

TAX INCREMENTAL DISTRICT NUMBER 10, CITY OF SIOUX FALLS

TAX INCREMENTAL PROJECT PLAN

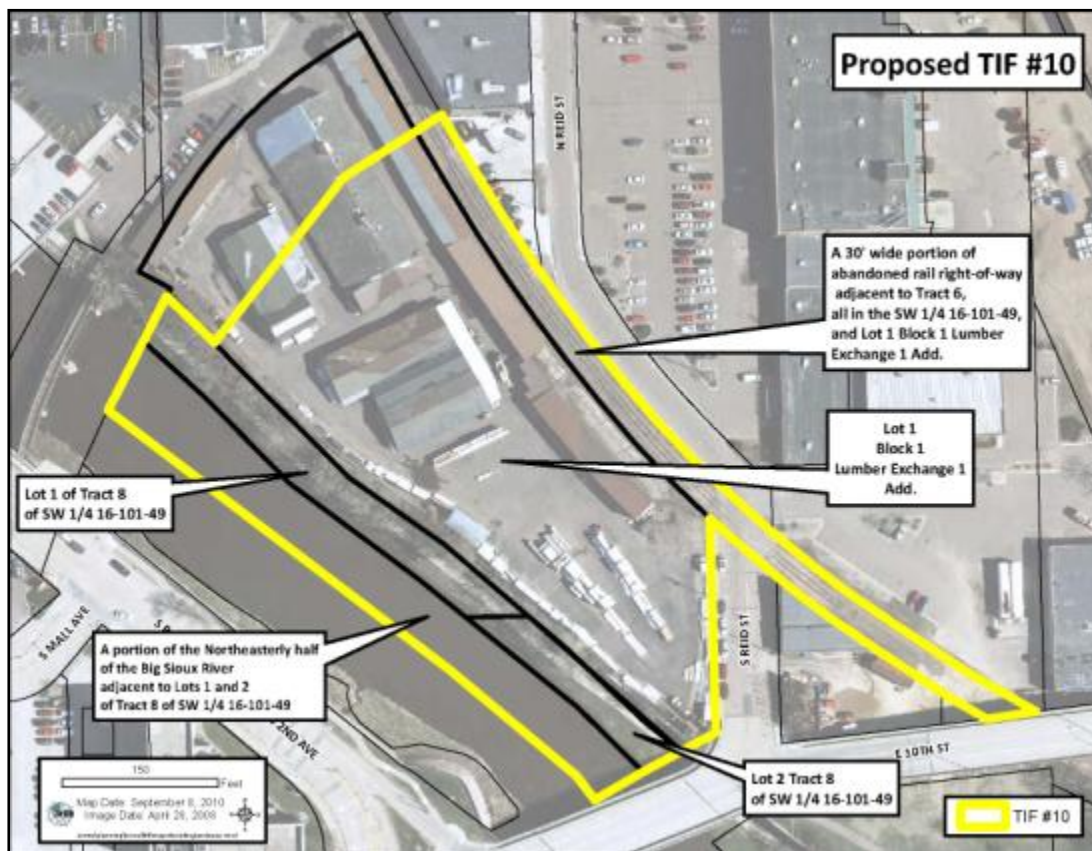


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Introduction and Summary

The City of Sioux Falls has been requested to assist in a major redevelopment project by creating a tax incremental district to fund a portion of eligible site improvements at property in the vicinity of 305 West Eighth Street. Lloyd Companies made the request on behalf of Al Schoeneman of Lumber Exchange, LLC, the primary owner of the redevelopment property. By utilizing tax increment financing (TIF), proceeds from anticipated increases in property taxes can be used to fund necessary and eligible improvements at the project site. The proposed project will consist of a 133,000 square foot office building and 500 parking stalls, approximately 250 of which will be part of an adjacent parking structure. The building will be primarily occupied by CNA Surety, which will employ in excess of 400 employees at the site. Tax Incremental District Number Ten, City of Sioux Falls, was established on September 20, 2010, by resolution of the City Council.

This document is the required tax incremental project plan under state statute for Tax Incremental District Number Ten and satisfies the requirements specified in South Dakota Codified Law Chapter 11-9. The purpose of this Plan is to determine the feasibility of using tax increment financing and outline the uses of revenue generated through TIF. This Plan was prepared for adoption by the City Council in recognition that the renewal area requires a coordinated, cooperative strategy with financing possibilities to eliminate the blight and prevent the spread of blight and accomplish the City's development objectives for improving the continued viability of downtown Sioux Falls as a business center.

The driving interest in the establishment of this Plan is to offer tax increment financing as a tool to stimulate and leverage private sector development and redevelopment, to help eliminate statutorily-defined blight, and to prevent the spread of such blight within the area of this district. The development of commercial property which allows for the expansion of existing businesses, the expansion of the city workforce, the secondary generation of sales tax in the downtown area, and the beautification of the River Greenway of Sioux Falls are an essential governmental purposes and stimulate further economic development within downtown.

Key elements of the TIF 10 plan are outlined below:

Base taxable property value: Less than \$1 M

Anticipated taxable property value: \$21.5 M

Estimated Amount of Increment Valuation: \$20.5 M

Estimated Amount of Tax Increment: \$400,000 annually

Amount of TIF-Eligible Improvements: \$8.5 M

Amount of Developer-financed TIF debt: \$4.75 M

It is proposed by the developer that the primary use of the funds will be for construction of structured parking onsite. The public would have the direct benefit of the TIF by receiving free parking on weekday nights and on weekends. The owner of the parking facility would

absorb all costs relating to the maintenance and operation of the parking facilities. The City of Sioux Falls would incur no costs for the public use of the facility during the term of the tax increment district. The tenants of the office building would receive the benefit of dedicated parking during the term of their lease.

The City of Sioux Falls will receive, at no cost, a real estate option to acquire ownership of the 250-stall parking garage at such time. The Developer will also agree not to request participation in the City's tax abatement program. These agreements will be further defined in the Developer's Agreement, a legally binding document between the City of Sioux Falls and the Developer.

Improvements related to the City's River Greenway Plan, site preparation, and professional fees are also eligible uses.

General Definitions as Used in This Plan

The following terms found in this Plan have the following meanings:

"Base" or "Tax Incremental Base" means the aggregate assessed value of all taxable property located within a Tax Incremental District on the date the district is created, as determined by SDCL § 11-9-20.

