Davison County

TAX INCREMENT FINANCE DISTRICT #4

Submitted to:

DAVISON COUNTY

Submitted by: High Plains Processing, LLC April 2023

Prepared by Tobin Morris
Colliers Securities LLC
124 W. Dakota Avenue | Pierre, SD 57501
tobin.morris@colliers.com

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INTRODUCTION - THE PROJECT

Tax Increment Financing (TIF) is an incentive utilized by local governments to attract private development and investment. New investment equals new jobs, more customers, and in turn, more investment opportunity. The incentive can also help attract and retain existing businesses and workers that might otherwise find more attractive options elsewhere. The jobs and additional investment, both private and public, mean more money for the community. Tax Increment Financing helps to overcome costs that often prevent redevelopment and private investment from occurring in the community. As a result, the TIF area itself improves and property values increase.

Specifically, money for improvements and other incentives comes from the growth in property valuations and the corresponding property tax revenues — the tax increment. A tax increment is the difference between the amount of property valuation present within the TIF district before TIF district designation and the amount of property valuation increase due to the creation of a TIF district. Property taxes collected on the original valuation existing in the TIF at the time of its designation continue to be distributed to the County, school district, and all other taxing districts in the same manner as if the TIF district did not exist. Only property taxes collected as a result of the incremental increase in the value of these properties after formation of the TIF district are available for use by the counties or cities to fund projects costs in the TIF district.

In addition to increasing property valuation, creating a Tax Increment District for the benefit of economic development can mean retaining and creating more jobs. Today's business climate allows corporations the flexibility to call any state in the union their home. It is up to local communities to attract and retain companies to their communities. Using Tax Increment Financing is one of the most powerful economic development tools to help communities achieve their goals.

A local government, per South Dakota Codified Law, Chapter 11-9, can designate a specific area within its boundaries as a redevelopment area appropriate for a TIF district and prepare a plan for development. TIF projects must be recommended for approval by the County or City Planning Commission and the County or City Commission/Council.

Davison County wishes to build a diverse, and resilient economy that allows for upward economic mobility for the community, broadens and promotes economic well-being and quality of life for its residents. Through business attraction, retention and expansion, job creation, infrastructure development, and workforce development.

The primary objective of TIF #4 is to assist with the project costs of the proposed High Plains Processing- processing plant. The proposed site is located 2 miles south of I-90 just off Highway 37 in Davison County. The site is conveniently located adjacent to the BNSF Railway Mainline and within close proximity of power, natural gas, and water access.

PURPOSE & GENERAL DEFINITIONS

The property upon which this Tax Incremental District (TID) is proposed to be implemented is located within Davison County, South Dakota.

As such, the creation of Davison County TIF #4 shall be conditioned upon the creation of the District by resolution, and the establishment of the TID boundaries and approval of the TID Project plan by the Davison County Planning and Zoning Commission.

The purpose of this Plan, to be implemented by Davison County, South Dakota is to satisfy the requirements for a Tax Increment District Number 4 as specified in SDCL Chapter 11-9. The principal purpose of the Plan is to define eligible property and to define a Tax Increment Plan for funding eligible activities in an eligible area of the County. The Plan will describe the boundary, estimated costs, feasibility and fiscal impact of the District.

This Plan was prepared for adoption by the County Commissioners in recognition that the area requires a coordinated, cooperative strategy, with financing possibilities, to promote economic development and accomplish the County's development objectives for improving the continued viability by promoting economic development within the County.

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, and to promote economic development throughout the District.

The intention of this TIF Project is to expand infrastructure improvements for the High Plains Processing- processing plant in Davison County. Construction of the project is scheduled to begin in the fall of 2023. In addition, this TIF Project will be instrumental in offsetting costs for the extension of existing infrastructure as well as the addition of turning lanes to assist with traffic on and off the site. The various infrastructure and site improvements of the project are necessary to complete the proposed project within the TID.

High Plains Processing is a leading producer of soybean oil used in the food, feed, industrial, and renewable fuels. High Plains Processing has the ability to supply product via rail tanker, truck tanker, tote quantities, drums, and offers crude, refined and bleached as well as deodorized oil. High Plains Processing produces Expeller Pressed Non-GMO and Organic Soymeal. These Identity preserved methods are backed by the Non-GMO Project Verification and USDA Organic certifications.

High Plains Processing has proposed a plan to construct a multi-seed processing plant. The processing plant will have the capacity to process 35 million bushels of soybeans from farmers in the area. The proposed project site is located just off Highway 37 and only two miles south of I-90 and adjacent to BNSF Railway Mainline all within Davison County, South Dakota.

The Project will have significant local impact in Davison County. Local impact will include utilization of local providers, state sales and contractors excise tax revenue, assistance in creating more demand for locally produced grains that will positively impact the local Farmer's basis.





