

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 Attachment 9-1
Location	In NE 1/4 of S 27, T1N, R7E, BHM, Rapid City, South Dakota
Size of Site—Acres	Approximately 9.63

APPLICANT

Name	Black Hills Corporation	Phone	(605)721-2783
Address	625 Ninth Street	Fax	
City, State, Zip	Rapid City, SD		

PROJECT PLANNER - AGENT

Name	Chris Anderson	Phone	(605)721-2783
Address	625 Ninth Street	Fax	
City, State, Zip	Rapid City, SD, 57701		

	12/16/15		
Property Owner Signature	Date	Property Owner Signature	Date
Applicant Signature <small>(if difference from Property Owner)</small>		Applicant Signature <small>(if difference from Property Owner)</small>	
Print Name: PERRY S KIRUSH		Print Name:	
Title* VP SUPPLY CHAIN		Title*	
<small>*required for Corporations, Partnerships, Etc.</small>		<small>*required for Corporations, Partnerships, Etc.</small>	

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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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 checked="" 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 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 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 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; Traffic Signals | <input checked="" type="checkbox"/> |
| 6. Public playgrounds, parks and recreational improvements to be owned by the City of Rapid City; Pedestrian/Bike Paths (Public Access) | <input checked="" type="checkbox"/> |
| 7. Demolition costs for the re infrastructure; | <input type="checkbox"/> |
| 8. Interest and financing fees; | <input checked="" type="checkbox"/> |
| 9. Imputed administrative fees due to the City; | <input checked="" 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 checked="" 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 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 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 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 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 checked="" 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.
2. All TIF proceeds are used for the construction of public improvements.
3. The project involves the rehabilitation of a building listed on or eligible for listing on the National Register of Historic Places.
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.
5. The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of SDCL 11-9.
6. The project involves the start-up of an entirely new business or business operation within the City of Rapid City.
7. The project involves the expansion of an existing business located within Rapid City.
8. The project site has displayed a recent pattern of declining real property assessments, as measured by the Pennington County Director of Equalization.
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.)
10. The developer agrees to waive the five-year tax abatement.

Rushmore Gateway Corridor – TIF Application

Required Information

Issue/ Assignment	Description of Required Information	Responsive Information/Resolution
1. Project Description	A detailed description of the project.	<p>Rushmore Gateway Corridor Project: The project consists of the construction of more than \$73,476,127 of public and private improvements. The proposed Tax Increment District is requested to stimulate job creation and assist in the development of critical public infrastructure to serve the general public and commercial development along the south Mount Rushmore Road/U.S. 16 Highway corridor.</p> <p>The Rushmore Gateway Corridor tax increment district project will consist of public improvements associated with Black Hills Corporation's corporate headquarters project.</p> <p>Black Hills Corporation's corporate headquarters project will consist of approximately \$70,000,000 of private improvements and \$3,476,127 of public improvements.</p>

<p>2. Purpose</p>	<p>A description of the purpose of Tax Increment Financing.</p>	<p><u>Purpose:</u> The purpose of the Rushmore Gateway Corridor tax increment financing plan is to stimulate economic development investment, which the project participant would not make but for the tax increment financing. The TIF proceeds will finance the construction of certain public improvements associated with the Black Hills Corporation headquarters project. The improvements have a public and a private component. The private component will generate taxes, which will support the financing and construction of the public improvements.</p> <p><u>Public Component:</u> <i>All tax increment financing proceeds are used for the construction of public improvements.</i> The proposed tax increment district area is identified in the city's comprehensive plan as a growth corridor. As a result of current and emerging growth, certain public improvements are necessary. -One of the purposes of the tax increment financing is to leverage private investment to assist in constructing public infrastructure within the district. The payment that private growth will generate to service the tax increment financing would not occur but for the tax increment financing tool. <i>The public improvements will assist in the elimination of potential hazards caused by increased traffic and mitigation of other infrastructure constraints in the area.</i></p> <p><u>Private Component:</u></p> <p><u>Black Hills Corporation:</u> <i>Project involves the expansion of existing business located in Rapid City.</i> Black Hills Corporation chose to build a new corporate headquarters in Rapid City, bringing approximately 500 corporate employees in five local locations under one roof.</p> <p><i>The project will generate a minimum of 50 new jobs.</i> Tax increment financing allows the company to invest in an approximated additional 150 workspaces to accommodate anticipated growth. The tax increment financing will stimulate and develop increasing</p>
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Issue/ Assignment	Description of Required Information	Responsive Information/Resolution
		<p>employment opportunities in Rapid City as the company continues to grow. The TIF will provide financing for the significant public improvements planned in relation to the expanded headquarters.</p> <p>Over the past 10 years, Black Hills Corporation has grown from serving 62,000 electric customers in the Black Hills to providing natural gas and electricity to almost 800,000 utility customers across seven states in nearly 400 communities. The company's growth has resulted in growth for Rapid City. Since 2004 – through a series of acquisitions outside of Rapid City –the company brought over 300 new employees and their families to the community. The company's 500+ Rapid City employees and their families are estimated to contribute more than \$81 million annually to the local economy.</p> <p>Black Hills Corporation is committed to growing as it has over the past 10 years, and in the Rapid City community as it has for more than 130 years. Tax increment financing allows the company to accommodate continued growth within Black Hills Corporation and the City of Rapid City. The company's organic growth and growth through acquisitions across the entire seven-state natural gas and electric service territory will create employment opportunities in Rapid City. Additional jobs would stimulate incremental economic activity in region. By way of example, an additional 50 jobs would inject an estimated \$8.1 million in local economic activity.</p>

Issue/ Assignment	Description of Required Information	Responsive Information/Resolution
3. List of Project Costs	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.	All tax increment financing proceeds are used for allowable project costs. See Attachment 3.
4. Financing Plan	A preliminary development financing plan, including sources of funds, identification of lender, interest rates, financing costs and loan terms.	<p>See Attachment 4.</p> <p>Black Hills Power, Inc., which will be the legal owner the property, intends to finance the plan via a loan from Black Hills Corporation at an interest rate reflective of the lender's costs of funds at customary terms consistent with those required by external capital providers.</p> <p>The projected amortization rate schedule below reflects an initial Black Hills Corporation loan amount of \$3,476,127 to be borrowed on January 1, 2016 at a fixed 5.50% interest rate, a five-year capitalization period and a nineteen and a half year loan repayment term. The final payment under this Plan is expected to be made on July 1, 2035.</p> <p>The unsecured loan will not be not backed by any collateral or financial guaranties.</p>

Issue/ Assignment	Description of Required Information	Responsive Information/Resolution
5. Identify Persons/Entities	<p>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 financial interest in the project or in the entity applying for the tax increment financing. This provision requires identification of all persons who have in interest in the project, including those whose interest exists through, an LLC, LLP, corporation (whether as a director or shareholder) or other legal entity. The applicant shall be under a continuing obligation to update this disclosure within thirty (30) days of any changes throughout the application process and throughout the life of the developer's agreement. If the applicant is a publicly traded company, the applicant shall be deemed to have complied with this provision if it has provided the City a copy of its most recent annual report with the application.</p>	<p>Black Hills Corporation 2014 Form 10-K Black Hills Power, Inc. Form 10-K</p> <p>As publicly traded entities, Black Hills Corporation and Black Hills Power, Inc. each file annual reports with the Securities and Exchange Commission. The 2014 Form 10-K are available through each of the following links:</p> <p>Black Hills Corporation: http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001130464&owner=exclude&count=40&hidefilings=0</p> <p>Black Hills Power: http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000012400&owner=exclude&count=40&hidefilings=0</p>
6. Pro Forma Financials	A pro forma indicating projected costs and revenues.	See Attachment 6.

