (60%) | \$814 (50%) \$844 (50%) \$959 (60%) | - | Under Construction |
| 55 | Churchill | 2002 | 50 | \$659 (50%) \$733 (60%) | \$794 (50%)* \$942 (60%)* | \$932 (50%)* \$1,105 (60%)* | - | 100.0% |
| 64 | Fountain Springs Senior (62+) | 1997 | 50 | \$655 (50%) | \$794 (50%) | - | - | 100.0% |
| 65 | Edgewood Estates | 2005 | 48 | - | \$693 (40%) \$829 (50%) \$977 (60%) | \$840 (40%) \$974 (50%) \$1,147 (60%) | - | 100.0% |
| 66 | Pine Crest Village (55+) | 2004 | 48 | - | \$693 (40%) \$829 (50%) \$977 (60%) | - | - | 100.0% |

*Townhouse unit

The 12 existing Tax Credit properties include 745 units with only 8 vacant units. The overall vacancy rate among the Tax Credit properties of 1.1% is very low.

Similar to the proposed site, Memorial Park, Echo Glen, and Fountain Springs Senior are age-restricted properties (age 62 and over). Also, Pine Crest Village is another age-restricted property in the EMA; however, this property is designated to seniors age 55 and over. All 4 of these age-restricted properties contain a combined total of 208 units and there are currently no vacancies among these projects. In fact, all 4 of these properties are reporting waiting lists with up to 35 names.

The majority of the Tax Credit units in the market are offered at the 60% income level while only 38 units are offered at the 30% and 40% income levels. Following is a summary of the existing Tax Credit units in the market by percent of the area median income:

| BEDROOM | 30% AMI | | 40% AMI | | 50% AMI | | 60% AMI | |
|---------------|---------|--------|---------|--------|---------|--------|---------|--------|
| | UNITS | VACANT | UNITS | VACANT | UNITS | VACANT | UNITS | VACANT |
| One-Bedroom | 4 | 0 | 6 | 0 | 58 | 1 | 90 | 1 |
| Two-Bedroom | 0 | 0 | 19 | 0 | 90 | 1 | 217 | 4 |
| Three-Bedroom | 0 | 0 | 9 | 0 | 32 | 0 | 206 | 1 |
| Four-Bedroom | 0 | 0 | 0 | 0 | 0 | 0 | 14 | 0 |
| Total | 4 | 0 | 34 | 0 | 180 | 2 | 527 | 6 |

Planned and Proposed Projects

According to Rapid City planning and building officials, most new building permits issued in Rapid City are for duplex or four-plex buildings. Planning officials also noted that there is one new project planned to be built and two projects proposed to be built in the Rapid City area. In addition, 72 new units are planned to be built within a property that is currently under construction. These projects are summarized as follows:

- Hagg Brothers, LLC plan to build a new 160-unit market-rate property in southern Rapid City. The Meadows property will be on the south side of Moon Meadows Drive (not yet constructed) approximately 0.3 mile east of U.S. Route 16. According to planning officials, The Meadows will include one-, two-, and three-bedroom units within 8 buildings. Rents for the planned units are expected to range from \$850 or \$900 for a one-bedroom unit to over \$1,250 for a three-bedroom unit. The property is expected to include attached heated garage space as well as upgraded finishes, a pool, and community building. The developer is currently preparing the site for construction. Construction is expected to start in summer 2017 and units at The Meadows are expected to be ready for occupancy by late summer or early fall 2018.
- Developer Hani Shafai has proposed building a new apartment and single-family development, named Johnson Ranch, northwest of the U.S. Route 16 and State Route 44 intersection in southeast Rapid City. According to planning officials, the developer anticipates building 80 to 100 apartment and 70 to 75 single-family



homes. The developer anticipates that both the apartments and single-family homes will be affordable workforce housing. The single-family homes are expected to have starting prices ranging from \$140,000 to \$190,000. This project is only proposed and no additional information is available at this time.

- Developer Hani Shafai has also proposed building between 200 and 300 new apartments in the Orchard Meadows subdivision on the south side of State Route 44 east of U.S. Route 16 in southeastern Rapid City. This development is only proposed and no additional information is available regarding this development.
- Arrowhead View (Map Code 48) is a new market-rate property that is under construction and is expected to have 24 units available by the middle of June 2017. According to the developer, 10 of the initial 24 units have been preleased. An additional 36 units are expected to start construction in June 2017 and be ready for occupancy by summer 2018 and 36 units are expected to start construction by summer 2018 and be ready for occupancy by summer 2019.

3. COMPETITIVE ANALYSIS

There are two sets of criteria which can be used to identify comparable properties. Conceptually Comparable Properties are those properties that have a similar comparability index to the proposed project. A similar comparability index indicates that properties will likely have similar unit and project amenities and a similar aesthetic rating. They may or may not have similar rents. We consider apartment properties with a comparability rating within 2.0 points of the anticipated comparability rating of the subject site to be most conceptually comparable.

Economically Comparable Properties are those properties with similar gross rent levels to the proposed project. These properties may or may not have a similar comparability index.

Because the proposed site will be an age-restricted property, we will also include the 3 other age-restricted properties in the EMA (Memorial Park, Fountain Springs Senior, and Pine Crest Village), despite not being conceptually comparable.