"Blighted" means property that meets any of the following criteria:

Any area, including slum area, in which the structures, buildings, or improvements, by reason of:

- (1) Dilapidation, age, or obsolescence;
- (2) Inadequate provisions for ventilation, light, air, sanitation, or open spaces;
- (3) High density of population and overcrowding;
- (4) The existence of conditions which endanger life or property by fire and other causes;
or
- (5) Any combination of such factors;

are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime, and which is detrimental to the public health, safety, morals, or welfare, is a blighted area¹; or

Any area which by reason of:

- (1) The presence of a substantial number of substandard, slum, deteriorated, or deteriorating structures;
- (2) Predominance of defective or inadequate street layouts;

¹ SDCL § 11-9-9

- (3) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
- (4) Unsanitary or unsafe conditions;
- (5) Deterioration of site or other improvements;
- (6) Diversity of ownership, tax, or special assessment delinquency exceeding the fair value of the land;
- (7) Defective or unusual conditions of title;
- (8) The existence of conditions which endanger life or property by fire and other causes;
or
- (9) Any combination of such factors;

substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, morals, or welfare in its present condition and use, is a blighted area²; or

Any area which is predominantly open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of a municipality, is a blighted area.³

“City Council” means the City Council of the City of Sioux Falls.

“City of Sioux Falls” means Sioux Falls, South Dakota, a home rule form of government.

“Department of Revenue” means the South Dakota Department of Revenue.

“District” means the Tax Incremental District.

“Generally Applicable Taxes” shall have the same meaning as set forth in 26 CFR § 1.141-4(e).

“Governing body” means the City Council.

“Infrastructure Improvements” means a street, road, sidewalk, parking facility, pedestrian mall, alley, bridge, sewer, sewage treatment plant, property designed to reduce, eliminate, or prevent the spread of identified soil or groundwater contamination, drainage system, waterway, waterline, water storage facility, rail line, utility line or pipeline, or other similar or related structure or improvement, together with necessary easements for the structure or improvement, for the benefit of or for the protection of the health, welfare, or safety of the public generally.

² SDCL § 11-9-10

³ SDCL § 11-9-11.

“Municipality” means any incorporated city in this state.

“Planning Commission” means the City of Sioux Falls Planning Commission.

“Plan” means this Project Plan.

“Project Costs” means any expenditure or monetary obligations by the City of Sioux Falls, whether made, estimated to be made, incurred, or estimated to be incurred, which are listed as Project Costs herein will include any costs incidental thereto but diminished by any income, special assessments, or other revenues, other than tax increments, received, or reasonably expected to be received, by the City of Sioux Falls in connection with the implementation of this Plan.

“Project Plan” means properly approved Plan for the development or redevelopment of a tax incremental district including all properly approved amendments thereto as recommended pursuant to SDCL § 11-9-13.

“Public Works” means the Infrastructure Improvements, the acquisition by purchase or condemnation of real and personal property within the Tax Incremental District and the sale, lease, or other disposition of such property to private individuals, partnerships, corporations, or other entities at a price less than the cost of such acquisition which benefit or further the health, safety, welfare, and economic development of the City and Project Costs.

“River Greenway” Improvements associated with the conceptual 2004 Sioux Falls Greenway and Riverfront Master Plan.

“Taxable Property” all real taxable property located in a Tax Incremental District.

“Tax Incremental District” a contiguous geographic area within a city defined and created by resolution of the governing body and named City of Sioux Falls Tax Incremental District Number Ten.

“Tax Increment Valuation” is the total value of the Tax Incremental District minus the tax incremental base pursuant to § 11-9-19.

“Tax Increment Law” means South Dakota Codified Laws Chapter 11-9.

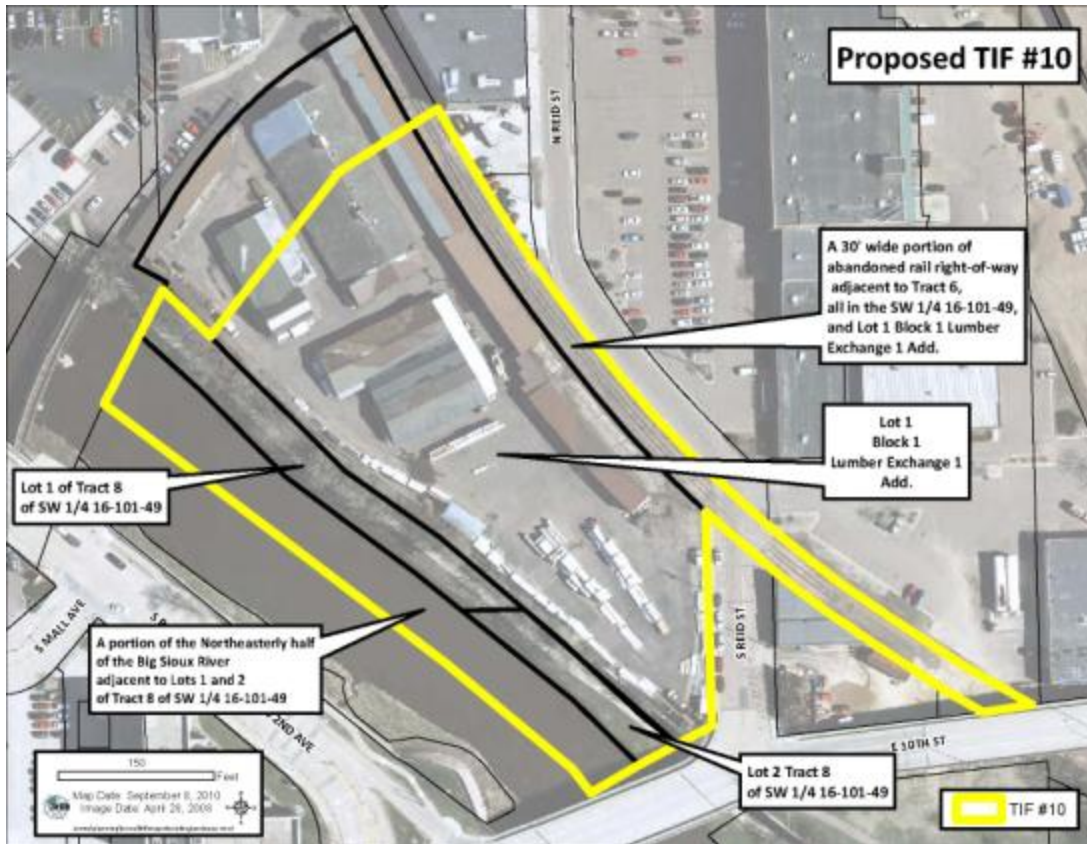
Property within the Tax Increment District

The property within the Tax Increment District includes a portion of the former Schoeneman’s Lumber site at 305 East Eighth Street, adjacent parcels to the west, and abandoned railroad right-of-way to the east.

