

DEVELOPMENT AGREEMENT BETWEEN THE CITY OF RAPID CITY AND CR LLOYD ASSOCIATES FOR THE DEVELOPMENT OF A MIXED USE PROJECT AND FOR THE PAYMENT OF FUNDS FROM THE REVENUE GENERATED BY TAX INCREMENT FINANCING DISTRICT EIGHY-FIVE.

THIS DEVELOPMENT AGREEMENT is entered into as of this 4th day of April, 2022, 2021 (this "Agreement") by and between the **CITY OF RAPID CITY**, a South Dakota municipal corporation ("City"), and **CR LLOYD ASSOCIATES, INC.**, a South Dakota corporation, 101 S. Reid Street, Suite 201, Sioux Falls, SD 57104 ("**Developer**");

WITNESSETH:

WHEREAS, City (itself or through an agency of the City) is the fee owner of the following described real property:

500 St. Joseph Street, Rapid City, South Dakota

Tract A and the vacated east thirteen (13) feet of Sixth Street and the vacated south three and one-half (3½) feet of Saint Joseph Street, and the vacated west one (1) foot of Fifth Street adjacent to said Tract A, Block 95, the Original Town of Rapid City, located in the North Half (N½) of the Northwest Quarter (NW¼) of Section One (1), Township One (1) North, Range Seven (7) East, Black Hills Meridian, Rapid City, Pennington County, South Dakota, according to the recorded plat thereof

(the "**Property**"); and

WHEREAS, Developer has presented to the City a proposal for the development of the Property as a mixed-use commercial and residential development that will include ground-level retail and commercial spaces, not fewer than 65 loft-style apartment homes, and an upscale hotel with meeting spaces, each as further identified in this Agreement (the "**Project**"); and

WHEREAS, Developer has presented reasonable rationale to the City that the development of the Property will be beneficial for the growth and vitality of downtown Rapid City; and

WHEREAS, Developer has presented to the City reasonable evidence that it has now, and will have throughout the development of the Project, the financial capability to perform all of Developer's obligations under this Agreement; and

WHEREAS, the City, after careful consideration, has determined that the Project as contemplated by Developer will further the growth of the City, improve the environment of the City, provide additional and enhanced services to the City, foster increased vitality and economic activity within the City and its downtown core, increase employment opportunities within the City, and otherwise be in the best interest of the City and its residents and taxpayers by furthering the health, safety, and welfare of its residents and taxpayers, and the City is therefore willing to enter into this Agreement with Developer and, among other things, to provide the financial incentives to Developer as provided herein; and

WHEREAS, the City and Developer acknowledge that the development of the Project as contemplated by the City and Developer requires economic assistance from the City in order to complete such development in accordance with the schedule required of Developer and that, but for the economic

assistance to be granted hereunder, the development of the Project as contemplated by the City and Developer would not be economically viable at this time; and

WHEREAS, City has an interest in eliminating the blight and in promoting economic development and is authorized pursuant to SDCL Chapter 11-9 (the “**Act**”) to create tax increment districts for such purposes; and

WHEREAS, the City has adopted a Resolution, a copy of which is attached hereto as **Exhibit A**, which authorizes the creation of Tax Increment Financing District #85 for the purpose of generating tax increment revenue from the Property which has been deemed necessary for the successful completion of the Project; and

WHEREAS, in order to accelerate the development of the Project on the Property, the Rapid City Council has, concurrently with the execution of this Agreement, adopted a Resolution, a copy of which is attached hereto as **Exhibit B**, by which the City has approved a Tax Increment Project Plan (the “**Project Plan**”) encompassing the Property, which identifies the expenditures for public improvements that qualify as project costs pursuant to SDCL 11-9-14 and SDCL 11-9-15, and which includes the payment of a grant in an amount not to exceed \$8,750,000, plus costs of financing, toward certain Project Costs, as described in the Project Plan;

WHEREAS, the Property is being sold to the Developer by the City (or City’s designee) pursuant to that certain Commercial Real Estate Purchase Agreement entered concurrently herewith (the “**Purchase Agreement**”) solely for implementation of the Project pursuant to the Project Plan as contemplated hereunder by the City, and the Project description, the implementation of the Project by Developer and the Project deadline time periods provided for herein are each material inducements to the City to enter into this Development Agreement; and

WHEREAS, City and Developer wish to enter into this Agreement in order to set forth the terms and conditions of the vesting of certain development rights and to effectuate and memorialize the Parties’ negotiations of various improvement matters.

NOW, THEREFORE, in consideration of the mutual promises, covenants, obligations, apportionments and benefits contained in this Agreement, City and Developer hereby agree as follows:

Section 1. Definitions

Unless the context otherwise requires, the terms used in this Agreement will have the meanings set forth in this Section. If not defined in this Agreement, capitalized terms will have the meaning given to them in the Project Plan.

“**Act**” means SDCL Chapter 11-9, as may be amended from time to time.

“**Base Revenues**” means the taxes collected on the Base Value.

“**Base Value**” means the value of the Property at the time of the creation of the TID as certified by the South Dakota Secretary of Revenue.

“**Approved Reimbursable Expenses**” shall have the meaning set forth in **Section 2.09**.

“Financier” shall mean any mortgagee, beneficiary, or trustee of Developer debt placed as an encumbrance on the Property in accordance with **Section 7.12**.

“Interest Costs” means interest which will accrue on the Reimbursable Project Costs in accordance with Section 2.05(b) and will be reimbursed to Developer by the City through the use of Tax Increment Revenues.

“Non-Project Costs” Any costs associated with the completion of this Project which have not specifically been identified as reimbursable by Tax Increment Revenues in this Agreement, or the Project Plan.

“Public Improvement” means the process of building, altering, repairing, improving, or demolishing any public infrastructure facility, including any structure, building, or other improvements of any kind to real property, the cost of which is payable from taxes or other funds under the control of the purchasing agency, and includes any local improvement for which a special assessment is to be levied. For purposes of this Agreement, Public Improvements are described in **Sections 2.09 and 3.01**.

“Principal” the current amount, at any point in time, of Tax Increment Revenues owed the Developer equaling the initial Principal (Reimbursable Project Costs), less any payments received by Developer and applied to Principal.

“Project” will have the meaning specified in the Recitals and **Section 3.01** of this Agreement.

“Project Costs” means the costs allowed under the Act and set forth in the Project Plan and Section 2 of this Agreement, and any additional costs necessary to complete the Project Costs but excepting therefrom any Non-Project Costs.

“Project Plan” means the Project Plan attached as **Exhibit A**.

“Project Schedule” means the implementation and construction schedule delivered to the City’s Department of Community Development by Developer as part of its Application for Tax Increment Financing, time being of the essence.

“Property” will have the meaning set forth in the recitals.

“Purchase Agreement” means that certain Commercial Real Estate Purchase Agreement for the Property entered into by and between the City, as “Seller,” and Developer, as “Buyer”, wherein the City agreed to sell the Property, whether directly or through a third-party intermediary, to Developer for \$1.00 and other good and valuable consideration, subject to Developer’s compliance with this Agreement.

“Reimbursable Project Costs” means those costs set forth in **Section 2.09**, determined at a point in time when actually incurred in an amount not to exceed \$8,750,000.00, exclusive of Interest Costs, which will be reimbursed to Developer by the City, through the use of Tax Increment Revenues.

“Reserved Powers” means (i) the discretion of the City or any of its officers or officials with regard to rules, regulations, ordinances, laws and policies that require the exercise of discretion by the City or any of its officers or officials, (ii) the application of City ordinances, regulations or

policies, including the terms of any that are specifically mandated and required by changes in state or federal laws or regulations, (iii) any City ordinance, resolution, regulation, or official policy, which is reasonably necessary to protect persons on the Property and in the immediate community, or both, from conditions dangerous to their health, safety, or both, shall apply to the Project notwithstanding that the application of such ordinance, resolution, regulation, or official policy or other similar limitation would result in the impairment of Developer's vested rights under this Agreement; (iv) written regulations, policies and rules governing objective engineering and construction standards and specifications applicable to public and private improvements, including, without limitation, all applicable building codes and similar codes adopted by the City and any local amendments to those codes adopted by the City; (v) laws of the City that impose, levy, alter or amend fees, charges, or land use regulations relating solely to post-development conduct of consumers or end users, such as, without limitation, trash can placement, service charges and limitations on vehicle parking, so long as those later enactments do not impair Developer's vested rights to develop the Project.

"Sources and Uses of Funds Statement" means the statement setting forth the Project's sources and uses of funds delivered to the City's Department of Community Development by Developer as part of its Application for Tax Increment Financing, which statement shall have been approved by the City's Department of Community Development prior to commencement of the Project.

"Tax Increment Revenues" means all tax revenues of the Property in excess of the Base Revenues.

"TID" Tax Increment Financing District #85.

"TID Fund" a/k/a the "Fund" means the designated fund established by the City for the purpose of receiving and expending Tax Increment Revenues.

Words used herein in the singular, where the context so permits, also includes the plural and vice versa, unless otherwise specified. Unless otherwise specified, the terms used in this Agreement found in the Act shall have the meaning set forth in the Act.

Section 2. Development of Project; Tax Increment Financing; Project Costs

2.01 Developer's Representations. Developer represents to City as follows:

- (a) Developer is a corporation formed in the State of South Dakota and is in good standing;
- (b) Developer has full power and authority to enter into this Agreement and to perform the requirements of this Agreement in accordance with its terms without further action and without the consent of any third party;
- (c) Developer's performance under this Agreement shall comply with all applicable city, state, and federal laws and regulations;
- (d) Developer's performance under this Agreement will not violate any applicable judgment, order, law or regulation or previous obligation of Developer;

- (e) Developer's performance under this Agreement will not result in the creation of any claim against City for money or performance, any lien, charge, encumbrance or security interest upon any asset of City;
- (f) Before Developer seeks reimbursement from the City for Reimbursable Project Costs, Developer will have sufficient capital and financing to perform all of its obligations under this Agreement and the Project Plan, and will, upon the City's request, provide proof of such financial capabilities to the City's reasonable satisfaction as provided in **Section 7.11**, which is a condition precedent to any such reimbursement.

2.02 Application for Tax Increment Financing. Developer may submit applications for distribution of the tax increment financing pursuant to the TID Agreement and the City's policy governing the application and use of tax increment finance, and Developer shall pay the City's applicable application fee therefor. City agrees to expeditiously process said submissions.