Overall, we consider 11 projects to be the most economically or conceptually comparable to the subject site given unit mixes, current rent levels, unit and project amenities, and overall comparability ratings. The following table details these projects:

| MAP CODE | PROJECT | YEAR OEPN | COMPARABILITY RATING | TOTAL UNITS | VACANCY RATE | PROJECT TYPE |
|----------|--------------------------------------|-------------|----------------------|-------------|--------------|-------------------------------|
| Site | Sage View Glen (Subject Site) | 2019 | 22.0 | 50 | - | Tax Credit Elderly 62+ |
| 2 | Prairie Tree | 1986 | 21.0 | 96 | 6.3% | Market-Rate |
| 4 | Memorial Park | 1999 | 16.0 | 50 | 0.0% | Tax Credit Elderly 62+ |
| 9 | South Creek Village | 2004 | 21.0 | 80 | 0.0% | Tax Credit |
| 13 | Southern Cross | 1995 | 20.5 | 96 | 2.1% | Market-Rate |
| 20 | Whisper Rock | 2015 | 20.5 | 62 | 9.7% | Tax Credit |
| 43 | Echo Glen* | 2016 | 21.5 | 50 | 0.0% | Tax Credit Elderly 62+ |
| 53 | Pointe West | 1983 | 22.0 | 84 | 1.2% | Market-Rate |
| 56 | Canyon Lake Plaza Estates | 1974 | 22.0 | 109 | 1.8% | Market-Rate |
| 64 | Fountain Springs Senior | 1997 | 16.5 | 50 | 0.0% | Tax Credit Elderly 62+ |
| 66 | Pine Crest Village | 2004 | 17.5 | 48 | 0.0% | Tax Credit Older Adult 55+ |
| 71 | Kirkwood Meadow | 1986 | 23.0 | 48 | 2.1% | Market-Rate |

*Sister property, adjacent to subject site

The 11 most comparable projects include a combined total of 783 units and have an overall vacancy rate of only 2.3%, which is extremely low.

A comparison of unit amenities at these projects and the proposed project is as follows:

| PROJECT | RANGE | REFRIGERATOR | MICROWAVE | DISHWASHER | DISPOSAL | AIR CONDITIONING | WASHER/DRYER | WASHER/DRYER HOOKUPS | CARPET | WINDOW BLINDS | EXTRA STORAGE | INTERCOM SECURITY | BALCONY/PATIO | GARAGE | CEILING FAN | SECURITY SYSTEM |
|--|-------|--------------|-----------|------------|----------|------------------|--------------|----------------------|--------|---------------|---------------|-------------------|---------------|--------|-------------|-----------------|
| Sage View Glen (Subject Site - 62+) | X | X | X | X | | C | | | X | X | | X | | | | F |
| Prairie Tree | X | X | | X | X | W | | | X | X | | X | X | O \$40 | X | |
| Memorial Park (TC - 62+) | X | X | | | | W | | | X | X | | X | | | | |
| South Creek Village (TC) | X | X | | X | X | C | | X | X | X | | X | X | O \$40 | X | |
| Southern Cross | X | X | X | X | X | W | | S | X | X | X | X | X | O \$35 | X | |
| Whisper Rock (TC) | X | X | X | X | X | C | X | X | X | X | | | X | | S | |
| Echo Glen (TC - 62+) | X | X | X | X | | C | | | X | X | | X | | | | L |
| Pointe West | X | X | X | X | X | C | | | X | X | X | | X | O \$60 | X | |
| Canyon Lake Plaza Estates | X | X | | | | W | | | X | X | | | S | O \$50 | | X |
| Fountain Springs Senior (TC - 62+) | X | X | | | | W | | | X | X | | X | | O \$40 | | |
| Pine Crest Village (TC - 55+) | X | X | | X | X | C | | X | X | X | | | | | | |
| Kirkwood Manor | X | X | X | X | X | C | | | X | X | | X | X | O \$40 | X | |
| (TC) – Tax Credit S – Some C – Central air conditioning W – Wall air conditioning O – Option L – Lifeline emergency response system | | | | | | | | | | | | | | | | |

Based on the unit amenities comparison, the subject Sage View Glen project will generally compete with the 11 most comparable projects in the market.

Although the proposed site will lack a disposal, balcony/patio, and ceiling fan, which are common unit amenities among the competition, the proposed site will offer a built-in microwave and central air conditioning. These 2 amenities are only being offered at 6 of the competitive properties.

Project amenities are listed as follows:

| PROJECT | POOL | COMMUNITY BUILDING | KITCHENETTE | SAUNA | HOT TUB | FITNESS ROOM | COURTYARD/PATIO | WALKING/JOG TRAIL | PLAYGROUND | SPORTS COURT | PICNIC AREA | LAUNDRY FACILITIES | ON-SITE MANAGEMENT | ELEVATOR |
|---|------|--------------------|-------------|-------|---------|--------------|-----------------|-------------------|------------|--------------|-------------|--------------------|--------------------|----------|
| Sage View Glen (Subject Site – 62+) | | X | X | | | X | X | X | | | | X | X | X |
| Prairie Tree | X | | | | | | | | X | B | X | X | X | |
| Memorial Park (TC – 62+) | | X | | | | | | | | | | X | X | X |
| South Creek Village (TC) | | X | | | | | | | X | B | X | X | X | |
| Southern Cross | X | | | | | | | | X | | | X | X | |
| Whisper Rock (TC) | | X | | | | | | | X | | X | | X | |
| Echo Glen (TC – 62+) | | X | X | | | X | X | X | | | | X | X | X |
| Pointe West | X | | | | X | | | | | | | X | X | |
| Canyon Lake Plaza Estates | X | X | | X | | X | X | | X | | X | X | X | |
| Fountain Springs Senior (TC – 62+) | | | | | | | | | | | | X | | X |
| Pine Crest Village (TC – 55+) | | X | | | | | | | | | | | | X |
| Kirkwood Meadow | X | | | | | | | | | T | X | X | X | |
| (TC) – Tax Credit B – Basketball court T – Tennis court | | | | | | | | | | | | | | |

As the project amenities table illustrates, the project amenities to be offered at the site will be more comprehensive than those being offered at 5 of the 6 competitive Tax Credit projects in the market area. Only Echo Glen, a sister property to the proposed site, offers a comparable project amenity package.

The only competitive properties offering a swimming pool are the 5 market-rate projects with rents much higher than the proposed rents at the subject site. Therefore, the lack of a swimming pool at the site will not be an issue that will adversely affect absorption or the long-term viability of the site.

