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PREPARED FOR:

Ms. Shannon Clark

**The Evangelical Lutheran Good
Samaritan Society**

4800 West 57th Street

Sioux Falls, South Dakota 57108

Project Number D1364PSMB

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An Apartment Analysis

in the City of

Rapid City, South Dakota

(Rapid City Good

Samaritan Housing)

Danter Company, LLC ❖ 2760 Airport Drive, Suite 135 ❖ Columbus, OH 43219

Phone (614) 221-9096 ❖ Fax (614) 221-4271 ❖ <http://www.danter.com>

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I. INTRODUCTION

A. OBJECTIVES

This study analyzes the feasibility of developing an apartment complex in Rapid City, South Dakota using the low-income housing Tax Credit program. After fully discussing the scope and area of survey with Ms. Shannon Clark of The Evangelical Lutheran Good Samaritan Society, the Danter Company, LLC undertook the analysis.

B. METHODOLOGY

The methodology we use in our studies is centered on three analytical techniques: the Effective Market Area (EMA)SM principle, a 100% data base, and the application of data generated from supplemental proprietary research.

The Effective Market Area (EMA) Principle—The EMA principle is a concept developed by the Danter Company, LLC to delineate the support that can be expected for a proposed development. An EMA is the smallest specific geographic area that will generate the most support for that development. This methodology has significant advantages in that it considers existing natural and manmade boundaries and socioeconomic conditions.

Survey Data Base—Our surveys employ a 100% data base. In the course of a study, our field analysts survey not only the developments within a given range of price, amenities, or facilities, but all conventional developments within the EMA.

Proprietary Research—In addition to site-specific analyses, Danter Company, LLC conducts a number of ongoing studies, the results of which are used as support data for our conclusions. Danter Company, LLC maintains a 100% data base of more than 1,500 communities, with each development cross-analyzed by rents, unit and project amenities, occupancy levels, rate of absorption, and rent/value relationships.

SM Service mark of Danter Company, LLC

C. DATA ANALYSIS

This study represents a compilation of data gathered from various sources, including the properties surveyed, local records, and interviews with local officials, real estate professionals, and major employers, as well as secondary demographic material. Although we judge these sources to be reliable, it is impossible to authenticate all data. The analyst does not guarantee the data and assumes no liability for any errors in fact, analysis, or judgment.

The secondary data used in this study are the most recent available at the time of the report preparation.

In Section VII—Field Survey, we have attempted to survey 100% of all units. Since this is not always possible, we have also compared the number of units surveyed with the number of multifamily housing starts to establish acceptable levels of representation. All developments included in the study are personally inspected by a field analyst directly employed by the Danter Company, LLC.

The objective of this report is to gather, analyze, and present as many market components as reasonably possible within the time constraints agreed upon. The conclusions contained in this report are based on the best judgments of the analysts; we make no guarantees or assurances that the projections or conclusions will be realized as stated. It is our function to provide our best effort in data aggregation, and to express opinions based on our evaluation.

D. USES AND APPLICATIONS

Although this report represents the best available attempt to identify the current market status and future market trends, note that most markets are continually affected by demographic, economic, and developmental changes. Further, this analysis has been conducted with respect to a particular client's development objectives, and consequently has been developed to determine the current market's ability to support those particular objectives. For these reasons, the conclusions and recommendations in this study are applicable only to the proposed site identified herein, and only for the potential uses for that site as described to us by our client. Use of the conclusions and recommendations in this study by any other party or for any other purpose compromises our analysis and is strictly prohibited, unless otherwise specified in writing by the Danter Company, LLC.

II. SCOPE OF SURVEY

A complete analysis of a rental market for a low-income housing Tax Credit project requires the following considerations: a field survey of conventional apartments; an analysis of area housing; telephone survey data; an analysis of the area economy; a demographic analysis; and recommendations for development.

Field Survey—Our survey of conventional apartments includes a cross-analysis of vacancies by rents, a survey of unit and project amenities, and a rent/value analysis.

Area Housing Analysis—We have conducted an analysis of housing demand that includes a study of support by both growth and internal mobility. Further, we have analyzed existing housing using the most recent census material.

Economic Analysis—Major employers, utilities, banks, savings and loans, and media that serve the area are listed in the study. The information gathered has been used to create a Community Services map showing school, shopping, and employment areas in relation to the proposed site.

Demographic Analysis—The study includes an analysis of social and demographic characteristics of the area, and a description of the area economy that includes income and employment trends.

III. EXECUTIVE SUMMARY

This study evaluates the market potential of the 50-unit Rapid City Good Samaritan Housing low-income housing Tax Credit project for elderly tenants age 62 or older in Rapid City, South Dakota.

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

The proposed 50-unit Tax Credit project (restricted to elderly tenants age 62 +) will include 40 one-bedroom and 10 two-bedroom garden units within a three-story elevator equipped building. The rents at the project will be based on 30%, 40%, 50%, and 60% of the area median household income. The developer plans to offer 2 (4.0%) of the proposed units to households with incomes up to 30% of the area median household income, 4 (8.0%) units to households with incomes at or below 40% of the area median household income, 15 (30.0%) units to households with income at or below 50% of the area median household income, and 29 (58.0%) units to households with incomes at or below 60% of the area median household income.

The Rapid City Good Samaritan project will also include services tailored towards elderly residents including safety and crime prevention, social and recreational activities, educational activities, information and referral services, transportation, health services, and one daily meal service (extra cost). The project will also include free wireless Internet service and each resident will also receive a Lifeline personal emergency response system.

The proposed Rapid City Good Samaritan Housing is anticipated to be completed and open by May 1, 2015.

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.

Based on these factors, it is our opinion that a market exists for the 50-unit 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 project is proposed as follows:

**RAPID CITY GOOD SAMARITAN HOUSING
MINNESOTA STREET
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	NET
ONE-BEDROOM/ 1 BATH GARDEN	30%	2	600	\$343	\$343	\$0	\$343	\$268
	40%	3		\$458	\$457	\$0	\$457	\$382
	50%	12		\$571	\$571	\$0	\$571	\$496
	60%	23		\$686	\$670	\$0	\$670	\$595
TWO-BEDROOM/ 1 & 2 BATH GARDEN	40%	1	820	\$549	\$549	\$0	\$549	\$456
	50%	3		\$686	\$686	\$0	\$686	\$593
	60%	6		\$823	\$805	\$0	\$805	\$712
TOTAL		50						

*March 2015

- Rents will include electric heat, gas hot water, electricity, water, sewer, and trash collection. Tenants will be responsible for phone and cable. Because the monthly rent at the subject site will include electric heat, hot water, and electricity, the collected rents at the proposed Rapid City Good Samaritan project have been adjusted (to net rents) \$75 for every one-bedroom unit and \$93 for every two-bedroom unit to reflect the value of landlord paid electric heat, hot water, and electricity. Additionally, all rents within the Rapid City EMA have been adjusted to net rent for comparison purposes.
- 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 MSA, recent median income (as established by HUD) has increased at an annual average of 3.2% compared with the Site EMA's established rent increase of 2.3% between March 2011 and January 2013.



- Each unit in the proposed development will include the following amenities:
 - Range
 - Frost-free refrigerator
 - Microwave
 - Central air conditioning
 - Lifeline emergency response system
 - Dishwasher
 - Intercom entry system
 - Window blinds
 - Carpeting

- Project amenities will include the following:
 - Community room
 - Kitchenette
 - On-site management
 - Supportive services
 - Transportation
 - Gathering room
 - Elevator
 - Community patio
 - Wireless Internet
 - Laundry facility on each floor

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

Supportive services at the project will include the following:

- Resident's council and safety/crime prevention, social and recreational activities, educational activities, information and referral, transportation, health services, and a daily meal service.

- Based on our site inspection, the site is appropriate for the proposed development. A detailed site description and evaluation is on the proceeding pages.

ABSORPTION

When responding to only age and income-qualified tenants, absorption for the 6 Tax Credit units at the 30% and 40% will be complete within 1 month after opening.

Absorption for the 44 Tax Credit units at the 50% and 60% income levels is expected to average 5.0 to 6.0 units per month, resulting in a 7.0 to 8.4-month absorption period to achieve a 95% occupancy level.

HOUSEHOLD AND POPULATION GROWTH

POPULATION AND HOUSEHOLDS RAPID CITY, SOUTH DAKOTA SITE EFFECTIVE MARKET AREA

YEAR	POPULATION	HOUSEHOLDS	POPULATION PER HOUSEHOLD
1990	49,469	19,447	2.54
2000	53,474	21,699	2.46
CHANGE 1990-2000	8.1%	11.6%	-
2010 CENSUS	55,686	23,747	2.34
CHANGE 2000-2010	4.1%	9.4%	-
2012 (ESTIMATED)	56,938	24,190	2.35
2017 (PROJECTED)	60,619	26,000	2.33
CHANGE 2012-2017	6.5%	7.5%	-

Sources: The Danter Company, Incorporated
2000 Census
ESRI, Incorporated

- As the 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 grew 8.1% from 49,469 in 1990 to 53,474 in 2000. During this same time period, households grew 11.6% from 19,447 in 1990 to 21,699 in 2000. Both the total population and households are expected to continue to grow; however, at a slower pace through 2017. The population is expected to grow by 3,681 (6.5%) between 2012 and 2017 while households are expected to grow by 1,810 (7.5%) from 24,190 in 2012 to 26,000 in 2017.

FIELD SURVEY OF CONVENTIONAL APARTMENTS

- A total of 4,395 conventional apartment units in 55 projects were surveyed in the Rapid City, South Dakota Site EMA. A total of 3,246 of these units are in 35 market-rate and Tax Credit developments. The remaining 1,149 units are in 20 subsidized developments. There are no vacancies among the subsidized units. (Government subsidized units have not been included in the following analysis.)

- Following is a distribution of market-rate, Tax Credit, and government subsidized units surveyed by unit type and vacancy rate:

SUMMARY OF CONVENTIONAL MARKET-RATE, TAX CREDIT, AND
GOVERNMENT SUBSIDIZED APARTMENTS
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
JANUARY 2013

MARKET-RATE UNITS

UNIT TYPE	MARKET-RATE UNITS		VACANCY RATE	MEDIAN RENT
	NUMBER	PERCENT		
STUDIO	102	3.7%	0.0%	\$363
ONE-BEDROOM	753	27.0%	0.9%	\$627
TWO-BEDROOM	1,623	58.1%	2.3%	\$705
THREE-BEDROOM	315	11.3%	2.2%	\$840
TOTAL	2,793	100.0%	1.8%	

TAX CREDIT UNITS

UNIT TYPE	TAX CREDIT UNITS		VACANCY RATE	MEDIAN RENT
	NUMBER	PERCENT		
ONE-BEDROOM	106	23.4%	1.9%	\$482
TWO-BEDROOM	168	37.1%	1.2%	\$605
THREE-BEDROOM	171	37.7%	1.8%	\$692
FOUR-BEDROOM +	8	1.8%	0.0%	\$661
TOTAL	453	100.0%	1.5%	

GOVERNMENT SUBSIDIZED UNITS

UNIT TYPE	GOVERNMENT SUBSIDIZED UNITS		VACANCY RATE
	NUMBER	PERCENT	
STUDIO	65	5.7%	0.0%
ONE-BEDROOM	590	51.3%	0.0%
TWO-BEDROOM	354	30.8%	0.0%
THREE-BEDROOM	127	11.1%	0.0%
FOUR-BEDROOM	13	1.1%	0.0%
TOTAL	1,149	100.0%	0.0%

- The overall vacancy rate within the market is 1.8%. The market-rate units have an overall vacancy rate of 1.8% and the Tax Credit units in the market have an overall vacancy rate of 1.5%. Overall, vacancies are very low in the market area.
- There are no vacancies among the 1,149 subsidized units in the market.
- The above distribution of units by bedroom size indicates that the market is in good balance by unit type.
- Rents in the EMA increased at an established average of 2.3% per year between March 2011 and January 2013.

INCOME-APPROPRIATE HOUSEHOLDS

- In 2015, there will be an estimated 2,037 total households age 62 or older within the Site EMA with incomes between \$8,230 and \$29,280.
- The 50 Tax Credit units being proposed at the subject development will represent a rental housing alternative for 2.5% to 2.7% of all age and income-appropriate households, depending on management's criteria for qualifying potential renters.
- These are excellent ratios and indicate a good supply of potential household (age 62 or older) support. These ratios have been considered in establishing the anticipated absorption rates at the site.
- There are 7 Tax Credit properties in the site EMA with a total of 453 Tax credit units.
- Proposed and existing Tax Credit units will represent a rental housing alternative for 7.5% to 8.0% of all income-appropriate 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.
- Proposed and existing Tax Credit units restricted to those age 62 or older will represent a rental housing alternative for 7.9% to 8.6% of all age and income-appropriate 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.

- The 2010 Census indicated that 44.9% of the area households were rentals. Of the estimated 10,669 renter households in 2010, an estimated 20.3% are age 62 or older. 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.
- Considering the renter to total households' ratio established for households with lower incomes, the estimated number of renter households within the Site EMA that are age 62 or older and income-qualified for the proposed Rapid City Good Samaritan (\$8,230 to \$29,280) is estimated at 1,004. The 50 Tax Credit units proposed for Rapid City Good Samaritan represent 5.0% of their potential age and income-qualified renter base. This is an excellent ratio of proposed units to potential income-qualified renter households.
- As noted earlier, there are 110 existing Tax Credit units within the Site EMA that are restricted to tenants age 62 or older. Combined with the 50 proposed units, these properties total 160 Tax Credit units. When the existing Tax Credit units in the Site EMA that are restricted to those 62 or older are also considered, the appropriate household income range remains \$8,230 to \$29,280. The number of renter households age 62 or older and income qualified is estimated to be 1,004. The 160 proposed, existing, and under construction Tax Credit units in the market that are restricted to households age 62 or older represents 15.9% of the age and income-qualified renter base. This ratio is considered good.

