

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 <i>(Attached additional sheets as necessary)</i> SEE ATTACHED
Location EAST MINNESOTA STREET NEAR ELK VALE ROAD
Size of Site-Acres 472.49

APPLICANT

Name DENNIS ZANDSTRA REAL ESTATE HOLDING, LLC.	Phone 605-348-9300
Address 3840 CAMBELL STREET	Fax 605-341-0663
City, State, Zip RAPID CITY, SD 57701-0127	

PROJECT PLANNER - AGENT

Name DREAM DESIGN INTERNATIONAL, INC.	Phone 605-348-0538
Address 528 KANSAS CITY STREET, SUITE 4	Fax 605-348-0545
City, State, Zip RAPID CITY, SD 57701	

	2/1/13		
Property Owner Signature	Date	Property Owner Signature	Date
Applicant Signature (if difference from Property Owner)	Date	Applicant Signature (if difference from Property Owner)	Date
Print Name:		Print Name:	
Title*		Title*	

*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.	<input checked="" type="checkbox"/>
2. Purpose of the Tax Increment Financing.	<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.	<input checked="" type="checkbox"/>
4. A preliminary development financing plan, including sources of funds, identification of lender, interest rates, financing costs and loan terms.	<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.	
6. A pro forma indicating projected costs and revenues.	<input checked="" type="checkbox"/>
7. A statement and demonstration that the project would not proceed without the use of Tax Increment Financing.	<input checked="" type="checkbox"/>
8. A statement identifying the specific Statutory, Other Local and Discretionary evaluation criteria that the applicant believes the request meets. <i>(Please refer to the Tax Increment Financing Guide for specific evaluation criteria).</i>	<input checked="" type="checkbox"/>
9. Conceptual plans, sketches, maps or site plans for the project.	<input checked="" type="checkbox"/>
10. A development time schedule including specific phasing of improvements and project costs.	<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.	<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.	<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.	<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.	<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 checked="" type="checkbox"/>
17. Other information that may be required by the Tax Increment Finance Project Review Committee.	<input checked="" 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 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 checked="" 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 checked="" type="checkbox"/> |
| 2. Extension of off-site sewer, water, street and public improvements to the development site; | <input checked="" type="checkbox"/> |
| 3. Oversizing costs for storm drainage detention and transmission facilities to accommodate storm water runoff beyond that generated by the development; | <input checked="" type="checkbox"/> |
| 4. Reconstruction of existing streets, water, sewer, sidewalks or other public infrastructure; | <input 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 type="checkbox"/> |
| 8. Interest and financing fees; | <input type="checkbox"/> |
| 9. Imputed administrative fees due to the City; | <input type="checkbox"/> |
| 10. Removal and replacement of contaminated soils; | <input 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 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 checked="" 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 checked="" 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 type="checkbox"/> |
| A. Downtown District (see Appendix A for description) | <input 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"/> |

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 checked="" 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 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 checked="" type="checkbox"/> |

MINNESOTA STREET TAX INCREMENT DISTRICT

INTRODUCTION:

The Jolly Lane area has been developed for years and its development was limited by the availability of emergency access that was lost when the Elk Vale Road (Heartland Express) was constructed 6 years ago. These limitations combined with the inadequate utilities were removed when the City Council approved Tax Increment 65 to eliminate some of these obstacles in 2007. Some of the components of the TIF were ready to be publicly bid in 2012 but the bid opening was made a few weeks after the 5 year deadline. These components are an integral part of the already approved TIF and without them the project may not continue without financial stress. This project will enhance the public infrastructure within the east side of Rapid City including:

- 1- Improve the access by constructing a major street connection to the Jolly Lane area
- 2- Provide better fire protection by constructing a 16" water main
- 3- Provide for adequate regional sanitary sewer pipe (18" diameter)
- 4- Construct a regional drainage detention facility
- 5- Provide access to a future school site
- 6- Allow for the development of affordable to moderate housing needs

1- Project Description:

The existing Elks Country Estates and Plum Creek Subdivisions have major issues related to access to the newly constructed Elk Vale Road. These access issues have prevented development within the area. The proposed TID will allow for the extension of Minnesota Street as per the adopted Major Future Street Plan. The number of the existing homes at the Elks Country Estates and Plum Creek Subdivisions far exceeds the allowable 40 homes utilizing one access. The temporary access at Elk Vale Road is unsafe. Approval of this TID will allow Zandstra to construct a second access through their property. This TID will allow for the development of additional property within both Plum Creek and Elks Country Estates. The proposed project components are as shown in the attached spreadsheet. See attached TIF boundary (EXHIBIT- 1). This project includes the grading for an arterial street and the construction of a three lane concrete collector street. This includes 16" water main and an 18" water main along the entire street alignment. This project includes the construction of a regional drainage detention facility and the construction of improvements associated with relocating an irrigation ditch and relocating a power line that conflict with the street alignment.

