

**ASSIGNMENT AGREEMENT BETWEEN DENNIS ZANDSTRA  
REAL ESTATE HOLDINGS L.L.C. AND BANKWEST FOR TAX  
INCREMENT DISTRICT #65**

Agreement entered into as of the dates set forth in the acknowledgments below by and between the **CITY OF RAPID CITY**, State of South Dakota, hereinafter referred to as "**City**," **BANKWEST** of Rapid City, South Dakota, hereinafter referred to as "**Lender**," and **DENNIS ZANDSTRA REAL ESTATE HOLDINGS, LLC**, an South Dakota Limited Liability Company, herein referred to as "**Developer**," and the purpose of which is to set forth the Agreement between these parties as it relates to Tax Increment District Number Sixty-five (65).

WHEREAS, City has passed a Resolution Creating Tax Increment District Number Sixty-five (65) on September 4, 2007, a copy of said Resolution is attached hereto as Exhibit "A" which is, by reference, incorporated herein; and

WHEREAS, the City approved the Project Plan for Tax Increment District Number Sixty-five (65) on September 4, 2007, a copy of said Project Plan and Resolution is attached hereto as Exhibit "B" which is, by reference, incorporated herein; and

WHEREAS, Developer has agreed to advance the funds necessary to accomplish the goals to be achieved by the Tax Increment District Number Sixty-five (65) and

WHEREAS, Developer and City have entered into a Contract for Private Development-Tax Increment District Number Sixty-five (65) on June 2, 2008, a copy of said contract(s) being attached hereto as Exhibit "C" which by reference hereto is incorporated herein; and

WHEREAS, Lender has agreed to loan the funds to Developer to accomplish said purpose set forth in the Contract for Private Development, and any revisions thereof, on the condition that the future real estate taxes which are collected for the Tax Increment District Number Sixty-five (65) are paid directly by City to Lender, it is hereby agreed, as follows:

1. City will pay directly to Lender those real estate taxes collected which are subject to the Tax Increment District Number Sixty-five (65) and any properly revised project plan until the loan obligation incurred between Lender and Developer, for purposes relating solely to the Tax Increment District Number Sixty-five (65) and any properly approved revised project plan, are paid in full or the Tax Increment District is dissolved, whichever comes first. It is the specific intent of the parties that the City shall not be obligated to pay any sums to Lender other than the increment authorized by the Private Development Agreement and any revisions thereof and generated by Tax Increment District Number Sixty-five (65). Any obligations the City has to Lender shall cease by the City's paying to Lender said increments authorized by the Private Development Agreement and any revisions thereof until the loan is satisfied or Tax Increment District Number Sixty-five (65) is terminated, whichever comes first. Payments will be made at 311 Omaha Street, Rapid City, South Dakota 57701, or at a different place if required by the Lender.
2. Lender agrees that, provided City makes payment to Lender of all funds actually received or collected by City for Tax Increment District Number Sixty-five (65) and any properly approved and revised project plan, there is no liability by City for the loan obligation of Developer. Rather, should City have paid all funds set forth in the Private Development Plan and any revisions thereto, actually received or collected by City for Tax Increment District Number Sixty-five (65), Lender shall look solely to

its agreement with Developer and its guarantors, for any rights of recovery upon default, it being the specific intent of the parties that in the event that Tax Increment District Number Sixty-five (65) is terminated before payment in full of the obligation to Lender is satisfied or in the event that the increments are insufficient to pay said obligation, Lender's sole recourse shall be against Developer and its guarantors and the City shall have no additional liability to Lender provided that City has made all payments required herein.

3. Upon reasonable request and notice, Lender agrees to provide financial reports to City and Developer to advise them of the on-going status of the loan obligation to Lender by Developer.
4. All parties to this Agreement acknowledge that in the event Developer makes any payments on the loan obligation to Lender for this Tax Increment District Number Sixty-five (65), said payments will not reduce the obligation of City to make the Tax Increment District Number Sixty-five (65) and the revised project plan payments to Lender, pursuant to this Agreement, until the entire tax increment district obligation is paid in full. Said assignment shall continue until Lender Authority has been paid in full or Tax Increment District Number Sixty-five (65) is dissolved, whichever comes first.
5. The parties further acknowledge that there are multiple developers participating in Tax Increment District Number Sixty-five (65) and the increment payments to the parties will be divided per the terms of the Contracts for Private Development with the respective parties. The Contract for Private Development with SSST, L.L.C., the other developer included in this Tax Increment District was previously assigned to BankWest. SSST, L.L.C. is composed of the same members that compose the membership of Dennis Zandstra Real Estate Holdings, L.L.C. BankWest acknowledges that if any of the increment funds which are paid to it as part of any assignment agreement related to Tax Increment District Number Sixty-five (65) are misapplied, or applied in a manner other than what is called for in the Contracts for Private Development, it is solely responsible.
6. Failure of a party to insist upon adherence to any term of this Agreement on any occasion shall not be considered a waiver, or deprive that party of the right thereafter to insist upon adherence to that term, or any other term of this Agreement.
7. If one or more provisions of this Agreement is declared invalid for any reason whatsoever by any competent court, such invalidity shall not affect any other section(s) or provision of this Agreement if they can be given effect without the invalid section(s) or provisions.
8. This Agreement constitutes the entire agreement of the parties. No other writings or negotiations are part of this Agreement. This Agreement may only be modified by mutual agreement of both parties. Any modifications or addendums to this Agreement must be in writing.
9. This Agreement shall be deemed to be prepared jointly by the parties hereto and neither shall be deemed to be its sole author. In the event of any claim of ambiguity, no provision shall thereby be construed against either party.

10. The parties' rights and obligations under this Agreement shall be governed by, and construed in accordance with, the laws of the State of South Dakota. Any dispute concerning this Agreement shall be venued and litigated in the Circuit Court for the Seventh Judicial Circuit, located in Rapid City, Pennington County, South Dakota.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2013

**City of Rapid City**

\_\_\_\_\_  
Sam Kooiker, Mayor

ATTEST:

\_\_\_\_\_  
Pauline Sumption, Finance Officer

STATE OF SOUTH DAKOTA       )  
  :SS  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day \_\_\_\_\_, 2013, before me, the undersigned Notary Public, personally appeared Sam Kooiker and Pauline Sumption, who acknowledged themselves to be the Mayor and Finance Officer, respectively, of the City of Rapid City, a municipal corporation, and that they as such Mayor and Finance Officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the City of Rapid City by themselves as Mayor and Finance Officer.

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

(SEAL)

\_\_\_\_\_  
Notary Public, State of South Dakota  
My Commission Expires: \_\_\_\_\_

**BankWest**

By: \_\_\_\_\_  
Chad Miller  
Its: Branch President

STATE OF SOUTH DAKOTA       )  
  :SS  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned Notary Public, personally appeared Branch President who acknowledged himself to be the Regional President of BankWest, and that he, as such, being authorized so to do, executed the foregoing instrument for the purpose therein contained, by signing himself as the Regional President of BankWest.

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

(SEAL)

\_\_\_\_\_  
Notary Public, State of South Dakota  
My Commission Expires:\_\_\_\_\_

**DENNIS ZANDSTRA REAL ESTATE HOLDINGS, LLC**

By: \_\_\_\_\_  
      Scott B. Zandstra  
Its: Co-Manager/Partner

By: \_\_\_\_\_  
      Steven D. Zandstra  
Its: Co-Manager/Partner

By: \_\_\_\_\_  
      Darcy L. Torres  
Its: Co-Manager/Partner

STATE OF \_\_\_\_\_ )  
  )ss:  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned Notary Public, personally appeared Scott B Zandstra, Steven D Zandstra and Darcy L Torres, who acknowledged themselves to be Co-Managers/Partners of DENNIS ZANDSTRA REAL ESTATE HOLDINGS, LLC, and that they, as such, being authorized so to do, executed the foregoing instrument for the purpose therein contained, by signing themselves as Co-Managers/Partners of DENNIS ZANDSTRA REAL ESTATE HOLDINGS, LLC.

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

(SEAL)

\_\_\_\_\_  
Notary Public, State of South Dakota  
My Commission Expires:\_\_\_\_\_

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

245  
9-4-07  
T 11265

**RESOLUTION CREATING TAX INCREMENT DISTRICT NUMBER SIXTY FIVE 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 assessed values of all other districts currently in effect, does not exceed ten percent (10%) of the total assessed value of taxable property in the City of Rapid City; and,

WHEREAS the Council finds that:

- (1) Not less than twenty-five percent (25%), by area, of the real property within the district is a blighted area as defined in SDCL 11-9-9 through 11-9-11; and,
- (2) The improvement of the area is likely to significantly enhance the value substantially on all of the 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 1 of the E1/2 of Section 16 less Elks Country Estates and the SW1/4 of Section 16 less Plum Creek Subdivision, all located in Section 16, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; and the N1/2N1/2NE1/4NW1/4 and the N1/2N1/2NW1/4NE1/4 and the E1/2NE1/4, all located in Section 21, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota

is hereby designated as Tax Increment District Number 65.

