

**COMMUNITY PLANNING & DEVELOPMENT SERVICES**

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

**APPLICATION FOR  
 TAX INCREMENT  
 FINANCING**

**LEGAL DESCRIPTION**

Legal Description *(Attached additional sheets as necessary)*  
 See Attached

Location 300 Block of East St. Joseph Street on South Side, Rapid City, SD

Size of Site-Acres 1.28

**APPLICANT**

Name Technology Housing, LLC. Phone (605) 348-0538  
 Address 528 Kansas City St. Suite 4 Fax (605) 348-0545  
 City, State, Zip Rapid City, SD 57701

**PROJECT PLANNER - AGENT**

Name Dream Design International, Inc. Phone (605) 348-0538  
 Address 528 Kansas City St. Suite 4 Fax (605) 348-0545  
 City, State, Zip Rapid City, SD 57701

**RECEIVED**

Property Owner Signature		Date	Property Owner Signature		Date
		1-10-2012			JAN 10 2012
Applicant Signature <i>(if difference from Property Owner)</i>		Date	Applicant Signature <i>(if difference from Property Owner)</i>		Date
Print Name: <u>Han Shafiq</u>			Print Name: _____		
Title* <u>president</u>			Title* _____		
*required for Corporations, Partnerships, Etc.			*required for Corporations, Partnerships, Etc.		

**RAPID CITY COMMUNITY PLANNING & DEVELOPMENT SERVICES**

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

APPLICATION INFORMATION <i>(attach additional sheets as necessary)</i>	Submitted
1. A detailed project description.	<input checked="" type="checkbox"/>
2. Purpose of the Tax Increment Financing.	<input checked="" type="checkbox"/>
3. List of project costs to be funded by the Tax Increment Financing including identification of typical developer costs, exceptional costs and oversizing costs. The applicant shall provide written justification when the sum of the Necessary and Convenient Costs and Contingency Cost line items exceed 10% of the total Project Costs. The proposed project costs shall include an itemized list of all Estimated Costs, including the Professional Fees.	<input checked="" type="checkbox"/>
4. A preliminary development financing plan, including sources of funds, identification of lender, interest rates, financing costs and loan terms.	<input checked="" type="checkbox"/>
5. The applicant shall identify all persons and entities that have an interest in the project and/or in the entity applying for the tax increment financing district. The disclosures shall require identification of all members of an LLC or LLP, other partners, investors, shareholders and directors of a corporation or any other person who has a financial interest in the project or in the entity applying for the tax increment financing. This provision requires identification of all persons who have an interest in the project, including those whose interest exists through, an LLC, LLP, corporation (whether as a director or shareholder) or other legal entity. The applicant shall be under a continuing obligation to update this disclosure within thirty (30) days of any changes throughout the application process and throughout the	<input checked="" type="checkbox"/>

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life of the developer's agreement. If the applicant is a publicly traded company, the applicant shall be deemed to have complied with this provision if it has provided the City a copy of its most recent annual report with the application.	
6. A pro forma indicating projected costs and revenues.	<input checked="" type="checkbox"/>
7. A statement and demonstration that the project would not proceed without the use of Tax Increment Financing.	<input checked="" type="checkbox"/>
8. A statement identifying the specific Statutory, Other Local and Discretionary evaluation criteria that the applicant believes the request meets. <i>(Please refer to the Tax Increment Financing Guide for specific evaluation criteria).</i>	<input checked="" type="checkbox"/>
9. Conceptual plans, sketches, maps or site plans for the project.	<input checked="" type="checkbox"/>
10. A development time schedule including specific phasing of improvements and project costs.	<input checked="" type="checkbox"/>
11. A list of the specific public improvements and a list of the specific private improvements proposed to be constructed along with the project.	<input checked="" type="checkbox"/>
12. Corporation, LLC, partnership papers or other business documents identifying the parties with ownership interest in the corporation and property involved in the project, including land ownership, contract for deed or other contractual information relating to control of the property and the applicant's ability to complete the project.	<input checked="" type="checkbox"/>
13. A financial statement of the corporation, partnership, or individual for the most recent five years or life of the company.	<input checked="" type="checkbox"/>
14. A copy of the proposed wage scale, employee benefits package, and full and part time employment levels or, in the case of an affordable housing project, a copy of the applicable federal housing grant program.	<input checked="" type="checkbox"/>
15. The applicant shall notify by certified, return receipt mail every owner of property contained within the proposed boundaries of a tax increment district and shall notify by first class mail every owner of property that is adjacent to the proposed boundaries of the tax increment district. The notification shall contain the proposed boundaries as well as a description of the proposed improvements. The Growth Management Department shall provide the applicant with a list of property owners to be notified. The return receipts shall be directed to the Growth Management Department. The applicant shall pay a fee of \$20.00 per list for the cost of compiling the two property owners lists.	<input checked="" type="checkbox"/>
16. A \$1,000 non-refundable application fee.	<input checked="" type="checkbox"/>
17. Other information that may be required by the Tax Increment Finance Project Review Committee.	<input checked="" type="checkbox"/>