Issue/ Assignment	Description of Required Information	Responsive Information/Resolution
7. TIF Necessity	A statement and demonstration that the project would not proceed without the use of Tax Increment Financing.	<p>Black Hills Corporation: The workspace improvement to accommodate approximately 150 workspaces will not occur but for the tax increment financing. Tax increment financing will allow the company to invest in the completion of approximately 150 additional workspaces as part of the corporate headquarters project. The additional workspaces will increase employment opportunities in Rapid City as the company continues to grow in Rapid City. This additional workspace is not part of the present project plan and the build-out will not proceed without the use of tax increment financing.</p>
8. Statutory Criteria	A statement identifying the specific Statutory Criteria, Other Local and Discretionary evaluation criteria that the applicant believes the request meets.	<p>The Tax Increment Financing request meets the following statutory criteria:</p> <p>SDCL 11-9-8: Greater than 50% of the real property within the district will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district.</p> <p>In addition, the request meets the following local and discretionary criteria:</p> <ol style="list-style-type: none"> 1) As a regional company operating in seven states, Black Hills Corp. has site alternatives for future expansion of central service functions, including existing corporate offices in Denver, Colorado and Papillion, Nebraska. Tax increment financing allows the company to prepare for the addition of up to 150 additional employees at the Rapid City headquarters. 2) The project will bring new and expanded full-time employment

Issue/ Assignment	Description of Required Information	Responsive Information/Resolution
		<p>opportunities to Rapid City, as demonstrated by proposed wage scales and employee benefits.</p> <p>3) The project complies with and advances the adopted Comprehensive Plan for the City of Rapid City and all other appropriate plans and regulations.</p> <p>4) The use of Tax Increment Financing will enhance the taxable value of property within and surrounding the district, and will not therefore result in the net loss of pre-existing tax revenues to the city and other taxing jurisdictions.</p> <p>5) All of the costs included in the Tax Increment Financing plan are Allowable Project Costs, as defined by the City's guidelines.</p> <p>6) The project supports the retention of 500 jobs in Rapid City and allows for expansion in Rapid City, bringing not less than 50 new jobs in the community.</p> <p>7) The project involves the expansion of an existing business located within Rapid City.</p> <p>8) The project is consistent with the City's comprehensive plan. The comprehensive plan provides a long-term strategy for growing our community by linking employment centers, residential areas and the necessary support and recreational needs for a healthy, desirable community. The City's comprehensive plan has identified the crossing of Mount Rushmore Road/U.S. 16 Highway and Catron Boulevard as part of an entrance corridor and community activity center. The community activity center incorporates a broader mix of service, office, retail, residential restaurant and lodging development.</p>

Issue/ Assignment	Description of Required Information	Responsive Information/Resolution
9. Site Plans	Conceptual plans, sketches, maps of site plans for the project.	Proposed TIF District Map (Attachment 9-1) Area Overview Map (Attachment 9-2); Area Zoning Map (Attachment 9-3); BHC Project Site Plan (Attachment 9-4); Map of TID 70 (Attachment 9-5)
10. Time Schedule	A development time schedule including specific phasing of improvements and project costs.	<p>Development Schedule:</p> <p>Public Infrastructure: Storm/Sewer/Water Q1-2016 through Q3-2017 Cost: \$648,563</p> <p>Public Infrastructure: Traffic Control Q2-2017 through Q3-2017 Cost: \$424,660</p> <p>Public Infrastructure: Public Roadway Q2-2016 through Q3-2017 Cost: \$2,331,077</p> <p>Public Infrastructure: Public Sidewalks/Bike Paths Q2-2017 through Q3-2017 Cost: \$71,825</p> <p>Private Improvements: Corporate Office Space Q4-2015 through Q4-2017 Approximately: \$66,523,873 (Including all personal property)</p>

Issue/ Assignment	Description of Required Information	Responsive Information/Resolution
11. Public and Private Improvements	A list of the specific public improvements and a list of the specific private improvements proposed to be constructed along with the project.	<p>The project will include the following public and private improvements:</p> <p><u>Public Improvements:</u></p> <p>Storm, sewer and water infrastructure improvements which will allow future land development on adjacent properties;</p> <p>New traffic control signal at Les Hollers Way and Catron Blvd with turn lane improvements and pavement markings;</p> <p>New public roadway through the property which will allow future land development on adjacent properties;</p> <p>New public sidewalks and bike paths through the property;</p> <p><u>Private Improvements:</u></p> <p>New corporate headquarters will seat 550 employees in the first phase of development, with the ability to accommodate an additional 150 workspaces.</p>
12. Corporate Papers and Real Estate Documents	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.	See Attachment 12: Attachment 12-1 (Articles of Incorporation); Attachment 12-2 (Articles of Amendment); Attachment 12-3 (Warranty Deed)

Issue/ Assignment	Description of Required Information	Responsive Information/Resolution
13. Financial Statements	A financial statement of the corporation, partnership, or individual for the most recent five years or life of the company.	Black Hills Corporation's financial statements are publicly available through quarterly and annual filings with the Securities Exchange Commission.
14. Employment Data	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.	The company today has approximately 500 employees that will be located in the corporate headquarters. The average annual salary for these Rapid City jobs is \$85,000. Black Hills Corporation offers a comprehensive benefits package designed to meet employees' needs, including enrollment options for three medical plans and a comprehensive dental plan. The company also provides employees with vision, short-term disability, long-term disability, life and AD&D coverages as well as paid time off and tuition reimbursement. Retirement benefits include a 401(k) with competitive employer matching and a Retiree Medical Saving Account that provides credits, which are used to offset the cost of retiree medical premiums. New jobs created would be at approximately the same salary and benefit scale.

Issue/ Assignment	Description of Required Information	Responsive Information/Resolution
15. Notices	<p>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.</p>	<p>Notices will be provided in coordination with the City of Rapid City.</p>

ATTACHMENT 3

LIST OF PROJECT COSTS

BHC HQ Project

Estimate for Public Infrastructure Improvements:	
	Totals
• Infrastructure: Improvements - Public Utilities (Storm/Sewer/Water) - Total	\$ 601,078
• Infrastructure: Improvements - Public Traffic Signal (Catron/Les Hollars Way) - Total	\$ 393,570
• Infrastructure: Improvements - Public Roadway Grading/Base/Curb/Asphalt/Lighting/Landscape - Total	\$ 2,160,405
• Infrastructure: Improvements - Public Sidewalks/Bike Path - Total	\$ 66,566
• Developer Fees: Project Management and Administrative Fees - Total	\$ 254,508
Total Public Infrastructure Costs:	\$ 3,476,127

2015				
	Q1	Q2	Q3	Q4
				\$ 117,726
\$	258,632			
\$	19,530			\$ 31,813
\$	278,162	\$ -	\$ -	\$ 149,539

Estimate for Public Infrastructure Improvements:	
	Totals
• Infrastructure: Improvements - Public Utilities (Storm/Sewer/Water) - Total	\$ 601,078
• Infrastructure: Improvements - Public Traffic Signal (Catron/Les Hollars Way) - Total	\$ 393,570
• Infrastructure: Improvements - Public Roadway Grading/Base/Curb/Asphalt/Lighting/Landscape - Total	\$ 2,160,405
• Infrastructure: Improvements - Public Sidewalks/Bike Path - Total	\$ 66,566
• Developer Fees: Project Management and Administrative Fees - Total	\$ 254,508
Total Public Infrastructure Costs:	\$ 3,476,127

2016				
	Q1	Q2	Q3	Q4
\$	67,726	\$ 67,726	\$ 67,726	
		\$ 274,184	\$ 320,409	
\$	31,813	\$ 31,813	\$ 31,813	\$ 31,813
\$	99,539	\$ 373,723	\$ 419,948	\$ 31,813

