

COMMUNITY PLANNING & DEVELOPMENT SERVICES

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

APPLICATION FOR TAX INCREMENT FINANCING

LEGAL DESCRIPTION

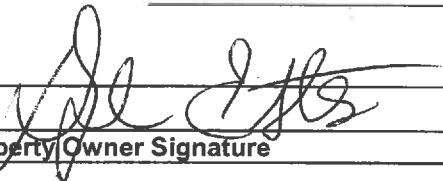
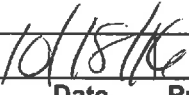
Legal Description *(Attached additional sheets as necessary)*
 TID #38 Legal Descriptions are listed on Attachment 1
 Location Generally located at I-90 Exit 61 south of the Interstate
 Size of Site-Acres Approximately 160

APPLICANT

Name Heartland Retail Center, LLC Phone 605-343-3534
 Address PO Box 330 Fax 605-343-4131
 City, State, Zip Rapid City, SD 57709-0330

PROJECT PLANNER - AGENT

Name Doyle Estes Phone 605-343-3534
 Address PO Box 330 Fax 605-343-4131
 City, State, Zip Rapid City, SD 57709-0330

 Property Owner Signature	Date	 Property Owner Signature	Date
Applicant Signature (if difference from Property Owner) Print Name: <u>Doyle Estes</u> Title* <u>Managing Member</u>	Date	Applicant Signature (if difference from Property Owner) Print Name: _____ Title* _____	Date

*required for Corporations, Partnerships, Etc.

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

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

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**APPLICATION FOR
TAX INCREMENT
FINANCING**

life of the developer's agreement. If the applicant is a publicly traded company, the applicant shall be deemed to have complied with this provision if it has provided the City a copy of its most recent annual report with the application. Please see Attachment 2	
6. A pro forma indicating projected costs and revenues. Please see Attachment 2	<input checked="" type="checkbox"/>
7. A statement and demonstration that the project would not proceed without the use of Tax Increment Financing. Please see Attachment 2	<input checked="" type="checkbox"/>
8. A statement identifying the specific Statutory, Other Local and Discretionary evaluation criteria that the applicant believes the request meets. (Please refer to the Tax Increment Financing Guide for specific evaluation criteria). Please see Attachment 2	<input checked="" type="checkbox"/>
9. Conceptual plans, sketches, maps or site plans for the project. Please see Attachment 2	<input checked="" type="checkbox"/>
10. A development time schedule including specific phasing of improvements and project costs. Attachment 2	<input checked="" type="checkbox"/>
11. A list of the specific public improvements and a list of the specific private improvements proposed to be constructed along with the project. Please see Attachment 2	<input checked="" type="checkbox"/>
12. Corporation, LLC, partnership papers or other business documents identifying the parties with ownership interest in the corporation and property involved in the project, including land ownership, contract for deed or other contractual information relating to control of the property and the applicant's ability to complete the project. Please see Attachment 2	<input checked="" type="checkbox"/>
13. A financial statement of the corporation, partnership, or individual for the most recent five years or life of the company. Please see Attachment 2	<input checked="" type="checkbox"/>
14. A copy of the proposed wage scale, employee benefits package, and full and part time employment levels or, in the case of an affordable housing project, a copy of the applicable federal housing grant program. Please see Attachment 2	<input checked="" type="checkbox"/>
15. The applicant shall notify by certified, return receipt mail every owner of property contained within the proposed boundaries of a tax increment district and shall notify by first class mail every owner of property that is adjacent to the proposed boundaries of the tax increment district. The notification shall contain the proposed boundaries as well as a description of the proposed improvements. The Growth Management Department shall provide the applicant with a list of property owners to be notified. The return receipts shall be directed to the Growth Management Department. The applicant shall pay a fee of \$20.00 per list for the cost of compiling the two property owners lists.	<input type="checkbox"/>
16. A \$1,000 non-refundable application fee.	<input type="checkbox"/>
17. Other information that may be required by the Tax Increment Finance Project Review Committee.	<input type="checkbox"/>

1. A Detailed Project Description

The Project Plan for Tax Increment District #38 was prepared by the Rapid City Planning Department in January 2003. The 2003 Plan included the following public improvements: water main improvements and sewer extension; Phases I and II of Eglin Street east of Elk Vale Road (renamed Cheyenne Boulevard) construction; a deceleration lane and a signalized intersection at the intersection of Eglin Street and Elk Vale Road; and two detention ponds (Phase I and Phase II) to collect drainage flowing south to north that was routed under Cheyenne Boulevard. The Plan was amended in May 2004 to finance the construction of (1) 880 feet of water main within the Elk Vale Road right of way beginning at East Anamosa and extending south, and (2) a portion of water main under Elk Vale Road to East Anamosa Street.

Phase I of the project was completed in 2004. The entire project was completed by February 2008. The final cost certification was submitted to the City Finance Office in July 2016.

Detail of the public improvements as constructed are described below and shown on Figure 1.