DATED this 4 day of September 2007.

CITY OF RAPID CITY

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
Finance Officer

(SEAL)

EXHIBIT "A"

This Resolution passed on September 4, 2007. The Mayor did not sign it within 20 days of the City Council minutes being published on September 11, 2007, and became effective without the Mayor's signature on October 1, 2007. See SDCL 9-19-12.

Jason Green 10-12-2007  
Jason Green, City Attorney

# PROJECT PLAN

TAX INCREMENT DISTRICT #65  
MINNESOTA STREET  
CITY OF RAPID CITY

Prepared by the  
Rapid City Growth Management Department  
September 2007

EXHIBIT "B"

## INTRODUCTION

Tax Increment Financing is a method of financing improvements and development in an area which has been determined to be blighted 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." As the property taxes for the property are paid, that portion of the taxes paid on the Base Valuation continue to go to those entities, (City, County, School, etc.), which levy property taxes.

When in succeeding years, the assessed valuation of the district increases, 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. The remainder of the tax bill, known as the tax increment, is deposited in a special fund. It is this plan which determines how these accumulated funds will be used. It is anticipated that one or more of the properties in this 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 growth and development of blighted properties with special re-development problems, 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

This plan proposes that a Tax Increment District be created to assist in the future development of property adjacent to Plum Creek and Elks Country Estates by extending Minnesota Street along the southern boundary of Plum Creek and Elks Country Estates. The Tax Increment Funds would be utilized for the extension of Minnesota Street, grading, storm sewer, underground utilities, a traffic signal, a drainage facility and an irrigation pipe. The proposed boundaries are located south and west of Elks Country Estates and east of Elk Vale Road. The estimated cost of the improvements is \$10,361,200.

The Tax Increment Financing Committee met on February 9, 2007, February 22, 2007, March 16, 2007, April 3, 2007 and April 17, 2007 to discuss this proposed Project Plan for Tax Increment District #64 and recommended approval of the Project Plan. The Tax Increment District will be financed by two independent developers.

The development of the public improvements will enhance the ability for new development to occur in this area increasing the community's economic vitality and expanding the City's property tax base.

The first developer's share of the estimated cost of the improvements will be financed at an estimated 9% interest rate. The second developer's share of the estimated cost of the improvements will be financed at an estimated 9% interest rate. All project expenditures must be completed within five years of the creation of the district. Should the tax increment revenues exceed the anticipated loan payments, the district debt would be retired early resulting in the full value of the property being returned to the tax rolls more quickly.

### PROJECT PLAN SUMMARY

This plan establishes the total project costs, as well as the Tax Increment District funded costs.

### Elements of the Project Plan

This Project Plan, as required by SDCL 11-9-13, 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. 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 Master Plan, Building Codes and Ordinances do not apply to this Project Plan and have not been included in this document.

### ELEMENTS OF THE PROJECT PLAN

#### 1. PUBLIC WORKS AND OTHER IMPROVEMENTS

The project plan includes \$8,681,000 in capital costs associated with funding Minnesota Street and public improvements.

#### 2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Sixty Five 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. As of this date, the assessed valuation for the proposed district is projected as \$920,927. In accordance with SDCL 11-9-20, the certification of the base value has been received from the South Dakota Department of Revenue following creation and approval of the district by the City Council.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY IN TID #65  
\$ 920,927

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$ 920,927
Estimated Assessed Value of project (year 20)	\$ 181,400,000
Other Anticipated Increases in Assessed Value	\$ 0
Estimated Increase in Assessed Value of Land*	\$ 0
Estimated Total Valuation (year 20)	\$ 182,320,927

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

Revenue Estimates from Tax Increments

The Plan anticipates 40 semi-annual payments over 20 years. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2006 Non-Agriculture Tax Levies and Percentage of Total Levy

<u>Taxing Entity</u>	<u>Tax Levy</u>	<u>Percentage of Total Levy</u>
Rapid City Area School District	15.1624	66.8%
Pennington County	4.5471	20.0%
City of Rapid City	2.9680	13.1%
West Dakota Water District	.0281	.1%
Total Mill Levy	22.7056	100%

Anticipated 2006 Non-Agriculture Tax Rate: 0.0227056

2006 Owner Occupied Tax Levies and Percentage of Total Levy

<u>Taxing Entity</u>	<u>Tax Levy</u>	<u>Percentage of Total Levy</u>
Rapid City Area School District	9.6045	56.0%
Pennington County	4.5471	26.6%
City of Rapid City	2.9680	17.3%
West Dakota Water District	.0281	.1%
Total Mill Levy	17.1477	100%

Anticipated 2006 Owner Occupied Tax Rate: 0.0171477

The estimated tax increment available to pay for project costs in the Plan can be calculated by multiplying the anticipated tax rate by the increment in valuation. This calculation results in the following tax increments, which become available as taxes are paid for the applicable periods.

PROJECTED TAX INCREMENT INCOME

<u>ASSESSMT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TAX INCREMENT PAYMENTS</u>	<u>TOTAL</u>	<u>6 MONTH TOTAL</u>
Nov. 2007	2009	\$ 0	\$ 0	\$ 0	\$ 0
Nov. 2008	2010	\$ 5,600,000(OO)	\$ 96,027	\$ 96,027	\$ 48,013
Nov. 2009	2011	\$ 11,200,000(OO) \$ 7,500,000(NA)	\$ 192,054 \$ 170,292	\$ 362,346	\$ 181,173
Nov. 2010	2012	\$ 16,800,000(OO) \$ 15,000,000(NA)	\$ 288,081 \$ 340,584	\$ 628,665	\$ 314,332
Nov. 2011	2013	\$ 22,400,000(OO) \$ 22,500,000(NA)	\$ 384,108 \$ 510,876	\$ 894,984	\$ 447,492
Nov. 2012	2014	\$ 28,000,000(OO) \$ 30,000,000(NA)	\$ 480,135 \$ 681,168	\$1,161,303	\$ 580,651
Nov 2013	2015	\$ 33,600,000(OO) \$ 37,500,000(NA)	\$ 576,162 \$ 851,460	\$1,427,622	\$ 713,811
Nov 2014	2016	\$ 39,200,000(OO) \$ 45,000,000(NA)	\$ 672,189 \$1,021,752	\$1,693,941	\$ 846,970
Nov 2015	2017	\$ 44,800,000(OO) \$ 52,500,000(NA)	\$ 768,216 \$1,192,044	\$1,960,260	\$ 980,130
Nov 2016	2018	\$ 50,400,000(OO) \$ 60,000,000(NA)	\$ 864,244 \$1,362,336	\$2,226,580	\$1,113,290
Nov 2017	2019	\$ 56,000,000(OO) \$ 67,500,000(NA)	\$ 960,271 \$1,532,628	\$2,492,899	\$1,246,449
Nov 2018	2020	\$ 61,600,000(OO) \$ 75,000,000(NA)	\$1,056,298 \$1,702,920	\$2,759,218	\$1,379,609
Nov 2019	2021	\$ 67,200,000(OO) \$ 75,000,000(NA)	\$1,152,325 \$1,702,920	\$2,855,245	\$1,427,622

Tax Increment District 65  
Project Plan

Nov 2020	2022	\$ 72,800,000(OO) \$ 75,000,000(NA)	\$1,248,352 \$1,702,920	\$2,951,272	\$1,475,636
Nov 2021	2023	\$ 78,400,000(OO) \$ 75,000,000(NA)	\$1,344,379 \$1,702,920	\$3,047,299	\$1,523,649
Nov 2022	2024	\$ 84,000,000(OO) \$ 75,000,000(NA)	\$1,440,406 \$1,702,920	\$3,143,326	\$1,571,663
Nov 2023	2025	\$ 89,600,000(OO) \$ 75,000,000(NA)	\$1,536,433 \$1,702,920	\$3,239,353	\$1,619,676
Nov 2024	2026	\$ 95,200,000(OO) \$ 75,000,000(NA)	\$1,632,461 \$1,702,920	\$3,335,381	\$1,667,690
Nov 2025	2027	\$100,800,000(OO) \$ 75,000,000(NA)	\$1,728,488 \$1,702,920	\$3,431,408	\$1,715,704
Nov 2026	2028	\$106,400,000(OO) \$ 75,000,000(NA)	\$1,824,515 \$1,702,920	\$3,527,435	\$1,763,717

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/28:  
\$ 41,234,564

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2006 mill levy.