2.03 City's Approvals. Developer and City intend that except as otherwise specifically provided herein or as otherwise agreed to by the Parties, this Agreement shall be subject to any ordinance, resolution, regulation or policy that is adopted and applied on a uniform, city-wide basis and directly concerns an imminent public health or safety issue. In such case, City shall apply such ordinance, resolution, regulation or policy uniformly, equitably and proportionately to Developer, the Property and Project and to all other public or private owners and properties directly affected thereby. Notwithstanding anything contained in the foregoing, the parties acknowledge that development in urban settings often requires atypical exceptions to certain policies in order to achieve the applicable parties' goals; accordingly, the City and Developer agree that they will work together in good faith to mutually resolve any issues that arise in a manner consistent with redevelopment of similar sites in the City and in other similarly situated communities.

Nothing contained in this Agreement shall be construed to limit any Reserved Powers or the authority or obligation of the City to hold necessary public hearings. Nothing in this Agreement shall preclude the application of the development of the Project to changes in City ordinances, regulations or policies, the terms of which are specifically mandated and required by changes in state or federal laws or regulations. In the event state or federal laws or regulations enacted after the date of this Agreement prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the City, this Agreement shall be modified, extended or suspended as may be necessary to comply with such state or federal laws or regulations or the regulations of such other governmental jurisdiction and the Parties hereto will work together in good faith to negotiate a mutually acceptable resolution to the situation.

To the extent that any actions of federal or state agencies (or actions of regional and local agencies, including the City, required by federal or state agencies) have the effect of preventing, delaying or modifying development of the Project, the City shall not in any manner be liable for any such prevention, delay or modification of said development. The Developer is required, at its cost and without cost to or obligation on the part of the City, to be subject to such development restrictions as may be necessary or appropriate by reason of such actions of federal or state agencies.

2.04 Developer's Financial Approvals. Developer's obligations pursuant to this Agreement are subject to Developer determining within thirty (30) days of submitting its building plans, for final building permit, the financing and capital to complete the Project Developer presented pursuant to **Section 7.11** remains viable and sufficient to meet Developer's obligations to complete the Project, the Project Costs

are reasonable and acceptable, the market conditions support the expected revenues to be generated from the Project, it is beneficial for Developer to complete the Project Plan and Developer will be able to complete the Project within the Project Schedule. If Developer decides to terminate the Project for any of the reasons set forth in this **Section 2.03**, or fails to timely construct or abandons the Project or otherwise breaks this Agreement, Developer will provide to the City a written notice of termination within ten (10) business days after the expiration of such 30-day period.

2.05 Remittance of Tax Increment Revenues.

- (a) As reimbursement for Reimbursable Project Costs, City agrees to pay to Developer, but solely from Tax Increment Revenues, a sum not to exceed \$8,750,000, exclusive of Interest Costs.
- (b) In addition to Reimbursable Project Costs, City agrees to pay to Developer, but solely from Tax Increment Revenues, Interest Costs determined at rate equal to the lesser of (i) the interest rate charged by Developer's lender in relation to the actual Interest Costs incurred by Developer, or (ii) 0.5% over the interest rate charged to the Developer by a reputable lending institution in the financing related to the hotel component of the Project. Notwithstanding the foregoing with respect to interest that will accrue on the portion of the Reimbursable Project Costs that are not financed by Developer's lender and are instead contributed to the Project as equity from Developer, the parties agree that the interest rate employed to determine such Interest Costs will be a rate equal to the lesser of (i) the interest rate charged by Developer's lender in relation to the actual Interest Costs incurred by Developer, or (ii) 4.5% per annum.

2.06 Determination of Reimbursable Project Costs and Initial Principal. The actual amount of Principal payable to Developer shall be determined as follows:

- (a) Certified Reimbursable Expenses in **Sections 2.08** and **2.09** shall form the basis of the total Reimbursable Project Costs but shall not exceed \$8,750,000, exclusive of interest costs. Subject to any adjustments made to this basis as allowed by this Agreement, the total amount payable shall be the beginning Principal balance.
- (b) Developer shall not be eligible for participation in the City's Downtown Tax Reduction Program, subject to the Developer's qualification and acceptance of such and any discontinuance of, and requirements of, such program by the City.

2.07 Determination of Interest Costs. Interest Costs shall be determined and paid as follows:

- (a) Interest shall begin to accrue on the Principal balance upon the later to occur of (1) Developer obtaining title to the Property, (2) Developer commencing construction of the Project on the Property, or (3) the closing date for the Developer's financing of the Reimbursable Project Costs.
- (b) All Tax Increment Revenues paid by the City to Developer will be applied first to accrued Interest Costs, and then to Principal, and payments shall cease at such time as the Principal balance is paid in full.

2.08 Review and Approval of Reimbursable Project Costs. Developer shall advance all development, construction and Project Costs identified in the TID Agreement for reimbursement by future tax increment proceeds. The TID Agreement describes the eligible Reimbursable Project Costs to be reimbursed from tax increment proceeds and the aggregate maximum amount and duration for which tax increment proceeds can be reimbursed. Any amount payable to the Developer for Reimbursable Project

Costs must be approved by the City. Developer shall submit to the City in writing, on a form acceptable to the City, its actual costs incurred prior to reimbursement. The City shall timely review and approve the submitted costs as reimbursable/payable if the costs reasonably correspond to the Project Costs estimated in the Project Plan and comply with the Act.

2.09 Approved Reimbursable Project Costs Defined; Conditional. The City and Developer have identified expenses within the Project Plan subject to reimbursement and which are summarized here. Satisfactory completion of these activities in a timely manner (time being of the essence) is a condition of the Developer receiving any TID Financing. The parties acknowledge that these are engineer's estimates and could vary. The parties further agree that none of these estimates are caps on that line item, the total that can be reimbursed from the TID is \$ 8,750,000 to pay for the activities generally listed below.

Eligible Reimbursable TIF Activity	Estimated Cost
Site Preparation including cleaning of the contaminated Site including soil remediation and excavation	\$1,172,050.00
Design, Engineering, Testing, Legal, and Administrative Costs of the TIF	\$850,000.00
Utility Relocation	\$362,515.00
Parking Structure Construction	\$11,410,058.00
Streetscaping and Street Construction	\$245,300.00

In addition, for avoidance of doubt, the associated design, engineering, testing, legal, and administrative costs of the TIF Activities is reimbursable and included as Reimbursable Project Costs. Notwithstanding anything contained in this Agreement to the contrary, the City's obligation to reimburse Developer for any costs identified in the tax increment plan shall be terminated in the event the City approval of the tax increment plan or any tax increment process related thereto, is referred by the voters and the voters do not approve the tax increment plan.

2.10 Overpayment. Developer shall reimburse the Fund for any ineligible Project Costs paid by City to Developer.

2.11 Grant. The parties acknowledge that Developer's right to receive the Tax Increment Revenues hereunder is a grant under the Act, and a personal property right vested with Developer on the date hereof.

2.12 No Certificated Tax Increment Revenue Bonds. City will have no obligations to the Developer except as set forth in this Agreement and will not issue any certificated tax increment revenue bonds to evidence such obligations.

2.13 Timing Payment of Tax Increment Revenues. The City will make eligible payments due to Developer within a reasonable time, generally within 45 days from the City's receipt of Tax Increment Revenues.

2.14 Continued Cooperation. City and Developer represent each to the other they will make reasonable efforts to expedite the subject matters hereof and acknowledge the successful performance of this Agreement requires its continued cooperation.

2.15 No General Obligation of the City. City's funding obligations are limited obligations payable solely out of the Tax Increment Revenues and are not payable from any other revenues of City, nor a charge against its general taxing power. Developer shall bear all risks that such Tax Increment Revenues may be insufficient to pay the maximum amounts specified in 2.05.

2.16 Assignment of Payments. Upon written notice to the City and City's written approval and consent, Developer may assign to its lender or lenders its rights to payments hereunder for the purposes of financing Developer's obligations related to this Agreement, but Developer's and any assignee's right to such payments, in all events, is subject to the other limitations of this Agreement. Further, Developer may assign this Agreement to a single purpose entity created solely for the purpose of holding and developing the Property upon notice thereof to the City, which assignment will be conditioned upon such entity agreeing to be bound by the terms and conditions of this Agreement. No other assignment of this Agreement is permitted without the prior written consent of the City, which consent shall not be unreasonably withheld, conditioned or delayed. Any assignment contemplated by this Section shall be made in accordance with a mutually acceptable Assignment Agreement.

2.17 City's Expenses. City expenses incurred in connection with the formation of the District, the negotiation of the Project (including the Development Agreement and the Purchase Agreement, and the legal fees to draft, negotiate and finalize the same), and the implementation of this Agreement, shall be paid by the Developer and/or the Fund. To cover the City's actual expenditures, the Developer shall pay City for such expenses within 30 days of invoice. Notwithstanding anything contained in this Section to the contrary, the total obligation of the Developer under this Section shall not exceed \$40,000. Within this limit the City may elect, at its sole discretion, to collect current or future third-party monitoring and review expenses, and attorneys' fees, from Tax Increment Revenues for the following types of expenses: attorneys' fees incurred in the formation of the District, the Project Plan, the Development Agreement, the Purchase Agreement, and negotiating amendments to the same; estimates of project feasibility, and for any certification of Certifiable Reimbursable Project Costs. The City also reserves its right to be reimbursed directly from the Fund for any direct expenditures it incurs in the formation of the District, in lieu of invoicing the Developer.

Section 3. The Project

3.01 The Project. The Project is comprised of a mixed-use commercial and residential development that will include ground-level retail and commercial spaces (subject to **Section 3.04**, the "**Commercial Space Requirement**"), not fewer than 65 loft-style apartment homes (the "**Residential Requirement**"), and an upscale hotel with meeting spaces (the "**Hotel Requirement**"). The Commercial Space Requirement, the Residential Requirement and the Hotel Requirements are sometimes collectively referred to as the "**Project Inclusion Requirements.**" The Project Plan provides for the design, construction, assembly, and installation of the improvements for the Project, including elements described within the Project Plan as Project Costs and Non-Project Costs, and the full implementation thereof, for

each of the Project Inclusion Requirements. The Developer acknowledges that its commitment to construct the Project Inclusion Requirements identified in this section is a material inducement for the City to enter into this Agreement.

The requirements of this Section 3.01 shall cease upon completion of the Project.

- (a) The Project consists of the following activities which must be satisfied in order to support the TIF reimbursement contemplated in this Agreement:
 - (i) Site Remediation. Developer shall remove or remediate contaminated soils and follow state and local requirements for treating any issues found to be on site.
 - (ii) Public Improvements to the Property and Surrounding Area. Developer shall construct and complete the landscape and hardscape improvements in the public right of way. Developer shall construct a parking lot either on grade, above grade or below ground, to service its development while also providing some generally available parking.
- b) The Project also consists of the following Non-TIF Activities: Developer shall construct a mixed use building that will contain residential and commercial spaces in accordance with the Residential Requirement and the Commercial Space Requirement, as well as a mixed-use hotel with convention space in accordance with the Hotel Requirement.
- (c) Execution of this Agreement shall not constitute approval of Developer's use and construction of the Project by the City for purposes of any zoning, building code, or other ordinances and regulations but rather execution hereof shall constitute a good faith belief on behalf of the City that Project as demonstrated by the Developer will be able to meet all City approvals.
- (d) Developer shall not alter, amend, modify, enhance, or delete any original Project specifications, plans, and designs as presented to the City in Developer's Application to the Fund, nor begin construction of the Project without City's written approval which approval may not be unreasonably withheld, conditioned, or delayed.