Estimate for Public Infrastructure Improvements:	
	Totals
• Infrastructure: Improvements - Public Utilities (Storm/Sewer/Water) - Total	\$ 601,078
• Infrastructure: Improvements - Public Traffic Signal (Catron/Les Hollars Way) - Total	\$ 393,570
• Infrastructure: Improvements - Public Roadway Grading/Base/Curb/Asphalt/Lighting/Landscape - Total	\$ 2,160,405
• Infrastructure: Improvements - Public Sidewalks/Bike Path - Total	\$ 66,566
• Developer Fees: Project Management and Administrative Fees - Total	\$ 254,508
Total Public Infrastructure Costs:	\$ 3,476,127

2017				
	Q1	Q2	Q3	Q4
		\$ 150,000	\$ 130,175	
		\$ 370,000	\$ 23,570	
		\$ 214,529	\$ 1,092,652	
		\$ 23,518	\$ 23,518	
\$	31,813	\$ 31,813	\$ 31,813	
\$	31,813	\$ 789,860	\$ 1,301,728	\$ -

ATTACHMENT 4

FINANCING PLAN

Attachment 4 Financing Plan
Rushmore Gateway TIF Application - Item 4 - Financing Plan
 Black Hills Corporation

CONFIDENTIAL

\$3.5M BKH TIF Loan
 - Hag \$3.2M 6% loan paid off first
 - TIF Revenue from BKH & Hani used to pay off HAGG
 - BKH TIF Loan \$3.5M @ 5.5%
 - TIF Revenue from BKH used to pay off BKH TIF Loan

Overview of Financing Plan

Black Hills Power intends to finance the Plan via a loan from Black Hills Corp at an interest rate reflective of the lender's cost of funds and at customary terms consistent with those required by external capital providers.

The projected amortization rate schedule below reflects an initial BKH loan amount of \$3,476,127 to be borrowed on January 1, 2016 at a fixed 5.50% interest rate, a five year capitalization period and a nineteen and a half year loan repayment term. The final payment under this Plan is expected to be made on July 1, 2035.

The unsecured loan will not be not backed by any collateral or financial guaranties.

#	Date	HAG TIF		BKH Beg			BKH Capital	BKH TIF	BKH Total	BKH End Loan	BKH Cumulative
		Payment	HAG End Balance	Balance	BKH Interest	BKH Total Due	Int Payment	Payment	Pay	Balance	Financing Costs
0	1/1/2016		3,200,000.00							3,476,127.00	-
1	7/1/2016	23,447.10	3,272,552.91	3,476,127.00	95,593.49	3,571,720.49	95,593.49	-	95,593.49	3,571,720.49	95,593.49
2	1/1/2017	23,447.10	3,347,282.40	3,571,720.49	98,222.31	3,669,942.81	98,222.31	-	98,222.31	3,669,942.81	193,815.81
3	7/1/2017	23,447.10	3,424,253.77	3,669,942.81	100,923.43	3,770,866.23	100,923.43	-	100,923.43	3,770,866.23	294,739.23
4	1/1/2018	423,565.33	3,103,416.06	3,770,866.23	103,698.82	3,874,565.05	103,698.82	-	103,698.82	3,874,565.05	398,438.05
5	7/1/2018	423,565.33	2,772,953.21	3,874,565.05	106,550.54	3,981,115.59	106,550.54	-	106,550.54	3,981,115.59	504,988.59
6	1/1/2019	499,227.44	2,356,914.37	3,981,115.59	109,480.68	4,090,596.27	109,480.68	-	109,480.68	4,090,596.27	614,469.27
7	7/1/2019	499,227.44	1,928,394.36	4,090,596.27	112,491.40	4,203,087.67	112,491.40	-	112,491.40	4,203,087.67	726,960.67
8	1/1/2020	525,289.83	1,460,956.37	4,203,087.67	115,584.91	4,318,672.58	115,584.91	-	115,584.91	4,318,672.58	842,545.58
9	7/1/2020	525,289.83	979,495.23	4,318,672.58	118,763.50	4,437,436.08	118,763.50	-	118,763.50	4,437,436.08	961,309.08
10	1/1/2021	588,774.32	420,105.77	4,437,436.08	122,029.49	4,559,465.57	122,029.49	-	122,029.49	4,559,465.57	1,083,338.57
11	7/1/2021	432,708.94	-	4,559,465.57	125,385.30	4,684,850.87	-	156,065.38	156,065.38	4,528,785.49	1,208,723.87
12	1/1/2022	-	-	4,528,785.49	124,541.60	4,653,327.10	-	234,464.35	234,464.35	4,418,862.74	1,333,265.47
13	7/1/2022	-	-	4,418,862.74	121,518.73	4,540,381.47	-	234,464.35	234,464.35	4,305,917.12	1,454,784.20

Rushmore Gateway TIF Application - Item 4 - Financing Plan
Black Hills Corporation

CONFIDENTIAL

#	Date	HAG TIF		BKH Beg			BKH Capital	BKH TIF	BKH Total	BKH End Loan	BKH Cumulative
		Payment	HAG End Balance	Balance	BKH Interest	BKH Total Due	Int Payment	Payment	Pay	Balance	Financing Costs
14	1/1/2023	-	-	4,305,917.12	118,412.72	4,424,329.84	-	235,035.12	235,035.12	4,189,294.72	1,573,196.92
15	7/1/2023	-	-	4,189,294.72	115,205.60	4,304,500.32	-	235,035.12	235,035.12	4,069,465.20	1,688,402.52
16	1/1/2024	-	-	4,069,465.20	111,910.29	4,181,375.50	-	235,607.03	235,607.03	3,945,768.47	1,800,312.82
17	7/1/2024	-	-	3,945,768.47	108,508.63	4,054,277.10	-	235,607.03	235,607.03	3,818,670.07	1,908,821.45
18	1/1/2025	-	-	3,818,670.07	105,013.43	3,923,683.50	-	236,180.08	236,180.08	3,687,503.42	2,013,834.88
19	7/1/2025	-	-	3,687,503.42	101,406.34	3,788,909.76	-	236,180.08	236,180.08	3,552,729.68	2,115,241.22
20	1/1/2026	-	-	3,552,729.68	97,700.07	3,650,429.75	-	236,754.28	236,754.28	3,413,675.47	2,212,941.29
21	7/1/2026	-	-	3,413,675.47	93,876.08	3,507,551.55	-	236,754.28	236,754.28	3,270,797.27	2,306,817.36
22	1/1/2027	-	-	3,270,797.27	89,946.92	3,360,744.19	-	237,329.63	237,329.63	3,123,414.57	2,396,764.29
23	7/1/2027	-	-	3,123,414.57	85,893.90	3,209,308.47	-	237,329.63	237,329.63	2,971,978.84	2,482,658.19
24	1/1/2028	-	-	2,971,978.84	81,729.42	3,053,708.26	-	237,906.12	237,906.12	2,815,802.13	2,564,387.61
25	7/1/2028	-	-	2,815,802.13	77,434.56	2,893,236.69	-	237,906.12	237,906.12	2,655,330.57	2,641,822.17
26	1/1/2029	-	-	2,655,330.57	73,021.59	2,728,352.16	-	238,483.77	238,483.77	2,489,868.38	2,714,843.76
27	7/1/2029	-	-	2,489,868.38	68,471.38	2,558,339.76	-	238,483.77	238,483.77	2,319,855.99	2,783,315.14
28	1/1/2030	-	-	2,319,855.99	63,796.04	2,383,652.03	-	239,062.58	239,062.58	2,144,589.45	2,847,111.18
29	7/1/2030	-	-	2,144,589.45	58,976.21	2,203,565.66	-	239,062.58	239,062.58	1,964,503.08	2,906,087.39
30	1/1/2031	-	-	1,964,503.08	54,023.83	2,018,526.91	-	239,642.54	239,642.54	1,778,884.37	2,960,111.22
31	7/1/2031	-	-	1,778,884.37	48,919.32	1,827,803.69	-	239,642.54	239,642.54	1,588,161.14	3,009,030.54
32	1/1/2032	-	-	1,588,161.14	43,674.43	1,631,835.57	-	240,223.67	240,223.67	1,391,611.91	3,052,704.97
33	7/1/2032	-	-	1,391,611.91	38,269.33	1,429,881.23	-	240,223.67	240,223.67	1,189,657.56	3,090,974.30
34	1/1/2033	-	-	1,189,657.56	32,715.58	1,222,373.15	-	240,805.95	240,805.95	981,567.19	3,123,689.88
35	7/1/2033	-	-	981,567.19	26,993.10	1,008,560.29	-	240,805.95	240,805.95	767,754.34	3,150,682.98
36	1/1/2034	-	-	767,754.34	21,113.24	788,867.58	-	241,389.40	241,389.40	547,478.18	3,171,796.22
37	7/1/2034	-	-	547,478.18	15,055.65	562,533.83	-	241,389.40	241,389.40	321,144.42	3,186,851.87
38	1/1/2035	-	-	321,144.42	8,831.47	329,975.89	-	241,974.02	241,974.02	88,001.87	3,195,683.35
39	7/1/2035	-	-	88,001.87	2,420.05	90,421.92	-	90,421.92	90,421.92	-	3,198,103.40