### 3. PROJECT COSTS

Capital Costs – The capital costs of \$8,681,000 included in the Project Plan are for Minnesota Street, site grading, storm water pipe, land costs for an oversized detention pond, irrigation pipe, drainage pond, power line relocation, and traffic signal. Included in the \$6,145,200 cost of Minnesota Street are approximately \$578,000 for water lines and \$578,000 for sewer lines.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The anticipated interest rate used for this projection by both the first and second developer is 9%. It is estimated that the financing costs will total \$23,594,976.65. If a lower interest rate is obtained, the project costs will be repaid more quickly and the property will be returned to the tax rolls sooner.

Professional Service Costs – Professional service costs in the amount of \$840,100 are anticipated in this Project Plan.

Relocation Costs – No relocation costs are anticipated in the Project Plan.

Organizational Costs – No organizational costs are anticipated in the Project Plan.

Contingency Costs – Contingency costs in the amount of \$840,100 are anticipated in the Project Plan.

Tax Increment District 65  
Project Plan

Necessary and Convenient Payments – No necessary and convenient costs are anticipated in the Project Plan.

Imputed Administrative Costs – All Tax Increment District actions require municipal staff time to prepare and enact. The City shall be reimbursed on June 1, 2012, for its administrative costs in the amount of \$2,050. However, in no case shall the City be reimbursed less than \$1 on June 1, 2012.

TOTAL ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:

Minnesota Street	\$ 5,505,200.00
Plum Creek Site Grading	\$ 713,800.00
Storm Water Pipe	\$ 425,000.00
Land Costs for oversize detention pond	\$ 280,000.00
Drainage Pond	\$ 450,000.00
Irrigation Pipe	\$ 220,000.00
Minnesota Street – Shared Costs	\$ 640,000.00
Power Line relocation	\$ 307,000.00
Traffic Signal	\$ 140,000.00

Professional Service Costs \$ 840,100.00

Financing Costs:

Financing interest \$ 23,594,976.65

Contingency Costs: \$ 840,100.00

Relocation Costs: \$ 0

Organizational Costs: \$ 0

Necessary and Convenient Costs: \$ 0

TOTAL \$ 33,956,176.65

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 #65 fund available to the City Finance Officer on June 1, 2012.

DEVELOPER 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

Tax Increment District 65  
Project Plan

Power Line relocation	\$ 153,500.00
Traffic Signal	\$ 70,000.00
Professional Service Costs	\$ 473,230.00
Financing Costs:	
Financing 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:	
Financing 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

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.

NET IMPACT ON TAXING ENTITIES

Year	Valuation	Schools	County	City	Water	Total
Paid	Increase					
2009	\$ 0	\$0	\$ 0	\$ 0	\$ 0	\$ 0
2010	\$ 5,600,000(OO)	\$0	\$ 25,543	\$ 16,612	\$ 96	\$ 96,027
2011	\$11,200,000(OO)	\$0	\$ 51,086	\$ 33,225	\$ 192	\$ 192,054
	\$7,500,000(NA)	\$0	\$ 34,058	\$ 22,308	\$ 170	\$ 170,292
2012	\$16,800,000(OO)	\$0	\$ 76,629	\$ 49,838	\$ 288	\$ 288,081
	\$15,000,000(NA)	\$0	\$ 68,116	\$ 44,616	\$ 340	\$ 340,584
2013	\$22,400,000(OO)	\$0	\$102,172	\$ 66,450	\$ 384	\$ 384,108
	\$22,500,000(NA)	\$0	\$102,175	\$ 66,924	\$ 510	\$ 510,876
2014	\$28,000,000(OO)	\$0	\$127,715	\$ 83,063	\$ 480	\$ 480,135
	\$30,000,000(NA)	\$0	\$136,233	\$ 89,233	\$ 681	\$ 681,168
2015	\$33,600,000(OO)	\$0	\$153,259	\$ 99,676	\$ 576	\$ 576,162
	\$37,500,000(NA)	\$0	\$170,292	\$ 111,541	\$ 851	\$ 851,460
2016	\$39,200,000(OO)	\$0	\$178,802	\$ 116,288	\$ 672	\$ 672,189
	\$45,000,000(NA)	\$0	\$204,350	\$ 133,849	\$ 1,021	\$1,021,752
2017	\$44,800,000(OO)	\$0	\$204,345	\$ 132,901	\$ 768	\$ 768,216
	\$52,500,000(NA)	\$0	\$238,408	\$ 156,157	\$ 1,192	\$1,192,044
2018	\$50,400,000(OO)	\$0	\$229,888	\$ 149,514	\$ 864	\$ 864,244
	\$60,000,000(NA)	\$0	\$272,467	\$ 178,466	\$ 1,362	\$1,362,336
2019	\$56,000,000(OO)	\$0	\$255,432	\$ 166,126	\$ 960	\$ 960,271
	\$67,500,000(NA)	\$0	\$306,525	\$ 200,774	\$ 1,532	\$1,532,628
2020	\$61,600,000(OO)	\$0	\$280,975	\$ 182,739	\$ 1,056	\$1,056,298
	\$75,000,000(NA)	\$0	\$340,584	\$ 223,082	\$ 1,702	\$1,702,920
2021	\$67,200,000(OO)	\$0	\$306,518	\$ 199,352	\$ 1,152	\$1,152,325
	\$75,000,000(NA)	\$0	\$340,584	\$ 223,082	\$ 1,702	\$1,702,920
2022	\$72,800,000(OO)	\$0	\$332,061	\$ 215,964	\$ 1,248	\$1,248,352
	\$75,000,000(NA)	\$0	\$340,584	\$ 223,082	\$ 1,702	\$1,702,920
2023	\$78,400,000(OO)	\$0	\$357,604	\$ 232,577	\$ 1,344	\$1,344,379
	\$75,000,000(NA)	\$0	\$340,584	\$ 223,082	\$ 1,702	\$1,702,920
2024	\$84,000,000(OO)	\$0	\$383,147	\$ 249,190	\$ 1,440	\$1,440,406
	\$75,000,000(NA)	\$0	\$340,584	\$ 223,082	\$ 1,702	\$1,702,920
2025	\$89,600,000(OO)	\$0	\$408,691	\$ 265,802	\$ 1,536	\$1,536,433
	\$75,000,000(NA)	\$0	\$340,584	\$ 223,082	\$ 1,702	\$1,702,920
2026	\$95,200,000(OO)	\$0	\$434,234	\$ 282,415	\$ 1,632	\$1,632,461
	\$75,000,000(NA)	\$0	\$340,584	\$ 223,082	\$ 1,702	\$1,702,920
2027	\$100,800,000(OO)	\$0	\$459,777	\$ 299,028	\$ 1,728	\$1,728,488
	\$75,000,000(NA)	\$0	\$340,584	\$ 223,082	\$ 1,702	\$1,702,920
2028	\$106,400,000(OO)	\$0	\$485,320	\$ 315,641	\$ 1,824	\$1,824,515
	\$75,000,000(NA)	\$0	\$340,584	\$ 223,082	\$ 1,702	\$1,702,920

\*The Plan anticipates 40 semi-annual payments over 20 years.

## 5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the applicants. The applicants will be responsible for any interest payments due that are not available from Tax Increment District #65. If the tax increment revenues exceed the anticipated loan payments, the debt will be retired early.

The debt on the Tax Increment District Project Costs covered in the Plan will be retired by deposits made in the Tax Increment District as taxes are paid on the property in succeeding years. The City of Rapid City Finance Officer will make the disbursements from that fund in accordance with this Plan. Fifty seven and one half percent (57.5%) of the revenues received will be disbursed to the first developer for project costs incurred by that developer and forty two and one half percent (42.5%) will be disbursed to the second developer for project costs incurred by that developer. According to SDCL 11-9-25, positive tax increments will be allocated to that fund until the debt from the project costs is retired or fifteen years following the last expenditure from the Project Plan whichever comes first. The final payment from this Plan is scheduled to be made on December 1, 2026.

There are two projected amortization rate schedules listed below. Schedule #1 shows the amount to be borrowed by Developer I using a 9% interest rate. Schedule #2 shows the amount to be borrowed by Developer II using a 9% interest rate.