- **Water Main Improvements** – Construction of the 16-inch water main from Beale Street in the northwest corner of the TID, along Eglin Street to Elk Vale Road and the 16-inch water main loop south from Eglin Street south along Elk Vale Road to East Anamosa Street. The water main along Elk Vale Road included the stub to connect with the water tank constructed on the hill east of Elk Vale Road, and the connection to the East Anamosa water main.
- **Cheyenne Boulevard Phase I** – Construction of the first approximately 800 feet of Cheyenne Boulevard including water and sewer infrastructure.
- **Detention Dam Phase I** – Construction of the water retention dam north of Cheyenne Boulevard Phase I to collect drainage from the south. This structure generally contains water and supports the water quality requirements of the Clean Water Act required of Rapid City.
- **Sewer Extension** – Construction of the gravity sewer line from Cheyenne Boulevard north to the railroad tracks. Construction of the lift station and forced main as called for in the Plan was not necessary when construction of the gravity line was continued north across the railroad tracks and I-90.
- **Cheyenne Boulevard Phase II** – Construction of approximately 1800 feet of Cheyenne Boulevard including water and sewer infrastructure completing the street from Elk Vale Road to the boundary with Box Elder. This section of Cheyenne Boulevard included a large box culvert under the street and construction of a surface water collection ditch along the south side of Cheyenne directing surface water runoff to the culvert and under the street. These surface water drainage features were not included in the original plan and estimated costs. They became necessary when it was determined that the drainage from the south could not be routed into Box Elder.

- Detention Pond Phase II – Completed the grading and construction of the water drainage features and the retention dam in the northeast corner of the TID area north of Cheyenne Boulevard to collect drainage from the south.
- Signalized Intersection – Installation of the signal at the intersection of Elk Vale Road, Elgin Road and Cheyenne Boulevard was completed by SD Department of Transportation.