COMPARABLE MARKET RENT ANALYSIS

- 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 net, including only water/sewer and trash removal.

UNIT TYPE	PERCENT OF MEDIAN HOUSEHOLD INCOME	MARKET RENT AT OPENING AT 24.0 COMPARABILITY RATING	PROPOSED TAX CREDIT OPENING RENT	TAX CREDIT RENT AS A PERCENT OF MARKET RENT
ONE-BEDROOM	30%	\$755	\$268	35.5%
	40%		\$382	50.6%
	50%		\$496	65.7%
	60%		\$595	78.8%
TWO-BEDROOM	40%	\$850	\$456	53.6%
	50%		\$593	69.8%
	60%		\$712	83.8%

- With the proposed rents at the 30%, 40%, 50%, and 60% income levels ranging from 35.5% to 83.8% of market-driven rents, the proposed units will be perceived as an excellent value within the market.

IV. CONCLUSIONS

A. INTRODUCTION

This study evaluates the market potential of the 50-unit Rapid City Good Samaritan Housing low-income housing Tax Credit project for elderly tenants age 62 or older in Rapid City, South Dakota.

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

The proposed 50-unit Tax Credit project (restricted to elderly tenants age 62 +) will include 40 one-bedroom and 10 two-bedroom garden units within a three-story elevator equipped building. The rents at the project will be based on 30%, 40%, 50%, and 60% of the area median household income. The developer plans to offer 2 (4.0%) of the proposed units to households with incomes up to 30% of the area median household income, 4 (8.0%) units to households with incomes at or below 40% of the area median household income, 15 (30.0%) units to households with income at or below 50% of the area median household income, and 29 (58.0%) units to households with incomes at or below 60% of the area median household income.

The Rapid City Good Samaritan project will also include services tailored towards elderly residents including safety and crime prevention, social and recreational activities, educational activities, information and referral services, transportation, health services, and one daily meal service (extra cost). The project will also include free wireless Internet service and each resident will also receive a Lifeline personal emergency response system.

The proposed Rapid City Good Samaritan Housing is anticipated to be completed and open by May 1, 2015.

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, school district officials, and area developers
- A demographic analysis
- An analysis of mobility patterns
- Personal observations of the field analyst

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 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-appropriate households based on program guidelines
 - Current and expected economic and household growth conditions
 - Comparable market rent for the proposed property as determined through regression analysis
- Appropriateness of the subject property for participation in the area Housing Choice Voucher program
- Appropriateness of the site for the subject development

A regression 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 Rapid City Good Samaritan Tax Credit development.

C. PROJECT CONCEPT

This study evaluates the market potential of the 50-unit Rapid City Good Samaritan Housing low-income housing Tax Credit project for elderly tenants age 62 or older in Rapid City, South Dakota.

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The proposed Rapid City Good Samaritan Housing is anticipated to be completed and open by May 1, 2015.

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 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 project is proposed as follows:

**RAPID CITY GOOD SAMARITAN HOUSING
MINNESOTA STREET
RAPID CITY, SOUTH DAKOTA**

UNIT TYPE	PERCENT OF MEDIAN HOUSEHOLD INCOME	NUMBER	SQUARE FEET	MAXIMUM ALLOWABLE GROSS RENT	RENTS AT OPENING*			
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	50%	12		\$571	\$571	\$0	\$571	\$496
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TWO-BEDROOM/ 1 & 2 BATH GARDEN	40%	1	820	\$549	\$549	\$0	\$549	\$456
	50%	3		\$686	\$686	\$0	\$686	\$593
	60%	6		\$823	\$805	\$0	\$805	\$712
TOTAL		50						

*May 1, 2015

The developer plans to offer 2 (4.0%) of the proposed units to households with incomes up to 30% of the area median household income, 4 (8.0%) units to households with incomes at or below 40% of the area median household income, 15 (30.0%) units to households with income at or below 50% of the area median household income, and 29 (58.0%) units to 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 collection. Tenants will be responsible for phone and cable. Because the monthly rent at the subject site will include electric heat, hot water, and electricity, the collected rents at the proposed Rapid City Good Samaritan project have been adjusted (to net rents) \$75 for every one-bedroom unit and \$93 for every two-bedroom unit to reflect the value of landlord paid electric heat, hot water, and electricity. Additionally, all rents within the Rapid City EMA have been adjusted to net rent for comparison purposes.

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 MSA, recent median income (as established by HUD) has increased at an annual average of 3.2% compared with



the Site EMA's established rent increase of 2.3% between March 2011 and January 2013.

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

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

Project amenities will include the following:

- Community room
- Kitchenette
- On-site management
- Supportive services
- Transportation
- Gathering room
- Elevator
- Community patio
- Wireless Internet
- Laundry facility on each floor

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

Supportive services at the project will include the following:

- Residents Council and Safety/Crime Prevention: Management will encourage residents to organize and participate in a self-administered resident council with its own by-laws, officers, agenda, and routine meeting times. While the resident council does not have any management responsibility or decision making authority, it will be used to make suggestions and provide input to management regarding the overall operations and environment of the community.
- Social and Recreational Activities: The residents' council, with the assistance of the management staff, will organize and run social and recreational activities which may include potluck suppers, birthday parties, dances, card games, exercise classes, trips to special events and sightseeing tours, etc.

- **Educational Activities:** The residents' council, with the assistance of the management staff, will organize educational activities which may include book clubs, trips to the local library and sessions addressing areas such as legal, financial and health topics, etc.
- **Information and Referral:** The management staff will assist residents in locating resources in the community, such as case management, homemaker services, attendant care, legal services, health screening, financial management, transportation services and volunteer programs.
- **Transportation:** Scheduled transportation services will be provided to residents for grocery shopping, doctor's appointments, and other appointments.
- **Health Services:** Although no on-site health services are proposed, the Society will encourage and make space available for periodic health screening programs available through local community organizations. Residents who would benefit from home health services will be referred to affordable alternatives.
- **Meal Service:** A daily meal program will be available as an optional service for the residents. The meal will be reviewed by a dietitian to ensure it meets high quality, nutritional standards. 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. A detailed site description can be found in Section V of this report.

D. SITE DESCRIPTION/EVALUATION

The proposed site is in the southern portion of Rapid City, South Dakota. Specifically, the site is on the south side of Minnesota Street 0.2 mile east of 5th Street (main north/south thoroughfare). The site is undeveloped gradually rolling land that has a drainage easement along the northwestern side.

NORTH

East Minnesota Street borders the site to the north. East Minnesota is a secondary road with the site area. Primrose Retirement Community and single-family homes are located on the north side of East Minnesota Avenue. Further north, established single-family homes and Grandview Elementary School extend 1.0 mile to Fairmont Boulevard.

Northwest of the site along 5th Street, numerous medical professional buildings extend up to 1.0 mile.

EAST

Centennial Apartments (Map Code 44) and Parkview Recreational Complex border the site to the east and extend 0.2 mile to Parkview Drive. Parkview Recreational Complex includes tennis courts, softball fields, playground equipment, and a swimming pool. Several multifamily properties including Bridgewood Estates (Map Code 5), Prairie Tree (Map Code 2), Carriage Green Estates (Map Code 6), and Southern Cross (Map Code 51), as well as single-family homes extend further east.

SOUTH

Undeveloped land (gradually rolling) and the tennis courts at Parkview Recreational Complex border the site to the south and extend 0.5 mile to 5th Street. Single family homes are southeast of the site (north of 5th Street). Several small retail stores and a Wal-Mart Supercenter extend 0.3 mile further to US Route 16.

WEST

Rushmore Medical Clinic and undeveloped land borders the site to the west and extends 0.1 mile to 5th Street. 5th Street is a major north/south thoroughfare through Rapid City. Several medical buildings including Ray Dental Group, Wright Vision Center, Regional Heat Doctors Clinic, and Dr. Tim Watt are all 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 along the south side of Minnesota Avenue. The immediate site area includes medical offices, single-family homes, several multi-family buildings, and a park. Many community services including medical care, a park, convenience shopping, and a Wal-Mart Super Center with grocery and a pharmacy are easily accessed from the site and are within 1.5 miles.

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 (LINCOLN ROUTE)	BORDERS	NORTH
MAJOR HIGHWAYS	STATE ROUTE 79 US ROUTE 16 INTERSTATE 90	1.1 MILES 1.2 MILES 4.5 MILES	WEST SOUTH NORTHEAST
POLICE	RAPID CITY	2.3 MILES	NORTHWEST
FIRE	RAPID CITY FIRE #4	1.3 MILES	NORTHEAST
SCHOOLS: ELEMENTARY MIDDLE HIGH	RAPID CITY SCHOOL DISTRICT GRANDVIEW SOUTH CENTRAL	0.9 MILE 1.6 MILES 3.7 MILES	NORTHWEST NORTHWEST NORTHWEST
CONVENIENCE STORE	CIRCLE S WAL-MART	0.9 MILE 1.1 MILES	NORTH SOUTH
GROCERY/SUPERMARKET	WAL-MART SAFEWAY	1.1 MILES 1.7 MILES	SOUTH NORTHWEST
SHOPPING MALL/CENTER	RUSHMORE MALL WAL-MART	4.9 MILES 1.1 MILES	NORTHWEST SOUTH
EMPLOYMENT CENTERS/ MAJOR EMPLOYERS	WAL-MART RAPID CITY REGIONAL HOSPITAL	1.1 MILES 1.4 MILES	SOUTH NORTHWEST
RECREATIONAL FACILITIES	PARKVIEW RECREATIONAL COMPLEX LACROIX LINKS GOLF COURSE CENTURY THEATERS BLACK HILLS ROBBINSDALE PARK	BRODERS 0.6 MILE 4.7 MILES 5.0 MILES 1.4 MILES	EAST NORTHEAST NORTHWEST SOUTHWEST NORTHEAST
HOSPITAL/MEDICAL FACILITY	RAPID CITY REGIONAL HOSPITAL	1.4 MILES	NORTHWEST
BANKS	PIONEER BANK & TRUST	1.6 MILES	NORTHWEST
POST OFFICE	U.S. POST OFFICE	2.9 MILES	NORTHWEST
LIBRARY	RAPID CITY	2.6 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 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:

a. 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 subject site is located on the south side of Minnesota Street approximately 0.2 mile east of 5th Street in the southern portion of Rapid City. Minnesota Street is a secondary road within the area and ingress and egress to and from the site from Minnesota Street are not expected to be difficult. The site will also have Access from Wisconsin Avenue, a side street within the area. Ingress and egress to and from the site on Wisconsin Avenue are not expected to be difficult.

The site has good access to area thoroughfares. 5th Street (major north/south thoroughfare) is 0.2 mile west of the site and Campbell Street/State Route 79 is 1.1 miles east of the site. Access to US Route 16 is 1.2 miles south and access to Interstate 90 is 4.5 miles north of the site.

A Rapid Ride (Lincoln Route) bus stop is located along the northern border of the site along Minnesota Street.

Overall, access to the site is considered excellent.

b. 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 site is on the south side of Minnesota Street and will be clearly visible from Minnesota Street. Because the site will consist of a three or four story building, the site will likely be visible from 5th Street (0.2 mile west) and Parkview Drive (0.1 mile east).

Traffic along Minnesota Avenue is light and traffic along Parkview Drive is moderate. Traffic along 5th Street is heavy during peak morning and evening driving times and moderate during other parts of the day.

Overall, visibility of the site is considered good.

c. 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		
EMPLOYMENT CENTER			X	
BANK(S)		X		
PARK(S)				X
SCHOOLS			X	
AREA APPEAL				X
OVERALL			X	

Access to grocery and convenience shopping is considered good. A Wal-Mart Super Center that includes grocery and a pharmacy is located 1.1 miles south of the site. A Safeway grocery store is located 1.7 miles northwest of the site. A Circle S gas station and convenience store is located 0.9 mile north of the site.

Access to retail is considered average. There is scattered small retail located within 2.0 miles of the site along Cambell Street, Omaha Street, and Mt. Rushmore Road and a Wal-Mart Super Center is located 1.1 miles south of the site. However, most major retail in the Rapid City area is 5.0 miles north of the site near the Rushmore Mall.

The closest bank is Pioneer Bank & Trust which is located 1.7 miles northwest. There is a Federal Credit ATM machine located 0.2 mile west at Minnesota Street and 5th Street.



Access to parks is considered excellent. The Parkview Recreation Complex, which includes tennis court, softball fields, a playground and swimming pool border the site to the east. Robbinsdale Park is 1.4 miles northeast of the site. Other recreational opportunities (including a movie theatre, several golf courses, and a bowling alley) are located throughout Rapid City and surrounding area.

All Rapid City School District schools are located within 4.0 miles of the site, bus service is provided to students.

Overall, access to community services is considered good.

d. Summary

Overall, access to the site is considered excellent, and visibility of the site and access to community services are considered good.

SITE DEMAND FACTOR	ASSESSMENT RATING			
	POOR	FAIR/AVERAGE	GOOD	EXCELLENT
ACCESS				X
VISIBILITY			X	
COMMUNITY SERVICES			X	
OVERALL			X	

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 good.

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 Rapid City Good Samaritan Housing 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	49,469	19,447	2.54
2000	53,474	21,699	2.46
CHANGE 1990-2000	8.1%	11.6%	-
2010 CENSUS	55,686	23,747	2.34
CHANGE 2000-2010	4.1%	9.4%	-
2012 (ESTIMATED)	56,938	24,190	2.35
2017 (PROJECTED)	60,619	26,000	2.33
CHANGE 2012-2017	6.5%	7.5%	-

Sources: The Danter Company, Incorporated
2000 Census
ESRI, Incorporated

As the 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 grew 8.1% from 49,469 in 1990 to 53,474 in 2000. During this same time period, households grew 11.6% from 19,447 in 1990 to 21,699 in 2000. Both the total population and households are expected to continue to grow; however, at a slower pace through 2017. The population is expected to grow by 3,681 (6.5%) between 2012 and 2017 while households are expected to grow by 1,810 (7.5%) from 24,190 in 2012 to 26,000 in 2017.