### PROJECTED AMORTIZATION RATE

#### Schedule #1: Developer I

**TABLE**

Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
6/1/2007	5,958,760.00	268,144.20	6,226,904.20	268,144.20	0.00	268,144.20	6,226,904.20	268,144.20
12/1/2007	6,226,904.20	280,210.69	6,507,114.89	280,210.69	0.00	280,210.69	6,507,114.89	548,354.89
6/1/2008	6,507,114.89	292,820.17	6,799,935.06	292,820.17	0.00	292,820.17	6,799,935.06	841,175.06
12/1/2008	6,799,935.06	305,997.08	7,105,932.14	305,997.08	0.00	305,997.08	7,105,932.14	1,147,172.14
6/1/2009	7,105,932.14	319,766.95	7,425,699.08	319,766.95	0.00	319,766.95	7,425,699.08	1,466,939.08
12/1/2009	7,425,699.08	334,156.46	7,759,855.54	334,156.46	0.00	334,156.46	7,759,855.54	1,801,095.54
6/1/2010	7,759,855.54	349,193.50	8,109,049.04	321,585.50	27,608.00	349,193.50	8,081,441.04	2,150,289.04
12/1/2010	8,081,441.04	363,664.85	8,445,105.89	336,056.85	27,608.00	363,664.85	8,417,497.89	2,513,953.89
6/1/2011	8,417,497.89	378,787.40	8,796,285.29	274,612.40	104,175.00	378,787.40	8,692,110.29	2,892,741.29
12/1/2011	8,692,110.29	391,144.96	9,083,255.26	286,969.96	104,175.00	391,144.96	8,979,080.26	3,283,886.26
6/1/2012	8,979,080.26	404,058.61	9,383,138.87	223,317.61	180,741.00	404,058.61	9,202,397.87	3,687,944.87
12/1/2012	9,202,397.87	414,107.90	9,616,505.77	233,366.90	180,741.00	414,107.90	9,435,764.77	4,102,052.77
6/1/2013	9,435,764.77	424,609.41	9,860,374.19	167,301.41	257,308.00	424,609.41	9,603,066.19	4,526,662.19
12/1/2013	9,603,066.19	432,137.98	10,035,204.16	174,829.98	257,308.00	432,137.98	9,777,896.16	4,958,800.16
6/1/2014	9,777,896.16	440,005.33	10,217,901.49	106,130.33	333,875.00	440,005.33	9,884,026.49	5,398,805.49
12/1/2014	9,884,026.49	444,781.19	10,328,807.68	110,906.19	333,875.00	444,781.19	9,894,932.68	5,843,586.68
6/1/2015	9,994,932.68	449,771.97	10,444,704.65	39,329.97	410,442.00	449,771.97	10,034,262.65	6,293,358.65
12/1/2015	10,034,262.65	451,541.82	10,485,804.47	41,099.82	410,442.00	451,541.82	10,075,362.47	6,744,900.47
6/1/2016	10,075,362.47	453,391.31	10,528,753.79	0.00	487,008.00	487,008.00	10,041,745.79	7,198,291.79

Tax Increment District 65  
Project Plan

12/1/2016	10,041,745.79	451,878.56	10,493,624.35	0.00	487,008.00	487,008.00	10,006,616.35	7,650,170.35
6/1/2017	10,006,616.35	450,297.74	10,456,914.08	0.00	563,575.00	563,575.00	9,893,339.08	8,100,468.08
12/1/2017	9,893,339.08	445,200.26	10,338,539.34	0.00	563,575.00	563,575.00	9,774,964.34	8,545,668.34
6/1/2018	9,774,964.34	439,873.40	10,214,837.74	0.00	640,142.00	640,142.00	9,574,695.74	8,985,541.74
12/1/2018	9,574,695.74	430,861.31	10,005,557.04	0.00	640,142.00	640,142.00	9,365,415.04	9,416,403.04
6/1/2019	9,365,415.04	421,443.68	9,786,858.72	0.00	716,708.00	716,708.00	9,070,150.72	9,837,846.72
12/1/2019	9,070,150.72	408,156.78	9,478,307.50	0.00	716,708.00	716,708.00	8,781,599.50	10,246,003.50
6/1/2020	8,781,599.50	394,271.98	9,155,871.48	0.00	793,275.00	793,275.00	8,362,596.48	10,640,275.48
12/1/2020	8,362,596.48	376,316.84	8,738,913.32	0.00	793,275.00	793,275.00	7,945,638.32	11,016,592.32
6/1/2021	7,945,638.32	357,553.72	8,303,192.05	0.00	820,883.00	820,883.00	7,482,309.05	11,374,146.05
12/1/2021	7,482,309.05	336,703.91	7,819,012.95	0.00	820,883.00	820,883.00	6,998,129.95	11,710,849.95
6/1/2022	6,998,129.95	314,915.85	7,313,045.80	0.00	848,490.00	848,490.00	6,464,555.80	12,025,765.80
12/1/2022	6,464,555.80	290,905.01	6,755,460.81	0.00	848,490.00	848,490.00	5,906,970.81	12,316,670.81
6/1/2023	5,906,970.81	265,813.69	6,172,784.50	0.00	876,098.00	876,098.00	5,296,686.50	12,582,484.50
12/1/2023	5,296,686.50	238,350.89	5,535,037.39	0.00	876,098.00	876,098.00	4,658,939.39	12,820,835.39
6/1/2024	4,658,939.39	209,652.27	4,868,591.66	0.00	903,706.00	903,706.00	3,964,885.66	13,030,487.66
12/1/2024	3,964,885.66	178,419.85	4,143,305.52	0.00	903,706.00	903,706.00	3,239,599.52	13,208,907.52
6/1/2025	3,239,599.52	145,781.98	3,385,381.50	0.00	931,314.00	931,314.00	2,454,067.50	13,354,689.50
12/1/2025	2,454,067.50	110,433.04	2,564,500.54	0.00	931,314.00	931,314.00	1,633,186.54	13,485,122.54
6/1/2026	1,633,186.54	73,493.39	1,706,679.93	0.00	958,922.05	958,922.05	747,757.88	13,538,615.93
12/1/2026	747,757.88	33,649.10	781,406.98	0.00	781,406.98	781,406.98	0.00	13,572,265.03

