

PROCEEDINGS OF THE CITY COUNCIL
Rapid City, South Dakota
May 6, 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 Wednesday, May 6, 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, Deb Hadcock, Lloyd LaCroix, Patti Martinson, and Ron Weifenbach; and the following Alderpersons arrived during the course of the meeting: None; and the following were absent: Bill Okrepkie and Malcom Chapman.

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.

The purpose of the meeting was to receive proposals for the St. Joseph Street parking ramp, and three different parties were present to discuss their proposal.

Bryan Vulcan, FourFront Design, said that their concept will produce a mixed use facility, which includes a parking structure, commercial office space, retail space and a banquet facility for 300 to 400 people. They have tenants and owners already lined up who have shown interest in their building, including a law firm, brokerage, banquet, marketing firm and medical. He said the City would own the parking which will happen through the partnership. This will provide a significantly larger number of parking stalls for the City at a very low cost. Vulcan went on to explain that the project will be developer led, and there will be a design bid process for the public portion. There would be an integrated project delivery process for the private aspects which will reduce cost, eliminate waste and improve efficiency. They will build a sustainable building and leverage the tax credits. Their plan will utilize New Markets Tax Credits (NMTC), Energy Efficiency Tax Credits, the TIF and cost segmentation. He discussed the NMTC's in more detail and said he learned this site qualifies. To move forward, they need City approval for a feasibility study. He presented their tentative project schedule and estimated completion during the 2nd or 3rd quarter in 2011. He explained that they did not put together a design because they would like input from the City. He outlined the advantages for their plan and reviewed their commitments for this project.

Hadcock asked if the federal tax credits have to follow state or federal laws. Green said that is a federal tax question that he is not able to answer, but he confirmed that only the portion funded with the TIF must be bid. Responding to Kooiker, Vulcan explained sustainable design and said LEED is a rating system that is in place to measure how green you are. LaCroix pointed out that the schedule presented by Vulcan indicated they want approval by May 15, 2009. Vulcan explained that they do not require the approval by the 15th, but it would be optimum. He stated that if the debate goes on too long they will lose the ability for the NMTC's. Kooiker asked if any analysis already done is transferable, and Vulcan said they will use anything they can. He also confirmed that it was only until recently that they felt they had a viable project. At that time, they asked for the Mayor's advice, and he suggested they come speak to the Council. Kooiker explained that he wanted to make sure the same amount of preparation time was allowed to other firms. Vulcan said the feasibility study is required to move forward, and they do not want to spend money on it unless they have full participation from the City. Hadcock said she would also be interested in seeing their business plan. Responding to Weifenbach, Vulcan estimated

about 65% of the project (not including the ramp) would be owner occupied, and he confirmed that the interested businesses are current Rapid City firms.

The Chair recessed the proceedings at 6:24 P.M. and reconvened at 6:32 P.M. with all members present.

Hani Shafai, Dream Design International, discussed the RFP from 2006 and outlined their four goals for the revitalization project: attract new residential land uses, attract commercial activities downtown, provide additional downtown off-street parking and increase the activity in the commercial core with emphasis on the street level. He explained their proposed building and pointed out that it would be a multi-use facility. He outlined previous milestone dates from 2006, including the initial presentation, TIF application and approval and the design contract, and he listed their accomplishments to date such as the environmental assessment, preliminary design and historic preservation approval. The building would include parking, residential, commercial and office space, and he said all of the retail and office space was committed to local companies. He stated that the estimated project total was \$48,000,000 of which the developer investment would be \$35,258,000. Shafai said they have spent over \$300,000 on the project so far to include design layout, historical site assessment, environmental assessment and preliminary survey. He discussed the estimated proceeds of TIF 62. He explained that they met with City officials after approval and proceeded in good faith with the design. He said the agreements were not drafted in a timely manner, so the process broke down. If they are awarded the project again, he said the number of stories might change, but they would like to work with the City on this project. If the City chooses another firm, they would like to be compensated for some of the information that can be utilized by others.

At 6:55 P.M., Alderman Martinson left the meeting.

