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MASTER DEVELOPMENT AGREEMENT

This Master Development Agreement (“Agreement”) is made and entered into this 21 day of Sept., 2009, by and between the City of Rapid City, a South Dakota municipal corporation (“City”) and St. Joe Investment Group, LLC (“St. Joe”), a South Dakota limited liability company (“St. Joe”) and is subject to the following terms and conditions.

RECITALS

WHEREAS, on August 3, 2009, the City approved a motion to direct the City Attorney’s Office to enter into negotiations with St. Joe regarding a public/private project on the corner of 6th St. and St. Joseph St.

WHEREAS, the purpose of this Agreement is to define the obligations and responsibilities of the City and St. Joe in connection with the public/private partnership to privately develop certain real property currently owned by the City, legally described as Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 in Block 95 of the Original Townsite of the City of Rapid City, Pennington County, South Dakota. (“City Property”), into a mixed use facility consisting of public improvements, public parking, private parking, retail, office, commercial, residential and green space as part of the City’s commitment to revitalize downtown Rapid City (“St. Joe Project” or “Project”).

WHEREAS, City and St. Joe acknowledge their respective obligations in this Agreement are contingent upon, and shall not be deemed to have arisen until each and every item identified as a condition precedent in this Agreement has occurred.

WHEREAS, City and St. Joe knowingly and voluntarily acknowledge the mutual covenants expressed herein shall constitute sufficient consideration for the performance of this Agreement by the respective parties.

NOW, THEREFORE, the parties hereby agree as follows:

1. **Overview of St. Joe Project.** In order to successfully complete the development of the City Property into the St. Joe Project in a timely manner, the following steps must occur in accordance with state law and City ordinance:
 - A. City must exchange the City Property with St. Joe pursuant to SDCL § 6-5-4. The exchange of City Property shall be conditioned on the Project being completed by St. Joe. If the Project is not completed by St. Joe, or this Agreement is terminated for any reason, St. Joe shall promptly transfer the City Property back to the City, subject to Section 3H.
 - B. City shall make available the fixed sum of two million eight hundred thousand dollars (\$2,800,000) in 2012 Funds to fund the design and construction of the public improvements of the St. Joe Project.

- C. A sum not to exceed five million dollars (\$5,000,000) in tax increment financing ("TIF") from Tax Increment District #62 ("TID #62") shall be made available by the City to fund applicable costs of the St. Joe Project, except as modified by Section 2C.
- D. St. Joe shall design and construct the Project and the City shall participate in the design of the Project through the building permit process and SDCL Chapter § 11-1 Historic Preservation review process. As design phases for the public improvements in the Project are completed, St. Joe shall transfer ownership of said designs to City.
- E. St. Joe will comply with the provisions of SDCL 5-18-1 through 5-18-25 for the public improvement portions of the Project that will ultimately be transferred to the City. The City's aggregate monetary obligations under this Agreement shall not exceed the actual applicable costs and bid amounts, including permissible change orders, incurred by St. Joe for the construction of the public improvement portions of the Project or the amounts set out in the Agreement, whichever is less.
- F. City shall lease from St. Joe a minimum of 350 public parking spaces within the Project ("Lease") for the sum of one dollar (\$1) annually. The term of the Lease will be consistent with the time period required for St. Joe to comply with New Markets Tax Credit ("NMTC") qualifying rules. During the term of the Lease, City shall retain all revenues from the public parking spaces and shall be responsible for the insurance, maintenance and upkeep of the leased parking spaces.
- G. At the end of the term of the Lease, the St. Joe shall transfer to the City a minimum of 350 public parking spaces within the Project under a condominium, or similar, legal arrangement. City and St. Joe shall put in place standard easements, covenants and maintenance agreements appropriate for City ownership of public parking spaces within a public/private development.

2. **Obligations of St. Joe.**

- A. St. Joe agrees it will accept title to the City Property, after it has been replatted into one Lot as set forth in Section 3A, in exchange for granting the City a vested right, subject to a condition subsequent, to receive from St. Joe fee title to a minimum of 350 public parking spaces within the Project at the conclusion of the Lease term under a condominium, or similar, legal arrangement. St. Joe acknowledges the interest in City Property to be transferred by the City is a fee simple determinable interest with a possibility of reverter retained by the City in the event the Project is not completed, or this Agreement is terminated. St. Joe further

acknowledges the City shall release or extinguish its reversionary interest in the City Property by quitclaim deed, or other legal instrument, when the public parking spaces are transferred to the City at the end of the Lease term. St. Joe shall be responsible for one-half the cost of title insurance and transfer fee, if any, upon the closing of the transfer of City Property to St. Joe and when the public parking spaces are transferred to the City.