**EXHIBIT 2**  
**EAST ST. JOSEPH STUDENT HOUSING TIF BOUNDARY**  
**PROPERTY OWNERS LIST**

Property ID #	Property Address	Owner	Owner's Address	Legal Description	Acres
3806156001	301 E. Saint Joseph St.	LBJ Properties, LLC	5266 Pinedale Heights Dr.	N80' of Lot 15-16 of blk3, Denman's Sub, Section 6, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota	0.09
3806156002	305 E. Saint Joseph St.	Linda Grosshans/ Grosshans & Brian	5266 Pinedale Heights Dr.	Lot 13-14 of blk3, Denman's Sub, Section 6, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota	0.16
3806156003	311 E. Saint Joseph St.	Quasney Brothers Rentals	PO Box 5506	Lot 11-12 of blk3, Denman's Sub, Section 6, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota	0.16
3806156004	325 E. Saint Joseph St.	Barbara J Baysinger	7577 Crossbill Cir	Lot 6-10 of blk3, Denman's Sub, Section 6, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota	0.4
3806156005	327 E. Saint Joseph St.	Barbara J Baysinger	325 E. Saint Joseph St.	W15' of Lot 4 & All of Lot 5 of blk3, Denman's Sub, Section 6, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota	0.13
3806156006	329 E. Saint Joseph St.	Pandora Holdings, LLC	329 E. Saint Joseph St.	W1/2 of Lot 2; All of Lot 3 & E10' of Lot 4 of blk3, Denman's Sub, Section 6, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota	0.15
3806156007	331 E. Saint Joseph St.	Michael E. Powell & Roxene	6444 Sun Ridge Rd	Lot 1 & E1/2 of Lot 2 of blk3, Denman's Sub, Section 6, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota	0.12
3806156008	606 Elm Ave.	LBJ Properties, LLC	5266 Pinedale Heights Dr.	S60' of Lot 15-16 of blk3, Denman's Sub, Section 6, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota	0.07
	Alley			South of Lot 1-16 of blk3, Denman's Sub, Section 6, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota	0.22
<b>Total Area (Acres) =</b>					<b>1.5</b>

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JAN 10 2012

**RAPID CITY COMMUNITY PLANNING  
& DEVELOPMENT SERVICES**

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EXHIBIT 1 – ESTIMATED PROBABLE TIF COST

EXHIBIT 2 – PROPERTY OWNERS LIST

EXHIBIT 3 – PROJECT PRO FORMA OPERATIONAL CASH FLOW

EXHIBIT 4 – ESTIMATED PROBABLE COSTS

EXHIBIT 5 – ESTIMATED PROJECTED CASH FLOW FOR TID

APPENDIX

- BUSINESS ENTITY..... 4 PAGES
- EAST ST. JOSEPH STUDENT HOUSING TIF BOUNDARY
- EAST ST. JOSEPH STUDENT HOUSING BUILDING ELEVATION
- EAST ST. JOSEPH STUDENT HOUSING PRELIMINARY SITE PLAN

# **ST. JOSEPH STUDENT HOUSING TIF**

## **1. PROJECT DESCRIPTION:**

The South Dakota School of Mines and Technology was founded in 1885. The South Dakota School of Mines and Technology has a proud heritage of excellence in preparing graduates to serve as leaders in engineering and science. Its award-winning faculty, staff, and students over the past 126 years have been collaborating to solve issues of critical importance to South Dakota, the nation, and the world.