3.02 Bidding of the Public Infrastructure Improvements. Public Improvements will be constructed by the Developer through private contracts between Developer and architects, engineers, suppliers, laborers, construction managers, contractors and other persons. The City will not bid nor contract for any improvements described in this Agreement, including any Public Improvements within the Property.

3.03 Financing of the Project and Improvements. Payment of all Project Costs will be made from Developer's own capital and from other sources obtained solely by Developer.

3.04 Conversion of Commercial Space. Three (3) years following completion of the Building, in the event the owner of the Project determines, in its sole and absolute discretion, that it is unable to lease all of the Commercial Space for its intended commercial use, the owner of the Project may repurpose any or all unleased space for residential or other purposes, as determined by the Project owner, so long as it is consistent with the then applicable zoning of the Property or if such owner has been successfully granted a variance or other exception to the zoning requirements applicable to the Property, and such re-purposing shall not be in violation of any term or condition hereof.

Section 4. Developer Covenants

4.01 Duties and Obligations of Developer. Subject to Developer's right to terminate pursuant to the provisions of Section 2.04, Developer hereby agrees to perform each of the following at Developer's expense in strict accordance with the Project Schedule or otherwise by any specific date set forth in the clauses below:

- (a) Complete site development and environmental assessment;
- (b) Prepare all necessary engineering and design plans that address all applicable zoning, platting, subdivision, building code, ordinances and regulations for the Project in its entirety, and develop the Project consistent with all applicable regulations and Agreements with the City;
- (c) Complete the analysis of necessary Public Infrastructure and street/utility improvements;
- (d) Provide the City with preliminary cost estimates for Public Improvements/infrastructure and street/utility improvements;
- (e) Pay the usual and customary builder permit fees and permits, and the usual and customary application and development fees of the City;
- (f) Obtain or cause to be obtained, all necessary permits and approvals from City and/or all other governmental agencies having jurisdiction over the construction of improvements to the Property;
- (g) In accordance with the Purchase Agreement, pay all environmental phase I survey costs associated with development of the project prior to the closing of the Property;
- (h) Submit an application for the use of tax increment finance and adhere to applicable terms and conditions of the TIF Agreement;
- (i) Complete the Project, including the Project Inclusion Requirements, consistent with Section 3 of this Agreement;
- (j) Procure, or cause to be procured, all materials, labor, and services for completing the Project and all goods and other services for infrastructure and construction and site build-out, and be responsible for all aspects of construction and complete, or cause to be completed, all improvements described in the Project Plan and this Agreement within the Project Schedule, time being of the essence, constructed in accordance with the requirements of the applicable City codes and ordinances and the International Building, Mechanical, Plumbing, Electrical, and Fire Codes, in effect at the time of approval of the appropriate building, grading, encroachment or other construction permits for the Project;
- (k) Provide the City all necessary information, including documentation of actual expenses incurred for Reimbursable Project Costs; and

4.02 Insurance. Developer will maintain for the duration of the Project a policy of liability insurance, acceptable to City, with liability limits of at least Two Million Dollars (\$2,000,000.00) naming City as an additional insured. Such a policy must remain in effect until City provides a final certificate of occupancy. Developer agrees to require the construction contractor installing infrastructure improvements to carry Builders' Risk insurance covering the full replacement cost of all improvements and that such insurance remain in effect for the duration of the construction of each respective Project phase. The City will not provide insurance for the Project.

4.03 Indemnification. Developer will without a determination of liability or payment being made FULLY INDEMNIFY, DEFEND, and HOLD HARMLESS, City (and the elected and appointed officials, employees, the Mayor, council members, and representatives of City) (the “**Indemnified Parties**”) from and against any and all costs, claims, liens, damages, losses, expenses, fees, fines, penalties, proceedings, actions, demands, causes of action, liability and suits of any kind and nature, including but not limited to, personal injury or death and property damage, made upon any of the Indemnified Parties directly or indirectly arising out of, resulting from or related to Developer’s breach of this Agreement and for the negligence, willful misconduct or criminal conduct of Developer under this Agreement, including any such acts or omissions of Developer and its members, managers, agents, officers, representatives, employees, consultants or sub-consultants, and their respective officers, agents, employees, directors and representatives while in the exercise or performance of the rights or duties of Developer under this Agreement, all without, however, waiving any governmental immunity available to City under South Dakota law and without waiving any defenses of the parties under South Dakota law. The provisions of this indemnification obligation are solely for the benefit of the parties hereto and are not intended to create or grant any rights, contractual or otherwise, to any other person or entity. Developer will promptly advise the Indemnified Parties in writing of any claim or demand against the Indemnified Parties related to or arising out of Developer’s activities under this Agreement and will see to the investigation and defense of such claim or demand at Developer’s cost to the extent required in this section. The Indemnified Parties will have the right, at its option and expense, to participate in such defense with attorneys of its choice, without relieving Developer of any of its obligations under this section. The indemnification obligations hereunder survive the expiration and termination of this Agreement.

4.04 Liability. Developer will be solely responsible for compensation and taxes payable to any employee or contractor of Developer, and none of Developer’s employees or contractors will be deemed to be employees or contractors of City. No elected or appointed official, the Mayor, council member, officer, employee, representative or agent of City shall be personally responsible for any liability arising out of or resulting from this Agreement.

4.05 Taxes & Licenses. Developer will pay, on or before their respective due dates, to the appropriate collecting authority all federal, state, and local taxes and fees that are now or may hereafter be levied upon the Property or upon Developer or upon the business conducted on the Property, or upon any of Developer’s property used in connection therewith, including employment taxes. Developer shall maintain in current status all federal, state, and local licenses and permits required for the operation of the business conducted by Developer.

4.06 Examination of Records. Developer will allow City to conduct examinations and copy, during regular business hours and following at least 5 business days’ notice to Developer by City, the books and records related to the sources and uses of funds related to the Project.

4.07 Minimize Project Costs. Developer will use its best efforts to minimize the actual Project Costs but shall not be required to sacrifice the first-class quality or finishes of the Project.

4.08 Miscellaneous Developer Obligations. Developer shall be obligated to comply with the terms and conditions of this Agreement, and any amendments hereto, at those times specified herein. Developer shall use its best efforts, in accordance with its business judgment and taking into consideration market conditions and other economic factors influencing the Developer’s business decisions, to commence and continue the development of the Project in a good and workmanlike manner using best construction

practices and techniques, and to develop the Project in an orderly and diligent manner in accordance with the provisions and conditions of this Agreement including, without limitation the Project Schedule. The failure of the Developer to comply with any material term or condition of or fulfill any obligation of the Developer under this Agreement shall constitute a default by the Developer under this Agreement.

Section 5. Term and Termination

5.01 Term. The “Term” of this Agreement shall commence on the date the resolution or ordinance approving this Agreement becomes effective and end on the date that is the *earliest* to occur of the following, at which time Parties’ obligations hereunder will be deemed fully discharged:

- (a) the date on which the amount payable under **Section 2.05** has been paid in full to Developer;
- (b) the date this Agreement is terminated as provided in **Sections 2.03** or **6.02**;
- (c) the 20th anniversary of the creation of the TID;
- (d) the Developer’s voluntary or involuntary bankruptcy, insolvency, or transfer for the benefit of creditors;
- (e) Dissolution or termination of Developer; or
- (f) the City’s repurchase of the Property.

5.02 Modification on Changed Condition. The City reserves the right to reserve, reduce, or withhold reimbursements to the Developer based on the following occurrences:

- (a) Significant reductions to the overall Project Cost as set forth in the Sources and Uses of Funds Statement which reduce the Developer’s financial need for Tax Increment Revenue. In such instance, the City may seek such adjustment as contemplated in this Agreement any time within thirty-six months of construction completion and modify the total amount payable in **Section 2.05(a)** by providing written notice to the Developer of its intent to do so. In the event the City determines it intends to reserve, reduce or withhold Tax Increment Revenues, it will give the Developer written notice of its intention to reserve, reduce or withhold Tax Increment Revenues and a detailed basis for the City’s decision (the “City Notice”). Developer will have 60 days within which to respond to the City’s notice in writing as to whether Developer accepts or disagrees with the City’s decision. If Developer disagrees with the City’s decision, the parties agree to meet and attempt to come to a mutual agreement regarding any decision to reserve, reduce or withhold Tax Increment Revenue. If no agreement is reached within 120 days following the date of the City Notice, then either party may within 180 days of the date of the City Notice bring an action pursuant to **Section 6** of this Agreement.
- (b) A Default by the Developer, which may include, without limitation, any of the following:
 - (i) Developer’s failure to commence or complete construction in accordance with **Section 3.01** or **Section 4.01(a)**; or
 - (ii) Developer’s breach of any of the terms of this Agreement including, without limitation, those contained in **Section 3.01**; or
 - (iii) Any representation or warranty in this Agreement, the Project Plan or the final Sources and Uses of Funds (as approved by the City), made by Developer shall be materially

untrue or materially misleading in any respect. The Parties acknowledge that the architect's, engineer's and any contractor's estimates provided to date are a good faith estimate and subject to change; or

- (iv) Developer shall file or have filed against it a Petition in Bankruptcy or for reorganization or for an arrangement pursuant to any present or future federal or state bankruptcy act or any similar federal or state law, or shall be adjudged bankrupt or insolvent, or shall make a general assignment for the benefit of its creditors, or shall be unable to pay its debts generally as they become due; or
- (v) Commencement of foreclosure or forfeiture proceedings whether by judicial proceedings, self-help, or any other method by Developer's creditors or any governmental agency.

The City shall be under no obligation to increase reimbursements based on Developer's need or a modification or changed condition.

5.03 Priority. Any amounts paid by City to Developer shall retain their characterization as real estate taxes and their priority position should Developer default or become bankrupt.

Section 6: Default, Remedies, Termination

6.01 General Provisions. Subject to Force Majeure and extensions of time by mutual consent in writing, failure or unreasonable delay by either Party to perform any term or provision of this Agreement shall constitute a default. In the event of default or breach of any terms or conditions of this Agreement, the Party alleging such default or breach shall give the other Party notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured and the defaulting party shall have ninety (90) days to cure its default, time being of the essence. During any such 90-day cure period, the Party alleged to be in default shall not be considered in default for purposes of the institution of legal proceedings.