Attachment 6

6 Black Hills Corporation Pro Forma Financials

6 Black Hills Corporation Pro Forma Financials

Rapid City TIF Application - Item 6 - Pro Forma Indicating Project Costs and Revenues

TIF Amount: \$ 3,476,127

BH \$3.5M + Hani's Revenues only for TIF 70 Payoff

Anticipated Increase in Taxable Value

Estimated 2016 Taxable Value of District Property (TIF BASE)	\$ 4,532,200
Estimated Increases to Taxable Value (Project*)	\$ 21,641,902
Estimated Total Taxable Value by Year 20 (Project*)	\$ 26,174,102

*The above amounts reflect the estimated future Taxable Values related to this project only in tax district 4/D-RC. Taxable Value of other property owned by Black Hills Power in this tax district is not reflected in these amounts.

Mill Levy Rate Used for Revenue Projections

Tax Year 2014 Actual Mill Levy Rate for Tax District 4/D-RC: 22.470

Taxing Entity	Tax Levy	% of Total Levy
Rapid City School District	14.240	63.37%
West Dakota Water District	0.030	0.13%
Rapid City, City of	3.321	14.78%
County	4.807	21.39%
Fairgrounds	0.072	0.32%
Total Mill Levy	22.470	100.00%

The Mill Levy Rate used to forecast Tax Increment Revenues in the table below is the 22.470.

Project Costs and Projected Tax Increment Revenues

TIF YEAR	CALENDAR YEAR	TAX YEAR	YEAR TAXES PAID	CUMULATIVE PROJECT COSTS	ESTIMATED TAXABLE VALUE INCREASE	BLACK HILLS ESTIMATED TAX INCREMENT PAYMENTS	OTHER TIF 70 ESTIMATED TAX INCREMENT PAYMENTS	CUM ESTIMATED TOTAL TAX INCREMENT PAYMENTS	ESTIMATED 6-MONTH TOTAL PAYMENT AMOUNT
	2014	2015	2016				\$ 46,894 *	\$ 46,894	\$ 23,447
	2015	2016	2017				\$ 46,894 *	\$ 93,788	\$ 23,447
1	2016	2017	2018	\$ 54,770,290	\$ 18,413,550	\$ 413,752	\$ 433,378 **	\$ 940,919	\$ 423,565
2	2017	2018	2019	\$ 73,876,128	\$ 21,448,050	\$ 481,938	\$ 516,517 **	\$ 1,939,374	\$ 499,227
3	2018	2019	2020	\$ 73,876,128	\$ 20,767,800	\$ 466,652	\$ 583,927 **	\$ 2,989,954	\$ 525,290
4	2019	2020	2021	\$ 73,876,128	\$ 20,818,400	\$ 467,789	\$ 709,759 **	\$ 4,167,502	\$ 588,774
5	2020	2021	2022	\$ 73,876,128	\$ 20,869,101	\$ 468,929		\$ 4,636,431	\$ 234,464
6	2021	2022	2023	\$ 73,876,128	\$ 20,919,904	\$ 470,070		\$ 5,106,501	\$ 235,035
7	2022	2023	2024	\$ 73,876,128	\$ 20,970,808	\$ 471,214		\$ 5,577,715	\$ 235,607
8	2023	2024	2025	\$ 73,876,128	\$ 21,021,814	\$ 472,360		\$ 6,050,075	\$ 236,180
9	2024	2025	2026	\$ 73,876,128	\$ 21,072,922	\$ 473,509		\$ 6,523,584	\$ 236,754
10	2025	2026	2027	\$ 73,876,128	\$ 21,124,132	\$ 474,659		\$ 6,998,243	\$ 237,330
11	2026	2027	2028	\$ 73,876,128	\$ 21,175,445	\$ 475,812		\$ 7,474,055	\$ 237,906
12	2027	2028	2029	\$ 73,876,128	\$ 21,226,860	\$ 476,968		\$ 7,951,023	\$ 238,484
13	2028	2029	2030	\$ 73,876,128	\$ 21,278,378	\$ 478,125		\$ 8,429,148	\$ 239,063
14	2029	2030	2031	\$ 73,876,128	\$ 21,330,000	\$ 479,285		\$ 8,908,433	\$ 239,643
15	2030	2031	2032	\$ 73,876,128	\$ 21,381,724	\$ 480,447		\$ 9,388,881	\$ 240,224
16	2031	2032	2033	\$ 73,876,128	\$ 21,433,552	\$ 481,612		\$ 9,870,492	\$ 240,806
17	2032	2033	2034	\$ 73,876,128	\$ 21,485,483	\$ 482,779		\$ 10,353,271	\$ 241,389
18	2033	2034	2035	\$ 73,876,128	\$ 21,537,519	\$ 483,948		\$ 10,837,219	\$ 241,974
19	2034	2035	2036	\$ 73,876,128	\$ 21,589,658	\$ 485,120		\$ 11,322,339	\$ 242,560
20	2035	2036	2037	\$ 73,876,128	\$ 21,641,902	\$ 486,294		\$ 11,808,632	\$ 243,147

Note:

The Cumulative Project Costs in the table above do not include accumulated depreciation that is reported on Black Hills Power's (BHP) financial statements. The Estimated Taxable Value Increase amounts are based on BHP being centrally-assessed. The state valuation model was utilized to calculate the difference between BHP's unit valuation with and without the project to get to the Estimated Taxable Value increase specifically for the project. Because the state valuation model contains many variables and allows certain discretions on the part of the state assessor, multiple assumptions were made in the calculation of the above estimates for BHP's piece. The Estimated Tax Increment Payments were calculated by multiplying the 2014 Mill Levy Rate of 22.470 by the Estimated Taxable Value Increase. The resulting Estimated Tax Increment Payments become available as taxes are paid twice a year for the applicable year as shown. Revenues generated will initially be used to pay off the existing TIF 70.

*2016 and 2017 "Other TIF 70 Estimated Tax Increment Payments" shown above are reflective of existing TIF 70 revenues currently being generated.

**2018 - 2021 "Other TIF 70 Estimated Tax Increment Payments" include TIF 70 revenues currently being generated plus those generated by Hani Shafai. Given an approximate \$3.2M remaining balance as of the date of this filing, it is estimated TIF 70 would be paid off in 2021.