Schedule #2: Developer II

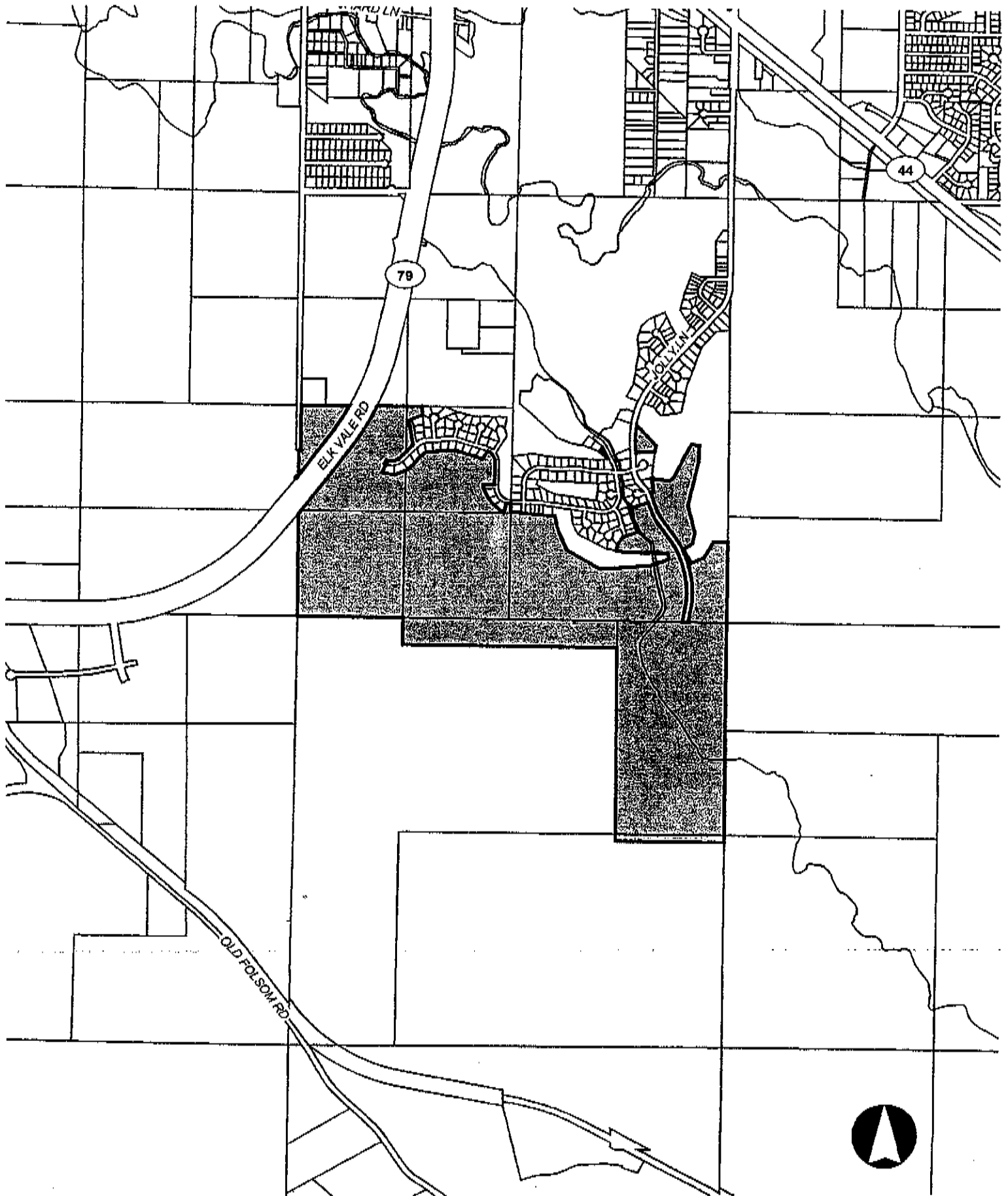
TABLE

Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
6/1/2007	4,402,440.00	198,109.80	4,600,549.80	198,109.80	0.00	198,109.80	4,600,549.80	198,109.80
12/1/2007	4,600,549.80	207,024.74	4,807,574.54	207,024.74	0.00	207,024.74	4,807,574.54	405,134.54
6/1/2008	4,807,574.54	216,340.85	5,023,915.40	216,340.85	0.00	216,340.85	5,023,915.40	621,475.40
12/1/2008	5,023,915.40	226,076.19	5,249,991.59	226,076.19	0.00	226,076.19	5,249,991.59	847,551.59
6/1/2009	5,249,991.59	236,249.62	5,486,241.21	236,249.62	0.00	236,249.62	5,486,241.21	1,083,801.21
12/1/2009	5,486,241.21	246,880.85	5,733,122.06	246,880.85	0.00	246,880.85	5,733,122.06	1,330,682.06
6/1/2010	5,733,122.06	257,990.49	5,991,112.56	237,584.49	20,406.00	257,990.49	5,970,706.56	1,588,672.56
12/1/2010	5,970,706.56	268,681.80	6,239,388.35	248,275.80	20,406.00	268,681.80	6,218,982.35	1,857,354.35
6/1/2011	6,218,982.35	279,854.21	6,498,836.56	202,855.21	76,999.00	279,854.21	6,421,837.56	2,137,208.56
12/1/2011	6,421,837.56	288,982.69	6,710,820.25	211,983.69	76,999.00	288,982.69	6,633,821.25	2,426,191.25
6/1/2012	6,633,821.25	298,521.96	6,932,343.20	164,930.96	133,591.00	298,521.96	6,798,752.20	2,724,713.20
12/1/2012	6,798,752.20	305,943.85	7,104,696.05	172,352.85	133,591.00	305,943.85	6,971,105.05	3,030,657.05
6/1/2013	6,971,105.05	313,699.73	7,284,804.78	123,515.73	190,184.00	313,699.73	7,094,620.78	3,344,356.78
12/1/2013	7,094,620.78	319,257.94	7,413,878.72	129,073.94	190,184.00	319,257.94	7,223,694.72	3,663,614.72
6/1/2014	7,223,694.72	325,066.26	7,548,760.98	78,289.26	246,777.00	325,066.26	7,301,983.98	3,988,680.98
12/1/2014	7,301,983.98	328,589.28	7,630,573.26	81,812.28	246,777.00	328,589.28	7,383,796.26	4,317,270.26
6/1/2015	7,383,796.26	332,270.83	7,716,067.09	0.00	303,370.00	303,370.00	7,412,697.09	4,649,541.09
12/1/2015	7,412,697.09	333,571.37	7,746,268.46	0.00	303,370.00	303,370.00	7,442,898.46	4,983,112.46
6/1/2016	7,442,898.46	334,930.43	7,777,828.89	0.00	359,963.00	359,963.00	7,417,865.89	5,318,042.89
12/1/2016	7,417,865.89	333,803.96	7,751,669.85	0.00	359,963.00	359,963.00	7,391,706.85	5,651,846.85
6/1/2017	7,391,706.85	332,626.81	7,724,333.66	0.00	416,555.00	416,555.00	7,307,778.66	5,984,473.66
12/1/2017	7,307,778.66	328,850.04	7,636,628.70	0.00	416,555.00	416,555.00	7,220,073.70	6,313,323.70

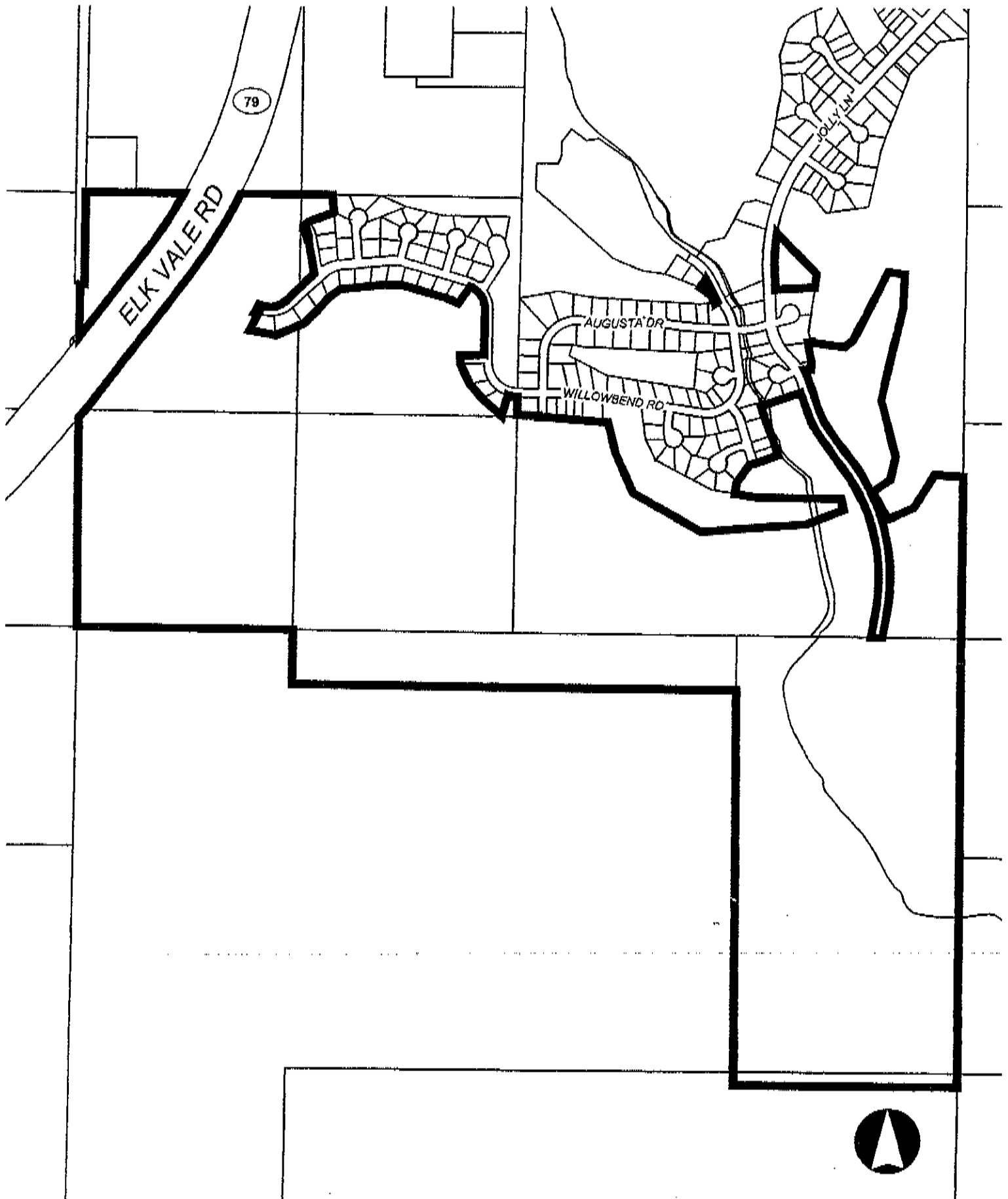
Tax Increment District 65  
Project Plan

