



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

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MEMORANDUM

TO: Mayor and City Council

FROM: Joel P. Landeen, City Attorney

DATE: 10-26-12

RE: Proposed Trade of Wally Byam Site with Hani Shafai

Hani Shafai has proposed to trade land adjacent to Rapid City Regional Airport that he currently owns with the City owned Wally Byam site. In addition to the main portion of the site which is currently unplatted, the site includes a platted Lot 1 and the Lytle Life Estate. I have attached a map which shows the properties included in the proposed deal. A life estate is an interest in land which vests ownership in a specific person, or persons, for the duration of their lives. Upon the expiration of the life estate, the City will have complete ownership of the land which constitutes the life estate. Lot 1 was platted out of the unplatted portion of the site several years ago. This lot was platted so that it could be sold to a bank which owned an adjacent lot on which they were planning on building a bank branch. The bank needed to acquire Lot 1 in order to have sufficient land on which to build. The bank's plans have changed and they will no longer be building a branch at this location and will not be acquiring Lot 1.

The proposal would be to exchange the entire Wally Byam site, including Lot 1 and the Lytle life estate for approximately 136 acres of land immediately adjacent to the airport. The entire Wally Byam site constitutes approximately 164 acres. A map showing the land Mr. Shafai proposes to trade has also been attached to this memo. Mr. Shafai has provided the City with an appraisal for a portion of the property included in the proposed trade. The appraisal estimates the per acre value of the land at \$8,734.18. Mr. Shafai proposes that the total value of the City property be divided by the per acre value of his property and that he provide that many acres of his land to the City for an even trade. The City recently had Ken Simpson update his original appraisal and the total appraised value of the site, including the life estate, is \$1,245,000. Since the balance of this land is currently listed with Ken Kirkeby, a commission will also need to be paid. The listing contract currently sets the commission at 6%. Mr. Shafai has agreed to actually

pay the commission so that the City will not need to find a funding source if the City agrees to reduce the value of the land we are transferring by the amount of the commission. Based on the appraised values of the properties involved and taking into consideration the estimated commission, the proposal looks as follows:

Wally Byam Site:

Life Estate:	\$	305,481.00
Balance of the Site:	\$	939,519.00
Total Value of the Land in the Proposed Swap:	\$	1,245,000.00
Real Estate Commission of 6% (Not Including Life Estate)	\$	56,371.14
TOTAL TRADE VALUE:	\$	1,188,628.86

Shafai Airport Property:

Value per Acre:	\$	8,734.18
Number of Acres to be Traded to City:		136.09 acres

If the Council is interested in proceeding with this proposal, staff would ask that you direct us to negotiate with Mr. Shafai on the specific terms and bring an agreement forward for Council approval at a future meeting.