



# CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

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## MEMORANDUM

**FROM:** Mayor Sam Kooiker   
**TO:** Legal and Finance Committee  
**DATE:** November 26, 2013  
**SUBJECT:** Request from President's Plaza to Authorize Mayor and Finance Officer to Sign Fourth Addendum to the Master Development Agreement with President's Plaza L.L.C.

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Since the late 1970's, three dozen City Councils and seven Mayors have been striving to see a downtown revitalization project occur at the southeast corner of 6<sup>th</sup> and St. Joseph Streets.

The President's Plaza team has committed significant resources to project organization and design, and their efforts are sincerely appreciated.

The taxpayers have invested significantly in this exciting project:

- City Taxpayers: A valuable 1.37 acre piece of downtown property. There is not a recent appraisal or freeholder's assessment available; however it is likely worth at least \$822,007 based on staff review of the valuation of the nearby nine city blocks.
- City Taxpayers: A commitment of \$2.8 million from the 2005 round of Vision funds.
- City/Pennington County/State of South Dakota Taxpayers: A tax increment financing district of \$11,676,375 for the project plan, and a maximum of \$23,681,191 when interest is included, based on a 20 year repayment plan.
- Federal Taxpayers: A commitment of up to \$20 - \$25 million in New Market Tax Credits - NMTC's.

City Ordinance 3.16.020 requires any project part of the five year plan approved in 2005 be under construction by December 31, 2013, or in the alternative the owners of the project enter into an agreement with the City by the same date which establishes specific completion dates or benchmarks for the project to ensure the project is completed in a timely fashion.

The project's developers are asking for the timeline to be extended to December of 2015 for the project to be under contract, meaning construction wouldn't happen until at least 2016.

On Thursday, November 21, Joel Landeen and I visited with Hani Shafai, one of the principals in the President's Plaza Project. I informed him I would be visiting with Dakotas Americas, one of the Community Development Entities (CDE's) responsible for distribution of NMTC's to find out more details regarding the process and timelines. On Friday morning, November 22, I had the chance to visit with Steve Baker with Dakotas Americas. I have attached a summary of my phone conversation with Steve.



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Based on the timelines for the next round of NMTC's and the positive progress made with the design of the project, it seems a more reasonable deadline for obtaining the NMTC's would be May 15, 2014. If the NMTC's are not awarded, a scaled down but impactful project can still be built per the already approved agreements. Therefore it is reasonable to have a project under contract by December 1, 2014 and to begin construction no later than Spring 2015.

I encourage you to amend the timelines accordingly.

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**From:** Steve Baker [mailto:baker@rda-llc.com]  
**Sent:** Monday, November 25, 2013 7:18 AM  
**To:** Kooiker Sam  
**Subject:** RE: New Market Tax Credits for Rapid City

My recollection was that Prez Plaza was looking for \$20-25MM from multiple CDEs. I've not seen a number from BHCHC.

Keep in mind that the average CDE only gets about \$50-70MM in allocations. A typical sub-allocation to a project is usually under \$15MM as a result (because the CDE usually wants to diversify its allocation across multiple projects), although you do occasionally see larger amounts from a single CDE. For that reason, on larger projects such as Prez Plaza, it would also be typical to see the developer try to find 2-3 CDEs that might be willing to provide allocations in a combined strategy. On larger projects, it's also not unusual that the allocation amount procured is less than the project size. It often tends to be a reflection of challenges associated with the financing structure, as well as allocation availability.

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**From:** Kooiker Sam [mailto:Sam.Kooiker@rcgov.org]  
**Sent:** Sunday, November 24, 2013 10:02 PM  
**To:** Steve Baker  
**Cc:** Howard Michael; Seachris Lindsey  
**Subject:** RE: New Market Tax Credits for Rapid City

Steve,

Do you recall how much in NMTC's was being request by President's Plaza? The number \$20m comes to mind but I am not sure if that's correct. Do you happen to have the range of what their request was? I presume that CDE's often look at the range as to what is requested and often allocate less than the maximum of what was requested.

Also, do you recall how much in NMTC's was being requested by Community Health?

Either Mike or Lindsey from my office will be calling you in the morning. If you are able to respond prior to that time please reply to all.

thanks again!

Sam

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**From:** Steve Baker [baker@rda-llc.com]  
**Sent:** Sunday, November 24, 2013 10:39 AM  
**To:** Kooiker Sam  
**Subject:** RE: New Market Tax Credits for Rapid City

I concur with your notes. It's true that there are many projects competing for allocations. Note that each CDE may also have different priorities—a different mission or sponsorship, different

project focus, or ways in which that CDE prioritizes projects. It may also serve a different territory or have a unique geographic focus. Some CDEs focus on rural projects, some focus on urban projects. You could have a CDE that has an interest in a community health care project like BHCHC, but not in a mixed use commercial property like Presidents Plaza. So the challenge of the project developer is to identify those CDEs that have an aligned interest in their project. As a practical matter, there are always a large number of mixed use commercial real estate properties in urban areas that seek allocations—it's probably one of the most competitive sectors for NMTC allocations. Historically, there have also been fewer CDEs supplying allocations to projects within minor urban cities in certain states.

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**From:** Kooiker Sam [mailto:Sam.Kooiker@rcgov.org]

**Sent:** Saturday, November 23, 2013 9:18 AM

**To:** [baker@rda-llc.com](mailto:baker@rda-llc.com)

**Cc:** Mayor's Office Group

**Subject:** New Market Tax Credits for Rapid City

Steve,

Thanks again for your time yesterday. Per our conversation, here is my understanding. Please confirm we are on the same page.

**Timing:** The next round of New Market Tax Credits is set to be released to the Community Development Entities (CDE's) during the first quarter of 2014, which ends on March 31, 2014. The amount is set to be \$3.5 billion dollars for the entire country. This will likely be the last allocation of credits unless Congress can agree on an extension. The allocations by the CDE's to the applicants will be quick (within 4 to 6 weeks beyond that -- probably mid-May at the latest) because the applications in many cases have already been vetted.

**Eligibility:** President's Plaza is eligible for the credits. Eligibility is a ticket, but not a guarantee. Competition is fierce. The other applicant at this time for NMTC's in the Rapid City area, competing for the same credits, is Community Health Center. In addition, multiple mixed use projects all across the country are competing for the same NMTC's.

**Considerations for award of NMTC's:**

1. Impact to low income residents.
2. Job creation for the community.
3. State of Readiness – Can the project be under contract within a few months. The inability to meet this criterion (IE: leases not inked) was one of the main factors in the project not receiving NMTC's in the past.
4. Credit quality, credit worthiness and long term economic viability of the project. In other words, NMTC's have an enhancement purpose. They are not designed to be a "make or break" for a project.

Sincerely,

Sam Kooiker  
Mayor of Rapid City  
300 6th Street  
Rapid City, SD 57701

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[mayor@rcgov.org](mailto:mayor@rcgov.org)