The median population age in the 2010 Census was 35.8 years old, 1.3 years older than reported in the 2000 Census. By 2017, the median population age is expected to be 37.3 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	3,723	7.0%	4,080	7.3%
5 TO 9 YEARS	3,532	6.6%	3,558	6.4%
10 TO 14 YEARS	3,784	7.1%	3,341	6.0%
15 TO 19 YEARS	4,150	7.8%	3,696	6.6%
20 TO 24 YEARS	4,672	8.7%	4,607	8.3%
25 TO 34 YEARS	7,190	13.4%	8,080	14.5%
35 TO 44 YEARS	8,332	15.6%	6,072	10.9%
45 TO 54 YEARS	6,905	12.9%	7,665	13.8%
55 TO 64 YEARS	4,138	7.7%	6,462	11.6%
65 TO 74 YEARS	3,572	6.7%	3,850	6.9%
75 TO 84 YEARS	2,492	4.7%	2,930	5.3%
85 YEARS AND OVER	983	1.8%	1,346	2.4%
TOTAL	53,474	100.0%	55,686	100.0%
MEDIAN AGE	34.5		35.8	

Sources: The Danter Company, Incorporated
2000 Census, 2010 Census
ESRI, Incorporated

DISTRIBUTION OF POPULATION BY AGE
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
2012 (ESTIMATED), AND 2017 (PROJECTED)

TOTAL POPULATION BY AGE	2012 (ESTIMATED)		2017 (PROJECTED)	
	NUMBER	PERCENT	NUMBER	PERCENT
UNDER 5 YEARS	4,124	7.2%	4,333	7.1%
5 TO 9 YEARS	3,589	6.3%	3,758	6.2%
10 TO 14 YEARS	3,339	5.9%	3,553	5.9%
15 TO 19 YEARS	3,597	6.3%	3,634	6.0%
20 TO 24 YEARS	4,771	8.4%	4,662	7.7%
25 TO 34 YEARS	8,321	14.6%	8,809	14.5%
35 TO 44 YEARS	6,007	10.6%	6,209	10.2%
45 TO 54 YEARS	7,612	13.4%	7,501	12.4%
55 TO 64 YEARS	6,915	12.1%	7,717	12.7%
65 TO 74 YEARS	4,217	7.4%	5,435	9.0%
75 TO 84 YEARS	3,002	5.3%	3,381	5.6%
85 YEARS AND OVER	1,446	2.5%	1,628	2.7%
TOTAL	56,938	100.0%	60,619	100.0%
MEDIAN AGE	36.2		37.3	

Sources: The Danter Company, Incorporated
ESRI, Incorporated



The following table illustrates the households by age in the Site EMA in 2000, 2012 (estimated), and 2017 (projected):

**HOUSEHOLDS BY AGE
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
2000 CENSUS, 2012 (ESTIMATED), AND 2017 (PROJECTED)**

HOUSEHOLD AGE	2000		2012 (ESTIMATED)		2017 (PROJECTED)	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
UNDER 25 YEARS	1,888	8.7%	1,909	7.9%	1,854	7.1%
25 TO 34 YEARS	3,645	16.8%	4,405	18.2%	4,652	17.9%
35 TO 44 YEARS	4,665	21.5%	3,350	13.8%	3,446	13.3%
45 TO 54 YEARS	4,296	19.8%	4,495	18.6%	4,411	17.0%
55 TO 64 YEARS	2,452	11.3%	4,226	17.5%	4,692	18.0%
65 TO 74 YEARS	2,495	11.5%	2,714	11.2%	3,475	13.4%
75 AND OLDER	2,278	10.5%	3,091	12.8%	3,470	13.3%
TOTAL	21,699	100.0%	24,190	100.0%	26,000	100.0%

Sources: The Danter Company, Incorporated
2000 Census
ESRI, Incorporated

2. MIGRATION TRENDS

According to county-to-county migration data reported from the 2000 US Census (migration data from the 2010 Census is not available), a total of 19,600 persons moved to Pennington County between 1995 and 2000, while 24,519 persons moved away from Pennington County during the same period. This results in a net loss of 4,919 persons between 1995 and 2000.

3. HOUSEHOLD INCOME

Median income within the Site EMA was estimated at \$39,862 in 2012, which is 13.6% higher than the median income in 2000. By 2017, the median income within the area is projected to increase 24.1% to \$49,451.

The following table illustrates the distribution of income among all households in the Site EMA in 2000, 2012 (estimated), and 2017 (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, 2012 (ESTIMATED), AND 2017 (PROJECTED)

HOUSEHOLD INCOME	2000		2012 (ESTIMATED)		2017 (PROJECTED)	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
LESS THAN \$15,000	3,624	16.7%	4,100	16.9%	4,346	16.7%
\$15,000 TO \$24,999	3,689	17.0%	3,188	13.2%	2,637	10.1%
\$25,000 TO \$34,999	3,428	15.8%	3,211	13.3%	2,462	9.5%
\$35,000 TO \$49,999	4,014	18.5%	3,944	16.3%	3,655	14.1%
\$50,000 TO \$74,999	3,819	17.6%	4,605	19.0%	6,256	24.1%
\$75,000 TO \$99,999	1,606	7.4%	2,241	9.3%	3,079	11.8%
\$100,000 TO \$149,999	911	4.2%	1,883	7.8%	2,358	9.1%
\$150,000 TO \$199,999	260	1.2%	408	1.7%	517	2.0%
\$200,000 OR MORE	347	1.6%	609	2.5%	690	2.7%
TOTAL	21,699	100.0%	24,190	100.0%	26,000	100.0%
MEDIAN INCOME	\$35,094		\$39,862		\$49,451	

Sources: The Danter Company, Incorporated
2000 Census
ESRI, Incorporated

The following tables illustrate the distribution of income by age in 2000, 2012 (estimated), and 2017 (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	328	299	397	271	265	207	335
\$10,000-\$14,999	300	226	243	146	115	205	280
\$15,000-\$24,999	525	766	583	404	370	519	529
\$25,000-\$34,999	338	671	760	601	326	422	319
\$35,000-\$49,999	276	718	830	756	515	529	403
\$50,000-\$74,999	79	660	1,017	1,066	424	332	255
\$75,000-\$99,999	25	237	373	546	245	110	66
\$100,000-\$149,999	11	66	229	322	137	107	43
\$150,000-\$199,999	0	0	65	103	25	37	23
\$200,000 OR MORE	6	7	168	86	29	32	27
TOTAL	1,888	3,645	4,665	4,296	2,452	2,495	2,278



DISTRIBUTION OF INCOME BY AGE
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
2012 ESTIMATED

2012 HOUSEHOLD INCOME	AGE GROUP						
	UNDER 25	25-34	35-44	45-54	55-64	65-74	75+
LESS THAN \$15,000	733	736	448	616	609	332	626
\$15,000-\$24,999	304	661	357	410	489	293	674
\$25,000-\$34,999	218	680	419	544	476	457	417
\$35,000-\$49,999	342	765	493	568	664	556	557
\$50,000-\$74,999	236	849	713	950	777	636	444
\$75,000-\$99,999	40	397	348	546	521	150	239
\$100,000-\$149,999	25	256	345	533	479	139	107
\$150,000-\$199,999	1	22	57	150	86	83	10
\$200,000 OR MORE	10	38	171	179	125	68	18
TOTAL	1,909	4,405	3,350	4,495	4,226	2,714	3,091
MEDIAN INCOME	\$21,423	\$36,773	\$48,332	\$51,914	\$46,365	\$40,991	\$30,158
AVERAGE INCOME	\$30,034	\$46,961	\$66,926	\$68,478	\$62,460	\$55,728	\$39,966

DISTRIBUTION OF INCOME BY AGE
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
2017 PROJECTED

2017 HOUSEHOLD INCOME	AGE GROUP						
	UNDER 25	25-34	35-44	45-54	55-64	65-74	75+
LESS THAN \$15,000	734	781	442	588	642	434	726
\$15,000-\$24,999	244	542	247	300	389	297	618
\$25,000-\$34,999	167	521	280	359	363	439	334
\$35,000-\$49,999	304	706	432	456	607	596	553
\$50,000-\$74,999	306	1,154	902	1,125	1,076	1,023	669
\$75,000-\$99,999	56	543	450	649	745	255	381
\$100,000-\$149,999	31	332	424	590	613	215	153
\$150,000-\$199,999	1	31	75	164	111	122	13
\$200,000 OR MORE	11	42	193	180	147	94	23
TOTAL	1,854	4,652	3,446	4,411	4,692	3,475	3,470
MEDIAN INCOME	\$22,225	\$44,137	\$56,330	\$58,384	\$55,766	\$49,024	\$36,111
AVERAGE INCOME	\$32,711	\$52,621	\$78,349	\$76,673	\$71,053	\$62,638	\$45,114

4. EMPLOYMENT FACTORS

According to the South Dakota Department of Labor, average entry-level wages in the Rapid City MSA range from \$8.60 to \$13.29 per hour, or approximately \$17,890 to \$27,100 annually. Various entry-level employment opportunities exist in Rapid City and are mostly within the service and construction industry.

Following is wage and employment information for the Rapid City MSA provided by South Dakota Department of Labor:

Industry Group and Industry	Number of Establishments	Average Number of Workers	Annual Pay
Natural Resources and Mining	40	179	\$33,476
Agriculture, Forestry, Fishing & Hunting	30	143	\$28,418
Mining	10	36	\$53,570
Construction	672	4,420	\$38,872
Manufacturing	171	2,516	\$39,611
Trade, Transportation and Utilities	1,199	12,541	\$30,187
Wholesale Trade	297	2,042	\$46,554
Retail Trade	685	8,940	\$24,265
Transportation & Warehousing	192	1,273	\$35,967
Utilities	22	285	\$72,995
Information	75	926	\$39,380
Financial Activities	469	3,704	\$39,425
Finance & Insurance	275	2,984	\$42,721
Real Estate & Rental & Leasing	194	720	\$25,762
Professional and Business Services	882	4,842	\$42,382
Professional, Scientific, & Technical	542	2,216	\$45,168
Management of Companies/Enterprises	41	679	\$81,809
Administrative & Support & Waste Management & Remediation Services	299	1,947	\$25,460
Education and Health Services	474	9,505	\$43,383
Educational Services	55	571	\$35,539
Health Care & Social Assistance	419	8,933	\$43,889
Leisure and Hospitality Services	588	8,662	\$14,416
Arts, Entertainment & Recreation	128	935	\$17,017
Accommodation & Food Services	460	7,727	\$14,102
Other Services, except Public Administration	377	2,146	\$26,574
Total Government	188	10,209	\$41,523
Federal Government	91	2,954	\$56,230
State Government	59	1,171	\$44,615
Local Government	38	6,083	\$33,792

The Business Summary report provided by ESRI, Incorporated reported that a total of 50,933 employees, among 3,884 businesses, were within the Site EMA in 2010. The largest employment categories within the Site EMA included Health Care & Social Assistance, Retail Trade, Accommodation and Food Services, and Construction. Combined, employees among these 4 categories accounted for 54.4% of the total number of employees within the Site EMA.

Between 2002 and 2008, the employment base in Pennington County increased 8.8% (1.5% annually) from 48,915 in 2002 to 53,213 in 2008. However, between 2008 and 2010, there was a drop in employment of 3.6% to 51,307 in 2010. This drop in employment mirrors national trends. By 2011, the employment base had grown 1.6% from 51,307 in 2008 to 52,123 in 2011. Overall, the employment base in Pennington County has grown 7.7% between 2002 and 2012.

While employment grew by 8.8% between 2000 and 2008 and then declined over 2009 and 2010, the unemployment rate remained relatively stable during the same period and has decreased 0.8% from a high of 5.2% in 2010 to 4.4% in 2012. The unemployment rate within South Dakota (4.4% in 2012) is well below the national average of 7.4%.

5. MAJOR EMPLOYERS

Major employers in the Rapid City area are:

- Ellsworth Air Force Base
- Rapid City Regional Hospital
- Regional Health Physicians
- Rapid City School District
- Conesco Finance Corporation
- US Government
- State of South Dakota
- Wal-Mart
- Nash Finch
- SCI Systems, Incorporated
- City of Rapid City
- Pennington County

Total employment in Pennington County was 48,915 people in 2002 and 52,664 people in 2012, a 7.7% increase.