2- Purpose of Tax Increment District:

The purpose of this TID is to provide a funding source for the public improvements which include items to protect the public safety and improve the quality of life including:

- 1- Improve the access by constructing a major street connection to the Jolly Lane area
 - 2- Provide better fire protection by constructing a 16" water main
 - 3- Provide for adequate regional sanitary sewer pipe (18" diameter)
 - 4- Construct a regional drainage detention facility
 - 5- Provide access to a future school site
 - 6- Allow for the development of affordable to moderate housing needs
- See attached Area master plan (EXHIBIT- 2)

3- Project Costs:

Attached to this document is a list of the project costs. The estimated probable cost for the project is \$3,355,000. Please see attached detailed costs (EXHIBIT- 3) These improvements are part of the already approved TIF #65 (EXHIBIT- 4)

CAPITAL IMPROVEMENTS COSTS

Minnesota Street	2,200,000.00
Regional Drainage Pond	450,000.00
Irrigation Pipe	220,000.00
Power Line Relocation	55,000.00
Professional Services Cost	190,000.00
Contingency Costs	240,000.00
TOTAL PROJECT COSTS	3,355,000.00

4- Development Financing:

Attached to this document is a copy of the anticipated cash flow projection and financing for the TID. The Zandstra family will provide the funding for all TID components. The Developer will provide project funding by obtaining a loan from Bank West. Please see letter of financing commitment (EXHIBIT- 11)

5- Applicant Information:

Attached is a copy of the corporate papers for the Dennis Zandstra Real Estate Holding Company, LLP (EXHIBIT-10). The members of the entity are the three children of the late Mr. Dennis Zandstra. Please see all other property owners list within the district EXHIBIT- 9

6- PROJECT PRO FORMA: The project is located in an area that is along the major transportation and utility systems for the City. The project includes major regional components that are not typical of others. Financial analysis for the project is provided in the attached PRO FORMA (EXHIBIT- 6)

7- This road extension is part of a major component of the City's transportation system and it will improve the safety of the traveling public from the existing residential area. It will also ensure a future contiguous major road to relieve the future traffic on Highway 44. This connection will also make it possible to open hundreds of acres of land for development which cannot be done without this TID. The extension of Minnesota Street will provide the needed major access and utilities for a school site at the east end of this proposed Minnesota Street. The project PRO FORMA indicates that this project cannot be constructed without completing the items approved previously in TIF 65 as listed in the project plan. These items are being requested with this project plan.

8- EVALUATION CRITERIA:

This project is located within an area that qualifies for Tax Increment Financing and it meets certain criteria. Some criteria include:

Statutory Criteria

SDCL 11-9-8. Findings required as to blighted areas— likelihood of enhanced value from improvements.

To implement the provisions of this chapter, the resolution required by 11-9-5 shall contain findings that:

1. Not less than twenty-five percent, by area, of the real property within the district is a blighted area; and

2. The improvements of the area are likely to enhance significantly the value of all of the other real property in the district.

SDCL 11-9-9. Areas conducive to disease or crime defined as blighted.

This area has had one access point and without the establishment of a tax increment district a second access would not exist. Emergency vehicles have to add more travel time to deliver patients to the Rapid City Regional Hospital. This area has had inadequate fire protection and the construction of the 16" water main will improve regional fire protection capabilities. Eliminating the irrigation ditch and placing the water within a closed conduit will eliminate the risks of exposure to the West Nile Virus.

SDCL 11-9-10. Developed areas impairing growth defined as blighted.

Any area which by reason of:

The property has had no second access for fire protection and has inadequate fire flow protection. The lack of access and utilities in the district substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations, or constitutes an economic liability.

SDCL 11-9-11. Open areas impairing growth defined as blighted.

This part of the community is predominantly open and which because of obsolete platting, diversity of ownership, and lack of offsite improvements substantially impairs or arrests the sound growth of a municipality, and is a blighted area. In addition, a project must meet two of the following six criteria:

1. The project is not economically feasible without the use of Tax Increment Financing. Please see the attached proforma for the project shown in EXHIBIT 4.
2. The project will eliminate actual or potential hazards to the public including:
 - a- Improve the quality of public access
 - b- Provide for water loop to improve regional fire protection
 - c- Eliminate the risks of West Nile Virus
3. 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.