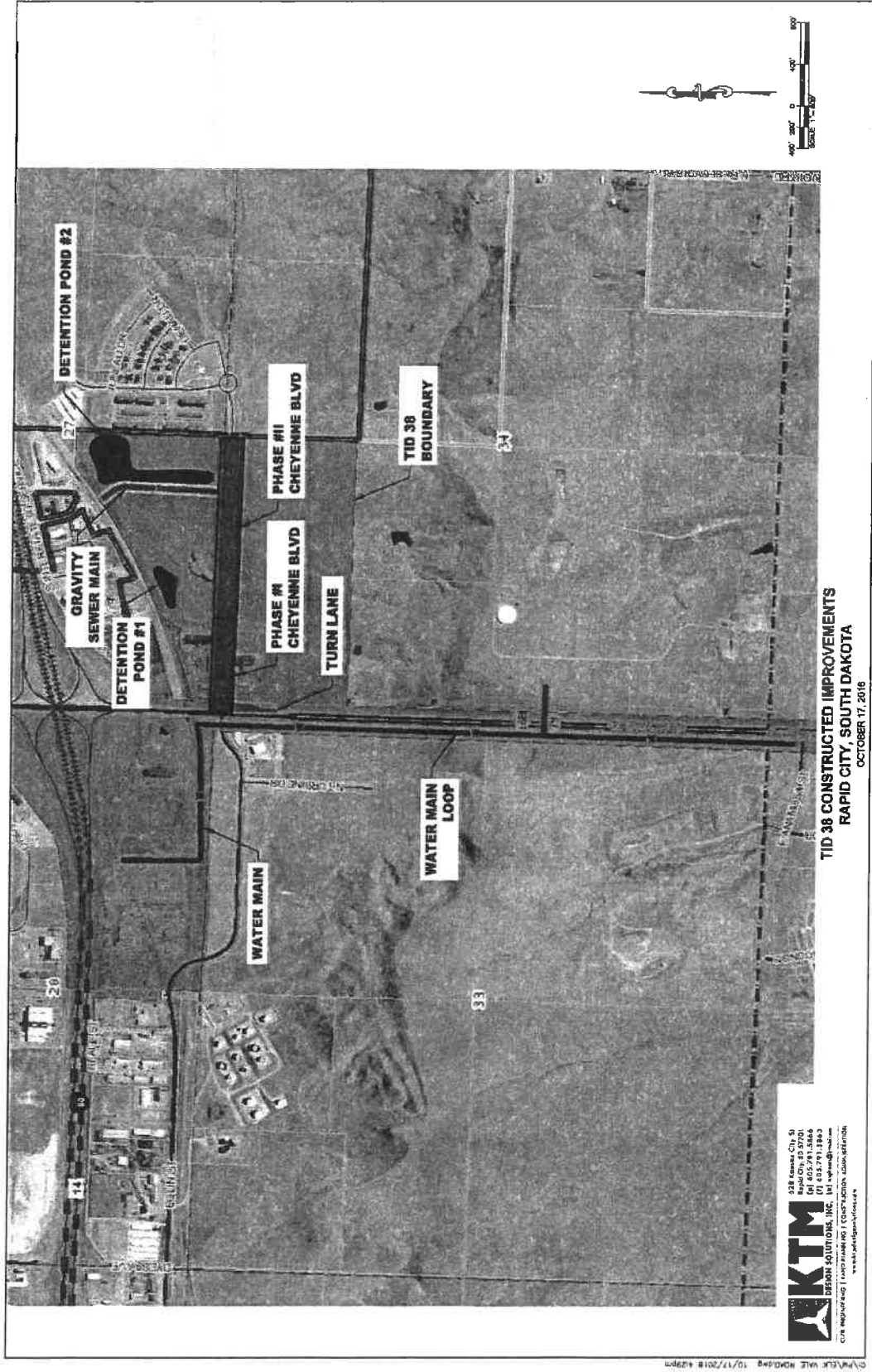


Figure 1. Public Improvements constructed in TID #38.

2. Purpose of the Tax Increment Financing

The purpose of this application is to request Amendment 2 to the 2003 Project Plan that reconciles the actual developer's costs with the estimated costs and makes adjustments of dollar amounts among line items of the 2003 Project Plan.

The 2003 Project Plan describes the purpose of creating TID #38 was to:

“...facilitate the development of commercial property located east of Elk Vale Drive through the construction of public improvements including; water main from Beale Street, a sanitary lift station, a force main sewer extension, gravity sewer extension, two drainage detention dams, Eglin Street road improvements, a deceleration lane, intersection signalization and a 16-inch looped water main on Elk Vale Road. These improvements brought water to properties south along Elk Vale Road and connected to the water main loop to the Big Sky Business Park providing some additional water pressure and a looped system for fire protection. The lift station will provide sewer capability for this development as well as future development in the area. Eglin Street (Cheyenne Boulevard) was designed as the arterial road through the commercial property. A deceleration lane on Elk Vale Road and intersection signalization allowed for safe movement of traffic at Elk Vale Road and Eglin Street.”

Additional benefits of the TID are improved access to water distribution lines through the developed properties in the northwest area of the TID; improvements to the water main along Eglin Street west of Elk Vale Road; and regional improvements to the sewer infrastructure that is used by the development north of the TID boundary east of Elk Vale Road.

The purpose of the TID has been achieved. Commercial development east of Elk Vale Road along Cheyenne includes several hotels and restaurants. The South Dakota Board of Regents selected approximately 40 acres along Cheyenne Boulevard as the location of their University Center which was constructed in 2009-2010 for approximately \$13,000,000. Ease of access from I-90 and Elk Vale Road and room for future expansion were key factors in selecting this location. This location conveniently serves the many students from Ellsworth Air Force Base and the region from Wall to Hot Springs to Sturgis.

Water main improvements along Eglin Street and Elk Vale Road supported the development of the LaGrand Station, 3851 Eglin Street, construction of Eddie's Truck Sales south of the La Grand Station, and construction of Midwest Mechanical north of La Grand Station across Eglin Street. This water main extension provided adequate water supply for fire protection which allowed for the commercial development along Elk Vale within the TID.

The water main loop down Elk Vale Road included the water-main stub that was used to connect the water main to the water storage tank, thus significantly increasing the water supply for fire protection at the airport. Overall, commercial development within TID 38 has provided the needed infrastructure to support annexation into the City of Rapid City. Annexation of this area added tens of millions of dollars in assessed value that would have otherwise not have been realized by the City of Rapid City.

3. List of project costs to be funded by the Tax Increment Financing including identification of typical developer costs, exceptional costs and oversizing costs. The applicant shall provide written justification when the sum of the Necessary and Convenient costs and Contingency Cost line items exceed 10% of the total Project Costs. The proposed costs shall include an itemized list of all Estimated Costs, including Professional Costs.

The estimated costs from the 2003 Project Plan are shown in Table 1.

Table 1. Estimated Costs from the 2003 Project Plan for TID #38

Project Plan 2003 Estimated Costs		
Capital Costs:		
	Water Main	\$ 300,000.00
	Lift Station	\$ 350,000.00
	Force Main	\$ 210,000.00
	Eglin Street (Phase I)	\$ 460,000.00
	Gravity Sewer	\$ 132,000.00
	Deceleration Lane	\$ 30,000.00
	Signalization Intersection	\$ 120,000.00
	Water Main Loop	\$ 300,000.00
	Detention Dam (Phase I)	\$ 100,000.00
	Eglin Street (Phase II)	\$ 350,000.00
	Detention Dam (Phase II)	\$ 100,000.00
Professional Service:		
	Engineering Design, Construction and Administration (Phase I)	\$ 200,200.00
	Engineering Design, Construction and Administration (Phase II)	\$ 45,000.00
Financing Costs:		
	Financing interest	\$ 3,623,279.13
	Professional Fees	\$ -
	Relocation Costs (Phase I)	\$ -
	Organizational Costs	\$ -
Other Necessary and Convenient Costs:		
	Phase I	\$ 400,400.00
	Phase II	\$ 90,000.00
	TOTAL	\$ 6,810,879.13
	Imputed Administrative Costs* City of Rapid City	\$ 2,050.00

The comparison between estimated costs in the 2003 and 2004 Project Plans and the actual developer's costs is shown in Table 2. As shown in Table 2, the total construction costs came in \$229,050.63 greater than estimated costs. The financing costs accrued through June 2016 are \$559,909.13 less than the amount estimated in 2003 for financing.