The real property located within Tax Incremental District Number Ten is shown by the following exhibit and more specifically described as follows:

Lots 1 and 2, Tract 8 being located in the SW1/4 of Section 16, Township 101, Range 49W, Minnehaha County, Lot 1, Block 1 Lumber Exchange Addition to the City of Sioux Falls, Minnehaha County, and a 30' wide portion of abandoned rail right-of-way adjacent to Lot 1, Block 1 Lumber Exchange

Addition to the City of Sioux Falls, Minnehaha County, and Tract 6 being located in the SW1/4 of Section 16, Township 101, Range 49W, Minnehaha County (the "District").



The district contains a portion of four taxable parcels as identified by Minnehaha County. The parcels and respectable taxable value are listed here:

County Tax ID	Taxable Value
54773	\$2,334
54774	\$971
53857	\$720,257
56134	\$55,089

Because the tax increment base value is established by the South Dakota Department of Revenue after establishment of this district, this plan utilizes an estimated base value of \$1,000,000 for planning purposes.

Total Aggregate Value of Tax Increment Districts in Sioux Falls⁴

The active TIF districts in Sioux Falls, plus TIF 10, have an approximate valuation of less than \$50,000,000. The total value of all property within Sioux Falls is in excess of \$10 billion. Active TIF Districts comprise less than 1% of the total aggregate value of the total property valuation within the city of Sioux Falls.

LISTING OF KIND, NUMBER, LOCATION, AND DETAILED COSTS OF PROPOSED PUBLIC WORKS AND IMPROVEMENTS⁵

The Project Costs include capital costs, financing costs, real property assembly costs, professional fee costs, imputed administration costs, relocation costs, organizational costs, and discretionary costs.

The City is working to develop an economic and competitive base to benefit the City and the state as a whole. All the Project Costs, land acquisition and professional fees, are found to be necessary and convenient to the creation of the Tax Incremental District and the implementation of the Tax Increment District. The project constitutes a proper public purpose. Improvements are made under the powers expressly stated in and reasonably inferred by SDCL §§ 11-9-2(2) and 11-9-15. All contracts shall entered into in accordance with South Dakota law.

A combination of private investment and tax increment financing will assist progress toward the following additional objectives:

- To address and remedy conditions in the area that impair or arrest the sound growth of the city;
- To implement the 2035 Comprehensive Plan (Shape Sioux Falls) and its related elements;
- To redevelop and rehabilitate the area in a manner which is compatible with and complementary to unique circumstances in the area;
- To effectively utilize undeveloped and underdeveloped land;
- To improve pedestrian, bicycle, vehicular, and transit-related circulation and safety;
- To ultimately contribute to increased revenues for all taxing entities;
- To encourage the voluntary rehabilitation of buildings, improvements, and conditions;
- To watch for market and/or project opportunities to eliminate blight, and when such opportunities exist, to take action within the financial, legal, and political limits of the City to acquire land, demolish and remove structures, provide relocation benefits, and pursue redevelopment, improvement and rehabilitation projects; and
- To improve areas that are likely to enhance significantly the value of substantially all property in the district.

⁴ SDCL §11-9-7

⁵ SDCL §11-9-13(1).

ELIGIBLE COSTS OF PUBLIC WORKS OR IMPROVEMENTS

In accordance with SDCL 11-9-13(1) and (3), the following is the kind, number, location, and dollar amount of estimated Project Costs, costs of public works or improvements.

Kind of Project Cost	Number of Projects	Location ⁶	Amount	Reference ⁷
Capital Costs <i>(Includes River/Greenway Improvements)</i>	5 or more	District	\$3,133,726	11-9-14(1)
Financing Costs				11-9-14(2)
Real Property Assembly	1	District	\$4,750,000	11-9-14(3)
Professional Fees	7 or more	District	\$ 662,755	11-9-14(4)
Administrative Costs		District		11-9-14(5)
Relocation Costs				1-9-14(6)
Organizational Costs				11-9-14(7)
Discretionary Costs				11-9-14(8)
Eligible Project Costs			\$8,546,481	

The above total represents eligible Project Costs. Only such amounts that are determined by the City to be feasible shall be designated for reimbursement through anticipated positive tax increment as set out in the developer's agreement.

⁶District shall mean the Tax Increment District.

⁷SDCL §11-9-14

- (1) Capital costs, including the actual costs of the construction of public works or improvements, buildings, structures, and permanent fixtures; the demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and permanent fixtures; the acquisition of equipment; the clearing and grading of land; and the amount of interest payable on tax incremental obligation or notes issued pursuant to this chapter until such time as positive tax increments to be received from the district, as estimated by the Project Plan, are sufficient to pay the principal of and interest on the tax incremental obligation or notes when due;
- (2) Financing costs, including all interest paid to holders of evidences of indebtedness issued to pay for Project Costs, any premium paid over the principal amount thereof because of the redemption of such obligations prior to maturity;
- (3) Real property assembly costs, including the actual cost of the acquisition by a municipality of real or personal property within a tax incremental district less any proceeds to be received by the municipality from the sale, lease, or other disposition of such property pursuant to a Project Plan;
- (4) Professional service costs, including those costs incurred for architectural, planning, engineering, and legal advice and services;
- (5) Imputed administrative costs, including reasonable charges for the time spent by municipal employees in connection with the implementation of a Project Plan;
- (6) Relocation costs;
- (7) Organizational costs, including the costs of conducting environmental impact and other studies and the costs of informing the public of the creation of tax incremental districts and the implementation of project plans; and
- (8) Payments made, at the discretion of the governing body, which are found to be necessary or convenient to the creation of tax incremental districts or the implementation of project plans.

EXPENDITURES EXCEEDING ESTIMATED COST

Any expenditures which in sum would exceed the total amount stated above will require an amendment of this plan. All amendments are undertaken pursuant to SDCL § 11-9-23. When the expenditures are increased above the total above, the Department of Revenue will be required to reset the base, in accordance with SDCL § 11-9-23.

DETAILED LIST OF ESTIMATED PROJECT COSTS⁸

Attached as Schedule 1 is a detailed list of estimated Project Costs. No expenditure for Project Costs is provided for more than five years after the date of district creation.

FISCAL IMPACT STATEMENT⁹

Attached as Schedule 2 is the Fiscal Impact Statement on other taxing districts found within the Tax Increment District, both until and after the obligations are repaid

FEASIBILITY STUDY

An economic feasibility study is attached as Schedule 3.

BLIGHT STUDY

Not less than 25% of the area within the proposed district is blighted and in need of redevelopment as indicated in the Blight Study attached as Schedule 4.

METHOD OF FINANCING, TIMING OF COSTS, AND MONETARY OBLIGATIONS¹⁰

The Developer shall obtain a loan to pay for all project costs. There shall be no advances by the City, nor will the City be liable for the debt service of the Developer Loan. The City may reimburse for employee time or other review from the tax increment proceeds.