A distribution of competitive properties by units offered follows:

| MAP CODE | PROJECT | TOTAL UNITS | UNITS OFFERED | | | |
|-------------------|--|-------------|---------------|--|--|---------------------|
| | | | STUDIO | ONE-BEDROOM | TWO-BEDROOM | THREE-BEDROOM |
| Site | Sage View Glen (Subject Site – 62+) | 50 | - | 8 (30%) 3 (40%) 12 (50%) 19 (60%) | 1 (30%) 1 (40%) 3 (50%) 3 (60%) | - |
| 2 | Prairie Tree | 96 | - | 48 | 48 | - |
| 4 | Memorial Park (TC – 62+) | 60 | - | 12 (50%) 48 (60%) | - | - |
| 9 | South Creek Village (TC) | 80 | - | - | 10 (50%) 38 (60%) | 8 (50%) 24 (60%) |
| 13 | Southern Cross | 96 | - | - | 48 | 48 |
| 20 | Whisper Rock (TC) | 62 | - | 2 (30%) 3 (40%) 3 (50%) 4 (60%) | 2 (40%) 10 (50%) 22 (60%) | - |
| 43 | Echo Glen (TC – 62+) | 50 | - | 2 (30%) 3 (40%) 12 (50%) 23 (60%) | 1 (40%) 3 (50%) 6 (60%) | - |
| 53 | Pointe West | 84 | - | 24 | 60 | - |
| 56 | Canyon Lake Plaza Estates | 109 | 10 | 28 | 59 | 12 |
| 64 | Fountain Springs Senior (TC – 62+) | 50 | - | 26 (50%) | 24 (50%) | - |
| 66 | Pine Crest Village (TC - 55+) | 48 | - | - | 10 (40%) 10 (50%) 28 (60%) | - |
| 71 | Kirkwood Meadow | 48 | - | 24 | 24 | - |
| (TC) – Tax Credit | | | | | | |

The proposed Sage View Glen project will include 42 one-bedroom and 8 two-bedroom garden units. Following is a comparison between the subject site and the one- and two-bedroom units at the selected comparable projects:

| ONE-BEDROOM COMPARISON | | | | | | |
|-------------------------------|--|------------------------|------------------|------------------------|-------------------|-----------------------------|
| MAP CODE | PROJECT | NUMBER OF UNITS | UNIT SIZE | NUMBER OF BATHS | GROSS RENT | RENT PER SQUARE FOOT |
| Site | Sage View Glen (Subject Site – 62+) | 8 (30%) | 604 | 1.0 | \$364 | \$0.60 |
| | | 3 (40%) | 604 | 1.0 | \$485 | \$0.80 |
| | | 12 (50%) | 604 | 1.0 | \$588 | \$0.97 |
| | | 19 (60%) | 604 | 1.0 | \$693 | \$1.15 |
| 2 | Prairie Tree | 48 | 620-740 | 1.0 | \$810-\$885 | \$1.20-\$1.31 |
| 4 | Memorial Park (TC - 62+) | 12 (50%) | 703-823 | 1.0 | \$620 | \$0.75-\$0.88 |
| | | 48 (60%) | 703-823 | 1.0 | \$694 | \$0.84-\$0.99 |
| 9 | South Creek Village (TC) | Unit Type Not Offered | | | | |
| 13 | Southern Cross | Unit Type Not Offered | | | | |
| 20 | Whisper Rock (TC) | 2 (30%) | 752 | 1.0 | \$334 | \$0.44 |
| | | 3 (40%) | 752 | 1.0 | \$459 | \$0.61 |
| | | 3 (50%) | 752 | 1.0 | \$574 | \$0.76 |
| | | 4 (60%) | 752 | 1.0 | \$669 | \$0.89 |
| 43 | Echo Glen (TC – 62+) | 2 (30%) | 600 | 1.0 | \$367 | \$0.61 |
| | | 3 (40%) | 600 | 1.0 | \$490 | \$0.82 |
| | | 12 (50%) | 600 | 1.0 | \$593 | \$0.99 |
| | | 23 (60%) | 600 | 1.0 | \$694 | \$1.16 |
| 53 | Pointe West | 24 | 624-800 | 1.0 | \$851-\$1,095 | \$1.36-\$1.37 |
| 56 | Canyon Lake Plaza Estates | 28 | 565 | 1.0 | \$628-\$808 | \$1.11-\$1.43 |
| 64 | Fountain Springs Senior (TC 62+) | 26 (50%) | 700 | 1.0 | \$655 | \$0.94 |
| 66 | Pine Crest Village (TC – 55+) | Unit Type Not Offered | | | | |
| 71 | Kirkwood Meadow | 24 | 620-740 | 1.0 | \$699-\$714 | \$0.96-\$1.13 |
| | | Average | 693 | 1.0 | \$665 | \$0.96 |