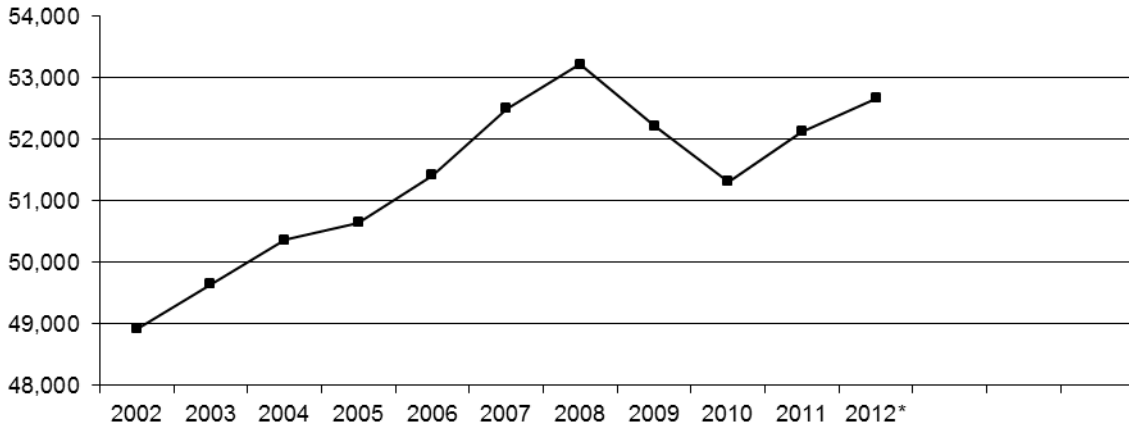
EMPLOYMENT AND UNEMPLOYMENT RATES
PENNINGTON COUNTY, SOUTH DAKOTA
2002-2012*

YEAR	EMPLOYMENT	UNEMPLOYMENT RATES		
		PENNINGTON COUNTY	SOUTH DAKOTA	U.S.
2002	48,915	3.1%	3.3%	5.8%
2003	49,644	3.3%	3.5%	5.9%
2004	50,366	3.4%	3.7%	5.8%
2005	50,640	3.5%	3.7%	5.3%
2006	51,416	3.0%	3.1%	4.8%
2007	52,490	2.7%	2.9%	4.6%
2008	53,213	2.9%	3.0%	5.2%
2009	52,211	5.1%	5.2%	7.5%
2010	51,307	5.2%	5.0%	9.5%
2011	52,123	4.7%	4.7%	9.3%
2012*	52,664	4.4%	4.4%	7.4%

* Through October 2012

Source: U.S. Department of Labor, Bureau of Labor Statistics

EMPLOYMENT



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 23,717 housing units within the Rapid City Site EMA. This is up from the 21,699 units identified in the 2000 Census. By 2017, the number of area housing units is projected to increase 9.6% from 2010 to 26,000.

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

	2000 CENSUS		2010 CENSUS	
	NUMBER	PERCENT	NUMBER	PERCENT
OCCUPIED	21,699	95.3%	23,747	
BY OWNER	12,602	58.1%	13,078	55.1%
BY RENTER	9,097	41.9%	10,669	44.9%
VACANT	1,078	4.7%	1,438	5.7%
TOTAL	22,777	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. Vacancies reflect some of the seasonal nature of the area rental market.

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 a five-year rolling averages, limiting its usefulness for small area demographics.

When available, we have presented 2010 Census data along with 2012 estimates and 2017 projections. When 2010 Census data are not available, we have presented 2000 Census data.

In 2000, there were approximately 9,097 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	2,192	24.1%
SINGLE, ATTACHED	346	3.8%
2 TO 4	2,156	23.7%
5 TO 9	973	10.7%
10 TO 19	728	8.0%
20 TO 49	1,301	14.3%
50+	1,146	12.6%
MOBILE HOME OR TRAILER	264	2.9%
OTHER	0	0.0%
TOTAL	9,097	100.0%

Of the 9,097 renter-occupied housing units in the EMA in 2000, 2,802 (30.8%) 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
 2000

HOUSEHOLD SIZE	NUMBER	PERCENT
ONE PERSON	2,738	30.1%
TWO PERSONS	3,148	34.6%
THREE PERSONS	1,374	15.1%
FOUR PERSONS	1,137	12.5%
FIVE OR MORE PERSONS	700	7.7%
TOTAL	9,097	100.0%

Sources: 2000 Census of Population
 ESRI, Incorporated



As the above table illustrates, 2,738 (30.1%) rental units in the market are occupied by a one-person household. These households are expected to provide most of the support for the subject project

In 2000, 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
2000 CENSUS**

TENURE	OWNER-OCCUPIED		RENTER-OCCUPIED	
	NUMBER	PERCENT	NUMBER	PERCENT
HOUSEHOLDER 15 TO 24 YEARS	189	1.5%	1,574	17.3%
HOUSEHOLDER 25 TO 34 YEARS	1,437	11.4%	2,329	25.6%
HOUSEHOLDER 35 TO 44 YEARS	2,835	22.5%	1,801	19.8%
HOUSEHOLDER 45 TO 54 YEARS	3,037	24.1%	1,146	12.6%
HOUSEHOLDER 55 TO 64 YEARS	1,764	14.0%	700	7.7%
HOUSEHOLDER 65 TO 74 YEARS	1,827	14.5%	591	6.5%
HOUSEHOLDER 75 TO 84 YEARS	1,210	9.6%	619	6.8%
HOUSEHOLDER 85 YEARS AND OVER	302	2.4%	337	3.7%
TOTAL	12,602	100.0%	9,097	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**

	NUMBER	PERCENT
NO CASH RENT	282	3.1%
UNDER \$250	1,055	11.6%
\$250 - \$349	982	10.8%
\$350 - \$449	1,819	20.0%
\$450 - \$549	1,619	17.8%
\$550 - \$649	1,446	15.9%
\$650 - \$749	737	8.1%
\$750 - \$899	700	7.7%
\$900 - \$999	209	2.3%
\$1,000 - \$1,499	218	2.4%
\$1,500 AND OVER	27	0.3%
TOTAL	9,097	100.0%
MEDIAN GROSS RENT	\$484	

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%	2,693	29.6%
20% TO 24%	1,419	15.6%
25% TO 29%	1,119	12.3%
30% TO 34%	782	8.6%
35% OR MORE	2,611	28.7%
NOT COMPUTED	464	5.1%
TOTAL	9,097	100.0%

As the above table indicates, 37.3% of the renter households paid over 30% of their annual household income for rental housing costs in 2000. A total of 2,611 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

Most market-rate projects in the Rapid City Site EMA include landlord-paid water, sewer, and trash collection in the rents, while tenants are typically responsible for electricity, hot water, and heat. The subject property will include heat, hot water, electricity, as well as water, sewer, and trash in the monthly rent.

For the purposes of this analysis, the rents at the proposed Rapid City Good Samaritan Housing project, as well as for any projects that do not include only water, sewer, and trash in the collection of rent in the Site EMA, have been adjusted to net rent which includes landlord-paid water, sewer, and trash collection only. Net rent is used to more easily compare with existing market rents in the area.

A total of 4,395 conventional apartment units in 55 projects were surveyed in the Rapid City, South Dakota Site EMA. A total of 3,246 of these units are in 35 market-rate and Tax Credit developments. The remaining 1,149 units are in 20 subsidized developments. There are no vacancies among the subsidized units. (Government subsidized units have not been included in the following analysis.)

Following is a distribution of market-rate, Tax Credit, and government subsidized units surveyed by unit type and vacancy rate:

SUMMARY OF CONVENTIONAL MARKET-RATE, TAX CREDIT, AND
GOVERNMENT SUBSIDIZED APARTMENTS
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
JANUARY 2013

MARKET-RATE UNITS

UNIT TYPE	MARKET-RATE UNITS		VACANCY RATE	MEDIAN RENT
	NUMBER	PERCENT		
STUDIO	102	3.7%	0.0%	\$363
ONE-BEDROOM	753	27.0%	0.9%	\$627
TWO-BEDROOM	1,623	58.1%	2.3%	\$705
THREE-BEDROOM	315	11.3%	2.2%	\$840
TOTAL	2,793	100.0%	1.8%	

TAX CREDIT UNITS

UNIT TYPE	TAX CREDIT UNITS		VACANCY RATE	MEDIAN RENT
	NUMBER	PERCENT		
ONE-BEDROOM	106	23.4%	1.9%	\$482
TWO-BEDROOM	168	37.1%	1.2%	\$605
THREE-BEDROOM	171	37.7%	1.8%	\$692
FOUR-BEDROOM +	8	1.8%	0.0%	\$661
TOTAL	453	100.0%	1.5%	

GOVERNMENT SUBSIDIZED UNITS

UNIT TYPE	GOVERNMENT SUBSIDIZED UNITS		VACANCY RATE
	NUMBER	PERCENT	
STUDIO	65	5.7%	0.0%
ONE-BEDROOM	590	51.3%	0.0%
TWO-BEDROOM	354	30.8%	0.0%
THREE-BEDROOM	127	11.1%	0.0%
FOUR-BEDROOM	13	1.1%	0.0%
TOTAL	1,149	100.0%	0.0%

The overall vacancy rate within the market is 1.8%. The market-rate units have an overall vacancy rate of 1.8% and the Tax Credit units in the market have an overall vacancy rate of 1.5%. Overall, vacancies are very low in the market area.

There are no vacancies among the 1,149 subsidized units in the market.

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

Rents in the EMA increased at an established average of 2.3% per year between March 2011 and January 2013.

The proposed project will include one- and two-bedroom units with rents based on 30%, 40%, 50%, and 60% of the area median household income. Proposed net rents range from \$268 to \$712. An evaluation of units renting at or above the proposed rents follows:

UNIT TYPE	PERCENT OF MEDIAN HOUSEHOLD INCOME	PROPOSED NET RENT	UNITS PRICED ABOVE THE PROPOSED RENT		
			NUMBER	PERCENT	VACANCY
ONE-BEDROOM	30%	\$268	LOWEST IN MARKET		
	40%	\$382	LOWEST IN MARKET		
	50%	\$496	554	64.5%	0.7%
	60%	\$595	458	53.3%	0.7%
TWO-BEDROOM	40%	\$456	1,772	98.9%	2.2%
	50%	\$593	1,507	84.1%	2.2%
	60%	\$712	961	53.7%	1.9%

The proposed one- and two-bedroom rents at the 30% and 40% income levels are the lowest or among the lowest one- and two-bedroom rents in the market. These units will be viewed as excellent values within the market.

The one- and two-bedroom rents at the 50% and 60% income levels will be lower than 53.3% to 84.1% of all one- and two-bedroom rents, respectively. The proposed rents at the 50% and 60% income level will be considered a very good value.

The existing supply of apartments in the EMA is fairly old. Of the 35 apartment properties in the Site EMA, 20 (57.1%) were built and opened before 1990. These 20 properties contain 1,804 units, or 55.6% of the total units in the market. A total of 7 projects with 792 units (24.4%) have opened since 2000.

Among the 7 projects that have opened since 2000, 4 operate within the low-income housing Tax Credit program. These 4 properties include a total of 280 units and have an overall vacancy rate of only 0.7%.

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

PERIOD	PROJECTS BUILT	UNITS BUILT	CURRENT VACANCY RATE
BEFORE 1970	2	170	2.9%
1970-1979	14	1,045	1.6%
1980-1989	4	589	1.4%
1990-1999	8	650	2.3%
2000-2005	3	355	1.7%
2006	0	0	-
2007	2	150	0.0%
2008	1	278	2.5%
2009	1	9	0.0%
2010	0	0	-
2011	0	0	-
2012	0	0	
2013*	0	0	
TOTAL	35	3,246	1.8%

*Through January 2013

Conventional apartment projects range in size from 9 to 278 units. The average project in the market includes 93 units.

The 7 existing Tax Credit projects in the Site EMA include 50 to 96 units, and average 65 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	5	14.3%	75	2.3%	0.0%
25 TO 49	5	14.3%	216	6.7%	1.9%
50 TO 99	15	42.9%	1,119	34.5%	1.7%
100 TO 199	6	17.1%	824	25.4%	1.9%
200 OR GREATER	4	11.4%	1,012	31.2%	1.9%
TOTAL	35	100.0%	3,246	100.0%	1.8%

The area apartment market has also been evaluated based on 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 aesthetic value, or curb appeal, of each project surveyed was rated on a scale of 1 to 10. Projects that rate at the low end of the scale (1 to 5) are typically older projects that have not been maintained and lack appeal. Projects rated at the high end of the scale (8 to 10) are typically newer properties that are properly landscaped, well-designed, and maintained regularly.

Projects within the Rapid City EMA have received aesthetic ratings between 5.0 and 7.5. The average aesthetic rating in the EMA is just over 6.0, indicating that the average project in the market has average curb appeal.

Overall, comparability ratings among the existing projects in the market range from 10.5 to 29.0 and the average comparability rating is 17.6.

The following table identifies units and vacancies by comparability rating:

COMPARABILITY RATING RANGE	NUMBER OF PROJECTS	NUMBER OF UNITS	VACANCY RATE
LESS THAN 14.0	11	459	0.9%
14.0 TO 16.5	5	394	2.3%
17.0 TO 19.5	8	561	2.5%
20.0 TO 22.5	4	511	2.0%
23.0 OR HIGHER	7	1,321	1.6%
TOTAL	35	3,246	1.8%

The subject site, Rapid City Good Samaritan Housing is anticipated to have an overall comparability rating of 24.0. Of the 35 projects in the Site EMA, 30 (85.7%) projects with a total of 2,313 (71.3%) units have comparability rating of 23.0 or lower. There are only 5 projects with 933 units in the market that have a comparability ratings equal to or higher than the anticipated comparability rating of the subject Rapid City Good Samaritan project.

The subject Rapid City Good Samaritan Housing will be very competitive or have an advantage (over most units in the market) in terms of amenities and overall quality when compared to the existing units in the market.



A distribution of amenities for market-rate projects follows:

AMENITY	INCLUDED AT SUBJECT	TOTAL NUMBER OF PROJECTS (OUT OF 35)	SHARE OF PROJECTS WITH AMENITY
RANGE	X	35	100.0%
REFRIGERATOR	X	35	100.0%
CARPETING	X	34	97.1%
AIR CONDITIONING	X	30	85.7%
WINDOW COVERINGS	X	30	85.7%
ON-SITE MANAGEMENT	X	24	68.6%
LAUNDRY FACILITY	X	23	65.7%
DISHWASHER	X	20	57.1%
INTERCOM SECURITY	X	15	42.9%
CLUBHOUSE/COMMUNITY BUILDING	X	12	34.3%
EXERCISE ROOM	X	7	20.0%
ELEVATOR	X	6	17.1%
MICROWAVE	X	6	17.1%
WALKING/JOG TRAIL	X	2	5.7%
WIRELESS INTERNET	X	0	-
SUPPORTIVE SERVICES	X	0	-
COMPUTER ROOM	X	0	-
BALCONY/PATIO		25	71.4%
GARAGE		21	60.0%
DISPOSAL		19	54.3%
PLAYGROUND		14	40.0%
SWIMMING POOL		13	37.1%
CEILING FAN		13	37.1%
WASHER/DRYER HOOKUPS		13	37.1%
PICNIC AREA		11	31.4%
SPORTS COURT		7	20.0%
SAUNA		7	20.0%
HOT TUB		6	17.1%
WASHER/DRYER		5	14.3%
TENNIS COURT		3	8.6%
SECURITY SYSTEM		2	5.7%
VAULTED CEILING		2	5.7%
JOB/BIKE TRAIL		2	5.7%
BASEMENT		1	2.9%
CARPORT		1	2.9%
SECURITY GATE		1	2.9%

The standard amenities featured in at least 60% of apartments in the EMA include a range, refrigerator, carpeting, air conditioning, window coverings, balcony or patio, on-

site management, garage, and a laundry facility. Dishwashers are featured in 57.1% of all projects. With the exception of a balcony or patio and a garage, the standard amenities will be featured at the proposed site.