ATTACHMENT 9

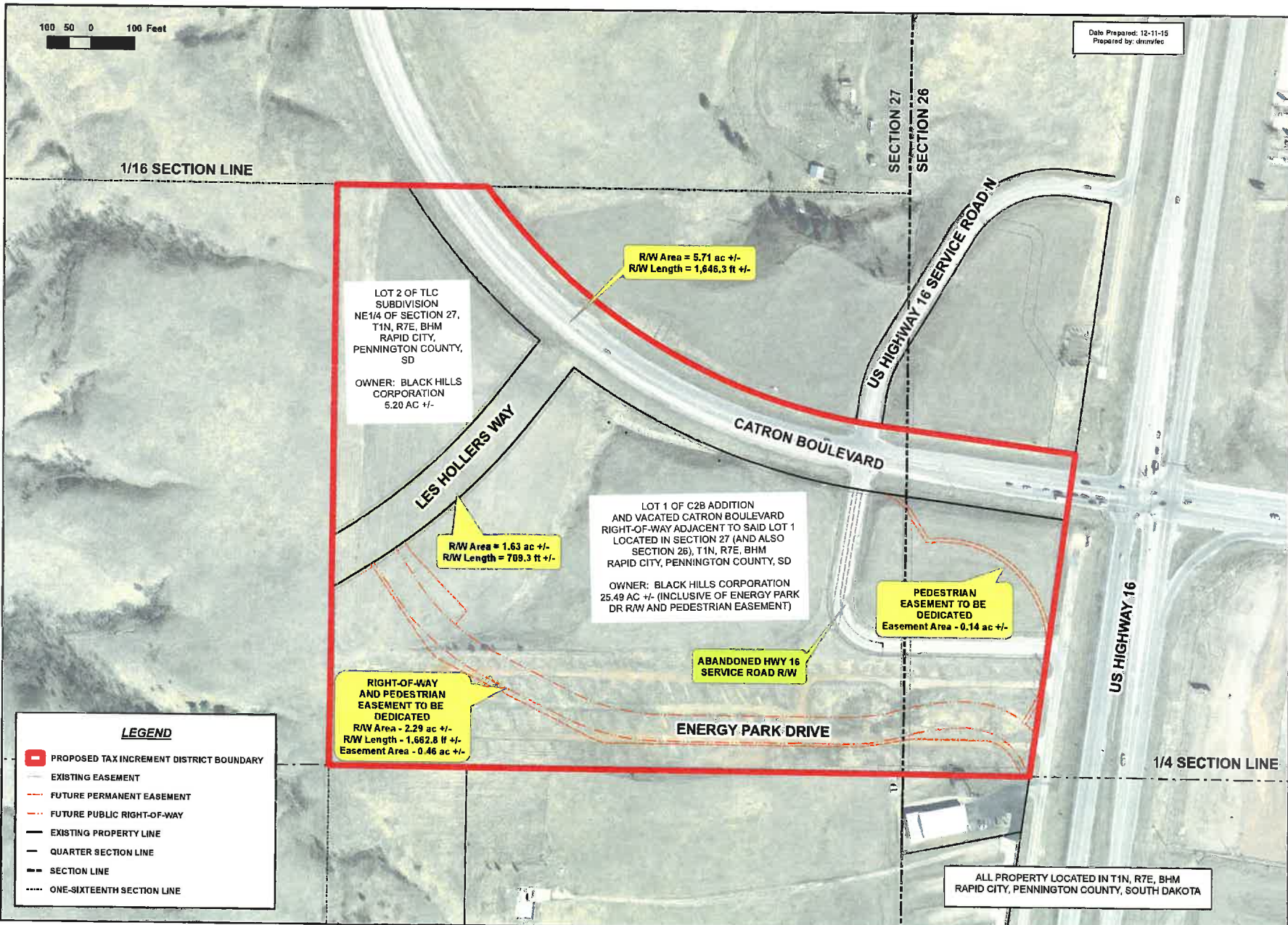
9-1 Proposed Tax Increment District Map and Legal Description

9-2 Area Overview Map

9-3 Area Zoning Map

9-4 Black Hills Corporation Project Site Plan

9-5 Map of Tax Increment District 70



Date Prepared: 12-11-15
Prepared by: drun/lec



RUSHMORE GATEWAY CORRIDOR TID

LOT 1 OF C2B ADDITION IN SECTIONS 26 AND 27
LOT 2 OF TLC SUBDIVISION IN SECTION 27 T1N, R7E, BHM

RAPID CITY, PENNINGTON COUNTY, SOUTH DAKOTA

15-2002 / C/P 06004

Sheet Title: EXHIBIT A.
PROPOSED TID BOUNDARY AND VICINITY

1/16 SECTION LINE

SECTION 27
SECTION 26

1/4 SECTION LINE

LOT 2 OF TLC SUBDIVISION NE1/4 OF SECTION 27, T1N, R7E, BHM RAPID CITY, PENNINGTON COUNTY, SD
OWNER: BLACK HILLS CORPORATION 5.20 AC +/-

R/W Area = 5.71 ac +/-
R/W Length = 1,646.3 ft +/-

R/W Area = 1.63 ac +/-
R/W Length = 789.3 ft +/-

LOT 1 OF C2B ADDITION AND VACATED CATRON BOULEVARD RIGHT-OF-WAY ADJACENT TO SAID LOT 1 LOCATED IN SECTION 27 (AND ALSO SECTION 26), T1N, R7E, BHM RAPID CITY, PENNINGTON COUNTY, SD
OWNER: BLACK HILLS CORPORATION 25.49 AC +/- (INCLUSIVE OF ENERGY PARK DR R/W AND PEDESTRIAN EASEMENT)

PEDESTRIAN EASEMENT TO BE DEDICATED
Easement Area - 0.14 ac +/-

RIGHT-OF-WAY AND PEDESTRIAN EASEMENT TO BE DEDICATED
R/W Area - 2.29 ac +/-
R/W Length - 1,682.8 ft +/-
Easement Area - 0.46 ac +/-

ABANDONED HWY 16 SERVICE ROAD R/W

ENERGY PARK DRIVE

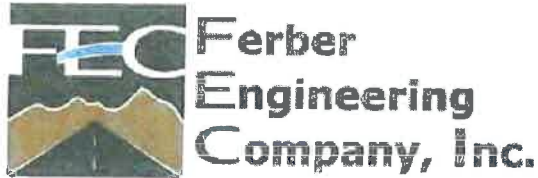
ALL PROPERTY LOCATED IN T1N, R7E, BHM RAPID CITY, PENNINGTON COUNTY, SOUTH DAKOTA

LEGEND

- PROPOSED TAX INCREMENT DISTRICT BOUNDARY
- EXISTING EASEMENT
- FUTURE PERMANENT EASEMENT
- FUTURE PUBLIC RIGHT-OF-WAY
- EXISTING PROPERTY LINE
- QUARTER SECTION LINE
- SECTION LINE
- ONE-SIXTEENTH SECTION LINE

Date: 09/1/2015 File: P:\15-16050\151117 BHC Rushmore Gateway Corridor2.mxd

9-1 Legal Description



- Civil Engineering
- Water Resources
- Transportation
- Land Surveying

**LEGAL DESCRIPTION FOR PROPOSED
RUSHMORE GATEWAY CORRIDOR TAX INCREMENT FINANCE DISTRICT**

The Proposed Tax Increment Finance District boundary includes the following:

Lot 1 of C2B Addition located in Sections 26 and 27 of T1N, R7E, BHM and that portion of vacated Catron Boulevard right-of-way adjacent to Lot 1 of C2B Addition located in Section 27, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as shown on Plat filed as Document A201307411 in the Office of the Pennington County Register of Deeds;

Lot 2 of TLC Subdivision located in the NE1/4 of Section 27, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as shown on Plat filed in Book 35 of Plats on Page 43 in the Office of the Pennington County Register of Deeds; and

Catron Boulevard right-of-way adjacent to Lot 1 of C2B Addition located in the SW1/4SW1/4 of Section 26 and the 27 and Lot 2 of TLC Subdivision located in the NE1/4 of Section 27 all located in T1N, R7E, BHM, Rapid City, Pennington County, South Dakota.