St. Lawrence, SD



General Definitions

The following terms found in this Plan are defined as the following:

"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 or Economic Development" SDCL § 11-9-8.

- (1) Not less than twenty-five percent, by area, of the real property within the district is a blighted area or not less than fifty percent, by area, of the real property within the district will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and
- (2) The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district

"County Commission" means the County Commission, Davison County, South Dakota.

"Calendar Year" means the starting date of January 1 to an ending date of December 31st.

"Department of Revenue" means the South Dakota Department of Revenue.

"Developer" High Plains Processing, LLC

"Developer's Agreement" means the agreement between Developer and Davison County concerning this Tax Incremental District.

"District" means the Tax Incremental District.

 $\emph{"Economic Development"}$ means all powers expressly granted and reasonably inferred pursuant to SDCL § 9-54.

"Fiscal year" means that fiscal year for Davison County.

"Generally Applicable Taxes" Taxes attributable to the improvements to be constructed in the TID.

"Governing body" means Davison County, South Dakota

"**Grant**" means the transfer for a governmental purpose of money or property to a transferee that is not a related party to or an agent of the County.

"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.

"Planning Commission" means the Davison County Planning Commission.

"Plan" means this Project Plan.

"Project Costs" means any expenditure or monetary obligations by Davison County, 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 Davison County in connection with the implementation of this Plan.

"Project Plan" means a 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 County and Project Costs.

"Taxable Property" means all real taxable property located in a Tax Incremental District.

"Tax Incremental District" means a contiguous geographic area within a County defined and created by resolution of the governing body and named Davison County Tax Incremental District #4.

"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.

CREATION OF DAVISON COUNTY TAX INCREMENT DISTRICT #4

Representatives of the Developer have approached officials of Davison County regarding the possibility of creating a Tax Incremental Financing District ("TID") to assist in the Project Costs within the Plan on land located within Davison County.

The primary objective of TIF #4 is to fund the construction of a turning lane, water and sewer lines, and site work by using the Tax Increment from the proposed High Plains Processing project in Davison County to grow the regional economy.

Property Within Tax Increment #4

The real property to be located within the Tax Increment District is within Davison County described as follows:

- NW1/4 EX LOT A OF JOHNSON'S SUB & EX H1 H2 RY
- SW1/4 EX RY & H2 AND EX SW1/4 OF SW1/4 OF SW1/4 OF SEC 11 LYING WEST OF RR R-O-W & LYING E OF H-2

All Located in Davison County, South Dakota including within and adjacent rights-of-ways.

TAXABLE VALUE OF DAVISON COUNTY

State law requires that tax increment districts cannot exceed ten percent of the taxable value of a municipality. The 2023 taxable value for Davison County is \$1,746,793,037. The base value of the taxable property for inclusion into this Tax Incremental District #4, as estimated but not yet verified by Davison County Director of Equalization, is \$571,413.

11-9-7. Maximum percentage of taxable property in municipality permitted in districts. In order to implement the provisions of this chapter, the resolution required by § 11-9-5 shall contain a finding that the aggregate assessed value of the taxable property in the district plus the **tax incremental base of all other existing districts does not exceed ten percent** of the total assessed value of taxable property in the municipality.

Davison County					
Tax Increment District		Base Value			
1	\$	-			
2	\$	749,540			
3	\$	75,730			
4	\$	571,413			
Total	\$	1,396,683			

Davison County Taxable Value	\$ 1,746,793,037
All TIF Base Value must be less than 10%	\$ 174,679,303

The total value of all active TIF Districts in Davison County is less than ten (10) percent of total taxable value in the County. Using the estimates provided for TID #4, the value of all existing Tax Increment Districts combined is less than 1% of the total 2023 Taxable Valuation.

KIND, NUMBER, LOCATION, AND DETAILED COSTS OF PROPOSED PUBLIC WORKS AND IMPROVEMENTS – SDCL § 11-9-13(1)

In order to implement the provisions of SDCL Chapter 11-9, the following are Project Costs and expenditures made or estimated to be made and the monetary obligations incurred or estimated to be incurred. The Project Costs include capital costs, financing costs, real property assembly costs, professional fee costs, imputed administration costs, relocation costs, organizational costs, discretionary costs and grants, plus any costs incidental thereto.

All Project Costs are found to be necessary and convenient to the creation of the Tax Incremental District and its implementation. The project constitutes economic development which is a proper public purpose of the County. The County exercises the powers expressly stated in and reasonably inferred by SDCL §11-9-15 and Chapter 9-54. The County shall enter into all contracts in accordance with South Dakota Law.

Costs of Public Works and Improvements

In accordance with SDCL § 11-9-14 the following is the kind, number, location and dollar amount of estimated Project Costs, costs of public works and improvements. An itemized listing of the estimated costs is set forth in Schedule 1.

