

From: Kateland Development Co. / Bill Freytag

To: City Council / Rapid City SD

Dear Councilmen,

I am asking you to reconsider a part of the development agreement between Kateland Dev. Co. and the City of Rapid City in reference to TIF 51. I have reviewed this problem with **Council President Tom Johnson** and I have his support.

That specific part in question is as follows.

**SECTION 11. --- criteria**

1. A minimum of 51% of the dwelling units within the Kateland Subdivision will be occupied by residents at or below 80% of the HUD median income for the area;

**Problem # 1** --- The 80% number is an error – the 80% multiplier eliminated most of the low / moderate income buyers intended for the Kateland Sub.

A mistake has been made and included in our TIF agreement. The mistake is the 80% of median income rule is being used as a primary gross income limiter. In South Dakota the same primary guideline for SDHDA's First Time Home Buyers is 115%.

The 80% rule comes from Section 8 Federal Housing guidelines used to determine rent subsidy in various amounts. This formula also is used to identify the dollar amount of down payment assistance – grants - other assistance programs. **IT IS NOT A PRIMARY GUIDELINE TO LIMIT INCOME TO QUALIFY. --- IT IS A SECOND TIER OF ASSISTANCE GUIDELINE.**

Buyers qualifying for the Governors Homes with 1, 2, and 3 family members can have incomes too high to place their Govs. Home in Kateland Subdivision. The same is true for SDHDA's First Time Home Buyers. Most can qualify for a home but they can't build it in Kateland Sub.

Notice - SDHDA "First Time Buyer Program" has an income limiter at 115% of HUD median income (See attachment A2) – afterwards the 80% rule kicks in to determine if the buyer is eligible for ADDITIONAL assistance. The 80% rule is NOT the guideline for PRIMARY INCOME LIMIT.

Dar Baum Director of SDHDA has given me a letter supporting the change to 115% for Kateland Sub. --  
- See Attached Exhibit A1--- Also SDHDA supported the Kateland project with a \$500,000.00 infrastructure loan to help make the lots affordable for low and moderate-income buyers.

EXAMPLE – A low-income buyer in SD could qualify for a Governors Home through SDHDA. The first guideline required is the gross income limiter – the 2<sup>nd</sup> guideline is the 80% rule to determine if ADDITIONAL help can be provided such as "GAP" funds (up to - \$20,000) provided by SDHDA.

**Problem # 2** – In Rapid City we don't have any money available for the ADDITIONAL assistance that occurs at the SECOND TIER – as the 80% rule intended. This is confirmed by the President of the RCCDC. --- SEE ATTACHED EXHIBIT B

Because of the 80% rule being used as a PRIMARY INCOME LIMITER – our possible buyers have been reduced to almost nothing. The fact the Rapid City Community Development Corp. has \$ 0.00 available - and “might” get some more funding in the middle of 2006 further aggravates the situation.

If the Kateland Subdivision is going to survive it must at least be able to provide housing for all SDHDA “First Time Buyers”. The income limiter should be 115% of HUD median income as found in the SDHDA “First Time Buyer” guidelines. and not the 80% number written into our agreement.

Other City imposed TIF 51 Agreement restrictions such as using a home for a rental – keeping the home subject to the original guidelines for a period of 10 years – and refunding TIF benefits to the City if abuse occurs. Along with --- SDHDA has set limits on lot price and home price in Kateland Sub. as a part of there Infrastructure Loan agreement. Together these keep everyone on tract with our original purpose of providing low to moderate-income housing.

Changing the 80% to 115% will not violate the spirit and intent - we all set out with - at the beginning of the Kateland project --- to provide low to moderate-income housing.

I am asking you to please amend the Developers Agreement as follows.