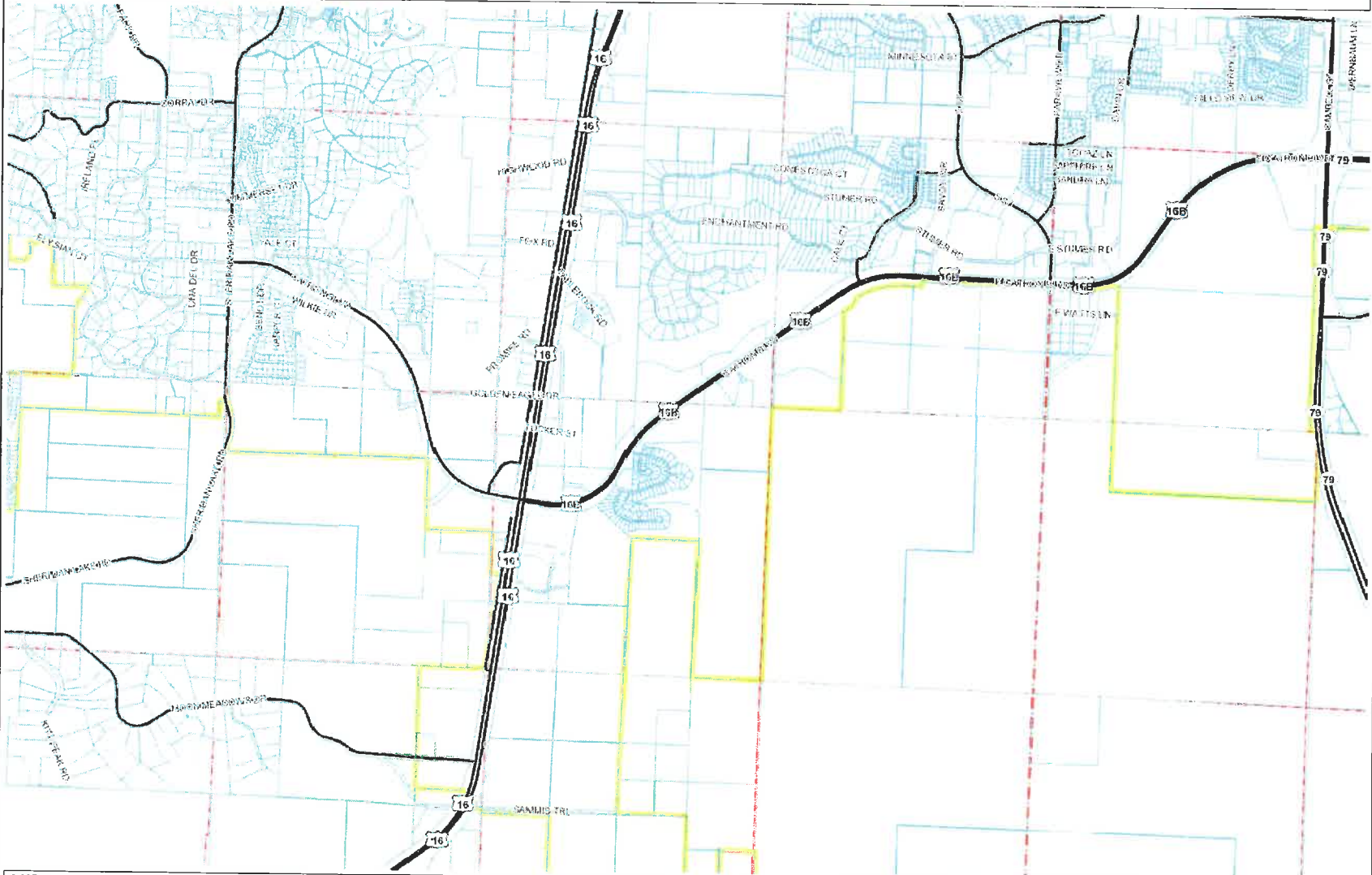
The proposed Tax Increment Finance District Boundary encompasses 38.05 ac +/-, inclusive of 9.63 ac +/- of current and future public rights-of-way. Acreage determined from a survey of found property monuments completed in South Dakota State Plane Coordinates, South Zone, NAD83(96) and has been converted to ground area using the square of the local survey scale factor of 0.999748.

Attached Exhibit A shows the boundary provided above.

{as revised 12-11-15 by dmm/fec}

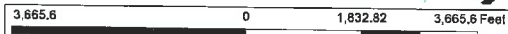
*dmw/dfc
12/11/15*

Rapid City-Pennington County GIS



Legend

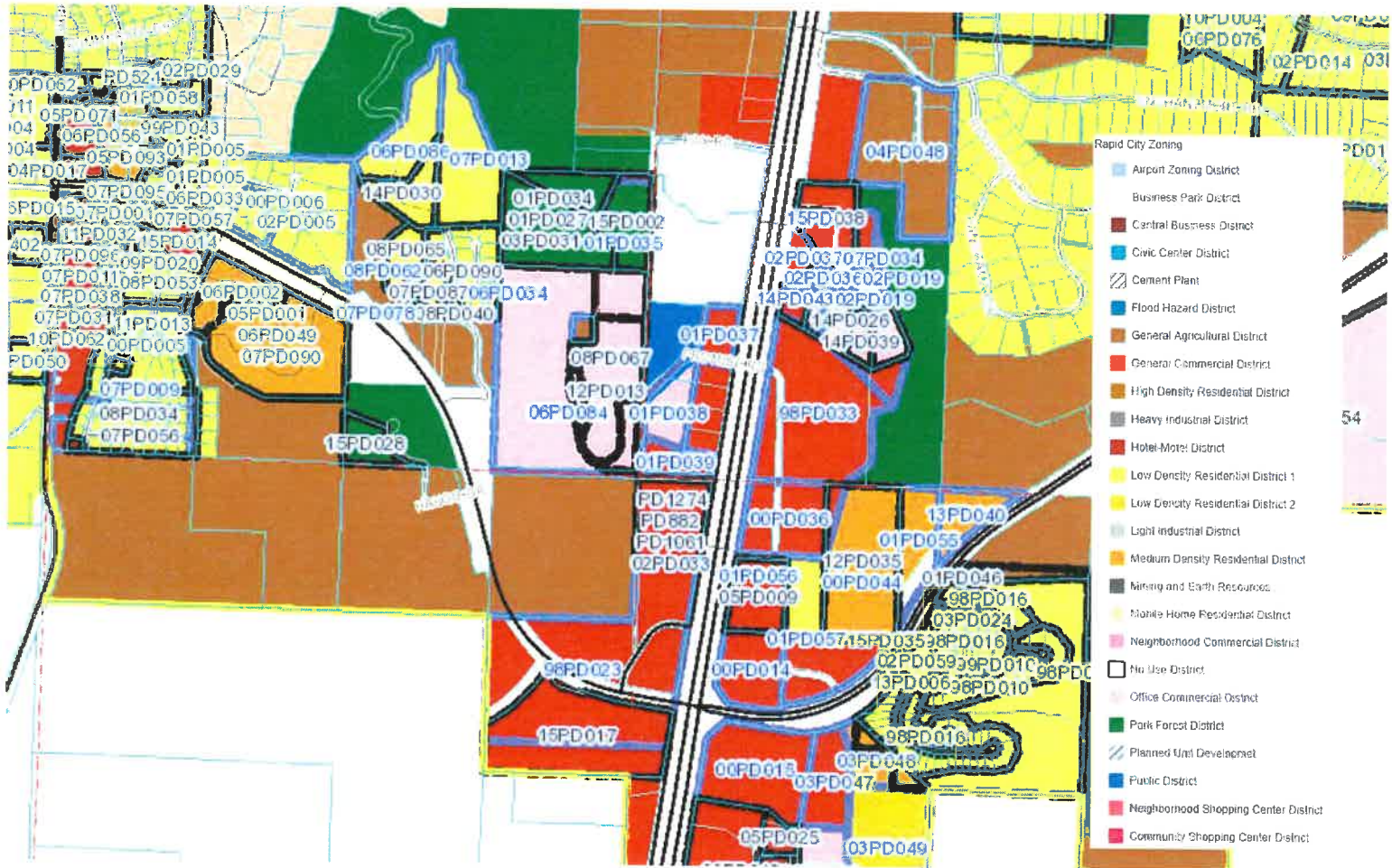
- Suburb
- Interstate
- US Highway
- SD Highway
- County Highway
- Main road
- Minor road
- Collector
- Ramp
- Pavement
- Unimproved road
- Trail
- Express road
- Airport runway
- Rail yard
- Lul Line
- Lul Line
- Lul Line
- Lul Line
- Township/Section Lines
- County Line