The subject site will also feature several amenities that are not considered standard features at the existing developments in the market including intercom entry, community room, elevator, microwave, wireless Internet service, exercise room, walking trail, and computer room. In addition, the site will also offer resident services that are not available at any other projects in the market.

It is of note that none of the comparable Tax Credit projects include a washer and dryer in any units. The site will include 3 washers and dryers on every floor that will be available to residents free of charge.

Analysis of Tax Credit Apartment Supply

There are 7 existing Tax Credit projects in the Site EMA. These existing 7 Tax Credit developments contain a total of 453 one-, two-, three-, and four-bedroom units. Following is a summary of the Tax Credit projects in the market:

MAP CODE	NAME	YEAR OPENED	TOTAL UNITS	NET RENTS				OCCUPANCY RATE
				ONE-BR.	TWO-BR.	THREE-BR.	FOUR-BR.	
SITE	RAPID CITY GOOD SAMARITAN (SUBJECT SITE)	2014	50	\$268 (30%) \$382 (40%) \$496 (50%) \$595 (60%)	\$456 (40%) \$593 (50%) \$712 (60%)	-	-	-
9	SOUTH CREEK VILLAGE	2004	80	-	\$550 (50%) \$654 (60%)	\$639 (50%) \$748 (60%)	-	97.5%
10	RAPID CREEK	2007	54	-	-	\$628 (60%)	\$661 (60%)	100.0%
22	CHURCHILL	2002	50	\$467 (50%) \$518 (60%)	\$594 (50% TH) \$607 (60% TH)	\$676 (50% TH) \$699 (60% TH)	-	100.0%
31	SUNDIAL SQUARE I & II	1992	63	\$509 (60%)	\$610 (60%)	\$707 (60%)	-	95.2%
52	MEMORIAL PARK*	1999	60	\$455 (50%) \$490 (60%)	-	-	-	96.7%
53	FOUNTAIN SPRINGS SENIOR*	1997	50	\$474 (50%)	\$615 (50%)	-	-	100.0%
55	EAGLE RIDGE	2007	96	-	\$587-\$602 (60%)	\$719-\$734 (60%)	-	100.0%

* Restricted to elderly tenants
TH - Townhome

Memorial Park and Fountain Springs Senior are both restricted to elderly tenants. These two projects account for 110 units and have 2 vacancies, a 1.8% vacancy rate. Fountain Springs Senior has a waiting list of 8 names for a one-bedroom unit and 3 names for a two-bedroom unit. Memorial Park does not have a waiting list.



Overall, there are 453 units among the 7 Tax Credit projects. The overall vacancy rate among the Tax Credit projects is very low at only 1.5%.

The proposed one- and two-bedroom Tax Credit units at the 30% and 40% income levels will be the only Tax Credit units in the market at the 30% and 40% income levels. The proposed rents for these units will be lower than all existing Tax Credit rents in the EMA.

The proposed Tax Credit rents at the 50% income level will be very competitive with the existing Tax Credit rents at the 50% income level and range from \$151 below to \$43 higher than the existing rents at the 50% level.

The proposed Tax Credit rents at the 60% income level will be the highest Tax Credit rents. This will not be a significant issue. The proposed units will have an advantage over the existing Tax Credit units in terms of amenities and overall quality.

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 are two larger projects planned to be built in the Rapid City area. Limited information was available regarding these projects other than the addresses, which are 325 East Saint Joseph Street and 1301 Village Drive. Neither project is expected to include more than 30 units nor be restricted to elderly tenants or be restricted by income. Because of this, we do not expect either project to be competitive with the proposed project.

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 market-rate projects with a comparability rating within 3.0 points of the anticipated comparability rating of the subject site to be most conceptually comparable. Rapid City Good Samaritan is expected to have a comparability rating of 24.0.

Economically Comparable Properties are those properties with similar net rent levels to the proposed project. These properties may or may not have a similar comparability index. Given the wide range of rents at the subject Rapid City Good Samaritan (30%,

40%, 50%, and 60% of area median income) we have included projects with similar rents that are within 3.0 comparability points of the anticipated comparability rating of Rapid City Good Samaritan.

Units operating under the low-income housing Tax Credit program are generally a value when compared to other properties within their market area. This value is established by comparing the proposed project's rents with rents at properties with similar comparability indexes.

Overall, we consider 13 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	COMPARABILITY RATING	TOTAL UNITS	PROJECT TYPE
SITE	RAPID CITY GOOD SAMARITAN	24.0	50	TAX CREDIT ELDERLY
2	PRAIRIE TREE	21.0	96	MARKET-RATE
4	ALPS PARK	26.5	69	MARKET-RATE
5	BRIDGEWOOD ESTATES	23.0	144	MARKET-RATE
6	CARRIAGE GREEN ESTATES	24.5	96	MARKET-RATE
9	SOUTH CREEK VILLAGE	20.0	80	TAX CREDIT
11	HAINESWAY	23.0	244	MARKET-RATE
12	LACROSSE ESTATES	23.5	265	MARKET-RATE
20	CANDLEWOOD	22.0	167	MARKET-RATE
22	CHURCHILL	17.5	50	TAX CREDIT
30	CORRAL PARK	21.5	168	MARKET-RATE
31	SUNDIAL SQUARE I & II	17.5	63	TAX CREDIT
52	MEMORIAL PARK	16.5	60	TAX CREDIT ELDERLY
53	FOUNTAIN SPRINGS SENIOR	15.0	50	TAX CREDIT ELDERLY

Memorial Park and Fountain Springs Senior both operate under the Tax Credit program and both are restricted to elderly tenants age 62 or older. South Creek Village, Churchill, and Sundial Square I and II all operate under the Tax Credit program but have not age restriction.

Because the subject property will offer only one- and two-bedroom units within an elevator equipped building, the Tax Credit projects that are restricted by age should be considered most comparable to the proposed project.



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
RAPID CITY GOOD SMARITAN (SUBJECT SITE)*	X	X	X	X		C			X	X		X				X
PRAIRIE TREE	X	X		X	X	W			X	X		X	X	O \$40	X	
ALPS PARK	X	X	X	X	X	C	X	X	X	X		X	X	U	X	X
BRIDGEWOOD ESTATES	X	X		X	X	W			X	D		X	X	O \$45		
CARRIAGE GREEN ESTATES	X	X	X	X	X	C	S	S	X	X			X	O \$50	X	
SOUTH CREEK VILLAGE (TC)	X	X		X	X	C		X	X	X			X	O \$35	X	
HAINESWAY	X	X		S	X	W			X	X			S	O \$30	X	
LACROSSE ESTATES	X	X		S		W			X	X	O		S	O \$80	X	
CANDLEWOOD	X	X		X	X	X			X	X		X	X	O \$40		
CHURCHILL (TC)	X	X		X	X	W			X	X		X	X			
CORRAL PARK	X	X	X	X	X	C	X	X	X	X		X	X	O \$50	X	
SUNDIAL SQUARE I & II (TC)	X	X		X	X	W			X	X		X		O \$30	X	X
MEMORIAL PARK (TC)*	X	X				W			X	X		X				
FOUNTAIN SPRINGS SENIOR (TC)*	X	X				W			X	X		X		O \$40		

(TC) – Tax Credit

*Restricted to elderly tenants, 62+

S – Some

C – Central air conditioning

O – Optional

D – Drapes

U – Underground parking

Overall, the subject Rapid City Good Samaritan project will be competitive with the comparable projects in the market in terms of unit amenities. Rapid City Good Samaritan will be one of only 4 projects that include a built in microwave. The lack of a balcony or patio will not have an impact on the site because the property will have a community patio.

The proposed units will be at a disadvantage by not offering a garage. This should not be a significant issue considering that the proposed project will provide scheduled transportation for grocery shopping, doctors' appointments, and other appointments.

Project amenities are listed as follows:

PROJECT	POOL	COMMUNITY BUILDING	KITCHENETTE	SAUNA	HOT TUB	EXERCISE ROOM	TENNIS	WALKING/JOG TRAIL	PLAYGROUND	SPORTS COURT	PICNIC AREA	LAUNDRY	ON-SITE MANAGEMENT	ELEVATOR
RAPID CITY GOOD SAMARITAN (SUBJECT SITE)*		X	X			X		X				X	X	X
PRAIRIE TREE	X								X	B	X	X	X	
ALPS PARK	H	X		X		X		X					X	X
BRIDGEWOOD ESTATES	X	X	X	X	X	X			X	B		X	X	
CARRIAGE GREEN ESTATES	X	X	X	X	X	X							X	X
SOUTH CREEK VILLAGE (TC)		X	X						X		X	X	X	
HAINESWAY	X	X	X	X	X	X	X		X	B/V	X	X	X	
LACROSSE ESTATES	X	X	X	X	X	X	X		X	B/V	X	X	X	
CANDLEWOOD	X	X					X	X			X	X	X	
CHURCHILL (TC)									X		X	X	X	
CORRAL PARK		X											X	X
SUNDIAL SQUARE I & II (TC)												X	X	
MEMORIAL PARK (TC)*		X										X	X	X
FOUNTAIN SPRINGS SENIOR (TC)*												X		X

(TC) Tax Credit

*Restricted to elderly tenants 62+

B – Basketball court

V – Volleyball court

H – Heated pool

Given the fact that the subject Rapid City Good Samaritan Housing project will be restricted to elderly tenant's 62 years or older, the unit amenity package at the property is appropriate. In addition, the subject site will offer supportive services and wireless Internet service. It is of note that the site will have 3 washers and dryers on each floor the will be available to residents free of charge.

The comparability ratings are as follows:

MAP CODE	PROJECT	FACTORS			OVERALL AMENITY INDEX
		UNIT AMENITIES	PROJECT AMENITIES	AESTHETIC AMENITIES	
SITE	RAPID CITY GOOD SAMARITAN*	8.5	7.5	8.0	24.0
2	PRAIRIE TREE	9.0	5.0	7.0	21.0
4	ALPS PARK	12.5	7.5	6.5	26.5
5	BRIDGEWOOD ESTATES	8.5	8.0	6.5	23.0
6	CARRIAGE GREEN ESTATES	9.5	8.5	6.5	24.5
9	SOUTH CREEK VILLAGE (TC)	9.5	3.5	7.0	20.0
11	HAINESWAY	7.0	10.5	5.5	23.0
12	LACROSSE ESTATES	6.5	10.5	6.5	23.5
20	CANDLEWOOD	9.0	6.5	6.5	22.0
22	CHURCHILL (TC)	8.5	2.5	6.5	17.5
30	CORRAL PARK	12.0	2.5	7.0	21.5
31	SUNDIAL SQUARE I & II (TC)	9.0	1.5	7.0	17.5
52	MEMORIAL PARK (TC)*	6.5	3.5	6.5	16.5
53	FOUNTAIN SPRINGS SENIOR (TC)*	6.5	2.0	6.5	15.0

(TC) – Tax Credit

*Restricted to elderly tenants 62+

The proposed Rapid City Good Samaritan project is anticipated to have one of the highest comparability ratings in the entire market. The anticipated rating of 24.0 for Rapid City Good Samaritan will be higher than the comparability ratings of the existing Tax Credit properties in the market.