- B. Prior to payment of 2012 Funds to St. Joe, for construction of public improvements in the Project, St. Joe agrees to provide to the City complete documentation of its full compliance with the provisions of the public bidding statutes contained in SDCL 5-18-1 through 5-18-25. Compliance with the public bidding statutes for construction costs, delivery of documentation of compliance with public bidding statutes and completion of the construction of distinct portions of the public improvements ultimately to be transferred to the City are conditions precedent to the City's obligation to release 2012 funds to St. Joe for the construction phase of the Project. As design phases for the public improvements in the Project are completed, St. Joe shall transfer ownership of said designs to City. St. Joe's transfer of ownership of the designs to the public improvements is a condition precedent to the City's obligation to release 2012 funds for the design phase of the Project. The request for all payments shall be accompanied by documentation that includes a description of the specific improvements or designs completed, the cost of the completed improvements or designs, and fully executed lien releases from the contractor for the completed portion of the public improvements or designs. The City will review the request for payment, and upon determining that all required documentation has been submitted, will process the payment within 45 days.
- C. St. Joe agrees to jointly apply with the City for an amendment to TID #62 to reallocate line items for applicable costs of the Project, as appropriate. St. Joe agrees to enter into a Contract for Private Development with the City in connection with TID #62. St. Joe acknowledges the City shall not expend more than five million dollars (\$5,000,000) in TIF funds for applicable costs of the Project, except that the amount stated in this Section may be modified by mutual agreement of the parties in the event the value of the City Property fails to appraise for the amount used in St. Joe's pro forma calculations in the amount of one million dollars (\$1,000,000), or unforeseeable statutorily allowed expenditures are incurred by St. Joe. For example, if the cost of removing contaminated soil exceeds the estimates set forth in the Contract for Private Development or TID Project Plan, St. Joe may request reallocation of the Project Plan line items.
- D. St. Joe agrees to design and construct the Project in compliance with all City ordinances and state law, including Historic Preservation rules. St.

Joe agrees to collaborate with the City on the design of the public improvements within the Project. As design phases for the public improvements in the Project are completed, St. Joe shall transfer ownership of said designs to City.

- E. St. Joe will comply with the provisions of SDCL § 5-18-1 through § 5-18-25 for the public improvement portions of the Project that will ultimately be transferred to the City. St. Joe acknowledges the City's aggregate monetary obligations under this Agreement shall not exceed the actual applicable costs and bid amounts, including permissible change orders, incurred by St. Joe for the construction of the public improvement portions of the Project or the amounts set out in the Agreement, whichever is less
- F. St. Joe agrees to enter into a Lease with the City in connection with a minimum of 350 public parking spaces within the Project, as generally described, without limitation, in Sections 1F & 1G.
- G. At the end of the term of the Lease, the St. Joe shall transfer to the City a minimum of 350 public parking spaces within the under a condominium, or similar, legal arrangement. St. Joe also agrees to enter into standard easements, covenants and agreements with the City appropriate for City ownership of public parking spaces within a public/private development.

3. **Obligations of City.**

- A. City agrees it will comply with SDCL § 6-5-4 in a timely manner in order to transfer title to City Property to St. Joe in exchange for St. Joe granting the City a vested right, subject to a condition subsequent, to receive from St. Joe fee title to a minimum of 350 public parking spaces within the Project as set forth in the Lease. The City further agrees to replat the City Property in a timely manner to create a single lot legal description for the City Property. The City further agrees the interest initially transferred by the City to St. Joe is a fee simple determinable interest with a possibility of reverter retained by the City in the event the Project is not completed, or this Agreement is terminated. City further acknowledges it shall release or extinguish its reversionary interest in the City Property by quitclaim deed, or other legal instrument, when the public parking spaces are transferred to the City at the end of the Lease term. The City shall take all actions necessary to grant St. Joe fee simple title to the City Property after the conditions set forth in this Agreement have been satisfied. City shall be responsible for one-half the cost of title insurance and transfer fee, if any, upon the closing of the transfer of City Property to St. Joe and when the public parking spaces are transferred to the City. City agrees to pay the full cost of the appraisal required by SDCL § 6-5-4.