After notice and expiration of the 90-day cure period (as the same may be extended as provided above), if such default has not been cured, then in addition to remedies as specifically provided below, the other Party to this Agreement may at its option:

- (a) Terminate this Agreement, in which event neither Party shall have any further rights against or liability to the other with respect to this Agreement or the Property; or
- (b) Institute legal or equitable action to cure, correct or remedy any default, including but not limited to an action for specific performance of the terms of this Agreement.

6.02 Developer's Default, City Termination Rights. So as to avoid all doubt, Developer agrees that the City, in addition to any other remedies set forth herein, has the right to terminate this Agreement on ninety (90) days prior written notice under the following circumstances, each of which is a default hereunder:

- (a) In the event of a default of Developer in which it has received notice pursuant to Section 6.01 herein and which has not been cured within the time period provided for herein;
- (b) Failure of Developer to submit applications for land use and building permit approvals by the deadline required herein or in the Purchase Agreement;

- (c) Failure by Developer to commence construction of the Project in accordance with **Section 3.01** and **Section 4.01(a)** on or prior to July 1, 2023;
- (d) Failure by Developer to pursue construction of the Project diligently upon commencement of construction;
- (e) Failure by Developer to provide and maintain the financial assurances as required in **Section 7.11** including, without limitation, the withdrawal of a financial commitment by a Financier or provider of capital without the immediately replacement of such commitment for financing or capital in a manner satisfactory to the City as provided in **Section 7.11**;

The parties agree that the instrument transferring title to the Property will contain a reversionary clause that title of the Property will revert back to the City if the Project is abandoned or this Agreement is terminated. In particular, if the Developer exercises its right to terminate pursuant to Section 2.04 of this Agreement the parties acknowledge that title to the Property will revert to the City. The parties further agree that once financing commitments are in place, the City's rights and interest in the Property will be subordinate to any rights and interests of entities financing the Project. The parties agree to work together to execute any and all documents or assurances necessary to fulfill this provision so as not to impede the Developer's ability to obtain financing for the Project. Upon completion of the Project and issuance of a final certificate of occupancy for the Hotel Requirement and the Residential Requirement of the Project, the City's rights in the Property and any reversionary interest therein shall cease, terminate, and be extinguished.

Termination of this Agreement pursuant to this Section shall not affect any right or duty arising from entitlements issued by City prior to termination, nor shall it destroy any vested right arising from the completion of construction in good faith reliance on an entitlement. The Parties shall record an appropriate release upon termination of this Agreement as to all or any part of the Property. For avoidance of doubt, in the event of an uncured default by Developer, the City shall be entitled to exercise its reversionary rights with respect to the Property and any improvements made thereon by Developer shall be subject to forfeiture.

6.03 City's Default; Developer Remedies If a City default occurs (and is not cured within the 90-day cure period) before City conveys the Property to Developer, Developer may, at its option: (a) terminate this Agreement by written notice to City without waiving any cause of action Developer may have against City, or (b) a legal action in mandamus, specific performance or other injunctive or declaratory relief to enforce the City's obligations under this Agreement.

6.04 Non-Waiver; Limitation of Legal Actions. Any delay by a Party in instituting or prosecuting any such actions or proceedings or otherwise asserting its rights under this **Section 6** shall not operate as a waiver of such rights or to deprive it of or limit such rights in any way (it being the intent of this provision that such Party should not be constrained because of concepts of waiver, laches or estoppel so as to avoid the risk of being deprived of or limited in the exercise of the remedy provided in this section or otherwise to exercise such remedy at a time when it may still hope otherwise to resolve the problems created by the default involved); nor shall any waiver in fact made by a Party with respect to any specific default by the other Party be considered or treated as a waiver of the rights of a Party with respect to any other defaults by the other Party or with respect to any particular default except to the extent specifically waived. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it,

at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

6.05 Enforced Delay, Extension of Times of Performance. In the event litigation is initiated by any party other than Developer that challenges any of the approvals for the Project and an injunction or temporary restraining order is not issued, Developer may elect to have the term of this Agreement and the Project Schedule tolled (i.e., suspended) during the pendency of said litigation, upon written notice to City from Developer. The tolling shall commence upon receipt by the City of written notice from Developer invoking this right to tolling. The tolling shall terminate upon the earliest date on which either a final order is issued upholding the challenged approvals or said litigation is dismissed with prejudice by all plaintiffs. In the event a court enjoins either the City or Developer from taking actions with regard to the Project as a result of such litigation that would preclude any of them from enjoying the benefits provided by this Agreement, then the term of this Agreement shall be automatically tolled during the period of time such injunction or restraining order is in effect.

Section 7. Miscellaneous

7.01 Non-Waiver. Provisions of this Agreement may be waived only in writing. No course of dealing on the part of City or Developer, nor any failure or delay by City or Developer in exercising any right, power, or privilege under this Agreement shall operate as a waiver of any right, power or privilege owing under this Agreement.

7.03 Entire Agreement. This Agreement, along with any Purchase Agreement for the transfer of the subject property, embodies the final and entire agreement between the parties hereto concerning the subject matter herein. The Exhibits attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that if there is a conflict between any such Exhibit and a provision of this Agreement, the provision of this Agreement will control.

7.04 Amendments. All amendments to this Agreement and the Project Plan may only be made in a writing executed by City and Developer, after obtaining all necessary approvals.

7.05 Severability. If any clause or provision of this Agreement is held invalid or unenforceable, such holding will not invalidate or render unenforceable any other provision hereof.

7.06 Force Majeure. Neither the City nor Developer, as the case may be, shall be considered in breach of or in default of any of its nonmonetary obligations hereunder, including without limitation suspension of construction activities, by reason of unavoidable delay due to strikes, lockouts, acts of God, epidemics, pandemics, unforeseeable inability to obtain labor or materials due to governmental restrictions, riot, war, hurricane, or other similar causes beyond the commercially reasonable control of a party (in each case, an event of "Force Majeure") and the applicable time period shall be extended for the period of the Force Majeure event. However, financial or economic considerations or difficulties unrelated to the aforementioned events are not included in the definition of "Force Majeure."

7.07 Venue and Governing Law. This Agreement shall be construed under and in accordance with the laws of the State of South Dakota. Any legal or equitable action or proceeding brought or maintained, directly or indirectly, as a result of this Agreement shall be heard and determined in the Seventh Judicial Circuit, Pennington County, South Dakota. The City shall be awarded its attorney's fees and all other litigation, mediation, and court costs, and expert witness fees if City is the prevailing party.

7.08 Notice. Any notice sent under this Agreement shall be written and mailed with sufficient postage, sent by overnight delivery service or by certified mail, return receipt requested, documented facsimile or delivered personally to an officer of the receiving party at the following addresses:

If to City: City of Rapid City
300 6th Street
Rapid City, South Dakota 57701
Attention: TIF Administrator

With copy(ies) to (which shall not constitute notice):
Joel Landeen, City Attorney
300 6th Street
Rapid City, South Dakota 57701

If to Developer: C.R. Lloyd Associates, Inc.
101 S. Reid Street, Suite 201
Sioux Falls, South Dakota 57103
Attn: Jake Quasney, EVP of Development

With copy(ies) to (which shall not constitute notice):
Lloyd Companies, Inc.
101 S. Reid Street, Suite 201
Sioux Falls, South Dakota 57103
Attn: Dan Doyle, General Counsel

Any of the above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications may be sent.

7.09 Captions. Captions used herein are only for the convenience of reference and shall not be construed to have any effect or meaning as to the agreement between the parties hereto.

7.10 Covenants Running with the Land; Binding Effect. All provisions of this Agreement shall be enforceable as equitable servitudes and constitute covenants running with the land. Each covenant to do, or refrain from doing, some act with regard to the development of the Property: (a) is for the benefit of and is a burden upon the Property; (b) runs with the Property and each portion thereof; and (c) is binding upon each Party and each successor in interest during ownership of the Property or any portion thereof.

7.11 Financial Assurances and Covenants. Prior to transfer of title in the Property to the Developer, the Developer agrees to provide information reasonably satisfactory to the City and the City's financial advisor that the Developer has secured financing and/or other lawful capital means sufficient to adequately finance the successful completion of the Project (in its entirety) and satisfy Developer's obligations in this Agreement in a timely manner. An enforceable commitment letter for such financing from a lender(s) or other financial institution reasonably acceptable to the City, and the identification of the source of such capital and the escrowing of such capital obligations (or a date-certain commitment to escrow), shall satisfy this provision. The City and its financial advisor agree to consider such information as proprietary and confidential. Developer acknowledges that its warranties, representations and covenants regarding

the financing of the Project are an inducement to the City to award the development to Developer and enter into this Agreement.

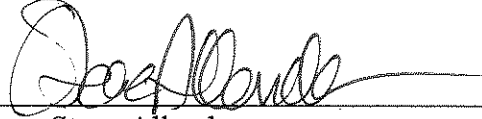
7.12 Financing. Developer may, in its sole discretion, obtain or allow one or more financial encumbrances (i.e., mortgages, deeds of trust, and any other device by which Developer uses all or any portion of its interest in the Property to secure a loan) as will assist Development of the Project. Unless otherwise required by law, neither entering into nor a breach of this Agreement shall defeat, render invalid, diminish or impair the lien of any such financial encumbrance made in good faith and for value provided, however, that such financial encumbrances are and must be subject and inferior to the terms and conditions of this Agreement, including the remedies hereunder. Nothing herein authorizes Developer to encumber any interest in the Property other than its own. The City agrees to provide any Financier with a copy of any default notice to Developer.

7.13 Cross Default. The parties acknowledge and agree that a default by a party under the Purchase Agreement and/or TID Agreement shall be deemed a default of this Agreement.

[Signature Page Follows]

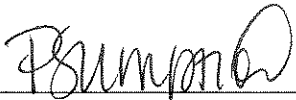
IN WITNESS THEREOF, the parties hereto have caused this instrument to be duly executed as of the day and year first written above.

City of Rapid City



Mayor Steve Allender

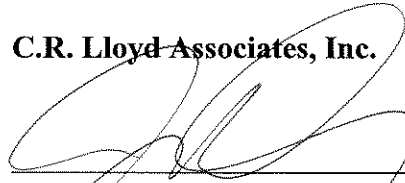
Attest:



Pauline Sumption, Finance Director

(SEAL)

C.R. Lloyd Associates, Inc.