The university has been an important part of the social and economic fiber of Rapid City, the Black Hills, the State of South Dakota, and several regional states. The school's mission will continue to carry the legacy it built over the past 126 years. This will require some redevelopment of the area around the university to meet the current and future needs of the school, including:

- 1 - Provide the needed housing required for graduate and undergraduate students,
- 2 - Redevelop areas of substandard housing around the university to provide for a better education atmosphere,
- 3 - Clean up some of the social issues relating to the nonstudent population around the school to provide for a safer and more suitable environment,
- 4 - Provide for more sustainable facilities to accommodate future expansion of the university, and
- 5 - Supply the tools for more interaction between the university student body and the rest of the community.

The South Dakota School of Mines and Technology has seen increases in its student body to meet the demands for the engineering industry. This trend will continue due to the great reputation developed by the school as a leader in the engineering industry. The school needs additional housing to meet the growth and to continue the legacy of educating the leaders of tomorrow.

To achieve the goals for the neighborhood clean-up, and to provide the housing needs, the university has solicited the private sector to help with these tasks in a time of limited funding sources. The purchase of the problem block next to the university requires a high per square foot cost to reflect the value of the existing, mostly sub-structures, that currently occupy the property. The property will be redeveloped into new facilities that will generate a huge increase in real estate taxes. The project will include the redevelopment of lots 1 through 15 of Block 3 of Denman's Subdivision located south of East St. Joseph Street between Birch Avenue and Elm Avenue. The project will provide the needed housing units for the South Dakota School of Mines and Technology. This redevelopment will not happen without the use of a tax increment district financing.

## **2. PURPOSE OF THE TAX INCREMENT DISTRICT FINANCING:**

- 1 - Redevelopment of deteriorating blighted real property in Rapid City into student housing.
- 2 - Stimulate economic development in the community through the expansion of the South Dakota School of Mines and Technology. This growth will promote long-term economic vitality of the community.

- 3 - The TIF will assist in the redevelopment of an area that has substandard housing that has a high price tag. Such high priced property has forced the property to remain under-developed. The redevelopment of this property will, in the long term, provide a significant source for additional tax revenues.
- 4 - The removal of the existing substandard structures on the property, and the redevelopment of the property into student housing, will provide safe and affordable housing to students within walking distance of the classrooms.
- 5 - The TIF will facilitate the reconstruction of a public alley which will provide better maintenance and will complete some of the public infrastructure in the community.

### **3. PROJECT COSTS:**

The project will include the redevelopment of lots 1 through 15 of Block 3 of Denman's Subdivision located south of East St. Joseph Street between Birch Avenue and Elm Avenue.

This includes:

- 1 - Purchase of the property, estimated costs of \$1,350,000;
- 2 - Demolish existing substandard structures \$150,000;
- 3 - Improve the alley located south of the property \$150,000;
- 4 - Construct 168 student housing bedrooms as Phase I \$7,000,000;
- 5 - Construct 168 student housing bedrooms as Phase II \$6,000,000; and
- 6 - The total costs anticipated for the project are \$14,650,000.

It is anticipated that the TIF funding tool will be utilized for \$1,650,000 of the project costs to cover the extreme land costs, demolition and public alley reconstruction. Please see "EXHIBIT 1"

### **4. PRELIMINARY DEVELOPMENT FINANCING PLAN:**

The developer will fund the TIF component of the project through a loan at Great Western Bank. The terms of the loans have not been finalized. It is anticipated that the interest rate over the life of the TIF will be near 7.5%. It is anticipated that the interest rate will not exceed 9% during the life of the TIF. Developer will provide the terms for financing prior to the City Council approval of the TIF plan.

### **5. LIST OF ENTITIES INVOLVED:**

The project will be developed by a local development company by the name Technology Housing, LLC. The members of this company are Pat Hall and Hani Shafai who own equal shares in the development company. They have executed agreements to purchase all properties within the TIF. "EXHIBIT 2" is a list of all current property owners of record for the properties.

### **6. PROJECT FINANCIAL FEASIBILITY (PRO FORMA):**

The housing project will not be financially feasible without a tax increment financing assistance. Please see the attached "EXHIBIT 3"

### **7. PROJECT FEASIBILITY:**

The project will not be feasible without the TIF financing.