- B. City agrees to take actions required by state law and City ordinances to make the fixed sum of two million eight hundred thousand dollars (\$2,800,000) in 2012 Funds available for the design and construction of the public improvements in the Project, as set forth in Section 2B.
- C. City agrees to jointly apply with St. Joe for an amendment to TID #62 to reallocate line items for applicable costs of the Project, as appropriate. City agrees to enter into a Contract For Private Development with St. Joe in connection with TID #62. City shall not expend more than five million dollars (\$5,000,000) in TIF funds for the applicable costs of the Project, except that the amount stated in this Section may be modified by mutual agreement of the parties as set forth in Section 2C.
- D. City agrees to issue a building permit for the St. Joe Project upon St. Joe's compliance with all City Ordinances and state statutes.
- E. City agrees St. Joe may use any method it desires for managing the overall Project, provided that the public improvement portions of the Project shall be constructed using the public bidding process contained in SDCL § 5-18-1 through § 5-18-25.
- F. City agrees to enter into a Lease with St. Joe in connection with 350 public parking spaces within the Project, as generally described, without limitation, in Sections 1F & 1G.
- G. Prior to St. Joe's transfer of a minimum of 350 public parking spaces to the City, City agrees to enter into standard easements, covenants and agreements with St. Joe appropriate for City ownership of public parking spaces within a public/private development.
- H. In the event St. Joe places a mortgage upon the Project or City Property, City agrees that upon request from the holder or proposed holder of any mortgage, City shall execute a subordination agreement subordinating the City's reversionary interest in the City Property, future interest in the public parking spaces, leasehold interest under the Lease, or any other interest the City may have in the Project or City Property that may be reasonably identified, to the interest of such mortgage holder and their respective heirs, successors and assigns. The lender shall agree to release its mortgage on the public parking spaces transferred to City at the end of the Lease term or upon foreclosure of the mortgage.

4. **Conditions Precedent.** The obligations of the City and St. Joe are expressly conditioned on:

- A. Closing on the transfer of the replatted City Property to St. Joe as set forth in Sections 1A, 2A and 3A by December 31, 2009.

- B. The sum of two million eight hundred thousand dollars (\$2,800,000) in City 2012 Funds shall be dedicated to design and construction costs of the public improvements in the Project.
- C. City and St. Joe entering into a Contract for Private Development in connection with TID #62 and the reallocation of Project Plan line items as set forth in Section 2C and 3C.
- D. The City's timely issuance of a building permit for construction of the Project upon St. Joe's submission of complete plans for the permit sought to the City.
- E. City and St. Joe entering into a Lease generally described in Sections 1F, 2F and 3F no later than December 31, 2009.

The obligations of St. Joe are expressly conditioned on:

- F. An allocation of NMTCs to St. Joe for the Project in an amount no less than fifteen million dollars (\$15,000,000).
- G. St. Joe obtaining financing from lenders on terms and conditions acceptable to St. Joe.
- H. The Project remains economically feasible as determined by St. Joe, except this condition may not be asserted after the date the City issues a building permit to St. Joe.

5. **Termination of Agreement.** The parties may terminate this agreement as follows:

- A. At any time by mutual written agreement.
- B. Failure of either party to meet any of its obligations under this Agreement.
- C. Either party filing for bankruptcy or being placed under a receivership.
- D. Dissolution of St. Joe.
- E. Upon foreclosure of any security interest in the Project.

6. **Default Remedies.**

- A. In the event either party defaults under this Agreement, the other party shall have all rights and remedies available at law and in equity.

B. Each party shall bear their own costs, including attorney fees, in defending or bringing any action under this Agreement.

7. **Notice.** Any notice or communication under this Master Development Agreement shall be in writing and delivered (by hand, telecopy, telegraph, telex or courier) or deposited in the United States mail (first class, registered or certified), postage fully prepaid and addressed as stated below. Either party may, from time to time, specify as its address for purposes of this Agreement any other address upon the giving of ten days notice thereof to the other party in the manner required by this paragraph. This paragraph shall not prevent the giving of written notice in any other manner, but such notice shall be deemed effective only when and as of its actual receipt at the proper address and by the proper addressee.