(TC) – Tax Credit



TWO-BEDROOM COMPARISON

| MAP CODE | PROJECT | NUMBER OF UNITS | UNIT SIZE | NUMBER OF BATHS | GROSS RENT | RENT PER SQUARE FOOT |
|----------|--|-----------------------|-------------|-----------------|---------------|----------------------|
| Site | Sage View Glen (Subject Site – 62+) | 1 (30%) | 764 | 1.0 | \$437 | \$0.57 |
| | | 1 (40%) | 764 | 1.0 | \$583 | \$0.76 |
| | | 3 (50%) | 764 | 1.0 | \$728 | \$0.95 |
| | | 3 (60%) | 764 | 1.0 | \$831 | \$1.09 |
| 2 | Prairie Tree | 48 | 820-870 | 1.0 | \$935-\$950 | \$1.09-\$1.14 |
| 4 | Memorial Park | Unit Type Not Offered | | | | |
| 9 | South Creek Village (TC) | 10 (50%) | 916 | 1.0 | \$825 | \$0.90 |
| | | 38 (60%) | 916 | 1.0 | \$870 | \$0.95 |
| 13 | Southern Cross | 48 | 1,003-1,087 | 1.0 | \$800-\$950 | \$0.80-\$0.87 |
| 20 | Whisper Rock (TC) | 2 (40%) | 935-964 | 2.0 | \$560 | \$0.58-\$0.60 |
| | | 10 (50%) | 935-964 | 2.0 | \$720 | \$0.75-\$0.77 |
| | | 22 (60%) | 935-964 | 2.0 | \$840 | \$0.87-\$0.90 |
| 43 | Echo Glen (TC – 62+) | 1 (40%) | 765-766 | 1.0 | \$588 | \$0.77 |
| | | 3 (50%) | 765-766 | 1.0 | \$734 | \$0.96 |
| | | 6 (60%) | 765-766 | 1.0 | \$831 | \$1.09 |
| 53 | Pointe West | 60 | 1,000 | 2.0 | \$861-\$1,345 | \$0.86-\$1.35 |
| 56 | Canyon Lake Plaza Estates | 59 | 700-776 | 1.0 | \$675-\$870 | \$0.96-\$1.12 |
| 64 | Fountain Spring Senior (TC-62+) | 24 (50%) | 915 | 1.0 | \$794 | \$0.87 |
| 66 | Pine Crest Village (TC – 55+) | 10 (40%) | 893 | 1.0 | \$693 | \$0.78 |
| | | 10 (50%) | 893 | 1.0 | \$829 | \$0.93 |
| | | 28 (60%) | 893 | 1.0 | \$977 | \$1.09 |
| 71 | Kirkwood Meadow | 24 | 820-870 | 1.0 | \$794-\$834 | \$0.96-\$0.97 |
| | | Average | 876 | 1.0 | \$831 | \$0.95 |

(TC) – Tax Credit

The proposed one-bedroom units will be competitive with the majority of the comparable one-bedroom units in terms of unit size.

The proposed two-bedroom units will be among the smallest two-bedroom units when compared to the comparable units. However, this will not be a significant issue. The proposed units will only include 8 two-bedroom units and the proposed units will offer ample living space. In addition, the proposed property will be adjacent to Echo Glen, which has a waiting list with 5 names for two-bedroom units.

The proposed property will have an advantage over the majority of the Tax Credit units in terms of rents. Only the one- and two-bedroom units at Whisper Rock, the one-bedroom units at Fountain View Senior, and two-bedroom units at Pine Crest at the 50% income level have rents lower than the proposed rents. It is important to note that the proposed rents are current rents. Given the average rent increase in the market over the past several years, the proposed rents will be an even better value at the time of opening in August 2019.

G. APARTMENT DEMAND FACTOR ANALYSIS

1. PROGRAM LIMITATIONS AND QUALIFICATIONS

The proposed Sage View Glen project will include one- and two-bedroom garden style units with rents based on 30%, 40%, 50%, and 60% of the area median household income.

Rents for units operating within the Tax Credit program are based on income limits by household size. The gross rent charged for an eligible unit to a tenant cannot exceed 30% of the tenant income limitation (30%, 40%, 50%, or 60% of area median income adjusted for household size).

Median incomes are established by the United States Department of Housing and Urban Development (HUD). The proposed project is located in Rapid City, in Pennington County, South Dakota, which is located in the Rapid City, SD HUD Metro FMR Area. For 2017, the median household income for the Rapid City, SD HUD Metro FMR Area is \$63,000.

The following chart illustrates the maximum income allowed per household size at the 30%, 40%, 50%, and 60% levels, based on the 2017 median income for the Rapid City, SD HUD Metro FMR Area:

| HOUSEHOLD SIZE | MAXIMUM ALLOWABLE INCOME | | | |
|-----------------------|---------------------------------|------------|------------|------------|
| | 30% | 40% | 50% | 60% |
| One-Person | \$13,590 | \$18,120 | \$22,650 | \$27,180 |
| Two-Person | \$15,540 | \$20,720 | \$25,900 | \$31,080 |

Current guidelines establish maximum rents based on the probable household size by number of bedrooms, with one-bedroom units at 1.5 and two-bedroom units at 3.0 people per household (regardless of the actual number of people occupying the unit). Maximum rent by number of bedrooms is as follows:

| UNIT TYPE | MAXIMUM GROSS RENT | | | |
|-------------------|---------------------------|------------|------------|------------|
| | 30% | 40% | 50% | 60% |
| One-Bedroom (1.5) | \$364 | \$485 | \$606 | \$728 |
| Two-Bedroom (3.0) | \$437 | \$583 | \$728 | \$874 |

The proposed rents at Sage View Glen are set equal to and up to \$43 lower than the current (2017) maximum allowable. The maximum allowable gross rent at opening may increase (or decrease) based on the median income and utility rates at the time of reopening.

The subject site is anticipated to open in August 2019. As such, the maximum allowable rents at the subject site will be based on the 2019 median income for the Rapid City, SD HUD Metro FMR Area.

Based on HUD estimates, the median income for the Rapid City, SD HUD Metro FMR Area has increased at an annual average of approximately 1.9% since 2012; however, the rate of change has varied each year from a decrease of 2.0% in 2014-2015 to a 10.2% increase in 2012-2013.

The following chart provides the median incomes for the Rapid City, SD HUD Metro FMR Area for the past 5 years:

| YEAR | MEDIAN INCOME | CHANGE |
|------|---------------|--------|
| 2012 | \$58,100 | - |
| 2013 | \$64,000 | 10.0% |
| 2014 | \$66,100 | 3.3% |
| 2015 | \$64,800 | -2.0% |
| 2016 | \$63,800 | -1.5% |
| 2017 | \$63,600 | -0.3% |

It is important to note that the proposed rents are based on the 2017 median income for the Rapid City, SD HUD Metro FMR Area. The Danter Company can make no assurances that future changes will continue to reflect past increases in the area median household income.

