

PROCEEDINGS OF THE CITY COUNCIL
Rapid City, South Dakota
July 27, 2009

Pursuant to due call and notice thereof, a special meeting of the City Council of the City of Rapid City was held at the City/School Administration Center in Rapid City, South Dakota on Monday, July 27, 2009 at 5:30 P.M.

The following members were present: Mayor Alan Hanks and the following Alderpersons: Sam Kooiker, Karen Gundersen Olson, Ron Kroeger, Aaron Costello, Lloyd LaCroix, Malcom Chapman, Patti Martinson, Ron Weifenbach, Bill Waugh and Deb Hadcock; and the following Alderpersons arrived during the course of the meeting: None; and the following were absent: None.

Staff members present included Finance Officer Jim Preston, City Attorney Jason Green, Growth Management Director Marcia Elkins, Public Works Director Robert Ellis and Administrative Coordinator Amber Sitts.

Mayor Hanks indicated the St. Joe Investment Group LLC turned in their proposal first, so they will present first followed by The Presidential Plaza Partners, LLC. He also indicated each group would be allowed an hour followed by discussion and questions of both proposals.

Motion was made by Olson, second by Chapman, to adjourn the meeting by 8:15 P.M. Motion carried with NOs from Weifenbach and Hadcock.

Larry Canfield represented the St. Joe Investment Group LLC. He referred to their presentation for a list of their team members as well as their two consultants, and he also gave an overview of their project. Fred Thurston spoke about the design concept and indicated he has experience creating a structure in a historic district. He described their design pointing out several features of the building, including retail and office space, parking garage, residential units and banquet facility. Thurston said it will be a LEED building with a minimum of a Silver rating for a sustainable building. Canfield then discussed the Public Private financing aspects. He explained that, in order to make the New Market Tax Credit (NMTTC) work, the site would need to be transferred to the development team in terms of ownership. Seven years after the revenue starts, the NMTTC will run off, and the property would be deeded back to the City. Les Kinstad explained NMTTCs and how they can be applied to this project. He said the project will provide a 500 car parking ramp with 350 spaces controlled and operated by the City and 150 reserved for the use of building tenants. There would also be an option for construction of an additional 150 spaces. After a net loss of \$91,000 during the construction period, the net gain over 2.5 years would be \$66,000. Canfield also indicated that there is no risk to the City on NMTTCs, and he pointed out that the final default covenants will be worked out in a Developer Agreement. Vulcan went over comparing the costs of the City building a stand alone ramp versus the cost through this partnership and stated that the total savings to taxpayers would be \$6.2 million. Canfield explained that timing is important as allocations of NMTTCs are highly competitive and a loss of the NMTTCs would have a significant impact to the taxpayers. He also indicated that bank financing requires 65% occupancy for funding, and their anchor tenant has critical timing requirements.

Responding to Olson, Kinstad explained that Dakotas America is designated by the Treasury Department as a community development entity and legislation provides for them to receive the money. He is unsure if they are for profit or not for profit as either one can be a CDE. Canfield

said they would need to go back to the drawing board and look at the project in a different way if they do not get the tax credits. LaCroix pointed out that the letter from Dakotas America stated that there is no guarantee they will receive the tax credit. Norman Drake said they are trying to find a solution that creates the most impact and is something sustainable. He said the deal may change without the tax credits but said they are only asking to see if they can get the deal done with the City. Vulcan said they sized the project for the community as a \$40 to \$60 million project is at high risk of not being successful in Rapid City. He said their project is sustainable, and he said he does believe they can get the [final formation and adoption of the 6th and St. Joe public private partnership] done in 60 days. LaCroix reiterated his concern regarding with the group receiving the tax credit. Drake agreed that it is not guaranteed but said they believe they have the most compelling story. Vulcan said Dakotas America indicated that they have tremendous interest in their project but cannot move forward without the City approval. Responding to Weifenbach, Vulcan said they expect to see \$3.5 million of TIF revenue from this project over a seven year period, and they will use some of that revenue to pay back the initial capital outlay for the ramp. He also explained that the master lease would allow the City full use of the parking ramp and opportunity to collect revenue, and he clarified that the value of the land would be part of the initial equity in the project. Responding to Chapman, Vulcan clarified that each resident of the building gets one parking stall, and there will be 110 spaces left for other occupants of the building. He said if they want to build 650 parking spaces it might take more than seven years. Responding to Costello, Green indicated that we do not have an off street parking requirement in the central business district. Responding to Hadcock, Vulcan explained that they currently have 15 new market tax credits available. Elkins stated that the capital costs included in the TIF are \$23 million, and of that amount, \$11.4 million is for financing. Drake reiterated that the net effect is that the parking ramp will cost the City \$2.8 million in 2012 funds and \$1 million is proposed as the value of land. It was also indicated that there would be no bond requirement under this proposal.

The Chair recessed the meeting at 6:50 P.M. and reconvened at 7:00 P.M.

Rob Schlimgen represented Presidential Plaza Partners LLC. He pointed out that their design will fit in with the historic look of the downtown area and said the key to revitalizing downtown is people. He said their project will be designed using sustainable design concept, and it will leave a minimal environmental footprint. Their proposal includes 100 condominium units and will also include office, retail, conference, recreational space and parking. He said the building will provide enough parking for those to live and work there including two spaces for each residential tenant. The recreational area would be available to residents and commercial tenants and guests of the Alex Johnson Hotel could use the area through a lease. Schlimgen indicated that there is also 10,000 square feet that is not identified for a specific use yet. He reviewed the timeline indicating construction would be complete after 36 months, and he indicated they are also working with Dakotas America on NMTCs. He explained that they have not identified a need for improvements to public utilities, and the plaza is designed to follow the bid process with parking on open bid and above grade on design build. Schlimgen then reviewed their funding sources, indicating that the majority of funding will be through NMTCs, and he also described several benefits of their design to Rapid City. Jim Didier briefly spoke to acknowledge their project supporters.