If to City:

City of Rapid City
300 6th St
Rapid City, SD 57701
Attn: City Attorney

If to St. Joe:

St. Joe Investment Group, LLC
402 West 9th Street
Sioux Falls, SD 57104
With copy to:
Patrick G. Goetzinger
Gunderson, Palmer, Nelson &
Ashmore, LLP
P.O. Box 8045
Rapid City, SD 57709

8. **Miscellaneous.**

- A. This Agreement and the rights and obligations hereunder shall not be assigned or transferred by any party without express written consent of the other. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.
- B. This Agreement is intended solely for the benefit of the parties hereto and shall not be enforceable by or create any claim or right of action in favor of any other party.
- C. This Agreement represents the entire and integrated agreement between the parties hereto with respect to the subjects described herein and supersedes all prior negotiations, representations or agreements, oral or written. This Agreement may be amended or modified only in writing signed by the party to be bound by such amendment or modification and stating that it is intended as an amendment or modification of this Agreement. The parties waive their rights to amend or modify this Agreement in any other manner.

- D. If any one or more of the provisions of this Agreement shall be determined to be invalid, illegal or unenforceable in any respect for any reason, the validity, legality or enforceability of such provision in every other respect and the remaining provisions of this Agreement shall not be in any way impaired.
- E. 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.
- F. This Agreement shall be governed by and interpreted under the substantive laws of the State of South Dakota without regard to principles of conflicts of law. The Circuit Court of Pennington County shall be the sole venue for any disputes arising under this Agreement.
- G. The section headings within this Agreement are intended solely for the parties' convenience and shall not affect the interpretation or construction of any portion or provision of this Agreement.
- H. This Agreement may be executed in separate counterparts with separate signature pages and each counterpart with attached executed signatures shall constitute an executed original of this Agreement.
- I. City shall not impose special assessments on St. Joe in connection with the Project construction activities contemplated by this Agreement. This Section shall not prevent the City from including the City Property in a Business Improvement District or for imposing special assessments in the future which do not arise directly out of the construction of the Project.
- J. This Agreement is not intended and shall not be construed to create the relationship of agent, servant, employee, partnership, joint venture or association as between City and St. Joe nor between City and any officer, employee, contractor or representative of St. Joe.
- K. 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.
- L. The parties agree time is of the essence in performing the obligations set forth in this Agreement.
- M. The parties shall execute and deliver such instruments as each party shall reasonably request, promptly and without further consideration, to more effectively consummate the transactions contemplated by this Agreement.

Dated this 21st day of September, 2009.

ST. JOE INVESTMENT GROUP, LLC

[Signature]
By: Lester A. Kinstead
Its: President

CITY OF RAPID CITY

[Signature]
Mayor

ATTEST:

[Signature]
Finance Officer

(SEAL)

State of South Dakota)

ss.

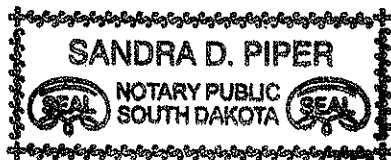
County of Pennington)

On this 21st day of September, 2009, before me, the undersigned officer, personally appeared Lester A. Kinstead, known to me or satisfactorily proven to be the person whose name is subscribed to the within instrument and acknowledged themselves to be a member of St. Joe Investment Group, LLC, and as a member of St. Joe Investment Group, LLC executed the foregoing instrument for the purposes herein contained.

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

[Signature]
Notary Public, South Dakota
my commission expires
6 7 46 2013

My Commission Expires:
(SEAL)



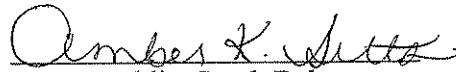
State of South Dakota)

ss.

County of Pennington)

On this 25 day of September, 2009, before me, the undersigned officer, personally appeared Alan Hanks and James F. Preston, who acknowledged themselves to be the Mayor and Finance Officer, respectively, of the City of Rapid City and that he, as such Mayor and Finance Officer, being duly authorized to do so, executed the foregoing instrument for the purposes therein contained by signing as such Mayor and Finance Officer of the City of Rapid City.

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


Notary Public, South Dakota

My Commission Expires: 9-13-15
(SEAL)