2. AGE- AND INCOME-APPROPRIATE HOUSEHOLDS

Under the Section 42 Tax Credit program, a household may live in any unit type, regardless of size, as long as the household income does not exceed the maximum allowable for that household size.

Based on findings from The Danter Company's nationwide telephone survey, we anticipate that the proposed one- and two-bedroom units will predominantly house one- and two-person elderly households, although one-person elderly households will account for the majority of tenant base. The proposed project will have units available to elderly households with rents based on 30%, 40%, 50%, and 60% of the area median household income. For 2017, the maximum allowable income for a one-person household at the 30% income level is \$13,590 and the maximum allowable income for a two-person household at the 60% income level is \$31,080.

Based on telephone surveys conducted by The Danter Company among residents of low-income housing Tax Credit projects, it was established that the ratio of rent to monthly income often exceeds the maximum ratio of 30%.

According to surveys, this ratio may reach 50%, especially among elderly households who tend to have lower living expenses. Thus, at the projected rent levels, the minimum annual household income level at the proposed Sage View Glen development could be as low as \$8,740 (gross rent for a one-bedroom unit at the 30% level - \$364 x 12 months = \$4,368 / 50% = \$8,740).

According to the 2010 Census, 44.9% of all EMA households were renters. Among all elderly households (age 62 and over), an estimated 47.8% were renters. The reality is that at lower income levels, a higher ratio of renters is likely compared to the overall market. Within the Rapid City Site EMA, this is reflected.

Capture Rate - All & Renter Income-Qualified Households

In 2019, there will be an estimated 2,531 total elderly households (age 62 and over) within the Site EMA and 1,224 renter elderly households (age 62 and over) within the EMA with incomes between \$8,740 and \$31,080.

Following is an analysis of housing costs as a percent of household income by the number of both total and renter qualified elderly households (age 62 and over) in the Site EMA:

| PERCENT OF INCOME TO GROSS HOUSING COST | INCOME RANGE | INCOME-APPROPRIATE HOUSEHOLDS (62+) | | CAPTURE RATE (50 UNITS) | |
|---|--------------------|-------------------------------------|---------|-------------------------|---------|
| | | TOTAL | RENTERS | TOTAL | RENTERS |
| 45% | \$9,710 - \$31,080 | 2,483 | 1,187 | 2.0% | 4.2% |
| 50% | \$8,740 - \$31,080 | 2,561 | 1,224 | 2.0% | 4.1% |

The 50 Tax Credit units at the subject Sage View Glen development will represent a rental housing alternative for 2.0% of all age- and income-appropriate households, depending on management's criteria for qualifying potential renters. The 50 Tax Credit units at the subject Sage View Glen will represent a rental housing alternative for 4.1% to 4.2% of all age- and income-appropriate renter households, depending on management's criteria for qualifying potential renters.

These are excellent ratios and indicate a good supply of potential total and renter household support. These ratios have been considered in establishing the anticipated absorption rates at the site.

The Sage View Glen project will feature one- and two-bedroom garden units available to elderly households with incomes based on 30% 40%, 50%, and 60% of the area median household income. As a result, we will illustrate capture rates for all four election levels. The following table details the estimated households by income level within the Site EMA:



| PERCENT OF AMI | INCOME RANGE | INCOME-APPROPRIATE HOUSEHOLDS 62+ | | UNITS PROPOSED | RATIO OF UNITS TO INCOME-APPROPRIATE RENTER HOUSEHOLDS |
|----------------|-------------------|-----------------------------------|--------|----------------|--|
| | | TOTAL | RENTER | | |
| 30% | \$8,740-\$15,540 | 573 | 274 | 9 | 1.6% |
| 40% | \$11,640-\$20,720 | 973 | 465 | 4 | 0.4% |
| 50% | \$14,110-\$25,900 | 1,420 | 679 | 15 | 1.1% |
| 60% | \$16,630-\$31,080 | 1,855 | 887 | 22 | 1.2% |

The proposed units to income-appropriate renter household ratios at all four election levels are considered excellent, ranging from 0.4% to 1.6%.

Penetration Rate - All & Renter Income-Qualified Households

The Site EMA contains 12 existing Tax Credit properties, as well as one Tax Credit property currently under construction. Combined, these 13 Tax Credit properties contain a total of 775 units. With the inclusion of the 50 units at the subject site, these properties will total 825 Tax Credit units.

When these 825 combined Tax Credit units are also considered, the appropriate household income range is \$10,020 to \$45,060. This range is wider than the range for just the subject development, due to the wider range of rents being charged and unit types offered at the existing Tax Credit properties.

The following table analyzes the number of households with appropriate incomes when considering all Tax Credit development in the Site EMA:

| PERCENT OF INCOME TO GROSS HOUSING COST | INCOME RANGE | INCOME-APPROPRIATE HOUSEHOLDS | | PENETRATION RATE (825 UNITS) | |
|---|---------------------|-------------------------------|---------|------------------------------|---------|
| | | TOTAL | RENTERS | TOTAL | RENTERS |
| 35% | \$11,450 - \$45,060 | 9,782 | 6,680 | 8.4% | 12.4% |
| 40% | \$10,020 - \$45,060 | 10,179 | 7,040 | 8.1% | 11.7% |

The 825 combined units (745 existing units, 30 units under construction, and 50 units at the site) will represent a rental housing alternative for 11.7% and 12.4% of all income-appropriate renter households, depending on management's criteria for qualifying potential renters. These ratios are considered good and have been considered in establishing the anticipated absorption rates at the site.