A distribution of competitive properties by units offered follows:

MAP CODE	PROJECT	TOTAL UNITS	UNITS OFFERED			
			STUDIO	ONE-BEDROOM	TWO-BEDROOM	THREE-BEDROOM
SITE	RAPID CITY GOOD SAMARITAN*	50	-	2 (30%) 3 (40%) 12 (50%) 23 (60%)	1 (40%) 3 (50%) 6 (60%)	-
2	PRAIRIE TREE	96	-	48	48	-
4	ALPS PARK	69	-	9	45	15
5	BRIDGEWOOD ESTATES	144	-	39	103	2
6	CARRIAGE GREEN ESTATES	96	-	18	60	18
9	SOUTH CREEK VILLAGE (TC)	80	-	-	10 (50%) 38 (60%)	8 (50%) 24 (60%)
11	HAINESWAY	244	12	96	106	30
12	LACROSSE ESTATES	265	-	50	167	48
20	CANDLEWOOD	167	-	84	83	-
22	CHURCHILL (TC)	50	-	5 (50%) 6 (60%)	12 (50% TH) 17 (60% TH)	4 (50% TH) 6 (60% TH)
30	CORRAL PARK	168	-	24	120	24
31	SUNDIAL SQUARE I & II (TC)	63	-	9 (60%)	18 (60%)	36 (60%)
52	MEMORIAL PARK (TC)*	60	-	12 (50%) 48 (60%)	-	-
53	FOUNTAIN SPRINGS SENIOR (TC)*	50	-	26 (50%)	24 (50%)	-

*Restricted to elderly tenants 62+

(TC) – Tax Credit

(TH) – Townhouse

The proposed Rapid City Good Samaritan project will include 40 one-bedroom and 10 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	NET RENT	RENT PER SQUARE FOOT
SITE	RAPID CITY GOOD SAMARITAN	2 (30%)	600	1.0	\$268	\$0.45
		3 (40%)	600	1.0	\$382	\$0.64
		12 (50%)	600	1.0	\$496	\$0.83
		23 (60%)	600	1.0	\$595	\$0.99
2	PRAIRIE TREE	48	620-740	1.0	\$619-\$659	\$0.89-\$1.00
4	ALPS PARK	9	729	1.0	\$669	\$0.92
5	BRIDGEWOOD ESTATES	39	738	1.0	\$619-\$654	\$0.84-\$0.89
6	CARRIAGE GREEN ESTATES	18	723	1.0	\$704-\$729	\$0.97-\$1.01
9	SOUTH CREEK VILLAGE (TC)	UNIT TYPE NOT OFFERED				
11	HAINESWAY	96	650	1.0	\$460-\$470	\$0.71-\$0.72
12	LACROSSE ESTATES	50	564-650	1.0	\$670-\$710	\$1.09-\$1.19
20	CANDLEWOOD	84	734	1.0	\$624-\$634	\$0.85-\$0.86
22	CHURCHILL (TC)	5 (50%)	579	1.0	\$467	\$0.81
		6 (60%)	579	1.0	\$518	\$0.89
30	CORRAL PARK	24	723	1.0	\$674	\$0.93
31	SUNDIAL SQUARE I & II (TC)	9 (60%)	540	1.0	\$509	\$0.94
52	MEMORIAL PARK (TC)*	12 (50%)	703-823	1.0	\$455	\$0.55-\$0.65
		48 (60%)	703-823	1.0	\$490	\$0.60-\$0.70
53	FOUNTAIN SPRINGS SENIOR (TC)*	26 (50%)	700	1.0	\$474	\$0.68

(TC) – Tax Credit

*Restricted to elderly tenants 62+

Among the comparable projects, one-bedroom units range in size from 540 square feet at Sundial Square I & II to 823 square feet at Memorial Park. The average one-bedroom unit is 680 square feet. The proposed units will be at a disadvantage when compare with the most comparable units in the market in terms of size. This disadvantage should be offset based on the amenities offered that are geared to elderly residents and the overall quality of the proposed project.

Net rents among the comparable one-bedroom units range from \$455 at Memorial Park (Tax Credit) to \$729 at Carriage Green Estates. The average one-bedroom comparable net rent is \$590. Among the comparable Tax Credit units, rents range from \$455 to \$518 and the average is \$486. Among the comparable market-rate units, rents range from \$460 to \$729 and the average is \$635.



There are no Tax Credit projects in the market that offer rents at the 30% and 40% income levels. The proposed rents at the 30% and 40% income levels will be the lowest among the comparable projects and range from \$73 to \$461 lower than the rents at the comparable projects.

The proposed rents at the 50% income level of \$496 will be very competitive when compared with the rents at the comparable Tax Credit projects in the market. Additionally, the proposed rent at the 50% income level will be very competitive when compared to the rents at the comparable market rate projects and range from \$36 higher to \$233 lower than the rents among the comparable one-bedroom market-rate rents.

The proposed rents at the 60% income level will be the highest among the Tax Credit projects, but will be competitive when compared to the comparable market-rate rents. This will not be a significant issue. The existing Tax Credit projects in the market have a very low vacancy rate of only 1.5%. In addition, the proposed units will have an advantage over the existing Tax Credit units in terms of amenities and overall quality.

TWO-BEDROOM COMPARISON

MAP CODE	PROJECT	NUMBER OF UNITS	UNIT SIZE	NUMBER OF BATHS	NET RENT	RENT PER SQUARE FOOT
SITE	RAPID CITY GOOD SAMARITAN	1 (40%)	820	1.0	\$456	\$0.56
		3 (50%)	820	1.0	\$593	\$0.72
		6 (60%)	820	1.0	\$712	\$0.87
2	PRAIRIE TREE	48	820-870	1.0	\$650-\$705	\$0.79-\$0.81
4	ALPS PARK	6	957	1.0	\$810	\$0.85
		39	1,026-1,065	2.0	\$865	\$0.81-\$0.84
5	BRIDGEWOOD ESTATES	103	913-927	1.0	\$685-\$740	\$0.75-\$0.80
6	CARRIAGE GREEN ESTATES	20	957	1.25	\$795-\$810	\$0.83-\$0.85
		12	1,035	2.0	\$855-\$870	\$0.83-\$0.84
		18	1,045	2.0	\$870-\$885	\$0.83-\$0.85
		6	1,146	2.0	\$845-\$855	\$0.74-\$0.75
		4	1,177	2.0	\$870	\$0.74
9	SOUTH CREEK VILLAGE (TC)	10 (50%)	916	1.0	\$530	\$0.58
		38 (60%)	916	1.0	\$654	\$0.71
11	HAINESWAY	106	700-860	1.0	\$500-\$550	\$0.64-\$0.71
12	LACROSSE ESTATES	49	750	1.0	\$730-\$750	\$0.97-\$1.00
		28	850	1.0	\$780-\$800	\$0.92-\$0.94
		90	870	1.5	\$800-\$820	\$0.92-\$0.94
20	CANDLEWOOD	83	915	1.0	\$695-\$705	\$0.76-\$0.77
22	CHURCHILL (TC)	12 (50% TH)	730	1.5	\$594	\$0.81
		17 (60% TH)	730	1.5	\$607	\$0.83
30	CORRAL PARK	120	957-1,045	1.0-2.0	\$760-\$830	\$0.79
31	SUNDIAL SQUARE I & II (TC)	18 (60%)	960	1.0	\$610	\$0.64
52	MEMORIAL PARK (TC)	UNIT TYPE NOT OFFERED				
53	FOUNTAIN SPRINGS SENIOR (TC)	24 (50%)	915	1.0	\$615	\$0.67

(TC) – Tax Credit

(TH) – Townhouse

*Restricted to elderly tenants 62+

Among the comparable projects, two-bedroom units range in size from 700 square feet at Hainesway to 1,177 square feet at Carriage Green Estates. The average comparable two-bedroom unit is 925 square feet. The proposed two-bedroom units with 820 square feet will be among the smallest comparable two-bedroom units. This should not be a significant issue considering the proposed project will include only 10 two-bedroom units. In addition, the proposed project will have a competitive advantage over the existing Tax Credit units in terms of amenities and overall quality.

Net rents among the comparable two-bedroom units range from \$500 for a market-rate unit at Hainesway to \$885 for a market-rate unit at Carriage Green Estates. The average two-bedroom net rent is \$741.

Among only the comparable Tax Credit units, net rents range from \$530 to \$654 and the average is \$602. Among the comparable market-rate units, rents range from \$500 to \$885, and the average is \$771.

There are no Tax Credit units in the market with rents based on 40% of the area median income. The proposed net rent at the 40% income level will be lower than all rents at the most comparable projects.

The proposed rents at the 50% income level are among the lowest in the market and are lower than the rents at all the comparable projects with the exception of the two-bedroom units at South Creek Village and Hainesway.

Although the proposed two-bedroom rents at the 60% income level are higher than the rents at the comparable Tax Credit projects, the proposed rents are lower than nearly all of the rents at the most comparable market-rate projects. In addition, the proposed units will be competitive in terms of amenities and will offer numerous project amenities that are geared towards the target population of those ages 62 or older.

G. APARTMENT DEMAND FACTOR ANALYSIS

1. PROGRAM LIMITATIONS AND QUALIFICATIONS

The proposed Rapid City Good Samaritan 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 2013, the median household income for the Rapid City, SD HUD Metro FMR Area is \$64,000.

The following chart illustrates the maximum income allowed per household size at the 30%, 40%, 50%, and 60% levels, based on the 2013 median income for the Rapid City, SD HUD Metro FMR Area:

HOUSEHOLD SIZE	MAXIMUM ALLOWABLE INCOME			
	30%	40%	50%	60%
ONE-PERSON	\$12,810	\$17,080	\$21,350	\$25,620
TWO-PERSON	\$14,640	\$19,520	\$24,400	\$29,280
THREE-PERSON	\$16,470	\$21,960	\$27,450	\$32,940
FOUR-PERSON	\$18,300	\$24,400	\$30,500	\$36,600

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)	\$343	\$458	\$571	\$686
TWO-BEDROOM (3.0)	-	\$549	\$686	\$823

Utility cost estimates have been applied to the maximum gross rents in order to estimate maximum net rents. (Net rents are used to more easily compare with existing market rents in the area.)

UNIT TYPE	PERCENT OF MEDIAN HOUSEHOLD INCOME	MAXIMUM GROSS MONTHLY RENT	ESTIMATED UTILITY COST*	ESTIMATED MAXIMUM NET RENT	PROPOSED NET RENT
ONE-BEDROOM	30%	\$343	\$75	\$268	\$268
	40%	\$458	\$75	\$383	\$382
	50%	\$571	\$75	\$496	\$496
	60%	\$686	\$75	\$611	\$595
TWO-BEDROOM	40%	\$549	\$93	\$456	\$456
	50%	\$686	\$93	\$593	\$593
	60%	\$823	\$93	\$730	\$712

*Source: The Evangelical Lutheran Society and the Rapid City Housing Authority -includes gas heat, hot water, and electricity



The proposed rents at Rapid City Good Samaritan are set equal to and up to \$18 lower than the current (2013) maximum allowable. The maximum allowable net 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 May 2015. As such, the maximum allowable rents at the subject site will be based on the 2015 median income for the Rapid City MSA.

Based on HUD estimates, the median income for the Rapid City, SD HUD Metro FMR Area has increased at an annual average of approximately 3.2% since 2009; however, the rate of change has varied each year from a decrease of 0.7% in 2010-2011 to a 9.2% 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
2009	\$56,700	-
2010	\$57,700	1.7%
2011	\$57,300	-0.7%
2012	\$58,100	1.4%
2013	\$64,000	9.2%

It is important to note that the proposed rents are based on the 2013 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. 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 households, although one-person households will be most common. The proposed project will have units available to households with rents based on 30%, 40%, 50%, and 60% of the area median household income. For 2013, the maximum

allowable income for a one-person household at the 30% income level is \$12,810 and the maximum allowable income for a two-person household at the 60% income level is \$29,280.

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 Rapid City Good Samaritan development could be as low as \$8,230 (gross rent for a one-bedroom unit at the 30% level - $\$343/50\% = \686×12 months = \$8,230).

All Income-Qualified Households

In 2015, there will be an estimated 2,037 total households age 62 or older within the Site EMA with incomes between \$8,230 and \$29,280. Following is an analysis of housing costs as a percent of household income by the number of qualified households in the Site EMA:

PERCENT OF INCOME TO GROSS HOUSING COSTS	INCOME RANGE	TOTAL HOUSEHOLDS AGE 62+	CAPTURE RATE (50 UNITS)
40%	\$10,290 - \$29,280	1,863	2.7%
45%	\$9,150 - \$29,280	1,960	2.6%
50%	\$8,230 - \$29,280	2,037	2.5%

The 50 Tax Credit units being proposed at the subject development will represent a rental housing alternative for 2.5% to 2.7% of all age and income-appropriate households, depending on management's criteria for qualifying potential renters.

These are excellent ratios and indicate a good supply of potential household (age 62 or older) support. These ratios have been considered in establishing the anticipated absorption rates at the site.

There are 7 Tax Credit properties in the site EMA with a total of 453 Tax credit units:

- The 80-unit South Creek Village
- The 54-unit Rapid Creek
- The 50-unit Churchill



- The 63-unit Sundial square I & II
- The 60-unit Memorial Park that is restricted to elderly tenants age 62+
- The 50-unit Fountain Springs Senior that is restricted to elderly tenants age 62+
- The 96-unit Eagle Ridge

When the existing Tax Credit units in the Site EMA are also considered, the appropriate household income range is \$10,290 to \$39,540. This range is wider than the range for just the subject development due to the wider range of rents being charged when considering the existing property. 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 COSTS	INCOME RANGE	TOTAL HOUSEHOLDS	CAPTURE RATE (503 UNITS)
35%	\$11,760 - \$39,540	6,257	8.0%
40%	\$10,290 - \$39,540	6,677	7.5%

Proposed and existing Tax Credit units will represent a rental housing alternative for 7.5% to 8.0% of all income-appropriate 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.

There are 2 existing Tax Credit projects in the EMA that are restricted to elderly tenants. These 2 projects (Memorial Park and Fountain Springs Senior) contain a total of 110 Tax Credit units. Combined with the 50 units at the subject site, there are a total of 160 Tax Credit units restricted to those that are 62 or older. When considering only these 3 projects (including the subject site), the appropriate income range is \$8,230 to \$29,280. The following table analyzes the number of households age 62 or older with appropriate incomes when considering the 2 existing Tax Credit developments restricted by age in the Site EMA and the subject site:

PERCENT OF INCOME TO GROSS HOUSING COSTS	INCOME RANGE	TOTAL HOUSEHOLDS AGE 62+	CAPTURE RATE (160 UNITS)
40%	\$10,290 - \$29,280	1,863	8.6%
45%	\$9,150 - \$29,280	1,960	8.2%
50%	\$8,230 - \$29,280	2,037	7.9%



Proposed and existing Tax Credit units restricted to those age 62 or older will represent a rental housing alternative for 7.9% to 8.6% of all age and income-appropriate 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.

The Rapid City Good Samaritan project will feature one- and two-bedroom units available to households with incomes based on 30%, 40%, 50%, and 60% of the area median household income.