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**SECTION 11.** It is understood by the parties that one of the purpose in creating Tax Increment District Fifty-One is to provide low-income housing for the City. To receive disbursements from the “Fund” described in Section 9, the Developer agrees to meet the following criteria:

1. A minimum of 51% of the dwelling units within the Kateland Subdivision will be occupied by residents at or below 80% of the HUD median income for the area;

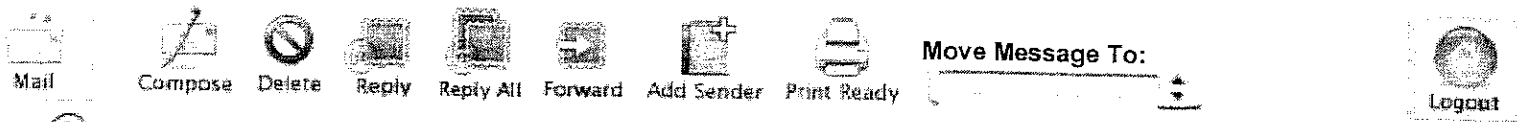
PLEASE AMEND the above Section 11 # 1 as follows.

A minimum of 51% of the dwelling units within the Kateland Subdivision will be occupied by residents at or below ~~80% of the HUD median income~~ for the area;

A minimum of 51% of the dwelling units within the Kateland Subdivision will be occupied by residents at or below 115% of the HUD median income for the area;

Thank you for your time and consideration.

Bill Freytag / Pres. Kateland Development Co.



1 of 6 in [SDHDA](#)

**From:** Dar Baum <dar@sdhda.org>  
**To:** Bill Freytag <billfreytag@mac.com>  
**Date:** Mon Dec 05, 2005 02:02:12 PM MST  
**Subject:** Kateland

Exhibit  
A1

This will confirm notification that you are seeking city approval to amend the TIF guidelines to enable you to make lots and homes in Kateland Subdivision available to households with incomes at 15% of median income. SDHDA has no objection to changing that guideline. Dar

**Darlys J. Baum**, Executive Director  
South Dakota Housing Development Authority  
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billfreytag@mac.com



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*Exhibit A 2*

**From:** Dar Baum <dar@sdhda.org>  
**To:** Bill Freytag <billfreytag@mac.com>  
**Date:** Wed Nov 30, 2005 10:06:38 AM MST  
**Subject:** Income Limits

Per our discussion, the ~~SDHDA First-time Homebuyer Income Limits~~ are established from HUD's median income at ~~115%~~ of that number. The federal subsidy programs, i.e., HUD's HOME Investment Partnership Program and Community Development Block Grant Program, etc., are established at 80% of median income. If you have additional questions, please call me. dar

**Darlys J. Baum**, Executive Director  
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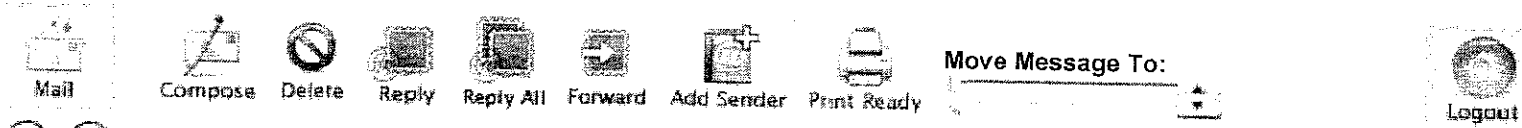
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3 of 5 in Kateland

**From:** Tom Lessin <Tom.Lessin@greatwesternbank.com>  
**To:** <billfreytag@mac.com>  
**Date:** Fri Dec 02, 2005 04:28:22 PM MST  
**Subject:** Rapid City Community Development Corp

*Exhibit  
15*

Bill -

The Rapid City Community Development Corp is ~~currently out of~~ Grant funds and at this time is not able to give any down payment or closing cost assistance. We are currently in the process of ~~trying~~ to secure more grant funds and if we do receive them they will most likely not be available until about May or June of next year.

I hope this answers your questions. Have a great day.

Sincerely,

Tom Lessin  
Current Pres. of the RCCDC

Tom Lessin  
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