As noted the subject site will be age restricted to 62 and older. There are 3 existing Tax Credit properties in the EMA that are restricted to elderly tenants. The following table analyzes the number of households with appropriate incomes when considering only Tax Credit development restricted to elderly tenants in the Site EMA:



| PERCENT OF INCOME TO GROSS HOUSING COST | INCOME RANGE | INCOME-APPROPRIATE HOUSEHOLDS (62+) | | PENETRATION RATE (210 UNITS) | |
|---|--------------------|-------------------------------------|---------|------------------------------|---------|
| | | TOTAL | RENTERS | TOTAL | RENTERS |
| 45% | \$9,710 - \$31,080 | 2,483 | 1,187 | 17.7% | 8.5% |
| 50% | \$8,740 - \$31,080 | 2,561 | 1,224 | 17.2% | 8.2% |

The 210 combined units (160 existing units and 50 units at the site) restricted to elderly tenants will represent a rental housing alternative for 8.2% and 8.5% of all income-appropriate renter households, depending on management's criteria for qualifying potential renters. These ratios are considered excellent and have been considered in establishing the anticipated absorption rates at the site.

3. HOUSING CHOICE VOUCHERS

It is anticipated that additional support for the units at the proposed site could come from tenants with Housing Choice Vouchers. The current 2017 Fair Market Rents for the Rapid City area as well as the proposed gross rents are as follows:

| UNIT TYPE | 2017 FAIR MARKET RENTS | PROPOSED GROSS RENT | | | |
|-------------|------------------------|---------------------|-------|-------|-------|
| | | 30% | 40% | 50% | 60% |
| One-Bedroom | \$619 | \$364 | \$485 | \$588 | \$693 |
| Two-Bedroom | \$823 | \$437 | \$583 | \$728 | \$831 |

Source: US Department of Housing and Urban Development
Effective Date: October 2016
Note: The Fair Market Rents have been established by the Department of Housing and Urban Development and are gross rents including utilities

As the previous table indicates the proposed gross Tax Credit rents for the one- and two-bedroom rents at the 30%, 40% and 50% income levels are set below the Fair Market Rents. These units will be available to renters with Housing Choice Vouchers. However, the one- and two-bedroom units at the 60% income level have proposed gross Tax Credit rents above the Fair Market Rents, and these units will not be available to renters with Housing Choice Vouchers unless management is willing to reduce rent levels to Fair Market Rents or the tenants are willing to make up the difference.

4. COMPARABLE MARKET RENT ANALYSIS

Comparable market rent analysis establishes the rent potential renters would expect to pay for the subject unit in the open market. Comparable market rent is based on a trend line analysis for the area apartment market. For each unit type, the trend line analysis compares gross rent by comparability rating for all market-rate developments. Comparability ratings have been established for all developments in the Site EMA based on unit amenities, project amenities, overall aesthetic appeal, and location. The comparability ratings for each property are listed in the Field Survey section in this report. The trend line is a function of a scatter plot showing each apartment community created by plotting the comparability rating on the horizontal axis and the rent on the vertical axis. This evaluation provides a comparison of existing market rents to those at the proposed project. Additional factors also influence a property's ability to actually achieve the comparable market rent, including the number of units at that comparable market rent, the step-up support base at that rent range, and the age and condition of the subject property and competitive units.

Considering the proposed unit and project amenities and an appealing aesthetic quality, the proposed Sage View Glen property is anticipated to have an overall comparability rating of 22.0. The overall rating is based on ratings of 9.0 for unit amenities, 4.5 for project amenities, and 8.5 for aesthetic quality.

Based on previous studies conducted by the Danter Company, rents in the EMA have increased at an established annual rate of 2.7% between November 2015 and May 2017.

There are 1,271 one-bedroom units within the Site EMA. Gross rents for these units range from \$334 to \$1,290. The overall median rent is \$780. Based on the current rent structure of one-bedroom units, present-day rent for a development comparable to the one proposed is \$825 per month. Applying the average annual increase (2.7%) in the Site EMA yields a one-bedroom rent of \$875 at opening.

There are 2,653 two-bedroom units within the Site EMA. Gross rents for these units range from \$560 to \$2,119. The overall median rent is \$950. Based on the current rent structure of two-bedroom units, present-day rent for a development comparable to the one proposed is \$1,005 per month. Applying the average annual increase (2.7%) in the Site EMA yields two-bedroom rent of \$1,065 at opening.