TID #38 Application for Amendment 2

Attachment 2

Table 2. Comparison of the 2003/2004 Estimated Costs with the Actual Developer's Costs and the Requested Amendment 2

Construction	TID #38 Estimated and Actual Costs with Requested Amendment 2				
	Apr 2003 Project Plan	May 2004 Amendment 1	Developer's Costs	Over/Under Estimate	July 2016 Amendment 2
Contractor					
Spearfish Excavating	Water Main		386,962.03	(86,962.03)	86,962.03
Rapid Construction	Eglin Street (Phase I)	300,000.00	589,788.35	(129,788.35)	129,788.35
Rapid Construction	Gravity Sewer	460,000.00	132,000.00	0.00	0.00
Rapid Construction	Deceleration Lane	132,000.00	30,000.00	0.00	0.00
Rapid Construction	Detention Dam (Phase I)	30,000.00	100,000.00	0.00	0.00
Removed from Plan	Lift Station	100,000.00			
Removed from Plan	Force Main	350,000.00	0.00	350,000.00	(350,000.00)
SD DOT project	Signalization Intersection	210,000.00	0.00	210,000.00	(210,000.00)
Highmark, Inc	Water Main Loop	120,000.00	0.00	120,000.00	(120,000.00)
Highmark, Inc	Water Main from East Anamosa	300,000.00	450,943.51	(150,943.51)	150,943.51
Highmark, Inc	Road Crossing at Anamosa		75,000.00	(8,000.00)	8,000.00
	Eng. Design, Construction & Admin. Phase I	67,000.00	25,000.00	0.00	0.00
	Contingency Costs Phase I	25,000.00	187,300.71	12,899.29	(12,899.29)
	Contingency Costs Amendment	400,000.00		300,000.00	(300,000.00)
	Eglin Street (Phase II)	8,000.00		8,000.00	(8,000.00)
Rapid Construction/WRE	Detention Dam (Phase II)	350,000.00	1,086,055.48	(736,055.48)	736,055.48
Rapid Construction	Eng. Design, Construction & Admin. Phase II	100,000.00	235,887.09	(135,887.09)	135,887.09
	Contingency Costs Phase II	45,000.00	117,713.46	(72,713.46)	72,713.46
		90,000.00	0.00	90,000.00	(90,000.00)
	Construction Total	3,187,200.00	3,416,650.63	(229,450.63)	229,450.63
Financing					
	Financing Total	3,623,279.13		229,450.63	(229,450.63)
Total Construction and Financing		6,810,479.13	6,810,479.13	0.00	0.00

4. A preliminary development financing plan, including sources of funds, identification of lender, interest rates, financing costs and loan terms.

The Developer secured financing through First Interstate Bank, Rapid City from May 2003 through June 2008. The interest rates charged by First Interstate Bank varied between 7.5 % and 9.0 %. The loan was refinanced by Great Western Bank, Rapid City in June 2008. The interest rate charged by Great Western Bank was 6.6 % until June 2011 when it was reduced to 6.0 %. The loan matures June 2023.

The bank loans from First Western Bank were not sufficient to cover all of the construction costs; therefore, the Developer advanced \$333,403.93 in construction costs. Prior to sufficient tax increment payments from the City to debt service the loans by the banks, the Developer paid \$619,770.09 in interest and fees to keep the bank debt current.

5. The applicant shall identify all persons and entities that have an interest in the project and/or in the entity applying for the tax increment financing district. The disclosures shall require identification of all members of an LLC or LLP, other partners, investors, shareholders and directors of a corporation or any other person who has a financial interest in the project or in the entity applying for the tax increment financing. This provision requires identification of all persons who have an interest in the project, including those whose interest exists through, an LLC, LLP, corporation (whether as a director or shareholder) or other legal entity. The applicant shall be under a continuing obligation to update this disclosure within thirty (30) days of any changes throughout the application process and throughout the life of the developer's agreement. If the applicant is a publicly traded company, the applicant shall be deemed to have complied with this provision if it has provided the City a copy of its most recent annual report with the application.

A Contract for Private Development with Heartland Retail Center, LLC was executed in May 2003. Doyle Estes and Kathryn Johnson are the members of the LLC.

6. A pro forma indicating projected costs and revenues.

The pro forma of projected costs and revenues contained in the 2003 Project Plan are shown in Tables 3 and 4.

Table 3 shows the income from the tax increment estimated in the 2003 Project Plan. The actual Increment Value of the Tax Increment District reported by the Pennington County Equalization Department as of November 2015 as 30,440,272.00. The tax increment revenue anticipated in 2017 is \$662,623.84. Additional increment assessed value and tax revenue will be generated in 2017 and 2018 as the result of the 2016 construction of Taco Bell on Endeavour Boulevard south of Cheyenne Boulevard. The value of the Taco Bell structure stated on the building permit on file at the City Planning Department is \$1,153,162.