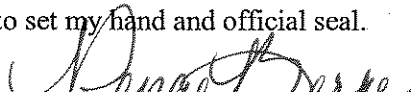
By: Jake Quasney

Its: COO

State of South Dakota)
SS.
County of Minnehaha

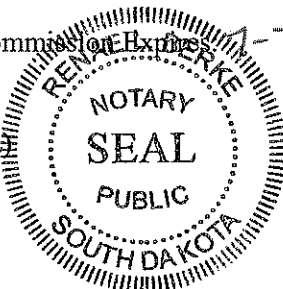
On this the 28th day of April, 2022, before me, the undersigned officer, personally appeared Jake Quasney, who acknowledged themselves to be the COO of CR Lloyd Assoc., Inc., and that, as such COO, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation as COO.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.


Notary Public, South Dakota

My Commission Expires 1-7-2023

(SEAL)



SCHEDULE OF EXHIBITS

Exhibit A	TIFD #85 Resolution
Exhibit B	Project Plan

EXHIBIT A

22T1001
44-22

COPY

PREPARED BY: City Attorney's Office
300 Sixth Street
Rapid City, SD 57701
(605) 394-4140
KPG

RESOLUTION NO. 2022-009

**RESOLUTION CREATING THE BLOCK FIVE PROJECT TAX INCREMENT
FINANCING DISTRICT NUMBER EIGHTY-FIVE, CITY OF RAPID CITY,
AS SUBMITTED BY THE RAPID CITY PLANNING COMMISSION**

WHEREAS, the property within the following described District meets the qualifications and criteria set forth in SDCL 11-9; and

WHEREAS, the Council of the City of Rapid City finds that the aggregated assessed value of taxable property in this District, plus the tax increment base of all other districts currently in effect, does not exceed ten percent (10%) of the total assessed value of all taxable property in the City of Rapid City; and

WHEREAS, the Council finds that:

- (1) Not less than twenty-five percent, by area, of the real property within the district is a blighted area or not less than fifty percent, by area, of the real property within the district will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources development; and
- (2) The improvement of the area is likely to significantly enhance the value of substantially all other real property in the district.

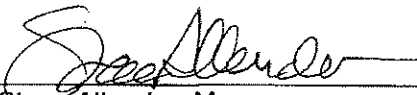
NOW, THEREFORE, BE IT RESOLVED, by the City of Rapid City that the real property legally described as:

Tract A and the vacated east 13 feet of Sixth Street and the vacated south 3½ feet of Saint Joseph Street, and the vacated west 1 foot of Fifth Street adjacent to said Tract A, Block 95, Original Town of Rapid City, and adjacent Saint Joseph Street right-of-way, adjacent 6th Street right-of-way, the adjacent 5th Street right-of-way and adjacent alley right-of-way, all located in the N½ of the NW¼ of Section 1, Township 1 North, Range 7 East, Black Hills Meridian, Rapid City, Pennington County, South Dakota, more generally described as being located at 525 St. Joseph Street

is hereby designated as the Block Five Project Tax Increment Financing District Number Eighty-Five, City of Rapid City, and is created as of the effective date of this resolution.

DATED this 6 day of April, 2022.

CITY OF RAPID CITY:



Steve Allender, Mayor

ATTEST:



Pauline Sumption, Finance Director

(SEAL)

22T1 001
4-4-22

COPY

PREPARED BY: City Attorney's Office
300 Sixth Street
Rapid City, SD 57701
(605) 394-4140
KEP

RESOLUTION NO. 2022-010

**RESOLUTION APPROVING THE PROJECT PLAN FOR THE BLOCK FIVE PROJECT
TAX INCREMENT FINANCING DISTRICT NUMBER EIGHTY-FIVE, CITY OF RAPID CITY,
AS SUBMITTED BY THE RAPID CITY PLANNING COMMISSION**

WHEREAS, the Council of the City of Rapid City has determined that it is in the best interest of the City to implement plans that promote economic development and growth in the City; and

WHEREAS, the Council embraces the concept of Tax Increment Financing as a tool to encourage this desirable growth and redevelopment; and

WHEREAS, there has been established the Block Five Project Tax Increment Financing District Number Eighty-Five, City of Rapid City; and

WHEREAS, the Council deems it desirable to promote economic development and create jobs in the corporate limits of the City of Rapid City; and

WHEREAS, this Tax Increment Financing District includes commercial property, thereby forming an economic development Tax Increment Financing District; and

WHEREAS, the Project Plan submitted helps make this development feasible by assisting with the development of a mixed-use development on a prime downtown corner lot currently used for surface parking; and

WHEREAS, the use of Tax Increment funding to promote this development is in keeping with the statutes adopted by the South Dakota State Legislature; and

WHEREAS, the Project Plan submitted for this Tax Increment Financing District proposes these public improvements; and

WHEREAS, the Council has considered the Project Plan submitted by the Planning Commission and determined that the Project Plan for the Block Five Project Tax Increment Financing District Number Eighty-Five, City of Rapid City, is economically feasible; and

WHEREAS, the Council has further determined that this Project Plan is in conformity with the adopted Comprehensive Plan.

NOW, THEREFORE, BE IT RESOLVED, by the City of Rapid City that the Project Plan of the Block Five Project Tax Increment Financing District Number Eighty-Five, City of Rapid City, be and hereby is approved as submitted by the Rapid City Planning Commission.

DATED this 6 day of April, 2022.

CITY OF RAPID CITY:


Steve Allender, Mayor

ATTEST:


Pauline Sumption, Finance Director

(SEAL)

EXHIBIT B

TAX INCREMENT DISTRICT PROJECT PLAN

TAX INCREMENT DISTRICT #__
BLOCK 5 PROJECT
CITY OF RAPID CITY



Prepared by the

Rapid City Department of Community Development
February 2022

INTRODUCTION

Tax Increment Financing (TIF) is a method of financing improvements and development in an area which has been determined to be blighted or which has been determined to create economic development according to the criteria set forth in SDCL 11-9. All this is done without incurring a general obligation for the taxpayers of the entire City.

The assessed value of a district is determined by the South Dakota Department of Revenue at the time the district is created by the City Council. This valuation is termed the Tax Increment Base Valuation for the district, or simply the "base valuation."

When the assessed valuation of the district increases in succeeding years, the total property taxes paid by the owners of property in the district will increase accordingly. That increase in taxable valuation is the "increment." When the tax bills are paid, only that portion of the tax bill which results from the Base Valuation, is paid to the taxing entities (City, County, School, etc.) levying property taxes. The tax increment is deposited into a special fund. It is this plan which determines how these accumulated increment funds will be used. The property contained within the proposed Tax Increment District will be used for commercial purposes. The creation of this Tax Increment District for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment.

This financing method is invaluable for encouraging economic growth since the amount of funds available for use by the project plan is directly related to the increase in valuation which a given project or development will create.

OVERVIEW

The proposed Block 5 project is a mixed-use development focused on the prominent corner of 6th Street and Saint Joseph Street in downtown Rapid City. The Project includes a mix of commercial space, residential units, and hotel components to bring excitement and activity to an underutilized site currently used as a surface parking lot. The purpose of the proposed district is to encourage redevelopment, stimulate economic growth, and stimulate private investment leading to significant additional tax revenues in the long-term.

The proposed 10-story structure is oriented to the intersection of 6th and St. Joseph Street, with a building cut-out and retail spaces promoting walkability in alignment with the 6th Street Promenade Plan. The hospitality component will bring an additional 117 hotel rooms as part of a Hyatt Place brand upscale hotel and event space. The residential component will add 131 apartment units to the downtown core. The parking structure will include approximately 330 parking stalls to support the added density brought by the project. The City's Parking Enforcement Division is working on a plan with existing leaseholders of the surface parking lot to be re-located within the City's public parking system.

The applicant is requesting up to \$8,750,000 in funding for Project Costs, and interest costs estimated at a maximum \$5,954,052.95. The amount of interest paid will depend on the timeline of the project being paid off. The TIF proposal is structured as a grant pursuant to

South Dakota Codified law 11-9-15; however, many of the project components qualify in the traditional TIF policy. The following table identifies costs incurred by the project which are proposed to be covered in part or in whole through TIF in an amount not to exceed \$8,750,000, plus interest accrued. Note that the identified costs are higher than the TIF request, because the TIF request is only being made for the amount needed to make the project feasible.

Proposed Project Cost Description	TID Funded Project Costs
Site Preparation including cleaning of contaminated site including soil remediation and excavation	\$1,172,050
Design, Engineering, Testing, Legal, and Administrative Costs of the TID	\$850,000
Utility Re-location	\$362,515
Parking Structure Construction	\$11,410,058
Streetscaping and Street Construction	\$245,300
<u>Total Project Costs Related to TID Eligible Expenditures</u>	<u>\$14,704,052.95</u>
<u>Maximum TID Project Costs</u>	<u>\$8,750,000</u>

Proposed Project Cost Description	TID Funded Project Costs
Financing Interest	\$5,954,052.95

Tax Increment Financing Committee

The Tax Increment Financing Committee met on January 5, 2022 to discuss the proposal. The recommendation to create a new tax increment district was based on the requirements of SDCL 11-9-8, wherein:

- (1) "Not less than ... fifty percent, by area, of the real property within the district will stimulate and develop the economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources"; and
- (2) The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district.

This new district will be financed by the Developer.

The Committee also confirmed that based on the information provided in the application, the proposed development meets the following local criteria in the City's adopted TIF Policy:

Uses of TIF

- Reconstruction of existing streets, water, sewer, sidewalks or other public infrastructure;
- Imputed administrative fees due to the City;
- Removal and replacement of contaminated soils;
- Professional service fees limited to engineering, design, survey, and construction management associated with the allowable project costs; and,
- Costs, at the discretion of the governing body, which are found to be necessary or convenient to the creation of the Tax Increment District or the implementation of the Project Plan.

Criteria for Evaluation

- The project must be located within a proposed district in which a minimum of twenty-five percent (25%) of the area of the district is determined to be "blighted" and the improvements are likely to enhance the value of substantially all of the other real property in the District. For the purposes of TIF, a "blighted area" is defined as (C). An open area which because of the need for infill development and cost effective use of existing utilities and services, obsolete platting, diversity of ownership, deterioration of structures or site improvements, or otherwise is determined to be blighted, substantially impairs or arrests the sound growth of the community;
- The project must comply with the adopted Comprehensive Plan and all other appropriate plans and regulations; and,
- The use of the project will not result in the net loss of pre-existing tax revenues to the City and other taxing jurisdictions.

Discretionary Criteria

- The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of SDCL 11-9.
- The project costs are limited to those specific costs associated with a site that exceed the typical or average construction costs (i.e. excessive fill, relocation cost, additional foundation requirements associated with unusual soil conditions, extension of sewer or water mains, on-site or off-site vehicular circulation improvements, etc.)

In addition, the TIF Policy requires at least two of the six options for Additional Criteria must be met.