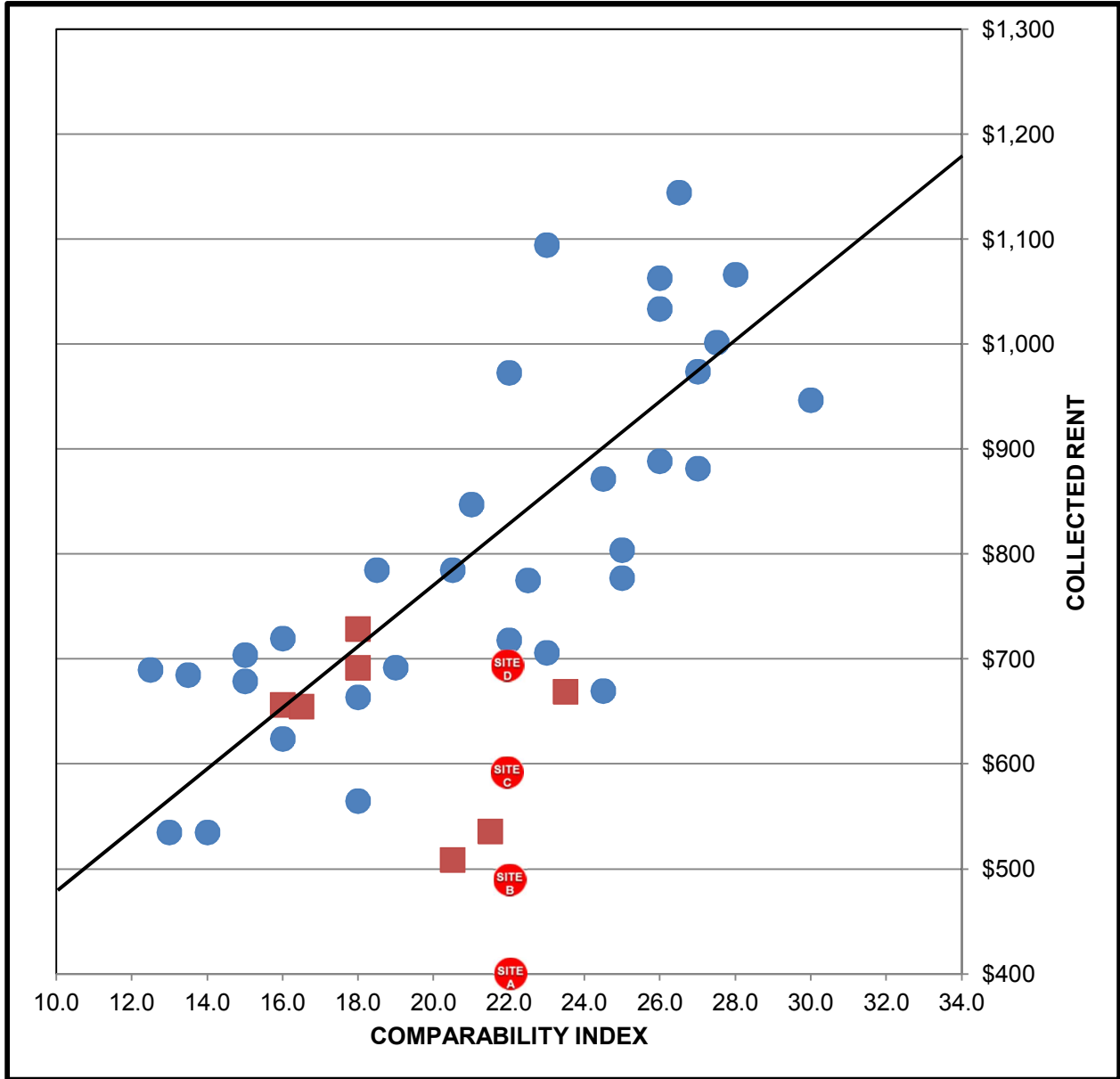
The following table compares the market rent at opening with the proposed Tax Credit rent at the subject site for one- and two-bedroom units. Rents are gross and include heat, hot water, cooking, electric, water/sewer and trash removal.

| UNIT TYPE | PERCENT OF MEDIAN HOUSEHOLD INCOME | MARKET RENT AT OPENING AT 22.0 COMPARABILITY RATING | PROPOSED TAX CREDIT OPENING GROSS RENT | TAX CREDIT RENT AS A PERCENT OF MARKET RENT |
|------------------|---|--|---|--|
| One-Bedroom | 30% | \$875 | \$364 | 41.6% |
| | 40% | | \$485 | 55.4% |
| | 50% | | \$588 | 67.2% |
| | 60% | | \$693 | 79.2% |
| Two-Bedroom | 30% | \$1,065 | \$437 | 41.0% |
| | 40% | | \$583 | 54.7% |
| | 50% | | \$728 | 68.4% |
| | 60% | | \$831 | 78.0% |

With the proposed rents at the 30%, 40%, 50%, and 60% income levels ranging from 41.0% to 79.2% of market-driven rents, the proposed units will be perceived as an excellent value within the market.

The relative value the proposed units represent in the market is further illustrated by the following regression analyses.