The following table details the estimated households by income level within the Site EMA:

PERCENT AMI	INCOME RANGE	INCOME-APPROPRIATE HOUSEHOLDS	UNITS PROPOSED	RATIO OF UNITS TO INCOME-APPROPRIATE HOUSEHOLDS
30%	\$8,230-\$14,640	542	2	0.4%
40%	\$10,970-\$19,520	822	4	0.5%
50%	\$13,700-\$24,400	1,111	15	1.4%
60%	\$16,080-\$29,280	1,350	29	2.1%

The proposed units to income-appropriate household ratios at all three election levels are considered excellent, ranging from 0.4% to 2.1%.

Renter Households

The 2010 Census indicated that 44.9% of the area households were rentals. Of the estimated 10,669 renter households in 2010, an estimated 20.3% are age 62 or older. 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.

Considering the renter to total households' ratio established for households with lower incomes, the estimated number of renter households within the Site EMA that are age 62 or older and income-qualified for the proposed Rapid City Good Samaritan (\$8,230 to \$29,280) is estimated at 1,004. The 50 Tax Credit units proposed for Rapid City Good Samaritan represent 5.0% of their potential age and income-qualified renter base. This is an excellent ratio of proposed units to potential income-qualified renter households.



As noted earlier, there are 110 existing Tax Credit units within the Site EMA that are restricted to tenants age 62 or older. Combined with the 50 proposed units, these properties total 160 Tax Credit units. When the existing Tax Credit units in the Site EMA that are restricted to those 62 or older are also considered, the appropriate household income range remains \$8,230 to \$29,280. The number of renter households age 62 or older and income qualified is estimated to be 1,004. The 160 proposed, existing, and under construction Tax Credit units in the market that are restricted to households age 62 or older represents 15.9% of the age and income-qualified renter base. This ratio is considered good.

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 2013 Fair Market Rents for the Rapid City area as well as the proposed gross rents are as follows:

UNIT TYPE	2013 FAIR MARKET RENTS	PROPOSED GROSS RENTS			
		30%	40%	50%	60%
ONE-BEDROOM	\$583	\$343	\$457	\$571	\$670
TWO-BEDROOM	\$779	-	\$549	\$686	\$805

Source: US Department of Housing and Urban Development

Effective Date: December 2012

Note: The Fair Market Rents have been established by the Department of Housing and Urban Development and are gross rents including all 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 units in the open market without income restrictions. Comparable market rent is based on a regression analysis for the area apartment market. For each unit type, the regression analysis compares net rent by comparability index for all market-rate developments. This evaluation provides a comparison of existing market rents to those at the proposed project. A variety of factors 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 Rapid City Good Samaritan Apartments project is anticipated to have an overall comparability rating of 24.0. The overall rating is based on ratings of 8.5 for unit amenities, 7.5 for project amenities, and 8.0 for aesthetic quality.

Rents within the Rapid City Site EMA have increased at an established rate of 2.3% between March 2011 and January 2013.

There are 859 one-bedroom units within the Site EMA. Net rents for these units range from \$419 to \$1,110 and the median rent is \$619. Based on the current rent structure of one-bedroom units, present-day rent for a development comparable to the one proposed is \$720 per month. Applying the average annual increase in the Site EMA yields a one-bedroom rent of \$755 at opening. The proposed net rents of \$268 to \$595 range from \$160 to \$487 below the market-driven rent.

There are 1,791 two-bedroom units within the Site EMA. Net rents for these units range from \$450 to \$2,271 and the median rent is \$740. Based on the current rent structure of two-bedroom units, present-day rent for a development comparable to the one proposed is \$810 per month. Applying the average annual increase in the Site EMA yields two-bedroom rent of \$850 at opening. The proposed net rents of \$456 to \$712 range from \$138 to \$394 below the market-driven rent.

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 net, including only water/sewer and trash removal.

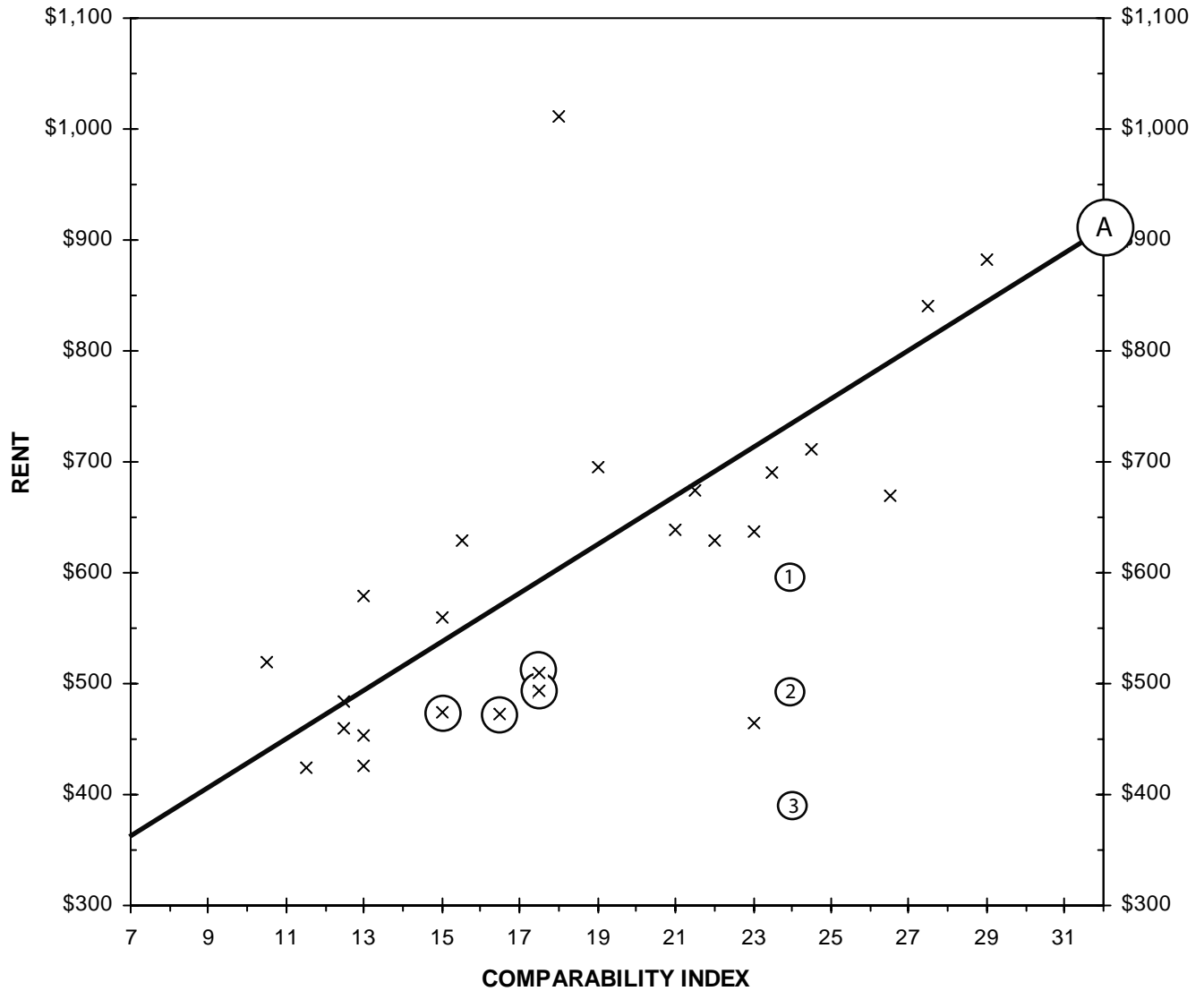
UNIT TYPE	PERCENT OF MEDIAN HOUSEHOLD INCOME	MARKET RENT AT OPENING AT 24.0 COMPARABILITY RATING	PROPOSED TAX CREDIT OPENING RENT	TAX CREDIT RENT AS A PERCENT OF MARKET RENT
ONE-BEDROOM	30%	\$755	\$268	35.5%
	40%		\$382	50.6%
	50%		\$496	65.7%
	60%		\$595	78.8%
TWO-BEDROOM	40%	\$850	\$456	53.6%
	50%		\$593	69.8%
	60%		\$712	83.8%



With the proposed rents at the 30%, 40%, 50%, and 60% income levels ranging from 35.5% to 83.8% 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.

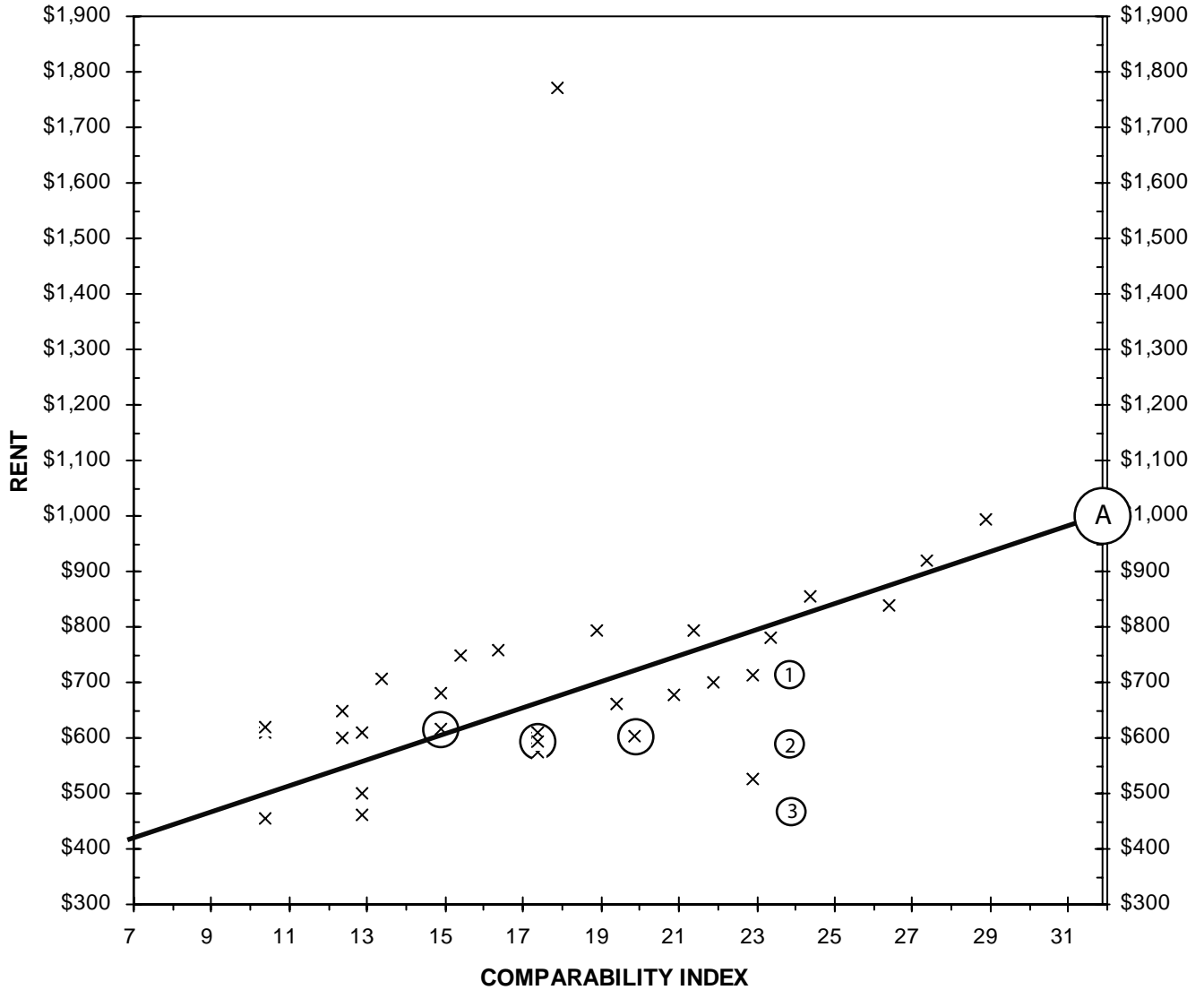
**ONE-BEDROOM UNITS
BY AVERAGE RENT
AND COMPARABILITY INDEX
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
JANUARY 2013**



- LEGEND:
A- CURRENT RATES
x- MARKET AREA PROPERTIES
⊗- TAX CREDIT PROPERTIES
①- SITE - 60% AMI
②- SITE - 50% AMI
③- SITE - 40% AMI



**TWO-BEDROOM UNITS
BY AVERAGE RENT
AND COMPARABILITY INDEX
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
JANUARY 2013**



- LEGEND:
A- CURRENT RATES
x- MARKET AREA PROPERTIES
⊗- TAX CREDIT PROPERTIES
①- SITE - 60% AMI
②- SITE - 50% AMI
③- SITE - 40% AMI



H. RECOMMENDATIONS/ABSORPTION

This study evaluates the market potential of the 50-unit Rapid City Good Samaritan Housing low-income housing Tax Credit project for elderly tenants age 62 or older in Rapid City, South Dakota.

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

The proposed 50-unit Tax Credit project (restricted to elderly tenants age 62 +) will include 40 one-bedroom and 10 two-bedroom garden units within a three-story elevator equipped building. The rents at the project will be based on 30%, 40%, 50%, and 60% of the area median household income. The developer plans to offer 2 (4.0%) of the proposed units to households with incomes up to 30% of the area median household income, 4 (8.0%) units to households with incomes at or below 40% of the area median household income, 15 (30.0%) units to households with income at or below 50% of the area median household income, and 29 (58.0%) units to households with incomes at or below 60% of the area median household income.

The Rapid City Good Samaritan project will also include services tailored towards elderly residents including safety and crime prevention, social and recreational activities, educational activities, information and referral services, transportation, health services, and one daily meal service (extra cost). The project will also include free wireless Internet service and each resident will also receive a Lifeline personal emergency response system.

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 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 Rapid City Good Samaritan Housing is anticipated to be completed and open by May 1, 2015.

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%

When responding to only age and income-qualified tenants, absorption for the 6 Tax Credit units at the 30% and 40% will be complete within 1 month after opening.