MAXIMUM AMOUNT OF TIF COMMITMENT TO DEVELOPER

Related to any tax incremental revenue loan obtained by the Developer, the maximum amount of indebtedness shall depend on the anticipated increment revenues from the tax increment district. The total amount of Developer indebtedness will not exceed \$4,750,000.00 or such lesser amount as may be feasible with the estimated revenue generated by the Tax Increment District. The City may enter into one or more development agreements at its discretion whereby the tax increment revenues would be used in accordance with the terms and conditions of the development agreements.

⁸ SDCL §11-9-13(3)

⁹ SDCL § 11-9-13(4).

¹⁰ SDCL § 11-9-13(5)

DURATION OF TAX INCREMENTAL PLAN

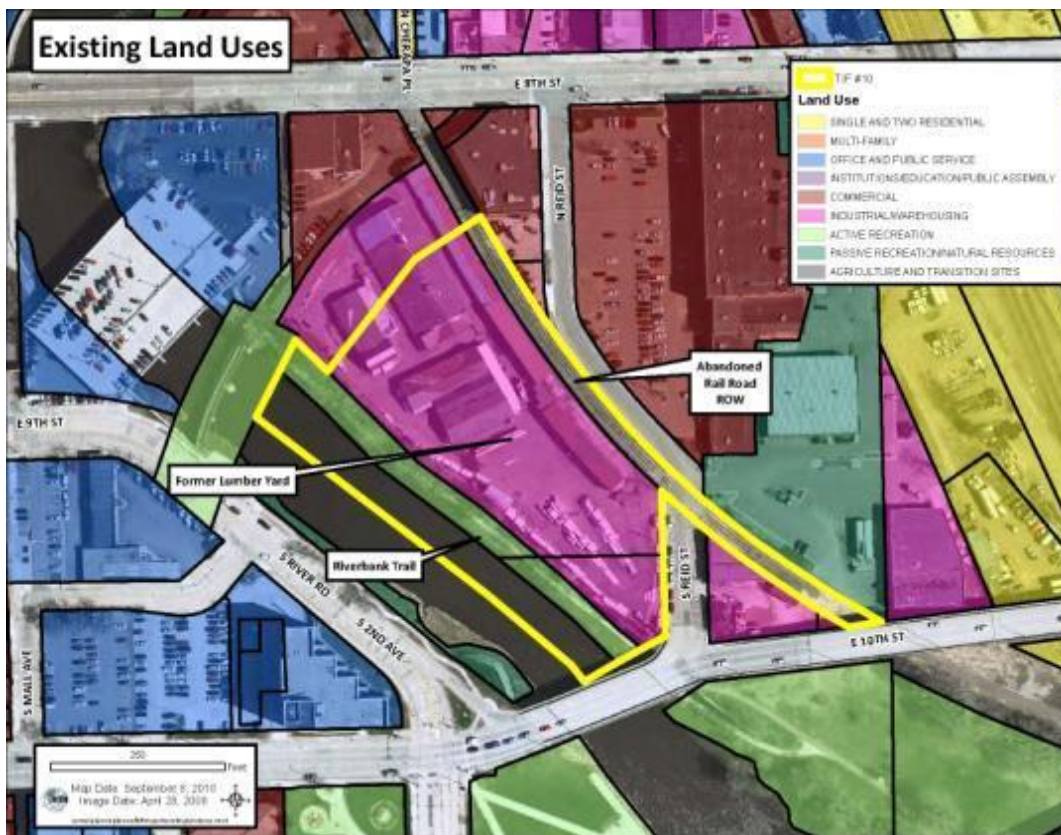
The duration of the Plan will extend to the number of years it will take for the retirement of indebtedness except that the Plan duration shall not exceed 20 years from the date of creation of the District.

ESTIMATED IMPACT OF TAX INCREMENT FINANCING ON REVENUES OF TAXING JURISDICTIONS

The site will generate taxes to the local jurisdictions at or above the assessed of the Base. All taxing districts shall receive that base which will be the value set for 2010 taxable payable in 2011. The tax increment will be available to the taxing jurisdictions at or before 20 years after at the creation of the District. Schedule 2 details the tax capture implications to each of the local taxing jurisdictions. After the City has passed on all positive increment as defined in the Developer Agreement, the taxing entities will receive their proportionate share of tax dollars for the base value and the tax incremental values.

CONDITIONS MAP¹¹

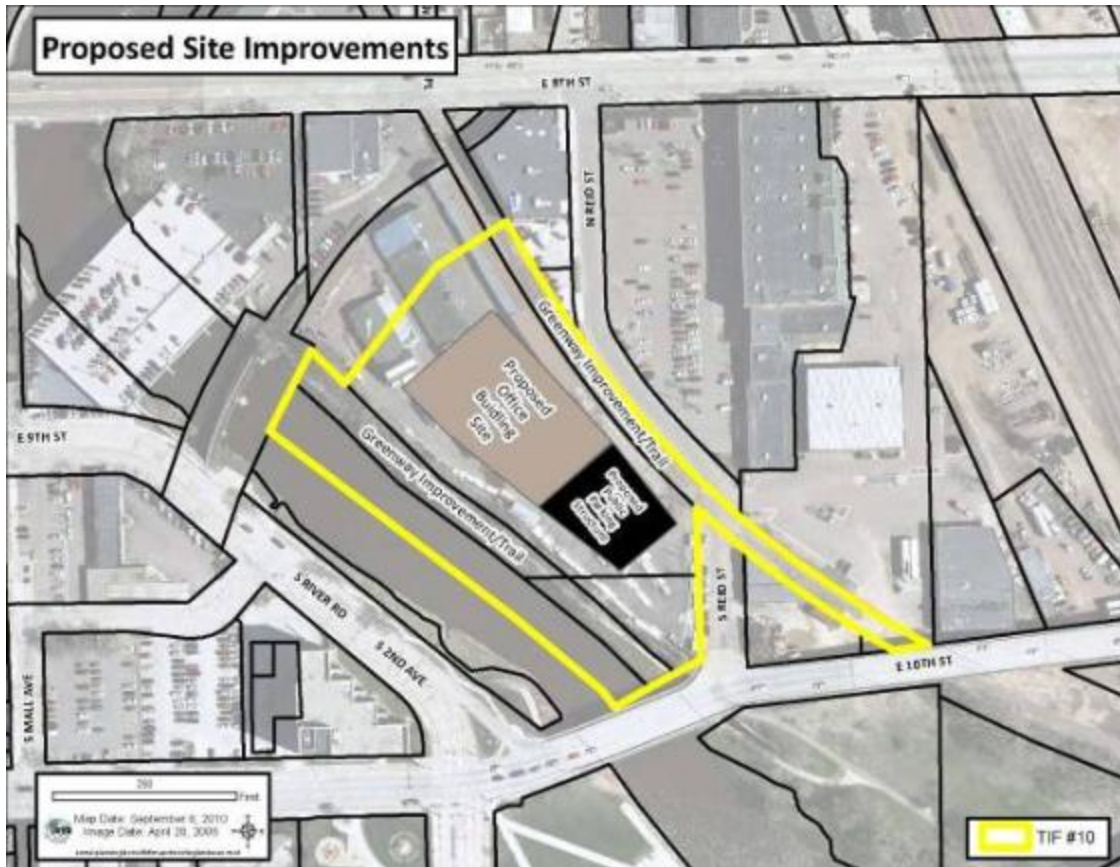
This following map displays the current land uses of property as well as the existing structures within the district. While once used for warehousing and distributing lumber, the property is now vacant.