ONE-BEDROOM UNITS BY COLLECTED RENT AND COMPARABILITY INDEX

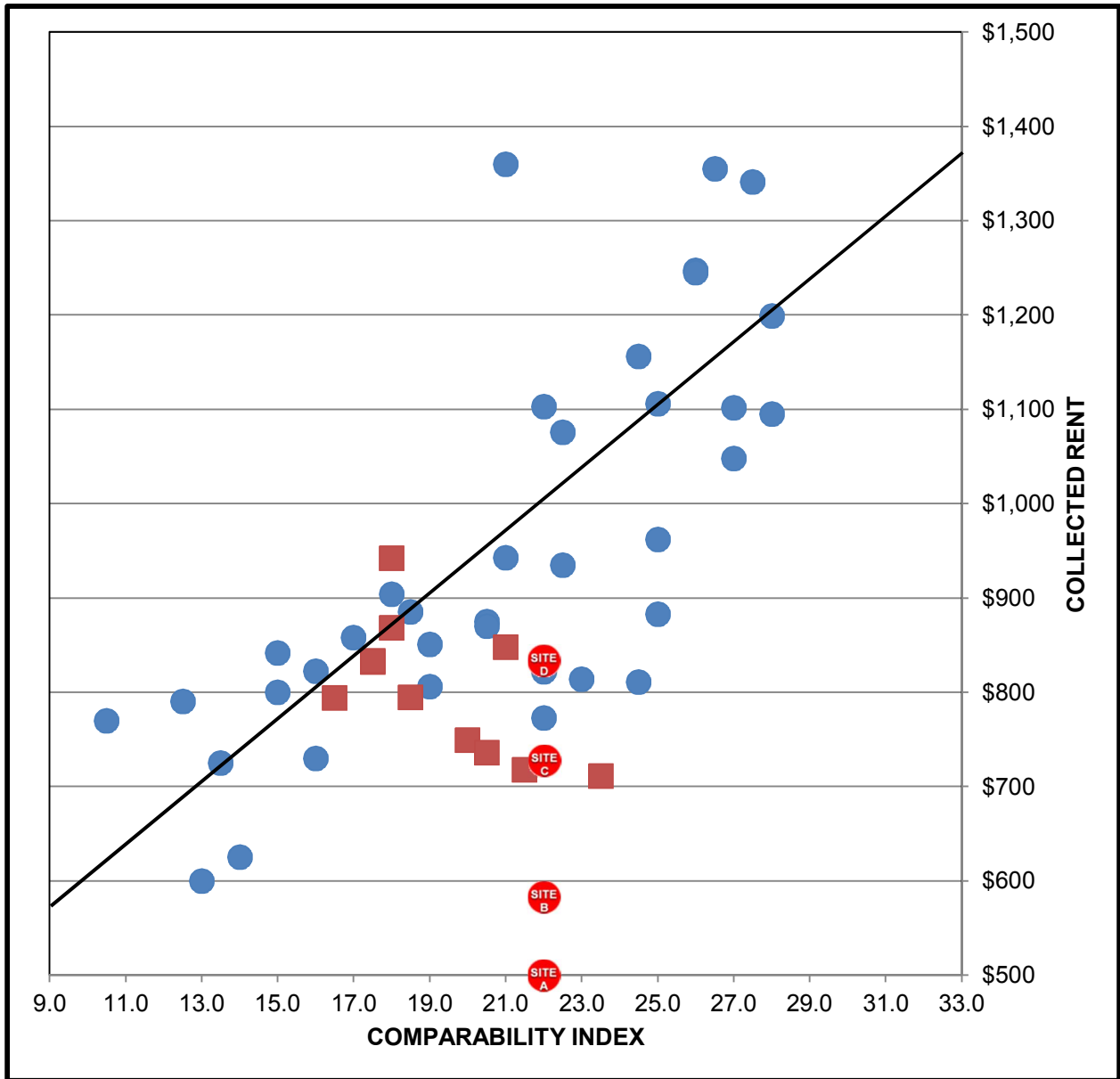


Legend:

- SITE A 30% AMI (\$364)
- SITE B 40% AMI (\$485)
- SITE C 50% AMI (\$588)
- SITE D 60% AMI (\$693)
- Market-Rate Properties
- Tax Credit Properties
- Market-Driven Rent



TWO-BEDROOM UNITS BY COLLECTED RENT AND COMPARABILITY INDEX



- Legend:**
- SITE A 30% AMI (\$437)
 - SITE B 40% AMI (\$583)
 - SITE C 50% AMI (\$728)
 - SITE D 60% AMI (\$831)
 - Market-Rate Properties
 - Tax Credit Properties
 - Market-Driven Rent



H. RECOMMENDATIONS/ABSORPTION

This study evaluates the market potential of the 50-unit Sage View Glen low-income housing Tax Credit project for elderly tenants (age 62 and over) in Rapid City, South Dakota.

The proposed site is in the southern portion of Rapid City, on the south side of East Minnesota Street, 0.2 mile east of 5th Street (main north/south thoroughfare).

The proposed 50-unit Tax Credit age-restricted project will include 42 one-bedroom and 8 two-bedroom garden units within a three-story elevator-serviced building. Rents at the project will be based on 30%, 40%, 50%, and 60% of the area median household income.

The developer plans to offer 9 (18.0%) of the proposed units to elderly households (age 62 and over) with incomes up to 30% of the area median household income, 4 (8.0%) units to elderly households with incomes at or below 40% of the area median household income, 15 (30.0%) units to elderly households with income at or below 50% of the area median household income, and 22 (44.0%) units to elderly households with incomes at or below 60% of the area median household income.

The proposed Sage View Glen is anticipated to be completed and open by August 2019.

Our evaluation considers the current rental housing market, area demographic characteristics, projected growth, and the appropriateness of the site and site area for the subject development. Amenities, features, and services at the subject development are also considered.

Based on these factors, it is our opinion that a market exists for the 50-unit age-restricted rental housing development at the subject site, assuming the project is developed as detailed in this report. Changes in the project's site, rent, unit mix, amenities, floor plans, or opening date may invalidate these findings.

ABSORPTION

We have considered the following factors in determining absorption:

- Relationship of proposed rents to market rents
- Support from existing renter households within the EMA (step-up/down support)
- Number of income-appropriate households within the EMA
- Expected quality of the subject development relative to market at opening
- Appropriateness of the subject development for the proposed site
- Anticipated opening date
- Area household growth and employment trends
- Area income trends
- Ability of the subject development to attract income-qualified renters: many households attracted to the property will not meet program income guidelines.

The proposed Sage View Glen is anticipated to be completed and open by August 2019.

We expect most of the absorption for the proposed development to come from within the Site EMA. (See Section V for a complete description of the Site EMA.) A comparison of typical versus anticipated geographic support for the subject site is as follows:

| | TYPICAL SUPPORT | ANTICIPATED SUPPORT |
|---------------------|------------------------|----------------------------|
| WITHIN THE SITE EMA | | |
| APARTMENT | 55% | 50% |
| OTHER RENTALS | 20% | 20% |
| OTHER | 10% | 15% |
| BEYOND THE SITE EMA | 15% | 15% |
| TOTAL | 100% | 100% |

Due to their significant value and when responding to only age- and income-qualified tenants, the 13 Tax Credit units at the 30% and 40% will either be fully pre-leased prior to opening or will be leased within the first month of opening. Absorption for the 37 remaining Tax Credit units at the 50% and 60% income levels is expected to average 8 to 9 units per month, resulting in a 4.0- to 4.5-month absorption period to achieve a 95% occupancy level.

The addition of Housing Choice Vouchers may accelerate the absorption among the eligible units at the proposed site. In addition, there are currently 35 names on the waiting list at Echo Glen, the sister property adjacent. This waiting list could accelerate absorption at the property.

Prior studies have shown that absorption tends to be seasonal, with up to 64% of annual absorption taking place in the "peak" summer months (May through August). The shoulder season (the two months on either side of the peak season) generally accounts for approximately 24% of annual absorption. The "off" season, November through February, typically accounts for the remaining 12% of absorption. While these percentages do not hold true in all markets, they give a good indication of the potential seasonal variations in absorption.