Scale 1: 21,994

DISCLAIMER: This map is provided "as is" without warranty of any representation to accuracy, timeliness, or completeness. The burden for determining accuracy, completeness, timeliness, merchantability, and fitness for or the appropriateness for use rests solely on the user. Rapid City and Pennington County make no warranties, express or implied, as to the use of the map. There are no implied warranties of merchantability or fitness for a particular purpose. The user acknowledges and accepts the limitations of the map, including the fact that the data used to create the map is dynamic and is in the continual state of reference, correction, and update. This document does not represent a legal survey of the land. There are no restrictions on the distribution of printed Rapid City/Pennington County maps, other than the City of Rapid City copyright/credit notice must be legible on the print. The user agrees to recognize and honor in perpetuity the copyrights and other proprietary claims for the map(s) established or produced by the City of Rapid City or the vendors furnishing said items to the City of Rapid City.

Map Notes:

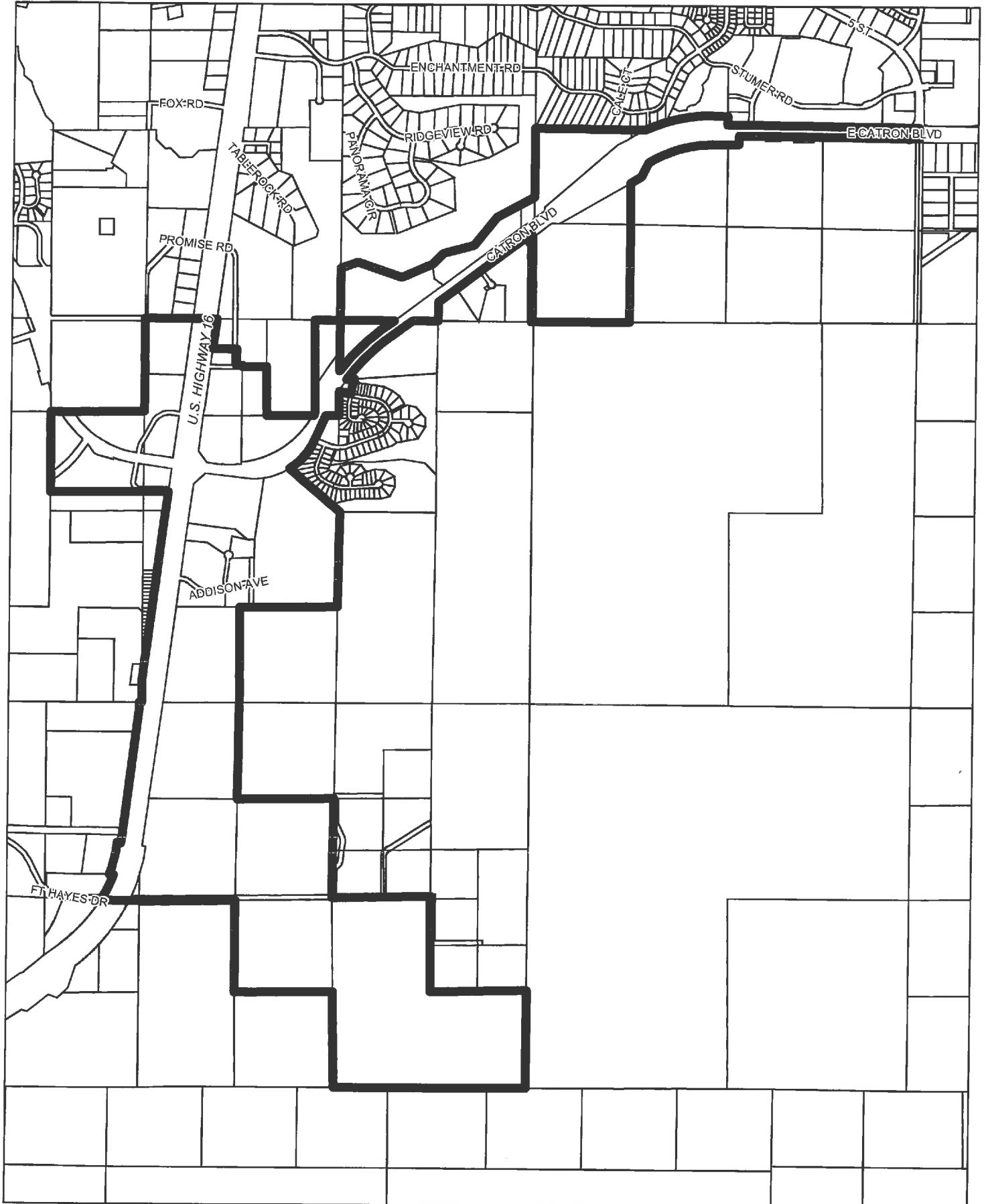


HQ Site Plan



Tax Increment District No.70 - Highway 16 Sewer
Boundary Map

9-5 Map of TID 70



22nd
Dec. 00

ARTICLES OF AMENDMENT TO THE
ARTICLES OF INCORPORATION OF
BLACK HILLS POWER AND LIGHT COMPANY

DB-774

RECEIVED

DEC 22 '00

S.D. SEC. OF STATE

The undersigned do hereby execute, acknowledge, and deliver to the Secretary of State of South Dakota the following Articles of Amendment:

1. The name of the corporation is Black Hills Power and Light Company.
2. The following amendment was adopted by the shareholders of the Corporation on June 20, 2000:

Article I of the Articles of Incorporation is hereby amended to read as follows:

The name of the Corporation is Black Hills Power, Inc.

3. The number of shares of the Corporation outstanding at the time of such adoption was 100, and the number of shares entitled to vote thereon was 100.
4. The number of shares voted for such amendment was 100. The number of shares voted against this amendment was 0.

IN WITNESS WHEREOF, these Articles of Amendment to the Articles of Incorporation of Black Hills Power and Light Company were executed on this 22nd day of December, 2000.

BLACK HILLS POWER AND LIGHT
COMPANY

By James M. Mattern
James M. Mattern
Its Senior Vice President - Corporate
Administration

And Roxann R. Basham
Roxann R. Basham
Its Vice President - Controller and Corporate
Secretary

STATE OF SOUTH DAKOTA

COUNTY OF PENNINGTON

On the 22nd day of December, 2000, before me, the undersigned officer, personally appeared James M. Mattern and Roxann R. Basham, who acknowledged themselves to be the Senior Vice President - Corporate Administration, and Vice President - Controller and Corporate Secretary, respectively, of Black Hills Power and Light Company, a corporation, and that they, as such Senior Vice President - Corporate Administration, and Vice President - Controller and Corporate Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by themselves as Senior Vice President - Corporate Administration, and Vice President - Controller and Corporate Secretary.

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

Bronda B. Lingle
Notary Public
My Commission Expires 9/9/05

(SEAL)

12.3 Warranty Deed

PREPARED BY:

Haven L. Stuck
Lynn, Jackson, Shultz & Lebrun, P.C.
909 St. Joseph Street, 9th Fl.
P.O. Box 8250
Rapid City, SD 57709-8250
(605) 342-2592

COPY

Submitted to Register of
Deeds for recording on:

15 NOV 19 PM 3:48

WARRANTY DEED

Black Hills Corporation, a South Dakota corporate entity, Grantor, of 625 Ninth Street, Rapid City, South Dakota 57701, for and in consideration of One Dollar and other good and valuable consideration, GRANTS, CONVEYS, and WARRANTS, to Black Hills Power, Inc., a South Dakota corporate entity, Grantee, of 625 Ninth Street, Rapid City, South Dakota 57701, the following described real estate:

LOT 2 OF TLC SUBDIVISION IN THE CITY OF RAPID CITY,
PENNINGTON COUNTY, SOUTH DAKOTA, AS SHOWN
ON THE PLAT FILED IN PLAT BOOK 35, PAGE 43.

