



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

OFFICE OF THE CITY ATTORNEY

300 Sixth Street

Joel P. Landeen, City Attorney
City web: www.rcgov.org

Phone: 605-394-4140
Fax: 605-394-6633
e-mail: joel.landeen@rcgov.org

MEMORANDUM

TO: Mayor and City Council

FROM: Joel P. Landeen, City Attorney

DATE: 3-6-12

RE: Appraisal of Property Acquired in Conjunction with Tax Increment District #72

The City Council approved Tax Increment District #72 on February 21, 2012. A component of the Tax Increment District was the use of the revenue generated by the district to pay for acquisition of the property where the proposed student housing will be located. As a condition of approval the Developer was required to obtain an independent appraisal of the property. If the appraised value of the property was less than the amount allocated in the Project Plan for the Tax Increment District, the City would only reimburse the Developer for the appraised value. If the appraised value was more than the amount identified in the Project Plan, the City would only reimburse the Developer for the amount identified in the Project Plan.

The City has received an appraisal of the property acquired in conjunction with the Tax Increment District. The appraisal was prepared by Rossknecht Appraisal Services. Mr. Rossknecht is a certified general appraiser in South Dakota. He used the Income Approach as the means of determining value. Income Capitalization is a valuation method appraisers and real estate investors use to estimate the value of income producing real estate. It is based upon the premise of anticipation i.e., the expectation of future benefits. This method of valuation relates value to two things: 1) the "market rent" that a property can be expected to earn and, 2) the "reversion" (resale) when a property is sold. Based on his calculations he determined that the estimated value of the property on February 8, 2012 was: **\$1,380,000**. This amount exceeds the land acquisition costs in the approved Project Plan by \$30,000. The appraisal is available for review in my office if you wish to see it.

Based on the appraisal, the Developer can be reimbursed for the full amount of the land acquisition costs identified in the Project Plan.