¹¹ SDCL § 11-9-16(1)

IMPROVEMENTS MAP¹²

All proposed improvements outlined in this plan will be made within the boundary of the Tax Increment District Number 10. The proposed development improvements are shown below:

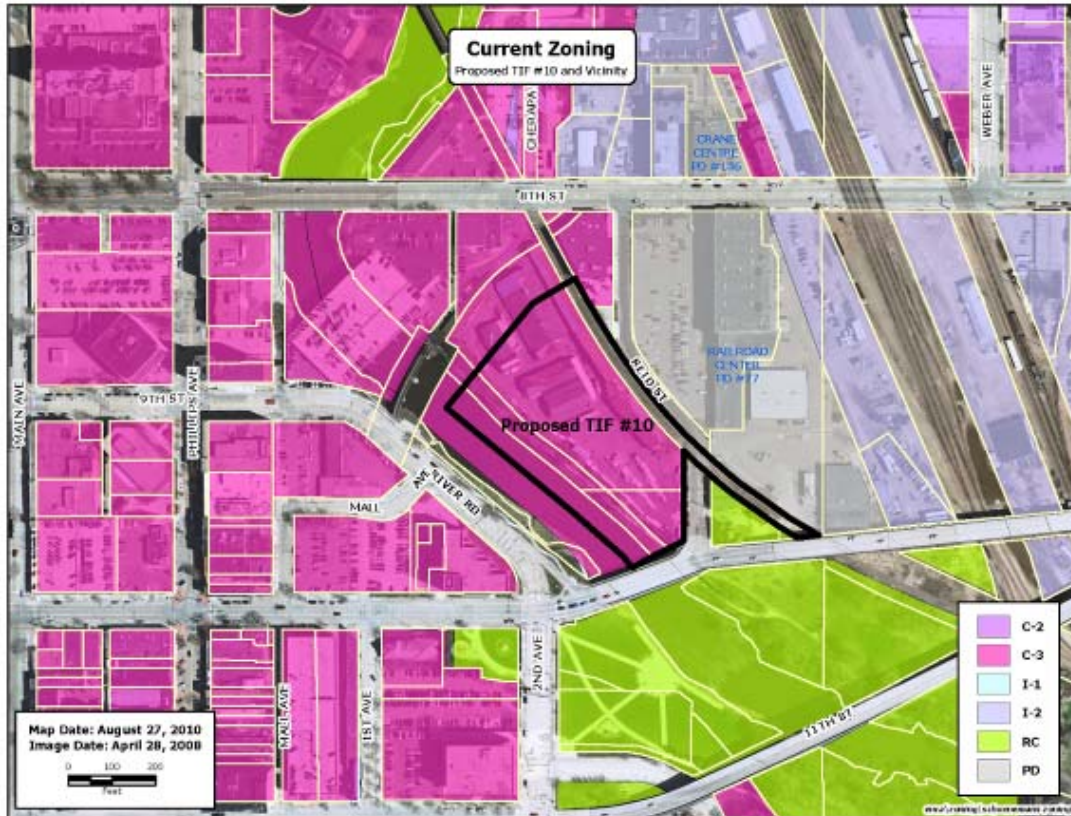


¹² SDCL § 11-9-16(2)

ZONING CHANGE MAP¹³

All property within the district, except for a portion of abandoned railroad right-of-way, is zoned C-3 (Central Business District). The proposed development will meet the standards of C-3 zoning.

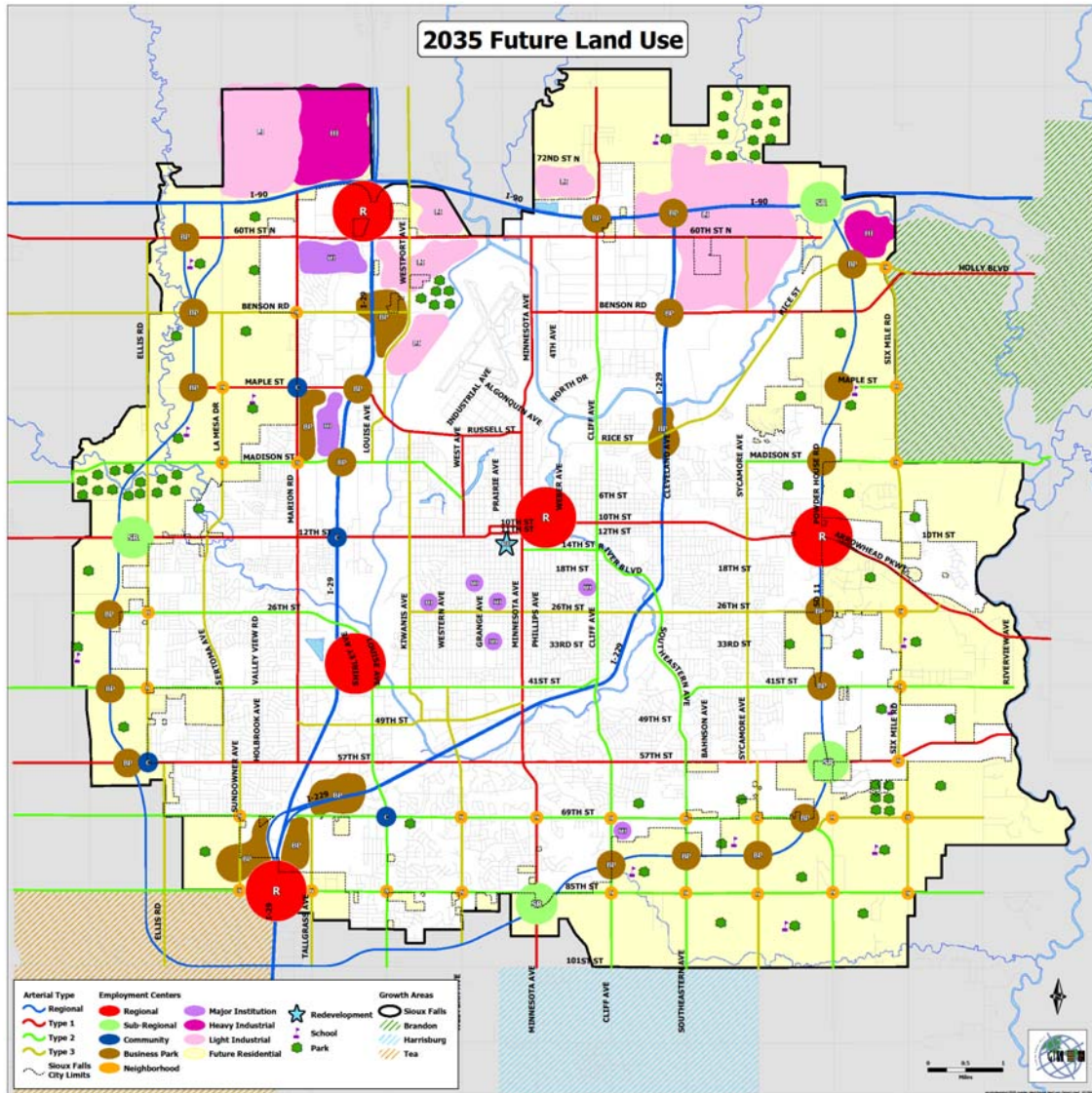
The portion of railroad right-of-way within the district is unzoned. The lack of zoning on this right-of-way does not impact the project. At such time the City or Developer should acquire the land, a petition to rezone the property to R/C (Recreation/Conservation) may be made.