-AND-

LOT 1 OF C2B ADDITION IN THE CITY OF RAPID CITY,
PENNINGTON COUNTY, SOUTH DAKOTA, AS SHOWN
ON THE PLAT FILED AS DOC#A201307411.


Subject to easements, covenants, restrictions, reservations, and
rights-of-way of record

EXEMPT FROM TRANSFER FEE: SDCL 43-4-22 (11)

Dated this 19 day of November, 2015.

GRANTOR:

BLACK HILLS CORPORATION

By: 
Steven J. Helmers, its Sr. Vice Pres.
& General Counsel

[ACKNOWLEDGEMENT ON NEXT PAGE]



Paula Brinker
Property Tax Manager
Paula.brinker@blackhillscorp.com

625 Ninth Street
Rapid City, SD 57701
P: 605.718-2815

December 16, 2015

Todd Bailey
South Dakota Department of Revenue
445 East Capitol Avenue
Pierre, SD 57501-3185

Dear Mr. Bailey:

This letter is being sent to document the central assessment, TIF certification and TIF repayment process that will be associated with a potential new TIF, called Rushmore Gateway, currently being applied for in Rapid City.

Black Hills Power, as a public utility, is assessed by the South Dakota Department of Revenue. Each tax year, Black Hills Power files its annual report to the state which contains schedules showing the cost and location of its property down to the tax district level within each county along with five years of historical net operating income. One overall unit value, the assessed value, is determined by the state assessor based on the weighting of a cost approach and an income approach calculation using the company's data in their annual report.

The cost approach calculation utilizes the gross cost of plant in service, subtracts accumulated depreciation and adds to that the cost of construction work in progress and inventories to get to a total net book value. That total net book value is adjusted for any obsolescence (subtracted) or enhancements (added) to get to the Cost Indicator of Value. The income approach calculation starts with a net operating income amount selected by the assessor based on the five years of historical net operating income as reported by the company. Typically, the assessor calculates a three and five year simple average and a three and five year weighted average, along with a next year trended net operating income and then selects one of these at his/her discretion. An estimated income from construction work in progress is added to the assessor selected net operating income and this total is divided by the annually determined South Dakota electric utility capitalization rate to get to the Income Indicator of Value. The Cost and Income Indicators are weighted to determine a system market value and then a state allocation percentage is applied to companies like Black Hills Power that have property in more states than just South Dakota to get to a state market value or state assessed valuation.

The assessed valuation is determined and finalized by the state assessor by around the first of August each year. On the fourth Monday in August, the state sends a certification of values to the counties that includes a distributed value for each tax district as well as any new construction during the prior calendar year. The state assessor uses the cost of the company's property by tax

district in their annual report to distribute the overall assessed value and taxable value (85% of assessed value) down to the tax district level.

Also in August, the state sends TIF certification worksheets to the counties. The counties are required to complete them as soon as possible and return them to the state. The state then compares their values to the values reported on the TIF worksheets, to the values on the county abstract and also makes sure they agree with the base value, increment value and the total value in the TIF district. In October, the state sends TIF certification letters along with this TIF worksheet. If the TIF is located in a city, the TIF certification letter is sent to the city, but one is also sent to the County Department of Equalization and the County Auditor.

The following process will be implemented in order to track the amount of Black Hills Power's annual increase in taxable value to assure that project TIF revenues are identified and credited appropriately:

All costs related to the TIF project will be reported in a new tax district on Black Hills Power's annual report to the state assessor. When the assessor calculates the distribution of value based on costs reported, the apportioned amount of taxable value will be allocated to this new tax district each year. This will allow for the year over year taxable value increase associated with this TIF project to be easily determined. This amount will be included in the certified values that are sent to the counties on the fourth Monday in August as described above and will be on the TIF certification letter sent to Rapid City each October. Black Hills Power will pay the tax increment as a piece of their normal property tax payments to Pennington County and as such it will be passed on as part of the County's remittance to Rapid City.

You can reach me at (605) 718-2815 with any questions or comments.

Sincerely,

Paula Brinker
Property Tax Manager
Black Hills Corporation

cc: Pauline Sumption, Rapid City Finance Officer
Shannon Rittberger, Pennington County Director of Equalization
Julie Pearson, Pennington County Auditor

Horton Patsy

From: Anderson, Chris <Chris.Anderson@blackhillscorp.com>
Sent: Friday, December 18, 2015 2:19 PM
To: Horton Patsy
Subject: Additional Document for Rushmore Gateway Corridor TIF Application (BHC/BHP)
Attachments: BHP Central Assessment and Proposed Rushmore Gateway TIF Repayment Process.docx; BHP Central Assessment and TIF Repayment Ltr to SD DOR.doc; TIF Checklist (Rushmore Gateway Corridor).pdf

Patsy,

Please find attached the following documents:

1. Letter to State Assessor outlining our understanding of the process for accounting for and identifying the incremental valuation for our property
2. Memo outlining the same process above
3. A completed checklist for our Application

Please let me know if you need any additional information.

Thanks,
Chris

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Paula Brinker
Property Tax Manager
Paula.brinker@blackhillscorp.com

625 Ninth Street
Rapid City, SD 57701
P: 605.718-2815

December 16, 2015

Todd Bailey
South Dakota Department of Revenue
445 East Capitol Avenue
Pierre, SD 57501-3185

Dear Mr. Bailey:

This letter is being sent to document the central assessment, TIF certification and TIF repayment process that will be associated with a potential new TIF, called Rushmore Gateway, currently being applied for in Rapid City.

Black Hills Power, as a public utility, is assessed by the South Dakota Department of Revenue. Each tax year, Black Hills Power files its annual report to the state which contains schedules showing the cost and location of its property down to the tax district level within each county along with five years of historical net operating income. One overall unit value, the assessed value, is determined by the state assessor based on the weighting of a cost approach and an income approach calculation using the company's data in their annual report.

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Sincerely,

Paula Brinker
Property Tax Manager
Black Hills Corporation

cc: Pauline Sumption, Rapid City Finance Officer
Shannon Rittberger, Pennington County Director of Equalization
Julie Pearson, Pennington County Auditor

Black Hills Power Central Assessment and Proposed Rushmore Gateway Corridor TIF Repayment Process

Black Hills Power, as a public utility, is assessed by the South Dakota Department of Revenue. Each tax year, Black Hills Power files its annual report to the state which contains schedules showing the cost and location of its property down to the tax district level within each county. One overall unit value, the assessed value, is determined by the state assessor based on a cost approach and an income approach using the company data in the annual report. The assessed valuation is determined and finalized by the state assessor by around the first of August each year. On the fourth Monday in August, the state sends a certification of values to the counties that includes a distributed value for each tax district as well as any new construction during the previous calendar year. The state assessor uses the cost of the company's property by tax district in their annual report to distribute the overall assessed value and taxable value (85% of assessed value) down to each tax district.

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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 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 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 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; Traffic Signals | <input checked="" type="checkbox"/> |
| 6. Public playgrounds, parks and recreational improvements to be owned by the City of Rapid City; Pedestrian/Bike Paths (Public Access) | <input checked="" type="checkbox"/> |
| 7. Demolition costs for the re infrastructure; | <input type="checkbox"/> |
| 8. Interest and financing fees; | <input checked="" type="checkbox"/> |
| 9. Imputed administrative fees due to the City; | <input checked="" 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 checked="" 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 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 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 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 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 checked="" 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 checked="" 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 checked="" 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"/> |