Preliminary Review of Proposed Tax Increment Project

Applicant: Dream Design International

Proposed Project Title: TID #54 – Second Revised Rainbow Ridge Reallocation

Purpose of Tax Increment District: The purpose of the approved Tax Increment District #54 was to assist in the development of public water and park improvements. The Tax Increment Funds were to be utilized for a booster station, water mains, grading and park improvements. The Project Plan was funded by the developer. A Revised Project Plan was submitted to reallocate $750,000 from the Well line item and add $750,000 to the Necessary and Convenient line item for a Reservoir. The Tax Increment Financing Committee approved this reallocation at their February 14, 2008 meeting and a subsequent revised reallocation at their March 14, 2008 meeting. The revised Tax Increment reallocation was approved by the City Council on April 7, 2008.

The Developer is requesting a second revised Rainbow Ridge reallocation to remove funding from financing costs to pay for capital and professional service costs.

The proposed change would reallocate the project costs, removing the following amounts from the Capital Costs line items: $38,388.81 - Water Main in Bunker Drive, and $575,494.62 – Financing Interest. The change would add $285,467.73 Capital Costs line item for the Water Main, and add $328,415.70 to the Professional Services costs for: $167,538.59 – Booster Station, $15,608.59 – Water Main in Bunker Drive, and $145,268.52 – Water Main.

The residential development in the area will generate over $422,000 incremental revenues to repay the costs of the proposed amendment.

Proposed Boundaries: The existing boundaries are located north of Mall Drive and west of Haines Avenue.

Existing Base Valuation: $547,190 as determined by the South Dakota Department of Revenue; the 2016 assessed value is 28,648,300.

Proposed Project Cost Reallocation:

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Approved Costs</th>
<th>Changes</th>
<th>Amended Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Booster Station</td>
<td>$ 540,000.00</td>
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<td>$ 540,000.00</td>
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<tr>
<td>Water Main in Bunker Drive</td>
<td>$ 135,000.00</td>
<td>($38,388.81)</td>
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<td>Water Main</td>
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<td>Grading - water mains</td>
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<tr>
<td>Well*</td>
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<td>0</td>
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<tr>
<td>Park Improvements</td>
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<td>Professional Service Costs</td>
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<tr>
<td>Booster Station</td>
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<td>$ 227,538.59</td>
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<tr>
<td>Water Main/Bunker</td>
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<td>$ 15,608.59</td>
<td>$ 30,608.59</td>
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</tbody>
</table>
Water Main $ 35,000.00 $ 145,268.52 $ 180,268.52
Grading/WaterMain $ 30,000.00 $ 30,000.00
Reservoir $ 75,000.00 $ 75,000.00
Park Improvements and Admin $ 100,000.00 $ 100,000.00

Financing Costs:
Financing interest $2,456,456.72 $(575,494.62) $1,880,962.10

Contingency Costs: $ 0 $ 0
Relocation Costs: $ 0 $ 0
Organizational Costs: $ 0 $ 0
Other Nec/Convnt Costs:
   Reservoir* $ 675,000.00 $ 675,000.00

TOTAL $5,106,456.72 0 $5,106,456.72

Imputed Administrative Costs
   City of Rapid City $ 2,050

The imputed administrative costs are interest-free, are not included in the total project costs, and are to be paid from the balance remaining in the TID #54 fund available to the City Finance Officer on October 15, 2010. Based on the current TIF Policy, an additional $20,000 will be included as a Project Cost if the amendment moves forward.

* This line item includes the reallocation of $750,000 previously approved by the Tax Increment Financing Committee.

Identified Funding Sources:
   Financed by the developer

Anticipated Time Frame: 17 years

Comments: Anticipated interest rate is 7% for the developer