¹³ SDCL § 11-9-16(3)

CHANGES TO THE CITY OF SIOUX FALLS MASTER PLAN, MAP, BUILDINGS CODES, AND CITY ORDINANCES¹⁴

Changes to the master plan, map, building codes, and City ordinances related to the construction of this development are not necessary. For informational purposes, the City's 2035 comprehensive plan (Shape Sioux Falls) and future land use map designate this area as a "Regional Employment Center." The future land use map is shown below.



¹⁴ SDCL §11-9-16(4)

LIST OF ESTIMATED NON-PROJECT COSTS¹⁵

The following is a list of the non-Project Costs.

Non-Project Item
Approximately 133,000 square foot office building. The total project cost for the approximate 133,000 square foot office building and parking structures is estimated at \$25,000,000. Of the estimated project costs, \$8,546,481 would be TIF eligible, thus making \$16,453,519 non-eligible TIF costs.

STATEMENT OF DISPLACEMENT AND RELOCATION PLAN¹⁶

No residents or families will be displaced by the Project. There are no families or persons residing on the premises. Therefore, no relocation Plan is needed.

Performance Bond, Surety Bond, or Other Guaranty

As security for its fulfillment of the agreement with the governing body, the developer of redevelopment property shall furnish a performance bond with such surety and in such form and amount as the governing body may approve or make such other guaranty as the governing body may deem necessary in the public interest. This additional security may be provided for in a developer agreement.

¹⁵ SDCL §11-9-16(5)

¹⁶ SDCL § 11-9-16(6)

List of Schedules

SCHEDULE 1 Detail of Project Costs

SCHEDULE 2 Fiscal Impact Statement and Estimated Captured Taxable Values

SCHEDULE 3 Economic Feasibility Schedule

SCHEDULE 4 Blight Study

SCHEDULE 1—“DETAIL OF PROJECT COSTS”

This chart provides greater detail of the TIF project costs as described in the chart, “Eligible Costs of Public Works or Improvements,” and outlines actual anticipated expenses.

Parking Structure(s)		\$4,200,000
Site Improvements		\$766,726
Exterior/landscaping	\$152,775	
Earthwork/Demolition	\$309,811	
Blasting	\$175,000	
Site Utilities	\$129,140	
Professional Services		\$332,755
Architectural Fees	\$169,500	
Structural Design Fees	\$84,750	
Civil Engineering Fees	\$26,000	
Mechanical Engineering Fees	\$25,527	
Electrical Engineering Fees	\$12,733	
Environmental Phase I and II	\$14,245	
Land		\$1,947,000
Legal/Professional		\$300,000
River Greenway Improvements		\$1,000,000
		<hr/>
		\$8,546,481

SCHEDULE 2—“FISCAL IMPACT STATEMENT”

FISCAL IMPACT STATEMENT—TAX INCREMENT DISTRICT NUMBER TEN

INTRODUCTION

The fiscal impact statement is intended to provide a succinct analysis of the estimated impact of the Tax Increment District to the public pursuant to SDCL § 11-9-13(4). It is not intended to rival the level of detail required by a detailed financial analysis. A fiscal impact statement shows the impact of the Tax Increment District, both until and after the obligations are repaid, upon all entities levying taxes upon property in the district.

DEFINITIONS

“Assumptions” means factors or definitions used in the fiscal analysis. Assumptions may include facts and figures identified by the District and educated guesses that are sometimes necessary when not all of the information is available. Assumptions are often used to extrapolate an estimate. Assumptions may include an estimate of tax levies of each taxing entity, the school aid formula contribution, the value of the real property, etc.

“Base Revenues” means the taxes collected on the base value.

“Fiscal Impact” means the increase or decrease in revenues and generally refers to an impact to revenues caused by the district.

“Revenue” means ad valorem taxes.

“Tax Increment District” means City of Sioux Falls, Tax Increment District Number 10.

“Taxing Districts” means all political subdivisions of the state which have ad valorem taxing power over property within the boundaries of the Tax Increment District.

“Tax Increment Revenues” means all revenues above the Base Revenues.

ASSUMPTIONS:

1. The property will have improvements which at completion will be valued for taxable purposes at \$20,349,750 (the increment).
2. The average tax levy of all taxing districts will be \$21.00 per thousand dollars of taxable valuation.
3. Tax increment will start to be collected in 2013 and end in 2030.
4. Interest: The first two (2) years of the financing, 2011 and 2012, will be capitalized.
5. The discretionary formula will be waived by the property owner.

FISCAL IMPACT:

The total fiscal impact upon the taxing entities during the term of the Tax Increment District is as follows:

Taxing Districts will continue to receive taxes determined by the base taxable property value throughout the duration of the District. The base valuation is estimated to be \$1,000,000. The following chart shows the amount of increment expected to be generated during the life of the District and the impact to taxing districts:

“ESTIMATED CAPTURED TAXABLE VALUES”

Base-Estimated Taxes That Will Go to Taxing Districts During TIF

All taxing districts will continue to receive the base amount of taxes as established at the creation of the district for the life of the TIF.