## **8. STATUTORY CRITERIA:**

The project meets the requirements for SDCL 11-9-8 as listed below:

- 1 - The proposed project is located in a district area that has more than 25%, by area, of the real property within its boundary that is blighted;
- 2 - The improvements of the area will significantly enhance all the real property in the district.

This project is proposed in an area conducive to disease or crime and is defined as blight and meets the requirements for SDCL 11-9-9 as listed below:

- 1 - Dilapidation, age, or obsolescence;
- 2 - The existence of conditions which endanger life or property by fire and other structural causes;
- 3 - The area is conducive to ill health, juvenile delinquency, and crime which are detrimental to the public health, safety, morals, and welfare.

The substandard area on which the project will be developed has driven away prospective students due to the unsanitary housing that currently exists in the area. The high income from the existing substandard housing created an inflated value for the property. Such value prevented the development in the area and contributed to the continuation of the social and safety problems on the property. The property impaired the growth and meets the blight requirements for SDCL 11-9-10 as listed below:

- 1 - The presence of a substantial number of substandard, slum, deteriorate or deteriorating structures;
- 2 - Deterioration of the site and other improvements;
- 3 - The existence of conditions which endanger life or property by fire and other structural causes;
- 4 - The area impairs the sound growth of the community, retards the provision of housing accommodations and constitutes an economic and social liability to the community.

The site meets the requirements for blight as defined by SDCL 11-9-11 because the site has severe deterioration of structures and site improvements. The location of such deficient facilities impairs the growth of the South Dakota School of Mines and Technology and therefore the growth of the municipality.

In addition, the project meets the following criteria:

- 1 - This project will not occur without the use of Tax Increment Financing. Please refer to the PRO FORMA shown in "EXIHIBIT 2"
- 2 - The project will eliminate potential hazard to the public due to unsafe buildings and due to site social liabilities and delinquencies.
- 3 - The project will not provide assistance to retail or service business competing with existing businesses in Rapid City.

### **ADDITIONAL CRITERIA:**

- 1 - The project complies with the adopted Comprehensive Plan for the City and is consistent with the prepared master plans for the South Dakota School of Mines and Technology.
- 2 - The project will remain privately held and stay on the tax roll. The project will not result in the net loss of pre-existing tax revenues to the City.

- 3 - The developer has obtained a prior City Council approval to include the purchase of the property in the TIF due to the high land costs to clean up the area.

**DISCRETIONARY CRITERIA:**

- 1 - The TIF is being utilized to redevelop an area that has created a social and economic liability to the community.
- 2 - The project will clean up an area around the South Dakota School of Mines and Technology to help economic development through:
  - a- Attracting more students and research funds to the university,
  - b- Provide for a safer education environment that will require less law enforcement costs,
  - c- Provide safe, suitable student housing within walking distance to the classrooms to allow for university sustainable growth.
- 3 - Create a better and more enjoyable atmosphere to the student and have better community retention of the professional engineers graduating from the university.

**9. CONCEPTUAL PLANS:**

Please see attached site plan and building elevations.

**10. DEVELOPMENT TIME SCHEDULE:**

The university is in need of housing for the fall of 2012. It is the intent of the development group to provide the housing no later than August 15, 2012. The TIF should be paid off in approximately 17 years, please see "EXHIBIT 5".

**11. LIST OF PUBLIC AND PRIVATE IMPROVEMENTS:**

- 1 - Purchase of the property, estimated costs of \$1,350,000;
- 2 - Demolish existing substandard structures \$150,000;
- 3 - Improve the alley located south of the property \$150,000;
- 4 - Construct 168 student housing bedrooms as Phase I \$7,000,000; and
- 5 - Construct 168 student housing bedrooms as Phase II \$6,000,000.

The total costs anticipated for the project are \$14,650,000. Please see attached cost breakdown "EXHIBIT 4"

**12. LLC ARTICLES OF CORPORATION:**

See attached.

**13. FINANCIAL INFORMATION:**

Technology Housing, LLC is a new limited liability corporation and has no financial information at this time.

**14. WAGE SCALE:**

The project will employ near 4 staff members at an average wage exceeding minimum wage.