Additional Local Criteria

1. The project complies with the adopted Comprehensive Plan and all other appropriate plans and regulations. Minnesota Street will relieve some of the pressure off HWY 44 and will provide for a future direct access as an arterial street as per the City of Rapid City Future Major Street Plan adopted by the City Council. This project also provides for the necessary oversized sewer and water mains as per adopted City comprehensive plans.
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. This project will benefit from taxes generated by the project itself.
3. Allowable Project Costs: The project costs included in the Tax Increment District are regional in nature and they are qualifying costs as per the city criteria and Tax Increment Guidelines (Please see attached project costs EXHIBIT 2).

- 9- Complete design plans and specifications for the project are available with the owners and the City's Public Works Department. This project was advertised for bid on December 20th, 2012.
- 10- **PROJECT DEVELOPMENT SCHEDULE:** It is anticipated that the project will be started in 2013 and may take near 12 months to complete.
- 11- The entire project consists of three major components with a total cost near \$140,000,000 over the life of the project. These components include regional infrastructure components, internal infrastructure components, and vertical structural components. All infrastructure components are public in nature and will be turned to the public infrastructure system.
- 12- **CORPORATE PAPERS:** Attached in Exhibit- 10 corporate information for the applicant.
- 13- **FINANCIAL INFORMATION: EXHIBIT – 10** includes last two years tax returns for the applicant.
- 14- **PROJECT WAGE SCALE:**

This project will provide future long term jobs and several construction jobs during construction. Please refer to EXHIBIT- 8

EXHIBIT- 3
ESTIMATED PROBABLE COSTS
EAST MINNESOTA TIF IMPROVEMENTS

Minnesota Street	2,200,000.00
Regional Drainage Pond	450,000.00
Irrigation Pipe	220,000.00
Power Line Relocation	55,000.00
Professional Services Cost	190,000.00
Contingency Costs:	240,000.00
TOTAL PROJECT COSTS	3,355,000.00

EXHIBIT- 4
PREVIOUSLY APPROVED TIF # 65

DEVELOPER I FUNDED PROJECT COSTS

Capital Costs:

Minnesota Street	\$3,050,000.00
Plum Creek Site Grading	\$713,800.00
Storm Water Pipe	\$425,000.00
Land Costs for Oversize Detention Pond	\$280,000.00
Minnesota Street - Shared Costs	\$320,000.00
Power Line Relocation	\$1,53,500.00
Traffic Signal	\$70,000.00

Professional Service Costs \$473,230.00

Financing Costs:

Financial Interest \$13,572,265.03

Contingency Costs: \$473,230.00

Relocation Costs: \$0

Organizational Costs: \$0

Necessary and Convenient Costs: \$0

TOTAL \$19,531,025.03

DEVELOPER II FUNDED PROJECT COSTS

Capital Costs:

Minnesota Street	\$2,455,200.00
Drainage Pond	\$450,000.00
Irrigation Pipe	\$220,000.00
Minnesota Street - Shared Costs	\$320,000.00
Power Line Relocation	\$153,500.00
Traffic Signal	\$70,000.00

Professional Service Costs \$366,870.00

Financing Costs:

Financial Interest \$10,022,711.62

Contingency Costs: \$366,870.00

Relocation Costs: \$0

Organizational Costs: \$0

Necessary and Convenient Costs: \$0

TOTAL \$14,425,151.62

EXHIBIT- 5
PROJECTED TID CASH FLOW

YEAR	# OF HOMES	EST. PRICE	TOTAL	INCREMENTAL TAX	BALANCE	INTEREST
2013	0	\$ 200,000	\$ -	\$ -	\$ 3,355,000	\$ 301,950
2014	0	\$ 200,000	\$ -	\$ -	\$ 3,656,950	\$ 329,126
2015	0	\$ 200,000	\$ -	\$ -	\$ 3,986,076	\$ 358,747
2016	0	\$ 200,000	\$ -	\$ -	\$ 4,344,822	\$ 391,034
2017	130	\$ 200,000	\$ 26,000,000	\$ -	\$ 4,735,856	\$ 426,227
2018	160	\$ 200,000	\$ 32,000,000	\$ -	\$ 5,162,083	\$ 464,588
2019	190	\$ 200,000	\$ 38,000,000	\$ 460,954	\$ 5,626,671	\$ 506,400
2020	320	\$ 200,000	\$ 64,000,000	\$ 567,328	\$ 5,672,117	\$ 510,491
2021	350	\$ 200,000	\$ 70,000,000	\$ 673,702	\$ 5,615,280	\$ 505,375
2022	380	\$ 200,000	\$ 76,000,000	\$ 1,134,656	\$ 5,446,953	\$ 490,226
2023	410	\$ 200,000	\$ 82,000,000	\$ 1,241,030	\$ 4,802,523	\$ 432,227
2024	440	\$ 200,000	\$ 88,000,000	\$ 1,347,404	\$ 3,993,720	\$ 359,435
2025	470	\$ 200,000	\$ 94,000,000	\$ 1,453,778	\$ 3,005,751	\$ 270,518
2026	0	\$ 200,000	\$ -	\$ 1,453,778	\$ 1,822,490	\$ 164,024
2027	0	\$ 200,000	\$ -	\$ 1,453,778	\$ 532,736	\$ 47,946
2028				\$ 1,453,778	\$ (873,095)	\$ (78,579)
2029				\$ 1,453,778	\$ (2,405,452)	\$ (216,491)
2030				\$ 1,453,778	\$ (4,075,721)	\$ (366,815)