Increment-Estimated Taxes That Will Go to Tax Increment Fund During TIF

Valuation Year	Assessed	Collected	Sioux Falls	Minnehaha County	Sioux Falls School District	Total Tax Increment Collected
2011	2012	2013	\$44,187.45	\$28,119.28	\$128,545.30	\$200,852.03
2012	2013	2014	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2013	2014	2015	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2014	2015	2016	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2015	2016	2017	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2016	2017	2018	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2017	2018	2019	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2018	2019	2020	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2019	2020	2021	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2020	2021	2022	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2021	2022	2023	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2022	2023	2024	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2023	2024	2025	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2024	2025	2026	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2025	2026	2027	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2026	2027	2028	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2027	2028	2029	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
2028	2029	2030	\$88,374.90	\$56,238.57	\$257,090.60	\$401,704.07
			\$1,546,560.75	\$984,174.97	\$4,499,085.50	\$7,029,821.22

SCHEDULE 3—“ECONOMIC FEASIBILITY STUDY”

The City of Sioux Falls has been approached by a commercial developer concerning the development of a commercial building and that without the City’s financial participation and support, the land would not be developed nor would the tenant locate there. An essential component of the City’s participation is City funding for certain Project Costs (“Project Costs”) needed to support the Project (or any other comprehensive redevelopment of the site), all of which is currently estimated to cost approximately \$4,750,000.

The City has made it clear that funding for these public improvements must be supported by the tax revenues generated by the Project, and not by the general revenues of the City. The vehicle through which this can be accomplished is “tax increment financing” under the South Dakota Tax Incremental District Law (South Dakota Codified Laws Chapter 11-9). Tax increment financing is an indispensable self-financing tool used throughout the United States to help local governments successfully develop and redevelop areas and encourage economic development.

The current real property tax assessed value of all properties in a designated project area (“tax increment financing district”) is established as the “base value.” As development in the tax increment district increases the assessed values of the redeveloped properties, a portion of the additional tax revenue generated by the increase in assessed value over the base value is set aside and is used in accordance with this plan and the Developer’s Agreement.

The process is set forth in the Tax Increment District Law, generally as follows:

- Any person may request the City to designate a tax increment district. The request may be through a formal application process or a presentation to City Planning Director. Upon receiving any request, City Planning Director determines preliminary feasibility of the project. This preliminary feasibility determination includes fiscal, legal, and political considerations.
- If it is determined feasible, the City Planning Director directs staff or the Planning Commission to initiate the process. The Planning Commission then sets a proposed hearing date and starts the notice procedure.
- Notice of the intent to create a Tax Increment District is published and sent to all taxing districts not less than ten (10) days prior to the hearing.
- The Planning Commission holds a hearing and allows members of the general public to comment upon the proposed creation of a Tax Increment District. At the end of the hearing, the Planning Commission may recommend the creation of the Tax Increment District to the City Council. The Planning Commission may also recommend a tax increment Project Plan and forward to the City Council for their determination.
- The City Council places the recommendation on the agenda and at the public meeting may pass a resolution to create the Tax Increment District in accordance with the Tax Increment District Law. The resolution is published and becomes effective on the 21st day after publication, unless it is referred to a vote of the electors. This resolution may also approve the project plan.

- After the resolution becomes effective, the Department of Revenue of the State of South Dakota is sent a letter requesting to determine the base.
- The City or Developer has five years to spend tax increment revenues or loan proceeds on or for Project Costs.

The property is currently valued at approximately \$1,000,000. The improvements to be made to the property are estimated to add \$20,349,750.00 to the assessed valuation and would generate collected taxes as indicated in the following table. It would be feasible to finance collective obligations of which annual payments would be \$401,704.07. The following charts illustrate the increment valuation assumptions, the basis for calculating the positive increment, and schedule of amount of increment available for debt service through 2030.

Valuation Assumptions	Estimated Base	Increase	Positive Increment
Land	\$1,000,000.00	\$ 1,651,750.00	\$ 651,750.00
Office Building	\$ —	\$14,656,000.00	\$14,656,000.00
Basement Parking	\$ —	\$ 2,112,000.00	\$ 2,112,000.00
Parking Ramp Area	\$ —	\$ 2,930,000.00	\$ 2,930,000.00
Total Positive Increment Valuation			\$20,349,750.00

Projected Increment Valuation	Mill Levy Per \$1,000	Assessment	Positive Increment
\$20,349,750	21	95%	\$401,704.07

Construction Year	Valuation Year	Revenue Year	Valuation Increment	% Completed	Taxable Valuation	Amount Available for D/S
2011	2012	2013	\$20,349,750.00	50%	\$10,174,875.00	\$200,852.03
2012	2013	2014	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2013	2014	2015	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2014	2015	2016	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2015	2016	2017	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2016	2017	2018	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2017	2018	2019	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2018	2019	2020	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2019	2020	2021	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2020	2021	2022	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2021	2022	2023	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2022	2023	2024	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2023	2024	2025	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2024	2025	2026	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2025	2026	2027	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2026	2027	2028	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2027	2028	2029	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07
2028	2029	2030	\$20,349,750.00	100%	\$20,349,750.00	\$401,704.07

This document represents the feasibility study required under Tax Increment District Law Section 11-9-13 (Subsections 2, 4, and 5). The study concludes that the proposed redevelopment project is feasible. It is assumed that all obligations incurred would be adequately secured as to allow the payment of principal and when due.

SCHEDULE 4—BLIGHT STUDY

SECTION 1—INTRODUCTION

The City has been approached concerning the creation of a tax increment district located in the central part of the city. In order to determine whether a tax increment district may be created, it has been recommended that City staff together with outside consultants conduct a study of the area to determine if conditions exist that meet the definitions of blight described in Title 11-9 and allow consideration of a Tax Increment District to alleviate those conditions. If the City finds, by Resolution, that “blighted” conditions exist in not less than 25% of the area, it may after notification of affected taxing districts and after a public hearing to create a Tax Increment District.

The purpose of the study is to determine if impediments to development and other issues of blight exist, pursuant to state law, sufficient enough to warrant the creation of a district in the city.