6/1/2018	7,220,073.70	324,903.32	7,544,977.02	0.00	473,148.00	473,148.00	7,071,829.02	6,638,227.02
12/1/2018	7,071,829.02	318,232.31	7,390,061.32	0.00	473,148.00	473,148.00	6,916,913.32	6,956,459.32
6/1/2019	6,916,913.32	311,261.10	7,228,174.42	0.00	529,741.00	529,741.00	6,698,433.42	7,267,720.42
12/1/2019	6,698,433.42	301,429.50	6,999,862.93	0.00	529,741.00	529,741.00	6,470,121.93	7,569,149.93
6/1/2020	6,470,121.93	291,155.49	6,761,277.41	0.00	586,334.00	586,334.00	6,174,943.41	7,860,305.41
12/1/2020	6,174,943.41	277,872.45	6,452,815.87	0.00	586,334.00	586,334.00	5,866,481.87	8,138,177.87
6/1/2021	5,866,481.87	263,991.68	6,130,473.55	0.00	606,740.00	606,740.00	5,523,733.55	8,402,169.55
12/1/2021	5,523,733.55	248,568.01	5,772,301.56	0.00	606,740.00	606,740.00	5,165,561.56	8,650,737.56
6/1/2022	5,165,561.56	232,450.27	5,398,011.83	0.00	627,145.00	627,145.00	4,770,866.83	8,883,187.83
12/1/2022	4,770,866.83	214,689.01	4,985,555.84	0.00	627,145.00	627,145.00	4,358,410.84	9,097,876.84
6/1/2023	4,358,410.84	196,128.49	4,554,539.33	0.00	647,551.00	647,551.00	3,906,988.33	9,294,005.33
12/1/2023	3,906,988.33	176,814.47	4,082,802.80	0.00	647,551.00	647,551.00	3,435,251.80	9,469,819.80
6/1/2024	3,435,251.80	154,586.33	3,589,838.13	0.00	667,957.00	667,957.00	2,921,881.13	9,624,406.13
12/1/2024	2,921,881.13	131,484.65	3,053,365.78	0.00	667,957.00	667,957.00	2,385,408.78	9,755,890.78
6/1/2025	2,385,408.78	107,343.40	2,492,752.18	0.00	688,363.00	688,363.00	1,804,389.18	9,863,234.18
12/1/2025	1,804,389.18	81,197.51	1,885,586.69	0.00	688,363.00	688,363.00	1,197,223.69	9,944,431.69
6/1/2026	1,197,223.69	53,875.07	1,251,098.76	0.00	708,768.47	708,768.47	542,330.29	9,998,306.76
12/1/2026	542,330.29	24,404.86	566,735.15	0.00	566,735.15	566,735.15	0.00	10,022,711.62

# Tax Increment District No. 65 - Minnesota Street Vicinity Map



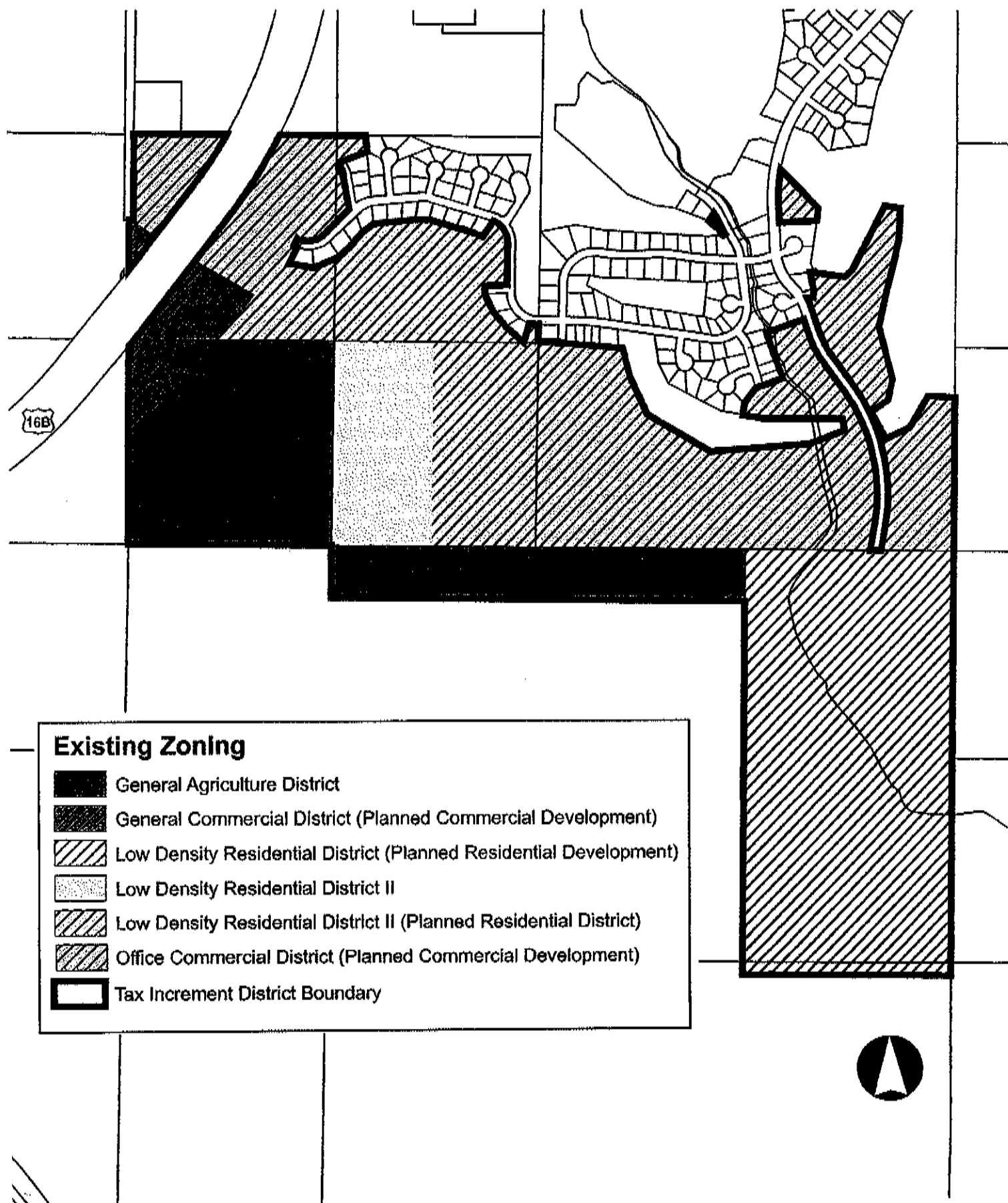
# Tax Increment District No. 65 - Minnesota Street Boundary Map