PROJECTIONS ARE BASED ON :

MILL LEVY OF 17.7290/\$1000 EVALUATION (RESIDENTIAL)

HOME VALUE IS REDUCED BY 15% FOR ASSESSMENT PURPOSES

INTEREST RATE OF 9%

AVERAGE HOME VALUE IS ESTIMATED AT \$200,000

NUMBER OF HOMES DEVELOPED IS 30/YEAR.

SOME COMMERCIAL DEVELOPMENT HAS BEEN ACCOUNTED FOR in 2017 and in 2020

EXHBIT -6
PROJECT DEVELOPMENT PRO FORMA

ITEM	TOTAL DEV. COSTS	TIF INFRASTRUCTURE	NON-TIF INFRASTRUCTURE
OFFSITE & REGIONAL INFRASTRUCTURE			
Minnesota Street	6,145,200	6,145,200	
Grading	713,800	713,800	
Storm Water Pipe	425,000	425,000	
Power Line Relocation	307,000	307,000	
Traffic Signal	140,000	140,000	
Drainage Pond	450,000	450,000	
Irrigation Pipe	220,000	220,000	
INTERNAL INFRASTRUCTURE			
Streets	8,400,000		8,400,000
Drainage	450,000		450,000
Grading	1,000,000		1,000,000
Water Mains	1,800,000		1,800,000
Sanitary Sewer Mains	1,400,000		1,400,000
TOTAL PROJECT DEVELOPMENT COSTS	21,451,000	8,401,000	13,050,000
Land Estimated @ \$10,000/Acre	200	10,000	2,000,000
TOTAL COSTS			15,050,000

TOTAL INCOME:

ITEM	QUANTITY	NET REVENUE	TOTAL
Commercial Property (SQFT)	750,000	4	3,000,000
Apartments (SQFT)	871,200	2	1,524,600
Single Family Residential (LOTS)	300	40,000	12,000,000
TOTAL INCOME BEFORE LAND COSTS			16,524,600

NET INCOME AFTER EXPENSES WITH TIF	1,474,600	10%
NET INCOME AFTER EXPENSES WITHOUT TIF	-6,926,400	-30%

EXHIBIT- 7
SPECIFIC PUBLIC & PRIVATE IMPROVEMENTS

ITEM	TOTAL DEV. COSTS	TIF** INFRASTRUCTURE	NON-TIF INFRASTRUCTURE	VERTICAL STRUCTURES
REGIONAL IFRASTRUCTURE IMPROVEMENTS				
Minnesota Street	2,200,000.00	2,200,000.00		
Regional Drainage Pond	450,000.00	450,000.00		
Irrigation Pipe	220,000.00	220,000.00		
Power Line Relocation	55,000.00	55,000.00		
Professional Services Cost	190,000.00	190,000.00		
INTERNAL INFRASTRUCTURE IMPROVEMENTS				
Streets	8,400,000		8,400,000	
Drainage	450,000		450,000	
Grading	1,000,000		1,000,000	
Water Mains	1,800,000		1,800,000	
Sanitary Sewer Mains	1,400,000		1,400,000	
VERTICAL STRUCTURAL IMPROVEMENTS				
Commercial Development	25,000,000			25,000,000
Industrial	10,000,000			10,000,000
Church	3,000,000			3,000,000
Apartments	40,000,000			40,000,000
Single Family Homes	60,000,000			60,000,000
TOTAL PROJECT COSTS	154,165,000	3,115,000	13,050,000	138,000,000

EXHIBIT- 8
East Minnesota Street TIF
Job Creation Estimate & Estimated Wage Scale