Table 3. Project Tax Increment Income from 2003 Project Plan

<u>PROJECTED TAX INCREMENT INCOME</u>			
<u>ASSESSMENT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TAX INCREMENT PAYMENT</u>
Nov 2003	2005	\$ 4,859,800	\$ 127,281
Nov 2004	2006	\$ 5,721,800	\$ 149,857
Nov 2005	2007	\$ 8,721,800	\$ 228,429
Nov 2006	2008	\$ 15,837,200	\$ 414,786
Nov. 2007	2009	\$ 18,837,200	\$ 493,358
Nov. 2008	2010	\$ 26,144,400	\$ 684,738
Nov. 2009	2011	\$ 29,144,400	\$ 763,309
Nov. 2010	2012	\$ 32,144,400	\$ 841,881
Nov. 2011	2013	\$ 35,144,400	\$ 920,452
Nov. 2012	2014	\$ 42,721,400	\$1,118,899
Nov 2013	2015	\$ 47,721,400	\$1,249,852
Nov 2014	2016	\$ 52,721,400	\$1,380,805
Nov 2015	2017	\$ 57,721,400	\$1,511,758
Nov 2016	2018	\$ 62,721,400	\$1,642,711
Nov 2017	2019	\$ 67,721,400	\$1,773,664
Nov 2018	2020	\$ 67,721,400	\$1,773,664
Nov 2019	2021	\$ 67,721,400	\$1,773,664
Nov 2020	2022	\$ 67,721,400	\$1,773,664
Nov 2021	2023	\$ 67,721,400	\$ 886,832
TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 6/30/23:			\$ 19,509,604

The 2003 projected amortization schedule is shown in Table 4. Because the actual increment in assessed value of development within TID #38 is lower than was projected in 2003 the tax increment payments have been less than projected in the amortization schedule; therefore, the payments to cover the developer’s costs will extend beyond 2015 as shown on the schedule. The Project Plan allows the Tax Increment District to run for 20 years if necessary to insure payment.

Table 4. Amortization of Estimated Project Costs Projected in the 2003 Project Plan

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	12/01/2003	2,602,600.00	123,623.50	0.00	2,726,223.50	123,623.50
2	06/01/2004	2,726,223.50	123,623.50	0.00	2,849,847.00	247,247.00
3	12/01/2004	2,849,847.00	135,367.73	0.00	2,985,214.73	382,614.73
4	06/01/2005	2,985,214.73	135,367.73	0.00	3,058,941.96	517,982.46
5	12/01/2005	3,058,941.96	145,204.74	0.00	3,138,506.20	663,187.21
6	06/01/2006	3,138,506.20	145,204.74	0.00	3,208,782.44	808,391.95
7	12/01/2006	3,208,782.44	180,204.67	0.00	3,899,080.11	988,596.61
8	06/01/2007	3,899,058.61	180,204.67	0.00	3,965,048.78	1,168,801.28
9	12/01/2007	3,965,048.78	188,339.82	0.00	4,039,174.10	1,357,141.10
10	06/01/2008	4,039,174.10	188,339.82	19,053.18	4,020,120.92	1,545,480.92
11	12/01/2008	4,020,120.92	190,955.74	16,437.26	4,003,683.66	1,736,436.66
12	06/01/2009	4,003,683.66	190,955.74	55,723.26	3,947,960.40	1,927,392.40
13	12/01/2009	3,947,960.40	187,528.12	58,150.88	3,888,809.52	2,114,920.52
14	06/01/2010	3,888,809.52	187,528.12	154,840.88	3,733,968.64	2,302,448.64
15	12/01/2010	3,733,968.64	177,383.51	165,005.49	3,568,963.15	2,479,812.15
16	06/01/2011	3,568,963.15	177,383.51	204,290.49	3,384,872.66	2,657,175.66
17	12/01/2011	3,384,872.66	159,821.95	221,832.05	3,142,840.61	2,816,997.61
18	06/01/2012	3,142,840.61	159,821.95	261,118.05	2,881,722.56	2,976,819.56
19	12/01/2012	2,881,721.56	136,881.77	284,058.23	2,597,663.33	3,113,701.34
20	06/01/2013	2,597,663.33	136,881.77	323,344.23	2,274,319.10	3,250,583.11
21	12/01/2013	2,274,318.60	108,030.13	352,195.87	1,922,122.73	3,358,613.24
22	06/01/2014	1,922,122.73	108,030.13	451,418.87	1,470,703.86	3,466,643.37
23	12/01/2014	1,470,703.86	69,858.43	489,590.57	981,113.29	3,536,501.80
24	06/01/2015	981,113.29	69,858.43	555,087.57	356,187.29	3,606,360.23
25	12/01/2015	356,187.29	16,918.90	356,187.29	0.00	3,623,279.13
26	12/01/2015	0.00	0.00	0.00	0.00	3,623,279.13
27	06/01/2016	0.00	0.00	0.00	0.00	3,623,279.13