# Tax Increment District No. 65 - Minnesota Street Aerial Map

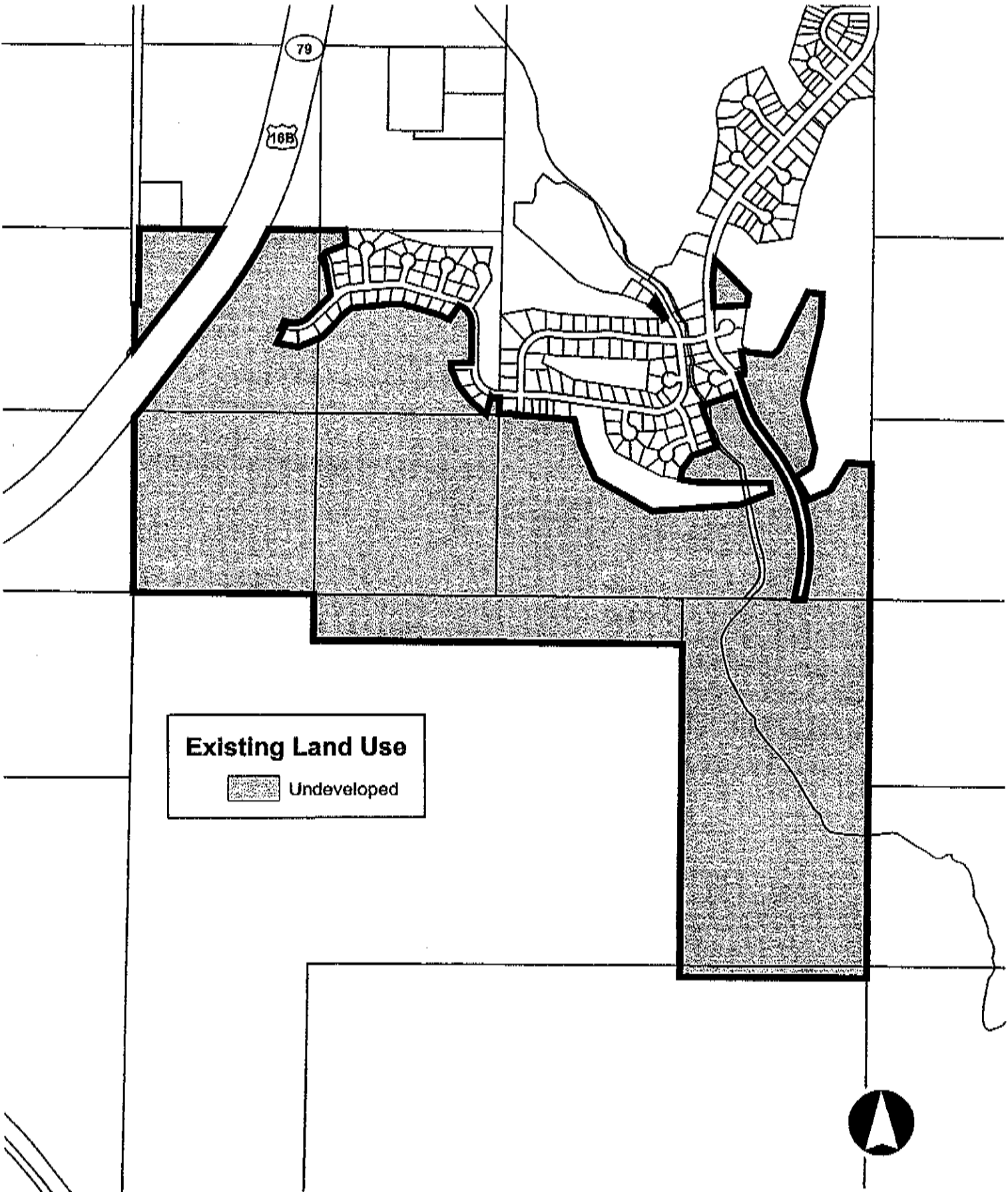


# Tax Increment District No. 65 - Minnesota Street Zoning Map

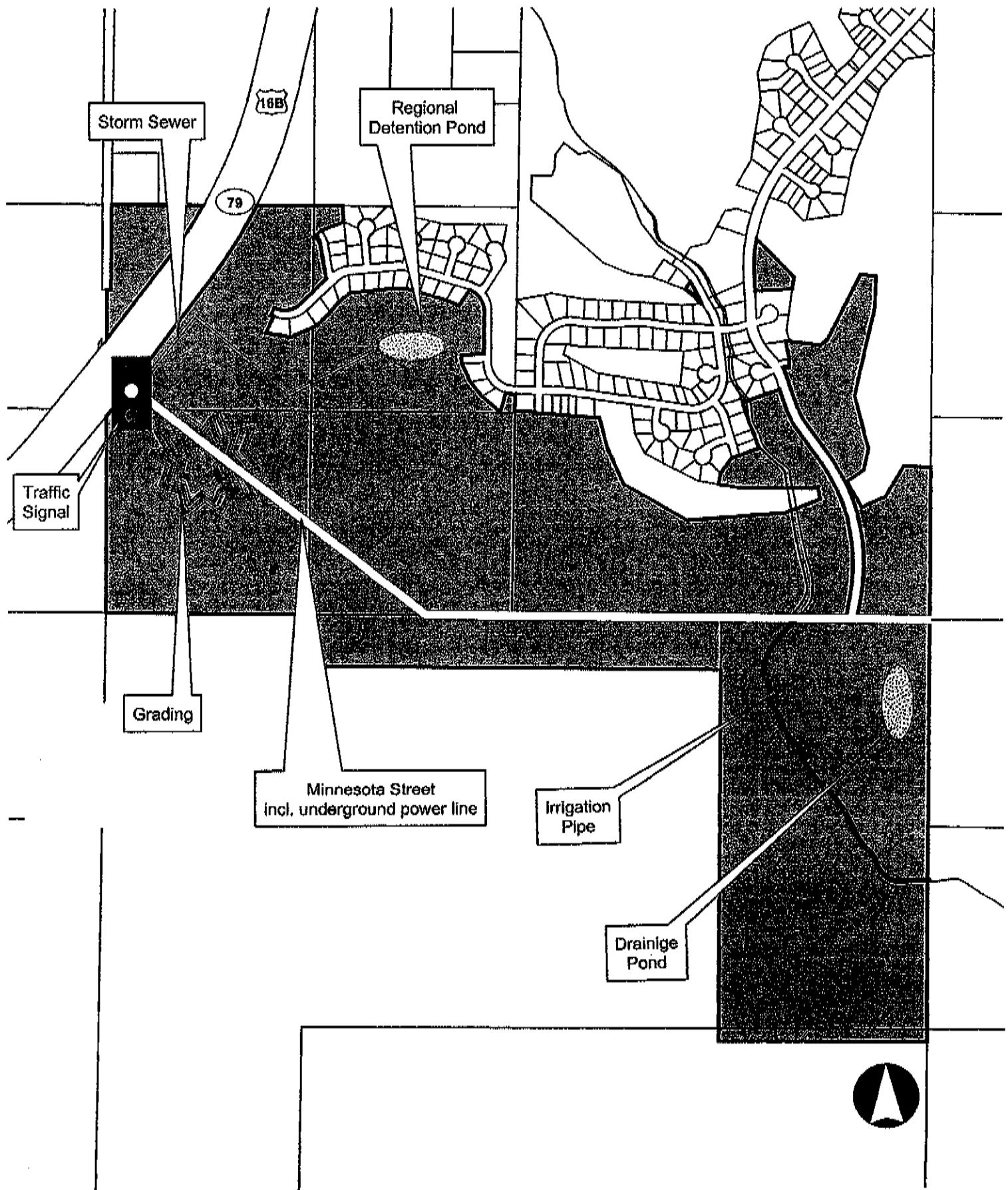


# Tax Increment District No. 65 - Minnesota Street

## Existing Land Use



# Tax Increment District No. 65 - Minnesota Street Public Improvements



CONTRACT FOR PRIVATE DEVELOPMENT  
TAX INCREMENT DISTRICT NUMBER SIXTY-FIVE

Between

DENNIS ZANDSTRA REAL ESTATE HOLDINGS, LLC

and the

CITY OF RAPID CITY, SOUTH DAKOTA

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THIS AGREEMENT, is made and entered into on this 2 day of June, 2008, by and between Dennis Zandstra Real Estate Holdings, LLC, located at P.O. Box 1940, Rapid City, South Dakota 57709, herein after referred to as the "Developer," and the City of Rapid City, a municipal corporation and political subdivision of the State of South Dakota, located at 300 Sixth Street, Rapid City, South Dakota 57701, herein after referred to as the "City."

### RECITALS

WHEREAS, pursuant to the power and authority granted to it under Chapter 11-9 of the South Dakota Codified Laws, the City created Tax Increment District Number Sixty-Five by resolution on September 4, 2007.

WHEREAS, on the same date, the City adopted by resolution a Project Plan for Tax Increment District Number Sixty-Five which identifies expenditures for public improvements which qualify as project costs pursuant to SDCL 11-9-14 and SDCL 11-9-15.

WHEREAS, the purpose of this agreement is to establish under what conditions the Developer can be reimbursed from the proceeds of the tax increment district for the cost of the improvements which are included in the Project Plan. It further establishes the procedures by which the Developer may assign its right to any proceeds from the district in order to secure private financing for the project improvements. Pursuant to SDCL 11-9-2(5), the City is empowered to enter into contracts or agreements necessary and convenient to implement the provisions and effectuate the purposes of the Project Plan.

NOW THEREFORE, the parties hereby agree as follows:

SECTION 1. The estimated project costs for which the Developer can be reimbursed from Tax Increment District Number Sixty-Five, as set forth in the approved Project Plan, are as follows:

#### TOTAL ESTIMATED PROJECT COSTS TO BE PAID BY THE DEVELOPER:

##### 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
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##### Financing Costs:

Financing 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
Imputed Administrative Costs*	
City of Rapid City	\$ 1,025

\*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 #65 fund available to the City Finance Officer on June 1, 2012.

SECTION 2. The Developer agrees to construct the improvements contained in Section 1 of this agreement at its sole expense. The Developer's reimbursement from the proceeds of the tax increment district for constructing these improvements is subject to the following terms and conditions:

a) Within ninety (90) days of approving this agreement the Developer agrees, in conjunction with Plum Creek Development LLC ("Plum Creek"), to plat H Lots for Minnesota Street from its intersection with the Southeast Connector to the eastern boundary of the E1/2 of the NE1/4 of T1N, R8E of Section 21, BHM, Unplatted and donate them to the City. The Developer shall not be eligible for any reimbursement from the tax increment district until the necessary H Lots have been platted and donated to the City;

b) The Developer, in conjunction with Plum Creek, agrees to provide a completed design for Minnesota Street, including all utilities to be located within said right-of-way, from the streets intersection with the Southeast Connector to the eastern boundary of the E1/2 of the NE1/4 of T1N, R8E of Section 21, BHM, Unplatted, by September 1, 2008. The Developer shall not be eligible for any reimbursement from the tax increment district until a design for the entire length of Minnesota Street covered by this agreement has been given to, and accepted by, the City. Once provided to the City, the design shall become the property of the City. Should the Developer fail to comply with the terms of this agreement and the City chooses to build Minnesota Street, the City may use the design provided by the Developer to construct Minnesota Street at no cost to the City;

c) The City's primary consideration for approving this tax increment district and entering into this agreement is the completion of Minnesota Street from the Southeast Connector to the E1/2 of the NE1/4 of T1N, R8E of Section 21, BHM, Unplatted. It is

anticipated that this portion of Minnesota Street will be constructed in several phases. The first phase will include constructing Minnesota Street from its intersection with the Southeast Connector to the intersection of a rearage road which will then connect Minnesota Street to Willowbend Drive ("Phase I"). Plum Creek has agreed to construct this phase, including the rearage road connection to Willowbend Drive by August 1, 2009. The Developer, in conjunction with Plum Creek, agrees to construct the balance of Minnesota Street by June 1, 2011.

d) Upon a contract being awarded for construction of Phase I, and acceptable surety being in place, the City will allow approval of final plats on the following property:

The NE1/4 of the SW1/4, Less Plum Creek Sub, Less ROW, T1N, R8E, Section 16, Unplatted, BHM, Rapid City, Pennington County, State of South Dakota; and

The NW1/4 of the SW1/4, Less Plum Creek Sub, Less ROW, T1N, R8E, Section 16, Unplatted, BHM, Rapid City, Pennington County, State of South Dakota; and

Tract 1 of the E1/2, Less Elk Country Estates, Less Lot H1, Less ROW, T1N, R8E, BHM, Rapid City, Pennington County, State of South Dakota.

e) No certificates of occupancy will be issued for any properties that are platted pursuant to subsection d) until Phase I is actually completed and has been accepted by the City and the temporary access has been closed.

f) The following property is also included in this agreement:

The SW1/4 of the SW1/4, T1N, R8E, Section 16, Unplatted, BHM, Rapid City, Pennington County, State of South Dakota; and

The SE1/4 of the SW1/4, T1N, R8E, Section 16, Unplatted, BHM, Rapid City, Pennington County, State of South Dakota; and

The N1/2 of the N1/2 of the NW1/4 of the NE1/4 and the N1/2 of the N1/2 of the NE1/4 of the NW1/4, T1N, R8E, Section 21, Unplatted, BHM, Rapid City, Pennington County, State of South Dakota; and

The E1/2 of the NE1/4 of T1N, R8E, Section 21, Unplatted, BHM, Rapid City, Pennington County, State of South Dakota;

The Developer cannot receive final plat approval for any lots within the above described properties until both it and Plum Creek have both entered into a contract for the construction of the balance of Minnesota Street and provided the City with a surety in a form acceptable to the City Attorney's Office and in an amount sufficient to cover the cost of constructing the balance of Minnesota Street.

g) No certificates of occupancy will be issued for any properties that are platted pursuant to subsection f) until the balance of Minnesota Street has actually been completed and accepted by the City.

h) All public improvements being funded under this agreement shall be designed and built in conformity with the City's Standard Specifications for Public Works Construction, Design Criteria Manuals and any other laws, ordinances, policies or resolutions which may be applicable.

i) If the Developer does not meet the time frames specified, the City has the option to terminate this agreement. Prior to the City terminating the agreement, the City shall provide at least seven days written notice to the Developer and/or any entity that has an assignment interest in the proceeds of the tax increment funds of the date of the meeting at which the City Council will consider terminating the agreement.

SECTION 3. The base value of the property located in Tax Increment District Number Sixty-Five has been certified by the South Dakota Department of Revenue as Nine Hundred Sixty Eight Thousand Seven Hundred Eighty One Dollars (\$968,781.00).

SECTION 4. The Developer may secure private financing to fund the improvements contemplated in the approved Tax Increment District Number Sixty-Five Project Plan. If the Developer obtains private financing, the interest rate shall not exceed nine (9%) percent per annum during the life of the loan. During the construction phase of the project and until the project is cash flowing from a tax revenue basis the Developer and lender shall be free to negotiate an interest rate not to exceed nine (9%) percent per annum. Within 90 days of the date the Developer is notified by the City that the tax revenue is sufficient to amortize the debt over the remaining life of the Tax Increment District and confirmed by the financial institution financing the public improvements, the interest rate on the remaining balance shall be reset at an interest rate of not more than three (3%) percent over the published ten (10) year U.S. Treasury rate not to exceed nine (9) percent per annum. That rate shall remain in effect for a five year period, at which time it will be reset using the same formula. It is understood by the parties that should the Developer receive a loan with an interest rate of less than Nine Percent (9%) per annum, the City will only reimburse the Developer for the amount of interest actually paid to a financial institution providing funding for the public improvements contained in the Project Plan. The City shall retain the right to refinance any Tax Increment District through the use of Revenue Bonds or any other funding source available during the life of the Tax Increment District.

SECTION 5. Developer shall complete the improvements described in the approved Project Plan. The Developer shall certify to the City Finance Officer that such improvements have been completed and shall certify the amount of money disbursed therefore. Furthermore, the Developer shall provide sufficient documentation to certify that the terms of Section 10 of this agreement are complied with. The City shall have the right to require reasonable documentation to establish that the amounts set forth in the Tax Increment District Number Sixty-Five Project Plan have, in fact, been disbursed for the costs contemplated in the Project Plan and state bid law has been complied with.

SECTION 6. It is understood by the parties that the boundaries of Tax Increment District Sixty-Five may overlap the boundaries of other tax increment districts. Any increments generated from areas within overlapping districts will be used to pay for the improvements in the districts based on the chronological order in which the districts were created. Only after the disbursements required of the City in the project plans or developer's agreements for any previously created districts have been satisfied, will the City have a duty to disburse funds under this agreement.

SECTION 7. All positive tax increment payments for Tax Increment District Number Sixty-Five shall, upon receipt by the City, be deposited in a special fund to be known as the "Tax Increment District Number Sixty-Five Fund," hereinafter referred to as the "Fund." Subject to Sections 2, 5, 6, 9 and 10 of this agreement and the limitation that 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 5 of this agreement or the total of the estimated project costs set forth in the Tax Increment District Number Sixty-Five Project Plan as well as any other limitations contained herein, the City shall, within thirty (30) days after the receipt of each tax increment payment from the Treasurer of Pennington County, disburse Forty-Two and a half percent (42.5%) of the total amount in the Fund to the Developer or their designee.

SECTION 8. It is contemplated by the parties the Developer may assign its interest under this agreement as security for the note or loan agreement, or other financing described in Section 4 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. Any assignee shall agree to be bound by the terms and conditions contained in this agreement. The City shall have the right to refuse any subsequent assignment if it will result in an increase in the amount of interest being paid to a financial institution, even if the interest rate being charged by the new lender complies with the terms of Section 4.

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 Sixty-Five receipted 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 Sections 4 and 8 hereof. The parties further acknowledge that SDCL 11-9-25 limits the duration of allocability of the positive tax increment payments to the fund created by Section 7 hereof. The provisions of SDCL 11-9-25 are specifically incorporated herein by this reference.

SECTION 10. Selection of contractors for the construction of the public improvements described in Section 1 shall comply with all provisions of South Dakota law regarding the expenditure of public funds contained in Chapter 5-18 of the South Dakota Codified Laws. Upon a request by the City, the Developer shall provide documentation demonstrating that it has complied with Chapter 5-18.

SECTION 11. Developer agrees to defend, 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 Sixty-Five Project Plan. The 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 12. 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 13. The parties acknowledge that the public improvements contemplated in Section 1 of this agreement could not feasibly be constructed without the creation of this tax increment district and the use of private financing being secured by the Developer. Accordingly, the mutual covenants and obligations hereunder shall constitute good and sufficient consideration for the execution and performance of this agreement.

SECTION 14. The Developer's obligations under this agreement are contingent upon Plum Creek entering into a Developer's Agreement covering its portion of Minnesota Street. If Plum Creek and the City are not able to reach agreement on the terms of the Developer's Agreement, the parties are released from their obligations under this Agreement.

SECTION 15. This document along with the Project Plan for Tax Increment District Sixty-Five, the Developer's Agreement with Plum Creek and the Infrastructure Development Partnership Fund Loan agreements 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. This agreement may only be amended or modified in writing by mutual agreement of the parties.

SECTION 16. This agreement is intended solely for the benefit of the parties hereto and shall not be enforceable by, or create any claim of right or right of action, in favor of any other party. Except as allowed under Sections 4 and 8 of this agreement, the rights and obligations of the parties hereunder shall not be assigned or transferred by either party without the express written consent of the other. Subject to that restriction, this agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.

SECTION 17. Failure of a party to insist upon adherence to any term of this agreement on any occasion shall not be considered a waiver, or deprive that party of the right thereafter to insist upon adherence to that term, or any other term of this agreement.

SECTION 18. If one or more provisions of this agreement is declared invalid for any reason whatsoever by any competent court, such invalidity shall not affect any other section(s) or provision of this agreement if they can be given effect without the invalid section(s) or provisions.

SECTION 19. This agreement shall be deemed to be prepared jointly by the parties hereto and neither shall be deemed to be its sole author. In the event of any claim of ambiguity, no provision shall thereby be construed against either party.

SECTION 20. This agreement shall be construed and the parties' actions governed by the laws of the State of South Dakota. The Circuit Court of Pennington County shall be the sole venue for any disputes arising under this agreement.

Dated this 28<sup>th</sup> day of August, 2008.

DENNIS ZANDSTRA REAL ESTATE  
HOLDINGS, LLC

Steve Zandstra

BY: Steve Zandstra

ITS: Partner

CITY OF RAPID CITY

Alan [Signature]  
Mayor

ATTEST:

[Signature]

Finance Officer, Aoor.

(SEAL)