User	Type of Business	# of Jobs	Full time	Part Time
Anchor Store	Retail	70	40	30
Hospitality	Hotels	20	10	10
Retail Shops	Retail	50	40	10
Hospitality	Restaurant	15	12	3
Totals		155	102	53

Wages & Benefits vary based on business operation and market conditions.
 Management Jobs will be near \$50,000
 Hourly Employees will be at an average of \$12.00/hr

CONSTRCUTION JOBS (FIRST 15 YEARS VERTICAL CONSTRUCTION)

TOATAL PROJECT COSTS	138,000,000
LABOR COSTS @ 30%	41,400,000
AVERAGE # of \$50,000 JOBS PER YEAR	36.8 Equivalent Full Time Jobs

State of South Dakota



OFFICE OF THE SECRETARY OF STATE

Certificate of Organization Limited Liability Company

ORGANIZATIONAL ID #: DL005157

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Articles of Organization of **DENNIS ZANDSTRA REAL ESTATE HOLDINGS, LLC** duly signed and verified, pursuant to the provisions of the South Dakota Limited Liability Company Act, have been received in this office and are 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 affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this October 21, 2002.



Joyce Hazeltine
Secretary of State

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Joyce Hazelton
SECRETARY OF STATE

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ARTICLES OF ORGANIZATION
OF
DENNIS ZANDSTRA REAL ESTATE HOLDINGS, LLC
(a South Dakota limited liability company)

The undersigned, pursuant to the South Dakota Uniform Limited Liability Company Act, SDCL Chapter 47-34A, hereby adopts the following Articles of Organization for a domestic limited liability company.

1. The name of the Limited Liability Company is: Dennis Zandstra Real Estate Holdings, LLC.
2. The duration of the company is perpetual.
3. The address of the initial designated office is: P.O. Box 1940, Rapid City, SD 57709
4. The name and street address of the initial agent for service of process is:

Dennis Zandstra
3840 S. Hwy. 79
Rapid City, SD 57701
5. The name and address of the organizer is:

Dennis Zandstra
P.O. Box 1940
Rapid City, SD 57709
6. The company shall be a manager-managed company rather than a member-managed company, and the name and address of the initial manager is:

Dennis Zandstra
P.O. Box 1940
Rapid City, SD 57709

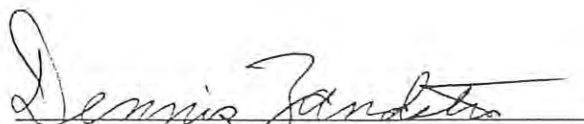
manager, member, employee or agent to repay such expenses if it is ultimately determined by a court of competent jurisdiction that he, she or it is not entitled to be indemnified by the company.

(c) Without limiting the application of the foregoing, the members may adopt a provision in the operating agreement from time to time with respect to indemnification, to provide at all times the fullest indemnification permitted by the laws of the State of South Dakota, and may cause the company to purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a manager, member, employee or agent of the company against any liability asserted against such person and incurred in such capacity or arising out of such status, to the fullest extent permitted by the laws of the State of South Dakota, whether or not the company would have the power to indemnify such person.

(d) The indemnification and advancement of expenses provided in this Section shall continue for a person who has ceased to be a member, manager, employee or agent of the company, and inures to the benefit of the heirs, personal representatives, executors and administrators of such person.

9. No other provisions are included in these Articles of Organization.

IN WITNESS WHEREOF the undersigned has executed these Articles of Organization this 18th day of October, 2002.


Dennis Zandstra, Organizer



January 31, 2013

Dennis Zandstra Real Estate Holdings LLC
Attn: Mr. Steve Zandstra
PO Box 1940
Rapid City, SD 57709

RE: Conditional Financing Commitment
New Tax Increment District for E. Minnesota Street and related improvements

Dear Mr. Zandstra:

BankWest has conditionally approved a tax increment financing (TIF) loan to Dennis Zandstra Real Estate Holdings LLC. The \$3,925,000 TIF loan will be secured by the assignment of the new tax increment district payments along with limited guarantees by ownership. The proposed funds would pay costs for the E. Minnesota Street extension and related improvements. Preliminary loan terms include, but are not limited to, an initial maturity of 3 years from loan closing and a fixed interest rate of 6.0% if loan closing occurs by 6/1/2013.

This letter does not constitute a firm commitment to lend. BankWest is willing to move forward, contingent upon a number of factors, including the completion of due diligence, final credit approval, no material adverse changes and the satisfactory review and execution of mutually acceptable loan documentation, and such other terms and conditions as reasonably determined by BankWest.

Sincerely

A handwritten signature in black ink, appearing to read 'Chad Miller'.

Chad Miller
Branch President
BankWest Rapid City