Table 5 shows the amortization beginning in 2017 of the developer’s costs (excluding future anticipated interest) requested in the Certification 2 request submitted to the City Finance Office in July 2016. The amortization assumes no increase in annual increment tax revenue above the 2017 level. The assumed increment tax revenue does not reflect the value of Taco Bell that was constructed in 2016 nor does it reflect future development or improvements. Table 5 shows that with these conservative assumptions of increment tax revenue the Certification 2 amount will be paid in 2021 by increment tax revenue. Furthermore, as of the end of September 2016 there is \$701,905.44 on hand at the City to pay on the balance of the TID loan. Payment of this amount to the loan balance will shorten the duration of the amortization schedule by over a year.

Table 5. Amortization of Developer’s Costs Requested by Certification 2.

Loan Amount		\$ 2,749,549.76		
Date of Loan		1/1/17		
Interest Rate		6.00%		
Payment semi-annually		\$ 331,311.92		
Date	Payment	Interest	Principal	Balance
				\$ 2,749,549.76
06/01/17	\$ 331,311.92	\$ 68,249.10	\$ 263,062.82	\$ 2,486,486.94
12/01/17	\$ 331,311.92	\$ 74,798.98	\$ 256,512.94	\$ 2,229,974.00
06/01/18	\$ 331,311.92	\$ 66,715.93	\$ 264,595.99	\$ 1,965,378.01
12/01/18	\$ 331,311.92	\$ 59,122.88	\$ 272,189.04	\$ 1,693,188.97
06/01/19	\$ 331,311.92	\$ 50,656.50	\$ 280,655.42	\$ 1,412,533.55
12/01/19	\$ 331,311.92	\$ 42,492.11	\$ 288,819.81	\$ 1,123,713.74
06/01/20	\$ 331,311.92	\$ 33,803.77	\$ 297,508.15	\$ 826,205.59
12/01/20	\$ 331,311.92	\$ 24,854.07	\$ 306,457.85	\$ 519,747.74
06/01/21	\$ 331,311.92	\$ 15,549.71	\$ 315,762.21	\$ 203,985.54
12/01/21	\$ 256,132.01	\$ 6,136.33	\$ 249,995.68	\$ (46,010.14)
TOTAL	\$ 3,237,939.29	\$ 442,379.39	\$ 2,795,559.90	

7. A statement and demonstration that the project would not proceed without the use of Tax Increment Financing.

Not Applicable since project was approved in 2003 and is completed.

8. A statement identifying the specific Statutory, Other Local and Discretionary evaluation criteria that the applicant believes the request meets. (Please refer to the Tax Increment Financing Guide for specific evaluation criteria).

TID #38 meets the statutory criteria of SDCL 11-9-11. *Open areas impairing growth defined as blighted. Before completion of the project plan the area was blighted because the absence of infrastructure substantially impaired or arrested the sound growth of a municipality. In addition, the project met the criteria that it was not economically feasible without the use of Tax Increment Financing and the project brought new and expanded employment opportunities.*

Both Additional Local Criteria were met:

1. The project must comply with the adopted Comprehensive Plan and all other appropriate plans and regulations.
2. The use of Tax Increment Financing for the project will not result in the net loss of pre-existing tax revenues to the City and other taxing jurisdictions.

In addition, the TID #38 met the following discretionary criteria:

1. The project will generate at least one full-time job for each \$10,000 in principal value of the Tax Increment Financing; or would create a minimum of 50 new jobs.
2. All Tax Increment Financing proceeds are used for the construction of public improvements.
6. The project involves the start-up of an entirely new business or business operation within the City of Rapid City.
7. The project involves the expansion of an existing business located within Rapid City.

Overall, TID #38 met two of the purposes that the City of Rapid City recognizes for the use of Tax Increment Financing as stated in the *Tax Increment Financing Guide*:

2. To stimulate economic development in the community by assisting projects that promote the long term economic vitality of the community;
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;

9. Conceptual plans, sketches, maps or site plans for the project.

The map showing the public improvements is shown in Figure 1 and is discussed in the response to item #1.

10. A development time schedule including specific phasing of improvements and project costs.

January 2003	Project Plan prepared
May 2003	Contract for Private Development signed
May 2004	Amendment to Contract for Private Development
December 2004	Phase I Completed
February 2006	Phase I Costs Certified
February 2008	Phase II Completed
July 2016	Final cost certification submitted to City of Rapid City Finance Office

11. A list of the specific public improvements and a list of the specific private improvements proposed to be constructed along with the project.

The public improvements are described in responses to questions 1 and 2. They are:

- Construction of the 16-inch water main from Beale Street along Eglin Street to Elk Vale Road and the 16-inch water main loop south from Eglin Street south along Elk Vale Road to East Anamosa Street.
- Construction of Cheyenne Boulevard including water and sewer infrastructure from Elk Vale Road east to the Box Elder City Limits.