- The project must demonstrate that it is not economically feasible without the use of TIF.
- The project will eliminate actual or potential hazard to the public.
- The project will result in additional development in the TIF Target area of downtown Rapid City.

Rapid City Comprehensive Plan

The proposed project fulfills several of the goals of the City's adopted Comprehensive Plan as summarized below.

- **Balanced Pattern of Growth Actions, BPG-A2: Infill and Redevelopment Incentive Programs:** Encourage infill development and redevelopment using a comprehensive toolbox of incentives including Tax Increment Financing.
- **Economic Growth and Stability Actions, EC-A10:** Redefine the criteria and standard uses for approval of TIF requests to increase the burden of proof of project feasibility, limit use in green-field areas, tie the use of TIF to achieving comprehensive plan goals, and only use TIF in priority growth or employment areas.
- **Livable Community Actions, LC-A14:** Identify potential catalyst sites for housing in the downtown area. Solicit or partner with a developer to build a multi-family housing project to generate an expanded housing supply in Downtown and to help momentum for additional projects.
- **Livable Community Goals, LC-4.2B:** Support infill development and targeted redevelopment in the area adjacent to the downtown core to maximize infrastructure investments, provide greater diversity in uses, enhance activity levels, promote synergy between unique destinations, and support a more cohesive environment.
- **Balanced Pattern of Growth Goals, BPG-1.1B:** Prioritize and invest in infrastructure maintenance and improvements within established portions of the community before investing in new infrastructure to serve outward growth areas.
- **Balanced Pattern of Growth Goals, BPG1.2A:** Highly desirable areas for infill development include Downtown areas.

Downtown Area Master Plan

- **Economy:** Use Tax Increment Financing as a tool to support the downtown goal of "Housing Everywhere" which encourages the development of new housing in a variety of types and price points throughout the downtown.
- **Vision for 5th and Saint Joseph Street City Parking Lot:** The proposed TIF project is located on a site specifically identified in the City's Downtown Master Plan as a location with significant opportunity to have an immediate and lasting impact on the shape of downtown. The City-owned surface parking lot site is called out as a key piece in the growth of the central core of Downtown Rapid City.

Financials

The City Finance Director will review and analyze the proposed financing terms and forward a recommendation for approval or disapproval to the City Council along with the Developer's Agreement or proposal for refinancing. For purposes of developing the project plan, all interest expenses are to be calculated utilizing an estimated interest rate of 4.5%.

An Imputed Administrative Fee in the amount of \$20,000 shall be charged by the City of Rapid City to every tax increment district for which a Project Plan is approved. This fee is

paid to the City as a project cost from the tax increment fund balance in year five of the District.

All public infrastructure projects identified for incremental reimbursement within this Project Plan shall be constructed and completed within five years of the creation of the district, including the City's acceptance of those public improvement(s). If the tax increment revenues exceed the anticipated loan payments, the District debt would be retired early, resulting in the full value of the property returned more quickly back to the tax rolls.

Project Plan Summary

This plan establishes the total project costs, as well as the Tax Increment District funded costs. As required by SDCL 11-9-13, the Project Plan will address the following elements:

- 1) Public Works and Other Improvements;
- 2) Economic Feasibility Study;
- 3) Project Costs;
- 4) Fiscal Impact Statement; and,
- 5) Financing Method Description.

Additionally, the following exhibits are offered:

- I. General Vicinity Map;
- II. Aerial Photo with Tax Increment District Boundary Map;
- III. Map of Existing Zoning;
- IV. Map of Existing Land Use; and
- V. Map of Public and Other Improvements.

The Statement of Method for Relocating Displaced Persons, as well as the Statement of Changes Needed in the Master Plan, Building Codes and Ordinances do not apply to this Project Plan and have not been included in this document as there are no persons that will be displaced with approval of this Plan nor are there any changes needed in the City's Master Plan, existing Building Codes or Ordinances in order to implement this Plan.

ELEMENTS OF THE PROJECT PLAN

1. PUBLIC WORKS AND OTHER IMPROVEMENTS

The Project Plan includes \$8,750,000 in capital costs associated with partially funding the following elements 1) site preparation including cleaning of contaminated soils, soil remediation, and excavation; 2) Design, Engineering, Testing, Legal, and Administrative costs of the TID; 3) Utility Re-location; 4) Parking Structure construction costs; and, 5) Streetscaping and Street construction. In addition, the Plan includes \$5,954,052.95 financing interest. The total maximum project costs for the proposed Tax Increment District is \$14,704,052.95.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation

The proposed Tax Increment District has been created in accordance with SDCL 11-9-2 to 11-9-11. A vicinity map as well as a boundary map is attached. The 2020 assessed valuation for the proposed district is \$0. In accordance with SDCL 11-9-20, the Finance Director will request that the South Dakota Department of Revenue certify the base valuation following creation and approval of the district by the City Council.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY- \$0.00Expected Increase in Valuation**ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT**

Estimated 2020 Assessed Value of District	\$0.00
Estimated 2024 Assessed Value (Year 3, full build out)	\$42,882,775.00
Other Anticipated Increases in Assessed Value	\$0
Estimated Increase in Assessed Value of Land*	\$0
Estimated 2041 Total Valuation (year 20)	\$52,840,689.35

*For purposes of this Tax Increment District, the increase in land value is not included in these estimates. Any land valuation increases will pay off the loan earlier than anticipated.

Revenue Estimates from Tax Increments

The Plan anticipates 19 semi-annual payments over 20 years beginning in 2024. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years. Each year following 2026, the developer estimates a 2% escalation in the property tax.

2021 Non Agriculture Tax Levies and Percentage of Total Levy for 4D RC

City of Rapid City within the Rapid City Area School District

<u>Taxing Entity</u>	<u>Tax Levy</u>	<u>% of Total Levy</u>
Rapid City Area School District	11.216	58.89%
Pennington County	4.688	24.61%
City of Rapid City	3.119	16.38%
West Dakota Water District	0.023	0.12%
Total Mill Levy	19.046	100.00%

Anticipated 2021 Non Agriculture 4D RC Tax Rate: 0.019046

The estimated tax increment available to pay for Project Plan costs can be calculated by multiplying the anticipated tax rate by the increment in valuation, based on the location of the increment generator. This calculation results in the following tax increments, through

one year beyond the anticipated payoff date, which become available as taxes are paid for the applicable periods.

PROJECTED TAX INCREMENT INCOME

TIF YR	Assesm. Year	Year Taxes Paid	Estimated Cumulative Increase in Taxable Value	TOTAL Cumulative Yearly Tax Increment Payments	TOTAL 6 Month Total
1	2022	2024	\$805,789.48	\$15,347.07	\$7,673.53
2	2023	2025	\$18,421,052.63	\$366,194.43	\$183,097.22
3	2024	2026	\$37,736,842.11	\$1,084,930.33	\$542,465.16
4	2025	2027	\$38,491,578.95	\$1,818,040.94	\$909,020.47
5	2026	2028	\$39,261,410.53	\$2,565,813.77	\$1,282,906.88
6	2027	2029	\$40,046,638.74	\$3,328,542.05	\$1,664,271.02
7	2028	2030	\$40,847,571.51	\$4,106,524.90	\$2,053,262.45
8	2029	2031	\$41,664,522.94	\$4,900,067.40	\$2,450,033.70
9	2030	2032	\$42,497,813.40	\$5,709,480.75	\$2,854,740.38
10	2031	2033	\$43,347,769.67	\$6,535,082.37	\$3,267,541.19
11	2032	2034	\$44,214,725.06	\$7,377,196.03	\$3,688,598.01
12	2033	2035	\$45,099,019.56	\$8,236,151.95	\$4,118,075.98
13	2034	2036	\$46,000,999.95	\$9,112,287.00	\$4,556,143.50
14	2035	2037	\$46,921,019.95	\$10,005,944.75	\$5,002,972.37
15	2036	2038	\$47,859,440.35	\$10,917,475.65	\$5,458,737.82
16	2037	2039	\$48,816,629.16	\$11,847,237.17	\$5,923,618.58
17	2038	2040	\$49,792,961.74	\$12,795,593.92	\$6,397,796.96
18	2039	2041	\$50,788,820.98	\$13,762,917.80	\$6,881,458.90
19	2040	2042	\$51,804,597.40	\$14,749,588.16	\$7,374,794.08
20	2041	2043	\$52,840,689.35	\$15,755,991.93	\$7,877,995.97

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/41: \$15,775,991.93

NOTE: Tax increment payments are calculated using 88% of estimated future property valuation and 100% of expected 2019 mill levy for the City of Rapid City levy (4D RC). The Estimated Cumulative Increase in Taxable Value is an estimate based on the incremental revenue generated from the applicant's proposed valuation increase.

3. PROJECT COSTS

Imputed Administrative Costs – An Imputed Administrative Fee in the amount of \$20,000 shall be charged by the City of Rapid City to every tax increment district for which a Project Plan is approved. This interest free fee is paid to the City as a project cost from the tax increment fund balance in year five of the District. The City shall be reimbursed on May

1, 2027, for its administrative costs in the amount of \$20,000. As previously noted, the TIF proposal is structured as a grant pursuant to South Dakota Codified law 11-9-15; however, many of the project components qualify in the traditional TIF policy. The following table identifies costs incurred by the project which are proposed to be covered in part or in whole through TIF in an amount not to exceed \$8,750,000, plus interest accrued. Note that the identified costs are higher than the TIF request, because the TIF request is only being made for the amount needed to make the project feasible. Of TIF eligible costs, the developer requests that 38% be fully developer funded, with the TIF covering 62%.

ITEM	TOTAL TIF ELIGIBLE PROJECT COSTS	PROPOSED TIF FUNDED PROJECT COSTS
Site Preparation including cleaning of contaminated soils, soil remediation, and excavation	\$1,172,050	Not to Exceed \$8,750,000
Design, Engineering, Testing, Legal, and Administrative Costs of the TID	\$850,000	
Utility Re-location	\$362,515.00	
Parking Structure Reconstruction	\$11,410,058	
Streetscaping and Street Reconstruction	\$245,300	
Total Project Costs Related to TID Eligible Expenditures	\$14,039,623	
Financing Interest		\$5,954,052.95
TOTAL MAX TID COSTS		\$14,704,052.95

Costs of Public Works or Improvements. In accordance with SDCL § 11-9-13, the following table represents the kind, number, location and dollar amount of estimated Project Costs, costs of public works and improvements.