Chapman confirmed that there is a net gain of 45 parking spaces for the City with this project. Schlimgen said that the City funds will be put to use for the citizens as the building will create tax revenues in the future, and he said the project will be for the betterment of Rapid City. He also explained that the NMTC does not require a feasibility study, and he indicated there may not be a need for one. LaCroix expressed concern that the project will only produce 45

additional parking spaces. Schlimgen said that not all residents will use 2 spaces so there may be additional parking stalls available. If the residents of the building are allowed only one space, the net gain to the City would be 145 parking spaces. He also pointed out that they will provide 480 stalls that will not encroach on the streets of Rapid City. He indicated that the TIF funds would be spent on construction throughout the project, and he indicated it takes approximately 30 to 60 days to go through the NMTC process. Schlimgen said he believes his project is feasible and said it is about housing downtown as revitalization depends on people being downtown. He confirmed there is a need for some type of feasibility study or smaller method to proceed with the project. He also explained that there will be no parking spaces in the sole ownership of the city; instead, they would identify 180 stalls for the City, but there is no opportunity for revenue to the City. Responding to Weifenbach, Schlimgen explained that they are eligible for \$30 million in tax credits with a \$40 million project. He also indicated that the equity will revert back to the developer and said their benefit for taking the risk in the project is the revenue from the stalls. Responding to Kooiker, Schlimgen said they have no need or desire to take complete advantage of the TIF. Elkins explained that there would need to be a new developer's agreement approved by the City Council before the TIF funds can be used. Kooiker referenced the cost of each parking space, and Schlimgen pointed out that they can add an additional level for 125 more stalls. He indicated it is all about financing and then briefly summarized their project.

Responding to Weifenbach, Drake explained how their project will use the TIF and NMTCs.

Mayor Hanks announced that it was 8:15 P.M. Motion was made by Hadcock, second by Chapman, to remove the time restrictions on the meeting. Motion carried with one NO from Olson.

LaCroix indicated that he is leaning toward accepting the St. Joe Investment Group's project. Responding to Costello, Drake said that bank will not move forward without a feasibility study, and he stated that they have already filed their application for the NMTCs. Costello and Kooiker also expressed their interest in the St. Joe Investment Group project. Responding to Kooiker, Vulcan explained that they need approximately \$3.5 million in TIF funds but cannot commit to an exact number at this point. Responding to Olson, Dean Kurtz explained the bid process they will use and used a project in Deadwood as an example. He indicated that all work can be publicly bid following state laws. Schlimgen explained that he will bid the public part of his project and build the private part as design build or partnership. Responding to Weifenbach, Green stated that the Council is selecting a group with which to focus negotiations to get to a point that the Council will approve. The proposals are not binding until they are written in a contract form.

Motion was made by LaCroix, second by Costello, to authorize the City Attorney to negotiate with the St. Joe Investment Group for public private partnership proposals and require that all negotiations are complete the January 31, 2010 or the Council will review the matter at that time. Chapman expressed that it is not in the best interests of the Council to do business in this way, so he suggested having a side-by-side comparison first. Kooiker agreed and said he would be ready to make a decision by next Monday.

Substitute motion was made by Kooiker, second by Waugh, to ask that a side-by-side comparison is drafted and brought to a Special Council meeting to be held August 3, 2009 at 6:00 P.M. Chapman suggested putting the item on the agenda during the regular Council meeting. Costello expressed that it is important to clarify what we are comparing and said we need to make this information public. Weifenbach pointed out that the RFP clearly states what

we are looking for, and Kooiker also clarified his intent is for City staff to do the comparison. Martinson pointed out that time is of the essence and said at some point we just need to take a minor leap of faith. Hadcock said she hopes this is not an unnecessary delay and said if we wanted a comparison then we should have done that before now. Weifenbach asked his colleagues to be prepared to make a decision on Monday. Chapman explained that the side-by-side comparison is a process on how a body should do business. He said he is prepared and mentioned that he asked in May that City staff look at proposals to bring forward a comparison. Costello pointed out that the presentation by Presidential Plaza Partners LLC was different than the paper copies, and Kooiker clarified that the comparison will require a combination and possibly phone calls for clarification.

Question was called by Waugh, second by Olson. Mayor Hanks confirmed there were no objections. Upon roll call vote, the following voted AYE: Weifenbach, Waugh, Kooiker and Olson; NO: Kroeger, Costello, LaCroix, Chapman, Martinson and Hadcock. Motion failed.

Substitute motion was made by Chapman, second by Costello, to ask that a side-by-side comparison is prepared by City staff based on the criteria listed in the RFP and to place the item on the City Council agenda for August 3, 2009.

Question was called by Costello, second by Hadcock. Mayor Hanks confirmed there were no objections. Upon roll call vote, the following voted AYE: Costello, Chapman, Martinson, Weifenbach, Waugh, Kooiker and Olson; NO: LaCroix, Hadcock and Kroeger. Motion carried.

As there was no further business to come before the Council at this time, the meeting was adjourned at 9:00 P.M.

ATTEST:

Finance Office

(SEAL)

CITY OF RAPID CITY

Mayor