- Construction of the water retention dam north of Cheyenne Boulevard Phase I to collect drainage from the south and provide water filtration of storm water to support water quality requirements.
- Construction of the gravity sewer line from Cheyenne Boulevard north to the railroad tracks.

The private improvements within the TID that are supported by the public improvements are listed in Table 6. The private development in the area is illustrated by comparison of Figures 2 and 3 which present aerial views of the TID #38 area in 2002 and 2015. Further private development is continuing.

Table 6. Private Development in TID #38 as of October 2016

Private Development in TID #38			
TAX ID	Business	Address	Assessed Value, \$ Oct 2016
3792	Dacotah Steakhouse	1325 N Elk Vale Road	2,077,100
3793	Comfort Suites Hotel & Convention Center	1333 N Elk Vale Road	6,035,900
55933	Arby's	3920 Cheyenne Blvd	917,700
55934	Fresh Start Convenience Store & Happy Jacks	4030 Cheyenne Boulevard	1,419,100
55935	Baymont Hotel and Marco's Pizza	4040 Cheyenne Boulevard	5,044,800
55936	McDonalds	3919 Cheyenne Boulevard	1,457,200
55937	Sleep Inn Hotel	4031 Cheyenne Boulevard	3,892,400
55938	BHSU - RC Educational Center	4300 Cheyenne Boulevard	0
62623	Fairfield Inn, WaTiki and Perkins Restaurant	1314 N Elk Vale Rd	9,122,500
66457	Taco Bell (<i>structure completed Sep 2016 - value will be reflected in 2017 assessed value</i>)	1024 Endeavour Boulevard	246,100

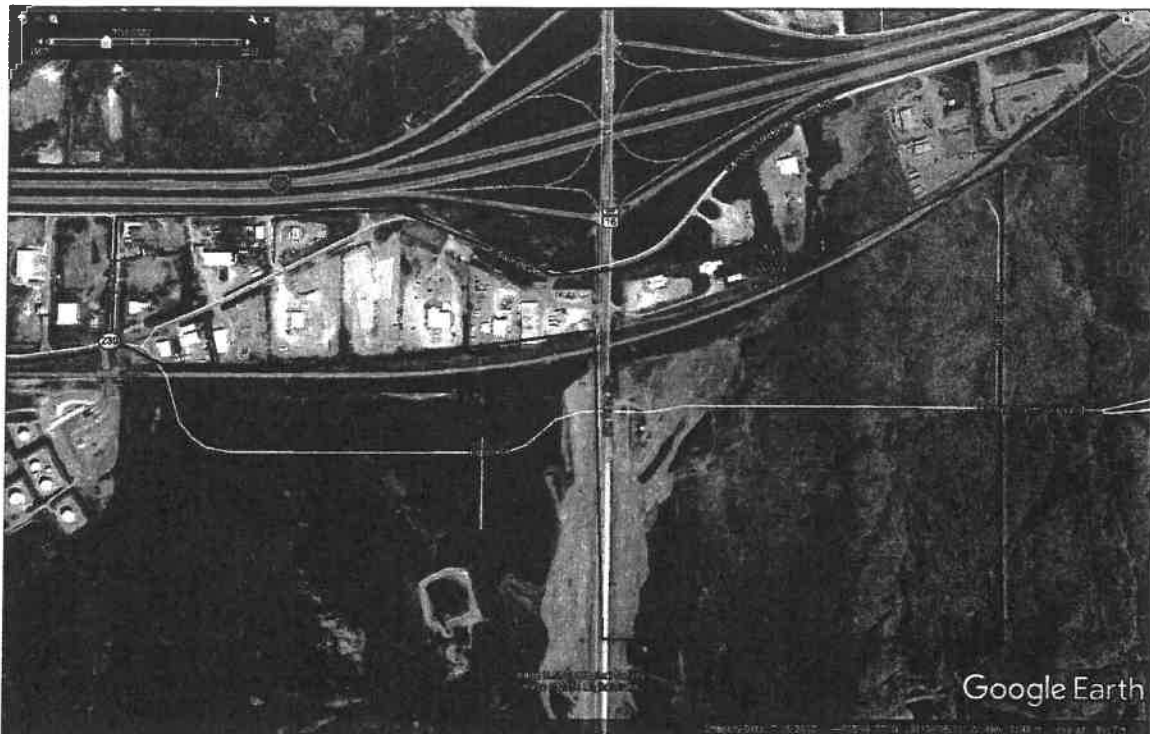


Figure 2. 2002 aerial view of the area in which private development occurred within TID #38.