DETAIL OF PROJECT COSTS

Kind of Project	Number of Projects	Location ⁽¹⁾	Amount	Reference ⁽²⁾
Capital Costs	N/A	N/A	N/A	11-9-15(1)
Financing Costs	1	District	\$5,954,052.95	11-9-15(2)
Real Property Assembly	N/A	District	N/A	11-9-15(3)
Professional Fees	N/A	District	N/A	11-9-15(4)
Administrative Costs	1	District	\$20,000.00	11-9-15(5)
Relocation Costs	N/A	District	NA	11-9-15(6)
Organizational Costs	N/A	District	N/A	11-9-15(7)
Discretionary Costs and Grants	1	District	\$8,750,000	11-9-15(8)
Eligible Project Costs			\$14,704,052.94	

4. FISCAL IMPACT STATEMENT

The impact on taxing entities can be derived from determining the tax increment anticipated during the life of the district. The true impact on taxing entities of the Plan is the increase in valuation of the property within the Tax Increment District. The taxing entities are only foregoing that income during the life of the district and will realize that income as soon as the debt from the project costs in the Plan is retired. The purpose of this Plan is to encourage that increase in valuation.

At first glance it may appear that the negative impact on the various entities is notable. But when it is considered that without the use of the Tax Increment Finance proposed in this plan it is very likely that there would be no increase in the taxable value of the property within this district or, at least, any increase would be significantly delayed, the impact can be considered truly positive. Furthermore, if the TID is classified as an Economic Development TID, then the School District revenue is allocated to real property statewide based on SDCL 13-13-10.9.

⁽¹⁾District shall mean the Tax Increment District

⁽²⁾**SDCL §11-9-14. Project costs defined.** "Project costs" are any expenditures made or estimated to be made, or monetary obligations incurred or estimated to be incurred, by a municipality which are listed in a project plan as grants, costs of public works, or improvements within a tax incremental district, plus any costs incidental thereto, diminished by any income, special assessments, or other revenues, other than tax increments, received, or reasonably expected to be received, by the municipality in connection with the implementation of the plan.

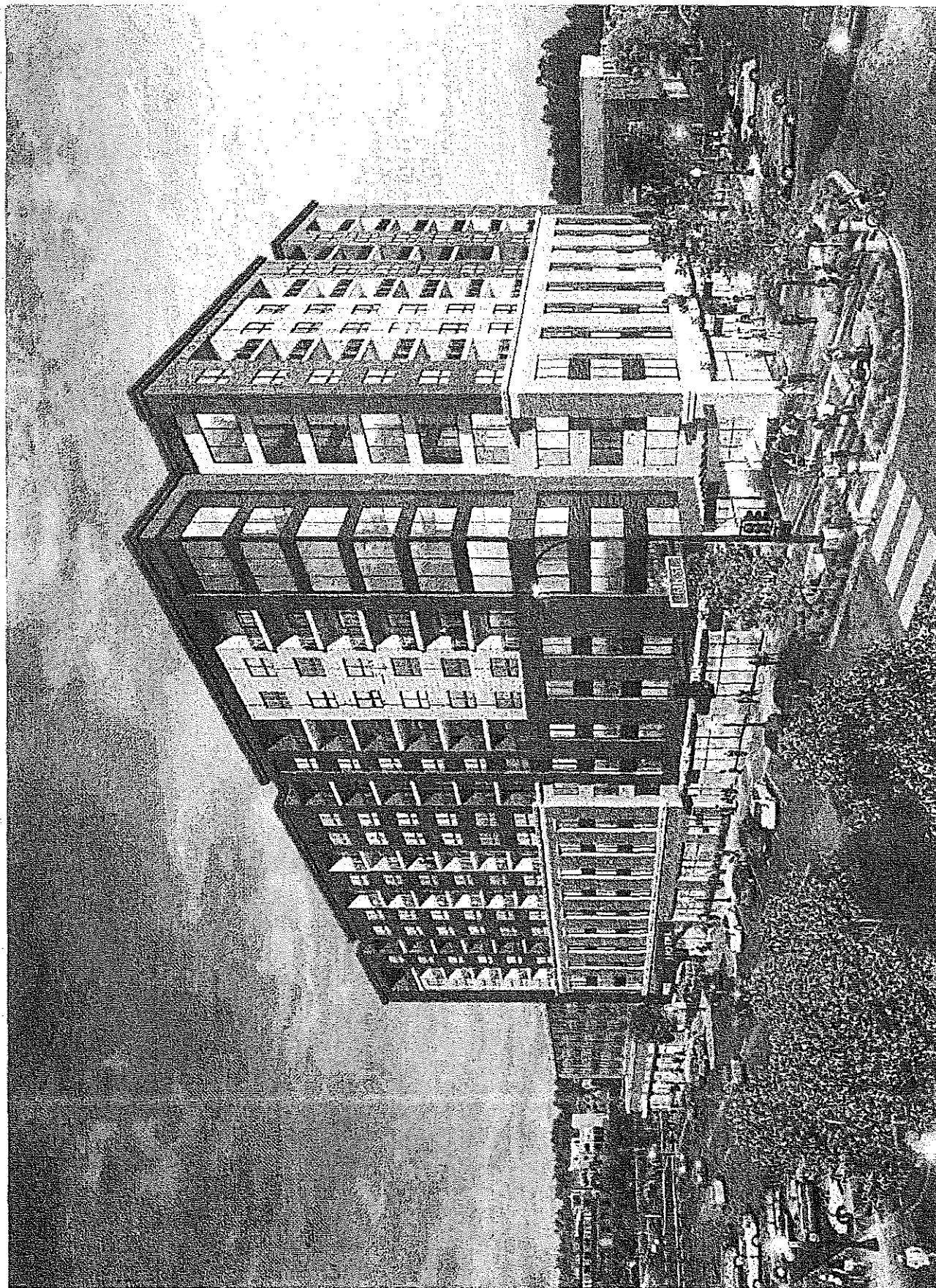
SDCL 11-9-15. Specific items included in project costs. Project costs include:

- (1) Capital costs, including the actual costs of the construction of public works or improvements, buildings, structures, and permanent fixtures; the demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and permanent fixtures; the acquisition of equipment; the clearing and grading of land; and the amount of interest payable on tax incremental bonds or notes issued pursuant to this chapter until such time as positive tax increments to be received from the district, as estimated by the Project Plan, are sufficient to pay the principal of and interest on the tax incremental bonds or notes when due;
- (2) Financing costs, including all interest paid to holders of evidences of indebtedness issued to pay for Project Costs, any premium paid over the principal amount thereof because of the redemption of such obligations prior to maturity and a reserve for the payment of principal of and interest on such obligations in an amount determined by the governing body to be reasonably required for the marketability of such obligations;

500



Appendix E:



Appendix F: Development Schedule

Q4 2021	City entitlements, review, and approvals.
10/1/2021	Full Construction Document Design engagement.
11/18/2021	Schematic Plan submitted to Hyatt for review.
12/15/2021	Design Development Plans submitted to Hyatt for review.
1/14/2022	Pricing and contracting plans submitted.
2/15/2022	Final documents submitted to city for Footing & Foundation permit.
Q2 2022	Site-work, footings, foundations, & utility work begins. (8-month duration)
Q4 2022	Vertical construction begins. (20-month duration)
Q2 2024	Project Complete.

Appendix G: Demonstration of TIF Necessity

Uses:	Total Cost
Land	\$1
Hard Costs	\$53,030,342
Soft Costs	\$5,014,219
Contingency	\$2,648,413
Total Use of Funds	\$60,692,975

Sources:	
Bank Financing	\$38,604,321
Owner Equity	\$12,938,655
Hyatt Key Money	\$400,000
TIF	\$8,750,000
Total Source of Funds	\$60,692,975

TIF Contribution to the viability of the project:	
Combined value of real estate at stabilization	\$ 51,939,003
Less: Total Project Costs	\$ 60,692,975
Project Surplus/(Deficit)	\$ (8,753,973)
TIF Subsidy	\$8,750,000
Project Surplus/Deficit after TIF	\$ (3,973)

EXHIBIT 3:

City of Rapid City
TID Debt Obligations - Block 5 Project

Annual Interest Rate

4.50%

2.00% Tax Revenue Escalation

TID Expires

2/7/2042

(Incremental Revenue)

	Pmt Date	Days Outstanding	Beginning Balance	Payment Amount	Interest Amount	Principal Amount	Ending Balance
TID Created	2/7/2022		\$ 8,750,000.00				\$ 8,750,000.00
							\$ 8,750,000.00
	6/1/2022			\$ -			\$ 8,750,000.00
	12/1/2022			\$ -			\$ 8,750,000.00
	6/1/2023			\$ -			\$ 8,750,000.00
	12/1/2023			\$ -	\$ 196,875.00		\$ 8,946,875.00
	6/1/2024			\$ 7,655.00	\$ 201,304.69		\$ 9,140,524.69
	12/1/2024			\$ 7,655.00	\$ 205,661.81		\$ 9,338,531.49
	6/1/2025			\$ 175,000.00	\$ 210,116.96		\$ 9,373,648.45
	12/1/2025			\$ 175,000.00	\$ 210,907.09		\$ 9,409,555.54
	6/1/2026			\$ 358,500.00	\$ 211,715.00		\$ 9,262,770.54
	12/1/2026			\$ 358,500.00	\$ 208,412.34		\$ 9,112,682.88
	6/1/2027			\$ 365,670.00	\$ 227,817.07		\$ 8,974,829.95
	12/1/2027			\$ 365,670.00	\$ 224,370.75		\$ 8,833,530.70
	6/1/2028			\$ 372,983.40	\$ 220,838.27		\$ 8,681,385.57
	12/1/2028			\$ 372,983.40	\$ 217,034.64		\$ 8,525,436.81
	6/1/2029			\$ 380,443.07	\$ 213,135.92		\$ 8,358,129.66
	12/1/2029			\$ 380,443.07	\$ 208,953.24		\$ 8,186,639.83
	6/1/2030			\$ 388,051.93	\$ 204,666.00		\$ 8,003,253.90
	12/1/2030			\$ 388,051.93	\$ 200,081.35		\$ 7,815,283.32
	6/1/2031			\$ 395,812.97	\$ 195,382.08		\$ 7,614,852.43
	12/1/2031			\$ 395,812.97	\$ 190,371.31		\$ 7,409,410.77
	6/1/2032			\$ 403,729.23	\$ 185,235.27		\$ 7,190,916.82
	12/1/2032			\$ 403,729.23	\$ 179,772.92		\$ 6,966,960.51
	6/1/2033			\$ 411,803.81	\$ 174,174.01		\$ 6,729,330.71
	12/1/2033			\$ 411,803.81	\$ 168,233.27		\$ 6,485,760.17
	6/1/2034			\$ 420,039.89	\$ 162,144.00		\$ 6,227,864.28
	12/1/2034			\$ 420,039.89	\$ 155,696.61		\$ 5,963,521.00
	6/1/2035			\$ 428,440.69	\$ 149,088.03		\$ 5,684,168.34
	12/1/2035			\$ 428,440.69	\$ 142,104.21		\$ 5,397,831.86
	6/1/2036			\$ 437,009.50	\$ 134,945.80		\$ 5,095,768.16
	12/1/2036			\$ 437,009.50	\$ 127,394.20		\$ 4,786,152.86
	6/1/2037			\$ 445,749.69	\$ 119,653.82		\$ 4,460,057.00
	12/1/2037			\$ 445,749.69	\$ 111,501.42		\$ 4,125,808.73
	6/1/2038			\$ 454,664.68	\$ 103,145.22		\$ 3,774,289.27
	12/1/2038			\$ 454,664.68	\$ 94,357.23		\$ 3,413,981.81
	6/1/2039			\$ 463,767.98	\$ 85,349.55		\$ 3,035,573.38
	12/1/2039			\$ 463,767.98	\$ 75,889.33		\$ 2,647,704.74
	6/1/2040			\$ 473,033.14	\$ 66,192.62		\$ 2,240,864.22
	12/1/2040			\$ 473,033.14	\$ 56,021.61		\$ 1,823,852.69
	6/1/2041			\$ 482,493.80	\$ 45,596.32		\$ 1,386,955.21
	12/1/2041			\$ 482,493.80	\$ 34,673.88		\$ 939,135.29
	6/1/2042			\$ 492,143.68	\$ 23,478.38		\$ 470,470.00
	12/1/2042			\$ 492,143.68	\$ 11,761.75		\$ (9,911.93)
Total				14,713,964.88	5,954,052.95		