Absorption for the 44 Tax Credit units at the 50% and 60% income levels is expected to average 5.0 to 6.0 units per month, resulting in a 7.0 to 8.4-month absorption period to achieve a 95% occupancy level.

The addition of Housing Choice Vouchers may accelerate the absorption.

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.

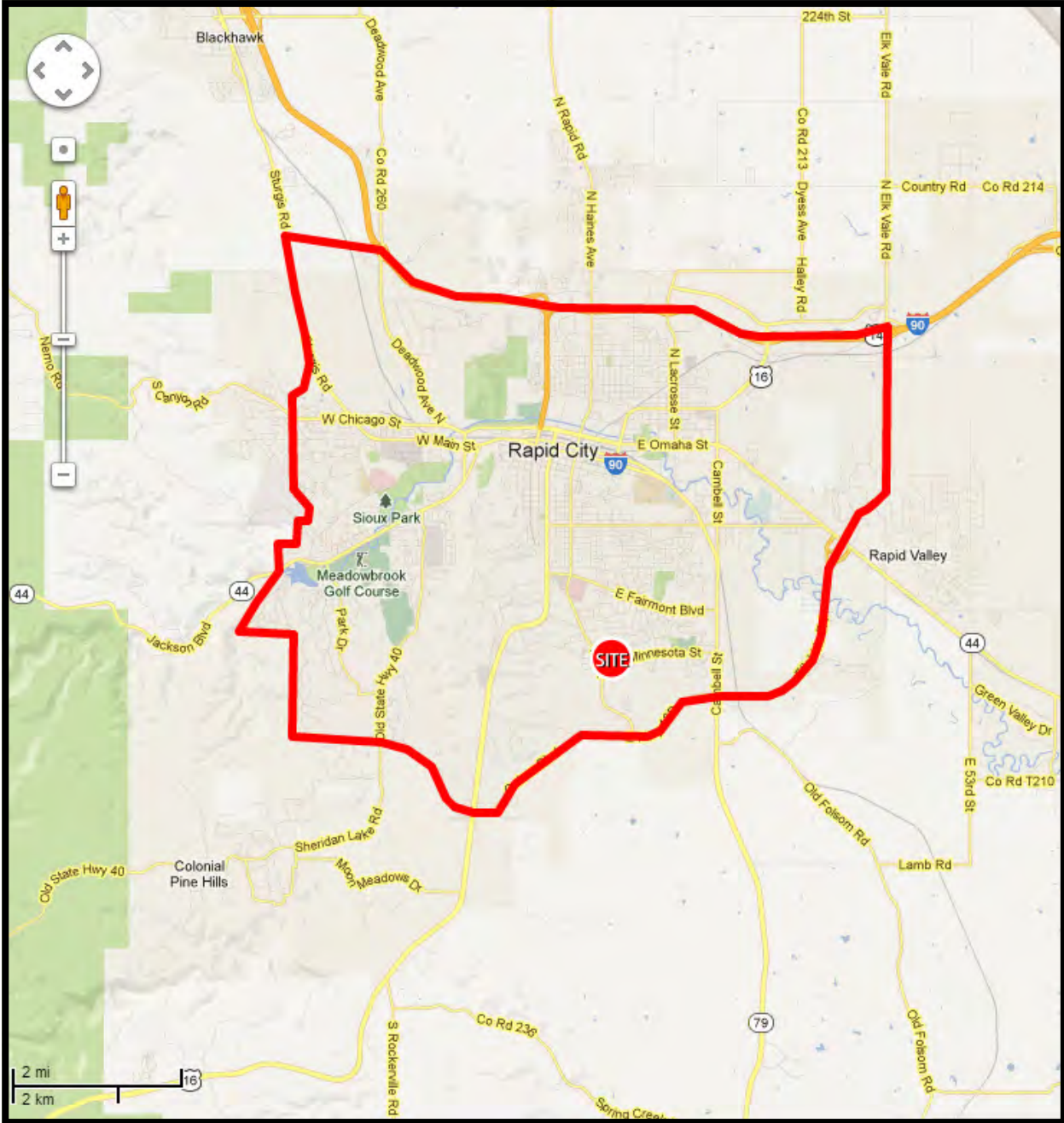
V. SITE AREA MAPS AND PHOTOGRAPHS

The following section contains maps and photographs of the subject site area. Maps illustrating the following are included:

- The Site Effective Market Area and its relation to the site.
- The specific neighborhood of the site, with traffic counts when available.
- The locations of community (resident) services relative to the site. Typical of community services included in the map would be shopping, parks/recreation, and the locations of fire and police services.

Following the maps are site area photographs, including photographs of the subject site and surrounding land uses.

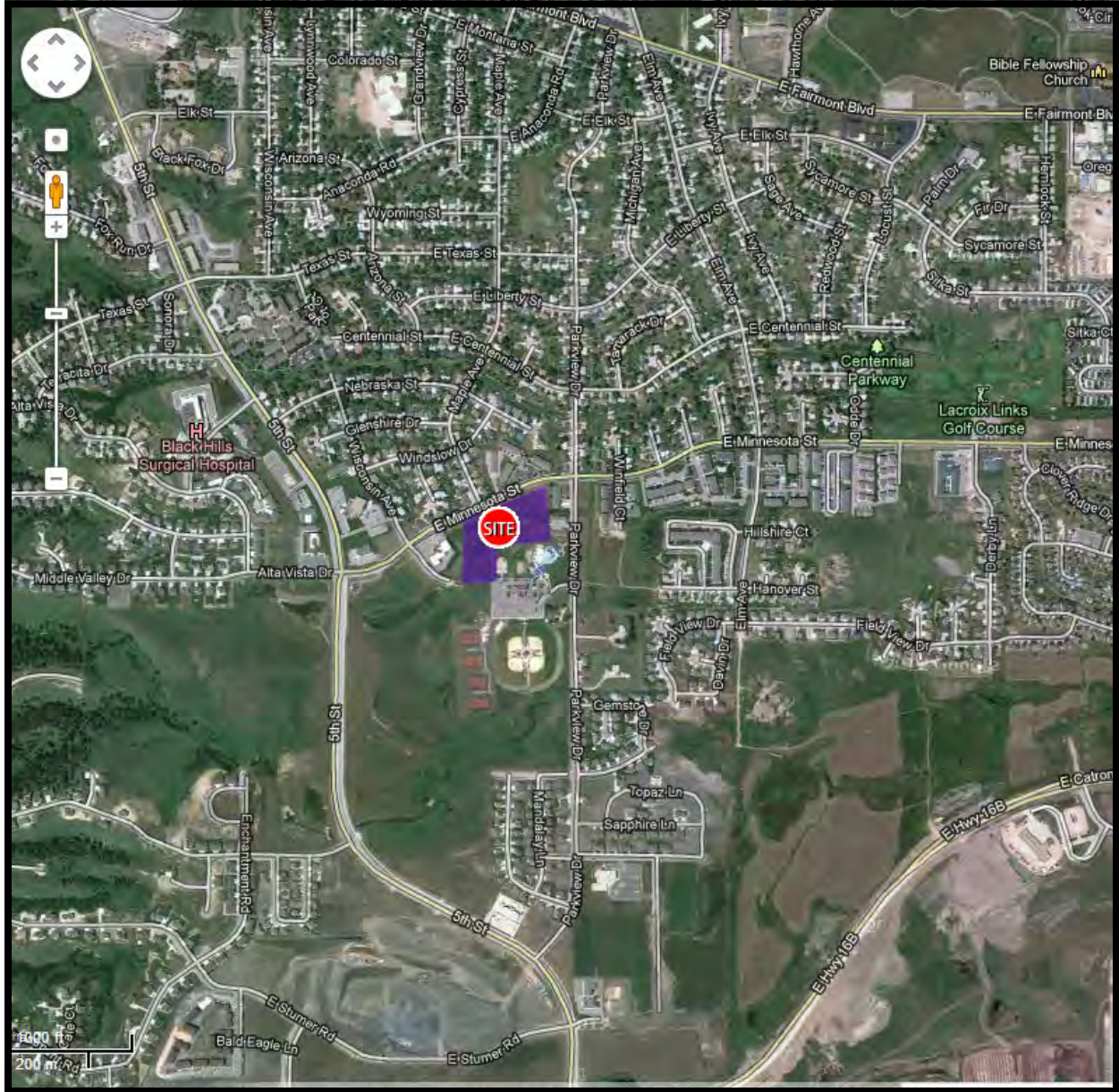
SITE EFFECTIVE MARKET AREA MAP



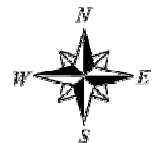
RAPID CITY, SOUTH DAKOTA



NEIGHBORHOOD MAP



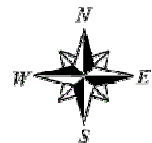
RAPID CITY, SOUTH DAKOTA



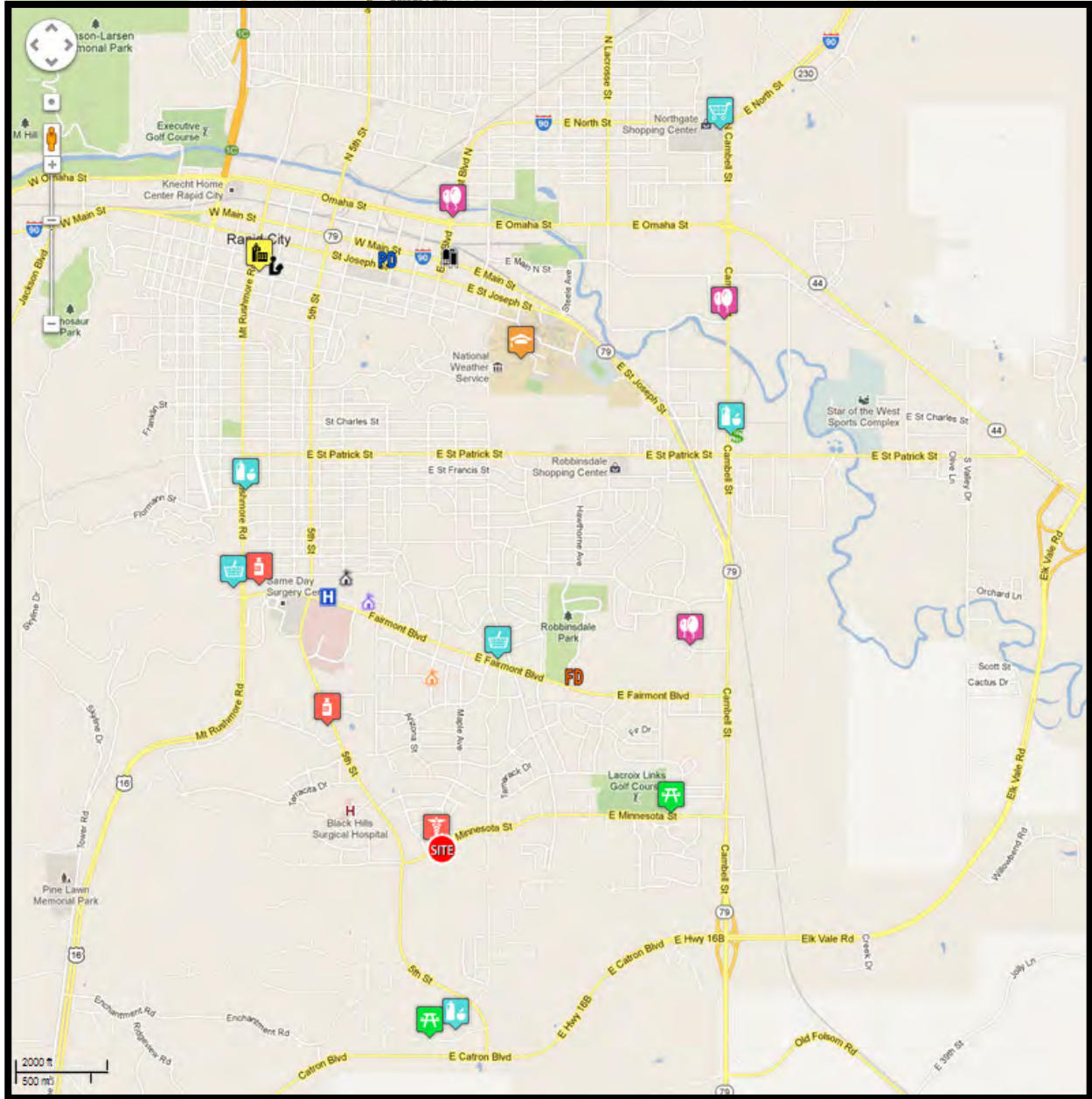
SITE LOCATION MAP



RAPID CITY, SOUTH DAKOTA

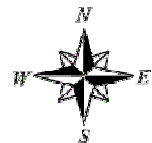


COMMUNITY SERVICES MAP



RAPID CITY, SOUTH DAKOTA

Bank	Hospital	Post Office
Central Business District	Library	Recreation
Convenience Store	Medical Center	Senior Center
Elementary School	Middle School	SITE
Fire Department	Park	Shopping
Grocery Store	Pharmacy	University
High School	Police Department	



**SITE PHOTOGRAPHS
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
JANUARY 2013**



SITE FACING SOUTH ON MINNESOTA STREET



MINNESOTA STREET (3-LANE ROADWAY)



NORTHERN PORTION OF SITE



RUSHMORE MEDICAL CLINIC DIRECTLY WEST OF SITE



FACING NORTHEAST FROM WISCONSIN STREET



SITE



**SITE PHOTOGRAPHS
RAPID CITY, SOUTH DAKOTA
SITE EFFECTIVE MARKET AREA
JANUARY 2013**



SITE AND REAR OF RUSHMORE MEDICAL CLINIC



FACING NORTHEAST ON MINNESOTA STREET



PARKVIEW PARK DIRECTLY EAST OF SITE