Responding to Kooiker, Shafai indicated that this is a Rapid City project, and he will turn over every document already created if they are not selected for the project. However, he stated that they want compensation for the Environmental Assessment, creation of the TIF, and Historical Preservation Study. He estimated these items are approximately \$100,000 to \$180,000. Green said it is a requirement to competitively bid projects funded through a TIF, and it is also the opinion of the SD Department of Legislative Audit that design build is not appropriate. He said they previously discussed other options with Shafai, but he was not interested. FourFront's project would be bid as required. Shafai explained that they came to the City in August 2008 to ask staff to prepare agreements. He said that is when they found the agreements were not workable with both parties, and Mayor Hanks confirmed that issues came up with the requirement to bid. Responding to Kroeger, Green said they can do design build but not with a TIF. He also indicated that it would be legally possible to bid the parking jointly with design build on the rest, but it would be difficult due to the layout of the building. He went on to explain that the project fell apart when the requirement to comply with bidding procedures could not be compromised. Shafai proposed that the parking lot and areas on the same level are design build by the City, and once that is done, they can start the rest of the project, which can be negotiated with the same designer or with a different firm. Green said the City can do design build for its own project but not for private parking. This proposal would not comply with state statute. Hadcock pointed out that it sounds like Shafai's proposal is not going to work. Shafai said he is here to make sure they are formally stating the revitalization goals as he does business downtown and wants to make sure the City is aware that his group is still interested in doing the project. Mayor Hanks suggested asking Shafai to submit a document for review by our City Attorney to show that he can complete the project and follow state law. Olson stated that the issues being discussed are legal and not relevant to the presentations at this point.

Mayor Hanks explained that about one month ago he was approached by Mr. Vulcan and representatives from Legacy Land, and they stated their interest in this project. He said Mr. Shafai was also aware that another group was interested in the project. He clarified that if the City proceeds with a public/private project it will have full transparency as he does not want any misimpression that one group had been in contact with him or any other staff for a number of months.

The Chair recessed the proceedings at 7:14 P.M. and reconvened at 7:30 P.M. with all members present.

Rob Schlimgen, Schlimgen Design Consultants, stated that they presented their proposal two years ago but said that they are not ready to present tonight. He briefly explained that their project incorporates retail, offices, living space and public and private parking, and they believe this building can do everything for Rapid City that it needs. They did not have a funding source two years ago but invested \$50,000 in their proposal. Schlimgen said they did not think using their previous project was appropriate since several things would be different than it was two years ago. He concluded that there needs to be people living downtown to bring light to the area and this project does that. He requested that the Council get a chance to hear about their project if they desire.

Steve Malone, Malone Engineering, said once the project was awarded two years ago they put away their information. With the short notice, their group has not had a chance to meet regarding their strategy as the project may change based on the economy, so they want the opportunity to get together again to show the Council what they can do. He also asked about the project criteria as the notice only mentioned the parking ramp.

Jim Didier, business finance consultant, said they want to do this project in the right way and respectfully requested additional time.

Mayor Hanks clarified that the Council will take as much time as appropriate to look at all proposals.

Olson urged the Council to listen to additional presentations and said everyone in the community will understand they are considering a serious proposal. She said retail space was not a requirement of the project, but they were looking for the best possible solution to benefit the City. She suggested setting another meeting for 30 days. Schlimgen said they need more than 30 days to line up financiers, and Mayor Hanks asked if they can line up investors prior to a commitment from the City. He said they would probably need a commitment, but he might be able to find investors without it given the current economy. He added that it will be difficult to get investors before they have land for their project. Schlimgen indicated that 60 days would be a reasonable time period, and Kooiker stated his support for another meeting at that time. Hadcock reiterated some of the criteria for the site and said it is up to each company where they go with it. She pointed out that the City is committed to \$2.8 million and a TIF, and she said in 30 days they should be able to have a conceptual or business plan. LaCroix stated that the process should not be held up, and he thinks they can move forward without a commitment from the City. He also agrees that more time is needed to give everyone a chance. Responding to Weifenbach, Vulcan clarified that they are not asking the City to contribute funds for their study and explained that they cannot start with a design and force the model to fit. He said there also needs to be meaningful dialogue about what the stakeholders want, so they are proposing to

come up with the business model and shared values for the facility. He said if they continue to wait they will miss opportunities.

Hadcock pointed out that others should have starting working on their projects when they learned that the project was dropped by Dream Design last fall. Kooiker said it needs to be made clear that the notice for this meeting was sent one week ago and said that is not fair to expect a presentation to be prepared in a couple of days. He said another 60 days is appropriate.

Mayor Hanks explained that he was approached by Legacy Land about one month ago, and he advised them that their proposal needs to go in front of the Council to allow others to present at the same time. He does not feel that anyone had an advantage, and it was public that TIF 62 was still out there. As we move forward, everyone will have equal opportunity in a transparent way. He said a few questions need to be answered in the formal presentations. What is the concept? How many stalls will the City get for City use at what cost? Funding sources should also be identified. How will the TIF be used?

Motion was made by Kooiker, second by Costello, and carried to adjourn.

As there was no further business to come before the Council at this time, the meeting was adjourned at 8:08 P.M.

ATTEST:

CITY OF RAPID CITY

Finance Office

Mayor

(SEAL)