B0195-7584 10/12/2021 7:45AM Rec'd by SD SOS

State of South Dakota

Office of the Secretary of State

Certificate of Organization

Domestic Limited Liability Company

I, Steve Barnett, Secretary of State of the State of South Dakota, hereby certify that the ARTICLES OF ORGANIZATION for

BLOCK 5, LLC

BUSINESS ID# DL212066

with an effective date of: October 12, 2021, duly signed and verified, SDCL 47-34A-203, 212 has been received in this office and is found to conform to law.

ACCORDINGLY, and by virtue of the authority vested in me by law, I hereby issue this Certificate of Organization and attach hereto a duplicate of the ARTICLES OF ORGANIZATION.



IN TESTIMONY WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of South Dakota, in Pierre, the Capital City, this day, October 12, 2021.

Steve Barnett

Steve Barnett
Secretary of State

10/12/2021 7:45 AM



B0195-7583 10/12/2021 7:45AM Rec'd by SD SOS

Article VI

☒ Member-Managed ☐ Manager-Managed

Article VII

Beneficial Owners (optional): A beneficial owner is a person who has or in some manner controls an equity security. Please consult an attorney for legal advice if you have any questions concerning this entry. Any question under this heading is considered a request for legal advice and the secretary of state's office is, by statute, not permitted, to provide legal advice.

Signature/Authorization

The Articles of Organization must be executed by the organizers.

No person may execute this report knowing it is false in any material respect. Any violation may be subject to a criminal penalty (SDCL 22-39-36).

JOHN F. ARCHER

JOHN F. ARCHER

10/12/2021

PRINTED NAME

SIGNATURE

TITLE

DATED

and complies with the following requirements:

A. Affordable housing projects must target residents at or below eighty percent (80%) of median income with rents at thirty percent (30%) of the tenants income or the Fair Market Rent (FMR) for the Section 8 Program whichever is greater. A minimum of 51% of the dwelling units of the proposed development shall be occupied by households meeting this income guideline;

☐

B. Affordable housing is required to remain affordable as defined above for ten (10) years. If affordability is less than ten (10) years, repayment of prorata share of increment benefit will be due and payable to the City.

☐

Discretionary Criteria. In addition, the project should meet several of the following criteria. The project will be evaluated relative to the criteria outlined below. The extent to which a project meets these criteria will be used in evaluation of the project including the length of time a district may run.

Applies

- | | |
|--|-------------------------------------|
| 1. The project will generate at least one full-time job for each \$10,000 in principal value of the TIF; or would create a minimum of 50 new jobs. | <input type="checkbox"/> |
| 2. All TIF proceeds are used for the construction of public improvements. | <input type="checkbox"/> |
| 3. The project involves the rehabilitation of a building listed on or eligible for listing on the National Register of Historic Places. | <input type="checkbox"/> |
| 4. The project will directly benefit low and moderate income people, as defined by the U.S. Department of Housing and Urban Development as applied to the Community Development Block Grant Program. A project will meet this criterion if at least 51% of the jobs created will be held by or available to low and moderate income people. | <input type="checkbox"/> |
| 5. The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of SDCL 11-9. | <input checked="" type="checkbox"/> |
| 6. The project involves the start-up of an entirely new business or business operation within the City of Rapid City. | <input type="checkbox"/> |
| 7. The project involves the expansion of an existing business located within Rapid City. | <input type="checkbox"/> |
| 8. The project site has displayed a recent pattern of declining real property assessments, as measured by the Pennington County Director of Equalization. | <input type="checkbox"/> |
| 9. The project costs are limited to those specific costs associated with a site that exceed the typical or average construction costs (i.e. excessive fill, relocation costs, additional foundation requirements associated with unusual soil conditions, extension of sewer or water mains, on-site or off-site vehicular circulation improvements, etc.) | <input checked="" type="checkbox"/> |
| 10. The developer agrees to waive the five-year tax abatement. | <input type="checkbox"/> |

CHECKLIST

TAX INCREMENT FINANCING IN RAPID CITY
A Guide for Applicants

Purpose of TIF. The City of Rapid City recognizes the following purposes for the use of Tax Increment Financing:

- | | Applies |
|---|-------------------------------------|
| 1. To encourage the redevelopment of deteriorated, or otherwise blighted real property in Rapid City through the investment of public funds; | <input checked="" type="checkbox"/> |
| 2. To stimulate economic development in the community by assisting projects that promote the long term economic vitality of the community; | <input checked="" type="checkbox"/> |
| 3. To stimulate increased private investment in areas that would have otherwise remained undeveloped or under-developed and which will, in the long term, provide a significant source of additional tax revenues to all taxing entities; | <input checked="" type="checkbox"/> |
| 4. To stimulate the construction of safe and affordable housing units for low and moderate income residents and workers in the community; and, | <input type="checkbox"/> |
| 5. To facilitate the reconstruction, maintenance and completion of the City's existing infrastructure network to support the existing growth and guide of the future growth of the community. | <input checked="" type="checkbox"/> |

Uses of TIF. Tax Increment Financing may be used for the following purposes in Rapid City:

- | | Applies |
|--|-------------------------------------|
| 1. Oversizing costs for sewer, water and streets required by the City of Rapid City; | <input type="checkbox"/> |
| 2. Extension of off-site sewer, water, street and public improvements to the development site; | <input type="checkbox"/> |
| 3. Oversizing costs for storm drainage detention and transmission facilities to accommodate storm water runoff beyond that generated by the development; | <input type="checkbox"/> |
| 4. Reconstruction of existing streets, water, sewer, sidewalks or other public infrastructure; | <input checked="" type="checkbox"/> |
| 5. Regional lift stations, pump stations or other public facilities to be owned by the City of Rapid City; | <input type="checkbox"/> |
| 6. Public playgrounds, parks and recreational improvements to be owned by the City of Rapid City; | <input type="checkbox"/> |
| 7. Demolition costs for the removal of existing structures or infrastructure; | <input checked="" type="checkbox"/> |
| 8. Interest and financing fees; | <input checked="" type="checkbox"/> |
| 9. Imputed administrative fees due to the City; | <input checked="" type="checkbox"/> |
| 10. Removal and replacement of contaminated soils; | <input checked="" type="checkbox"/> |
| 11. Professional service fees limited to engineering, design, survey and construction management associated with the allowable project costs; and, | <input checked="" type="checkbox"/> |
| 12. Costs, at the discretion of the governing body, which are found to be necessary or convenient to the creation of the Tax Incremental District or the implementation of the Project Plan. | <input checked="" type="checkbox"/> |

Criteria for Evaluation. Projects applying for assistance through TIF must qualify by meeting certain criteria. Some criteria are mandatory and must be met in order for the Committee to consider the project for assistance. Others are discretionary, and enable the Committee to determine the benefits of the project. The project application must demonstrate how the project meets the required criteria.

- | | Applies |
|--|-------------------------------------|
| 1. The project must be located within a proposed district in which a minimum of twenty-five percent (25%) of the area of the District is determined to be "blighted" and the improvements are likely to enhance the value of substantially all of the other real property in the district. For the purposes of TIF, a "blighted area" is defined as: | <input checked="" type="checkbox"/> |
| A. An area in which the structures, buildings, or improvements are conducive to ill health, the transmission of disease, infant mortality, juvenile delinquency, or crime, and which is detrimental to the public health, safety, morals, or welfare; or, | <input type="checkbox"/> |
| B. An area that substantially impairs or arrests the sound growth of the municipality, retards the provision of adequate housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, or morals, or welfare as a result of substandard, unsafe or deteriorating development; or, | <input type="checkbox"/> |
| C. An open area which because of the need for infill development and cost effective use of existing utilities and services, obsolete platting, diversity of ownership, deterioration of structures or site improvements, or otherwise is determined to be blighted, substantially impairs or arrests the sound growth of the community. | <input checked="" type="checkbox"/> |
| 2. The project must comply with the adopted Comprehensive Plan and all other appropriate plans and regulations. | <input checked="" type="checkbox"/> |
| 3. The use of TIF for the project will not result in the net loss of pre-existing tax revenues to the City and other taxing jurisdictions. | <input checked="" type="checkbox"/> |

In addition, a project must meet two of the following six criteria:

- | | Applies |
|--|-------------------------------------|
| 1. The project must demonstrate that it is not economically feasible without the use of TIF. In addition, if the project has site alternatives, the proposal must demonstrate that it would not occur in Rapid City without TIF. | <input checked="" type="checkbox"/> |
| 2. The project will eliminate actual or potential hazard to the public. Hazards may include condemned or unsafe buildings, sites, or structures. | <input checked="" type="checkbox"/> |
| 3. The project will not provide direct or indirect assistance to retail or service businesses competing with existing businesses in the Rapid City trade area. | <input type="checkbox"/> |
| 4. The project will bring new or expanded employment opportunities as demonstrated by proposed wage scales, employee benefits and mixture of full and part-time employees. | <input type="checkbox"/> |
| 5. The project will result in additional redevelopment in the following Tax Increment Financing Target Areas: | <input checked="" type="checkbox"/> |
| A. Downtown District (see Appendix A for description) | <input checked="" type="checkbox"/> |
| 6. The project will result in the construction of affordable housing units defined as housing where the occupant is paying no more than thirty percent (30%) of gross income for housing costs including utilities | <input type="checkbox"/> |