

CONTRACT FOR PRIVATE DEVELOPMENT
TAX INCREMENT DISTRICT NUMBER FORTY
CITY OF RAPID CITY, PENNINGTON COUNTY, SOUTH DAKOTA

Between

GANDOLF GROUP, LLC

and

CITY OF RAPID CITY, SOUTH DAKOTA

Dated as of September 2, 2003

THIS AGREEMENT, is made and entered into as of this 2nd day of September, 2003, between Gandolf Group, LLC, a Minnesota limited liability company authorized to do business in the State of South Dakota, (hereinafter “Developer”) and the City of Rapid City, a municipal corporation and political subdivision of the state of South Dakota (hereinafter “City”).

SECTION 1. The City created Tax Increment District Number Forty by resolution dated September 2, 2003.

SECTION 2. The City of Rapid City approved the development plan for Tax Increment District Number Forty on May 19, 2003.

SECTION 3. The estimated project costs, as set forth in the plan, are as follows:

Capital Costs:	
East Oakland St, Sidewalks, Storm Drainage	\$ 473,570.00
Public Utilities – Sewer and Water	\$ 104,730.00
Professional Service:	
Engineering Costs	\$ 25,000.00
Contingency Costs:	\$ 50,000.00
Financing Costs:	
Financing interest	\$ 480,163.77
Relocation Costs	\$ 0
Organizational Costs	\$ 0
Other Necessary and Convenient Costs:	\$ 6,700.00
TOTAL	\$1,140,163.77
Imputed Administrative Costs*	
City of Rapid City	\$ 2,050.00

*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 fund available to the City Finance Officer on May 15, 2008.

SECTION 4. The base value of the property located in Tax Increment District Number Forty has been certified by the South Dakota Department of Revenue as Seven Hundred Fifty Four Thousand Five Hundred Five Dollars (\$754,505.00).

SECTION 5. Developer will secure private financing to fund the improvements pursuant to the Tax Increment District Number Forty approved project plan, anticipated to be a bond or note, at an average interest rate over the life of the loan not to exceed Nine Percent (9%) per annum.

SECTION 6. Developer shall complete the improvements described in the approved development plan. Upon completion, Developer shall certify to the City Finance Officer that such improvements have been completed and shall certify the amount of money disbursed therefore. The City shall have the right to require reasonable documentation to establish that the amounts set forth in the Tax Increment District Number Forty Project Plan have, in fact been disbursed in payment for the acquisition.

SECTION 7. All positive tax increments received in Tax Increment District Number Forty shall, upon receipt by the City, be deposited in a special fund to be known as the "Tax Increment District Number Forty Fund" (hereafter "Fund".) The City shall, within thirty (30) days after receipt of each tax increment payment from the Treasurer of Pennington County, disburse all amounts in the fund to Developer or its designee, subject to the following limitation: At no time shall the cumulative total of payments made from the Fund exceed the lesser of the total amount of disbursements certified pursuant to Section 6 of this Agreement or the total of the estimated project costs set forth in the plan for Tax Increment District Number Forty.

SECTION 8. It is contemplated by the parties that Developer may assign its interest under this Agreement as security for the note or loan agreement, or other financing described in Section 5 hereof. It is understood and agreed, by and between the parties, that any such assignment shall be in writing and that if the City shall make disbursement pursuant to such assignment that it shall, to the extent of such disbursement, relieve the City of the obligations to make such disbursement to Developer.

SECTION 9. It is specifically a condition of this Agreement and a condition of the City's obligation to pay that all sums payable shall be limited to the proceeds of the positive tax increment from Tax Increment District Number Forty received into the Fund specified in Section 7 hereof. The obligation of the City to pay pursuant to this Agreement does not constitute a general indebtedness of the City or a charge against the City's general taxing power. The provisions of SDCL 11-9-36 are specifically incorporated herein by reference.

It is also specifically agreed that the City has made no representation that the proceeds from such fund shall be sufficient to retire the indebtedness incurred by Developer under Section 5 hereof. The parties further agree that SDCL 11-9-25 limits the duration of allocability of the positive tax increment payments to the fund created by Section 7 hereof.

SECTION 10. Developer agrees to indemnify and hold harmless the City of Rapid City from obligations or liability, including reasonable attorney's fees, arising out of this agreement or the construction of the improvements contemplated by the Tax Increment District Forty Project Plan. Developer shall maintain a policy of liability insurance, acceptable to the City, with liability limits of at least one million dollars (\$1,000,000.00) that names the City of Rapid City as an additional insured. Such a policy shall remain in effect until the City accepts the improvements.

SECTION 11. Developer agrees to immediately satisfy any and all mechanic's liens or material man's liens that arise as a result of this project. This provision shall not prevent Developer from subsequently seeking compensation from subcontractors or others who may be responsible for such liens or for such payment.

SECTION 12. This document along with the Project Plan for Tax Increment District Forty constitute the entire Agreement of the parties. No other promises or consideration form a part of this Agreement. All prior discussions and negotiations are merged into these documents or intentionally omitted. In the event of a conflict between the Project Plan and this Agreement, this Agreement shall be controlling.

SECTION 13. This Agreement shall be construed and the parties' actions governed by the laws of the State of South Dakota. Any dispute arising out of or related to this Agreement shall be litigated in the Seventh Judicial Circuit Court for the State of South Dakota, located in Rapid City, Pennington County, South Dakota.

Dated this 18th day of August, 2003.

Gandolf Group, LLC

BY: _____

ITS: _____

CITY OF RAPID CITY

Mayor

ATTEST:

Finance Officer

(SEAL)