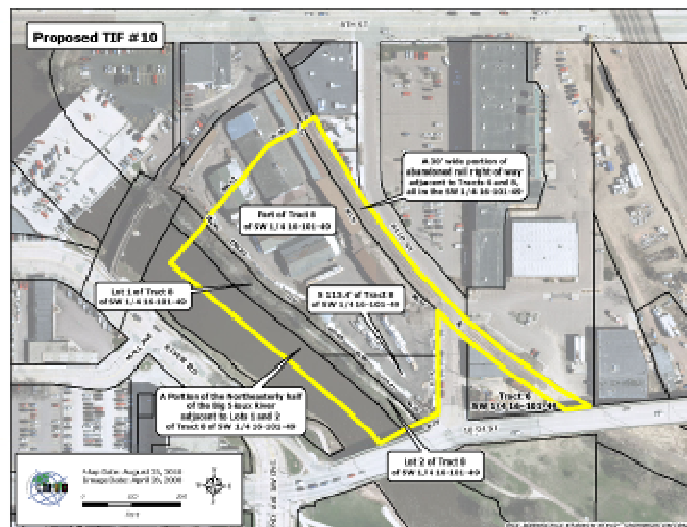
In addition to studying the subject area for the defined blighting conditions, the area has been evaluated for the existence of assets or opportunities for private investment, as creation and reinvestment of TIF funds in a District depends primarily on new private investment generating new property taxes. Finally, the Study Area has been reviewed for localized physical and institutional impediments to investment in the study area.

SECTION 2—STUDY AREA BOUNDARY

The Study Area of the blight is described as:

Description: Legal Description: Lots 1 and 2, Tract 8 being located in the SW1/4 of Section 16, Township 101, Range 49W, Minnehaha County, Lot 1, Block 1 Lumber Exchange Addition to the City of Sioux Falls, Minnehaha County, and a 30' wide portion of abandoned rail right-of-way adjacent to Lot 1, Block 1 Lumber Exchange Addition to the City of Sioux Falls, Minnehaha County, and Tract 6 being located in the SW1/4 of Section 16, Township 101, Range 49W, Minnehaha County (the “District”).

Exhibit:



SECTION 3—ESTABLISHING BLIGHT

South Dakota law describes a blighted area as one that contains a set of conditions which constitute blight. There are three statutory areas of blight:

SDCL § 11-9-9. Any area, including slum area, in which the structures, buildings, or improvements, by reason of:

- (1) Dilapidation, age, or obsolescence;
- (2) Inadequate provisions for ventilation, light, air, sanitation, or open spaces;
- (3) High density of population and overcrowding;
- (4) The existence of conditions which endanger life or property by fire and other causes; or
- (5) Any combination of such factors are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime, and which is detrimental to the public health, safety, morals, or welfare, is a blighted area.

SDCL § 11-9-10. Developed areas impairing growth defined as blighted. Any area which by reason of:

- (1) The presence of a substantial number of substandard, slum, deteriorated, or deteriorating structures;
- (2) Predominance of defective or inadequate street layouts;
- (3) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
- (4) Insanitary or unsafe conditions;
- (5) Deterioration of site or other improvements;
- (6) Diversity of ownership, tax, or special assessment delinquency exceeding the fair value of the land;
- (7) Defective or unusual conditions of title;
- (8) The existence of conditions which endanger life or property by fire and other causes; or
- (9) Any combination of such factors substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, morals, or welfare in its present condition and use, is a blighted area.

SDCL § 11-9-11. Any area which is predominantly open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of a municipality, is a blighted area.

Under South Dakota law, the finding of blight may be made based upon a single factor found in SDCL § 11-9-9, 11-9-10, or 11-9-11.

SECTION 4—HISTORY OF THE STUDY AREA

From the early 1900s, the study area historically was the location of lumberyards and materials suppliers. Schoeneman Brothers operated the current site from the 1910s until recently. This private development has been able to locate in less expensive parcels on the outskirts of the city.

SECTION 5—STUDY AREA DESCRIPTION

The Study Area contains a number of buildings built in the early 1900s for storage of lumber and materials. The areas surrounding the buildings are blacktopped with signs of deterioration.

SECTION 6—CONDITIONS WITHIN THE STUDY AREA

There exists within a substantial number, covering more than 25% of the area of the district, of substandard, slum, deteriorated, or deteriorating structures within the district. There is significant evidence of deterioration of site improvements. The asphalt areas on the grounds as shown below are breaking up and have been piled on the property.



Public Utilities

Sewer—Analysis of the City of Sioux Falls Sanitary Sewer Maps reveals that the Study Area has wastewater coverage.

Storm Water—Analysis of the City of Sioux Falls Sanitary Sewer Maps reveals that the Study Area has storm sewer coverage.

Potable Water—Analysis of the City of Sioux Falls Water Maps reveals that the Study Area has water coverage.

Street and Sidewalk Condition—On the northwest end of the study area 8th Street is currently undergoing street and sidewalk reconstruction. The provision of sidewalks adjacent to the site is inadequate. The sidewalks and street may require modifications to comply with current City plans and accommodate the development. The Study Area abuts the River Greenway.

Transportation

The District has access to Eighth Street.

Public Safety

Fire—The City of Sioux Falls Fire and Rescue Department supplied information pertaining to life safety aspects within the study area. Twenty-five percent of the District does not meet fire safety standards.

Demographic Character of the Study Area

There exists no population in the Study Area.

Tax Generation from the Area

The District currently generates taxes.

Land Use and Planning

Comprehensive Plan

The Comprehensive Plan is consistent with the proposed use of the District.

Zoning

The majority of property within the district is zoned C-3 (Central Business District). The proposed project is a proper use within this zoning classification.

Abandoned railroad right-of-way within the district is unzoned. At such time the right-of-way may be acquired by the City or Developer, a petition to rezone the property to R/C (Recreation and Conservation) would be made. The lack of a zoning classification on this piece of land does not affect this project.

SECTION 7—FINDINGS WITHIN THE STUDY AREA—ANALYSIS

In accordance with state law, the following addresses specific characteristics of blight found within the Study Area with corresponding portions of 11-9-10 and 11-9-11:

Presence of a substantial number of substandard, slum, deteriorated, or deteriorating structures.

There exists the presence of a substantial number of substandard, deteriorated, and deteriorating structures which are conducive to ill health, transmission of disease, juvenile delinquency, crime, and which are detrimental to the public health, safety, morals, or welfare and substantially impairs or arrests the sound growth of city, constitutes an economic or social liability, and is a menace to the public health, safety, morals, or welfare in its present condition and use.

Unsanitary or unsafe conditions.

Some conditions within certain buildings of the Study Area achieve unsafe status due to life-safety and health issues.

The existence of conditions that endanger life or property by fire or other causes.

Some conditions within localized portions of the Study Area listed above achieve unsafe status due to life-safety issues.

SECTION 8—CONCLUSIONS

Based on the findings of this study, it is determined that the Study Area contains conditions defined as “blight.”