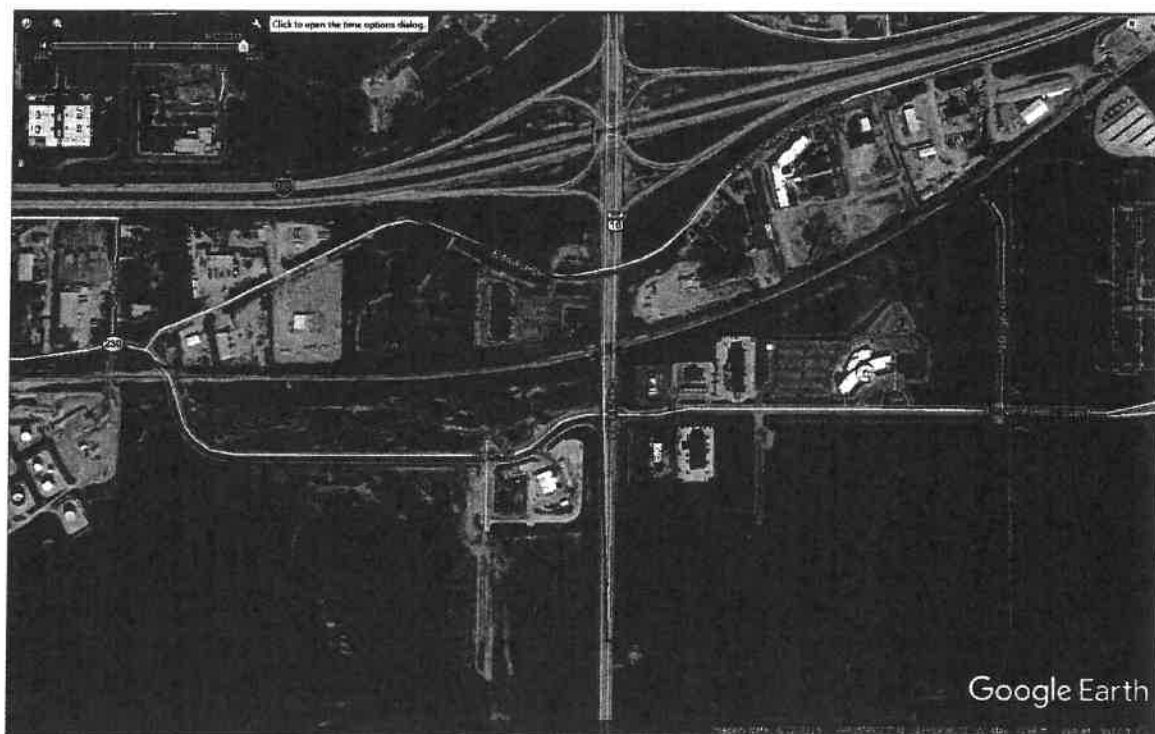


Figure 3. 2015 aerial view of the area in which private development occurred within TID #38.

12. **Corporation, LLC, partnership papers or other business documents identifying the parties with ownership interest in the corporation and property involved in the project, including land ownership, contract for deed or other contractual information relating to control of the property and the applicant’s ability to complete the project.**

The final tax return for Heartland Retail Center, LLC was filed in 2011 is provided as Exhibit 1. Schedule B-1 of the return shows that the owners of Heartland Retail Center, LLC are Doyle Estes and Kathryn Johnson. The LLC has not been active in business since 2011.

The Certificate of Good Standing from the South Dakota Secretary of State is provided as Exhibit 2.

13. **A financial statement of the corporation, partnership, or individual for the most recent five years or life of the company.**

As shown by the 2011 tax return, Heartland Retail Center LLC does not currently own assets nor did it generate income or incur expenses.

14. **A copy of the proposed wage scale, employee benefits package, and full and part time employment levels or, in the case of an affordable housing project, a copy of the applicable federal housing grant program.**

Table 7 shows that approximately 340 full and part-time jobs were created by the private development in TID #38 since 2003. Seasonal employees are hired during the summer at the hotels.

Table 7. Estimated Number of Employees in Private Development in TID #38 Constructed Since 2003.

Estimated Number of Employees in Private Development in TID#38 (does not include business that existed before TID#38 was created)			
TAX ID	Business	Address	Estimated Number of Jobs
3792	Dacotah Steakhouse	1325 N Elk Vale Road	15
3793	Comfort Suites Hotel & Convention Center	1333 N Elk Vale Road	20
55933	Arby's	3920 Cheyenne Blvd	15
55934	Fresh Start Convenience Store & Happy Jacks	4030 Cheyenne Boulevard	14
55935	Baymont Hotel and Marco's Pizza	4040 Cheyenne Boulevard	45
55936	McDonalds	3919 Cheyenne Boulevard	25
55937	Sleep Inn Hotel	4031 Cheyenne Boulevard	20
55938	BHSU - RC Educational Center	4300 Cheyenne Boulevard	95 staff and faculty 1100 students
62623	Fairfield Inn and WaTiki	1314 N Elk Vale Rd	50
62623	Perkins Restaurant	1300 N Elk Vale Rd	25
66457	Taco Bell	1024 Endeavour Boulevard	20

EXHIBITS

Exhibit 1. Heartland Retail Center, LLC Final Tax Return, 2011

Exhibit 2. Heartland Retail Center, LLC Certificate of Good Standing