The following are estimated costs of the Project:

Kind of Project	Location ¹	Amount	Reference ²
Capital Costs (Street, Water & Sewer) (cleaning & grading of land & associated costs) ²	District		11-9-15(1)
Financing Costs	District		11-9-15(2)
Real Property Assembly	District		11-9-15(3)
Professional Fees	District		11-9-15(4)
Administrative Costs	District		11-9-15(5)
Relocation Costs	District		11-9-15(6)
Organizational Costs	District		11-9-15(7)
Discretionary Costs and Grants	District	\$21,221,000	11-9-15(8)
Eligible Project C	osts	\$21,221,000	

The above are estimates of the costs involved in the project; the final total may be greater or smaller. Because the cost estimates are only projected expenditures, the total authorized TID costs is expected to be \$21,221,000. This amount is the controlling value with respect to authorized TID Project Costs rather than the particular line item amounts contained in the above Chart and Schedule 1. The line item categories proposed are for guidance only, and actual

costs will be determined upon completion of the improvements. The above total represents eligible Project Costs. Only such amounts as are feasible will be allowed by the County or by monetary obligation.

1District shall mean the Tax Increment District.

2SDCL §11-9-15 (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 bonds 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 bonds 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 and a reserve for the payment of principal of and interest on such obligations in an amount determined by the governing body to be reasonably required for the marketability of such obligations;

- (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 and grants 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.

Conditions of the Developer Agreement relating to Constitutional Debt

It is specifically a condition of the proposed Developer's Agreement that the County's obligation to pay is limited to the proceeds of the positive tax increment from the TID receipted into the TIF Fund. The obligation of the County to pay pursuant to the proposed Agreement does not constitute a general indebtedness of the County or a charge against the County's general taxing power. The provisions of SDCL 11-9-36 are specifically incorporated within the Agreement by reference. It is also to be specifically agreed that the County has made no representation that the proceeds from such Fund shall be sufficient to retire any indebtedness incurred by Developer. The parties further acknowledge that SDCL 11-9-25 limits the duration of allocation of the positive tax increment payments and the fund created by the TID.

Additionally, the County's obligations to make the payments set forth in the proposed Agreement shall be lawfully made from funds to be budgeted and appropriated on an ANNUAL BASIS for that purpose during the County's then current fiscal year, thus not counting towards Constitutional Debt. If at any time during the term of this Agreement, the governing body of the County shall fail or refuse to approve or authorize the funds due hereunder, then the Agreement shall terminate upon the end of the fiscal year for which funds were approved or authorized, without penalty to the County. The County's obligation hereunder shall not in any way be construed to be a debt of the County in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the County, nor shall anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of the County. Notwithstanding anything to the contrary contained in the proposed Agreement, the County hereby acknowledges and agrees that the obligations of the County under this Agreement are a material inducement for Developer to incur various development and construct improvements upon the TID property and the failure to pay tax increment to Developer will be financially detrimental to future improvements on said property.

It is further understood that the amount of \$21,221,000 will be the maximum amount the County will ever pass on acting as a conduit for TIF #4. This amount will include any and all interest associated with the debt and the controlling value of the TIF will never pay more than \$21,221,000. All TIF revenue will be passed onto the Developer until the full amount has been paid or 20 years from the year of creation, whichever happens first.

The payment of tax increment funds under this Agreement is a grant under Chapter 11-9 of the South Dakota Codified Laws (the "Grant"). The Grant is a personal property right vested with the Developer on the effective date of this Agreement. The County will grant this amount to the Developer and thus not have to account for any assets on the County's financial statement. The Developer will be responsible for obtaining their financing and the County will not be liable for any Developer debt.

Upon completion of the construction of the infrastructure improvements, the Developer shall certify to the County's Auditor the costs of construction, including capital costs, Professional Fees, and contingency costs. The Developer shall provide contractor/supplier invoices or other supporting documentation upon request of the Auditor. Upon certification and verification of costs, the County shall pay all available tax increment fund revenues not to exceed \$21,221,000.

Expenditures Exceeding Estimated Cost

Any expenditures, which in sum would exceed the total amount of the TID amount of \$21,221,000 will require an amendment of this Plan. All amendments would be undertaken pursuant to SDCL §11-9-23.

When the expenditures within the Plan are increased in excess of more than 35 percent of the total above, the Department of Revenue will be required to reset the base, in accordance with SDCL §11-9-23.

If the Project Costs are not provided for in the original plan, the governing body would be required to amend the plan which requires the South Dakota Department of Revenue to redetermine the tax increment base when additional Project Costs are added to a plan. SDCL §11-9-23.

Detailed List of Estimated Project Costs

Attached as Schedule 1 is a detailed list of estimated Project Costs for the project as per SDCL § 11-9-13(3). No expenditure for Project Costs is provided for more than five years after the District is created.

FEASIBILITY STUDY, ECONOMIC DEVELOPMENT STUDY, AND FISCAL IMPACT STATEMENT

Feasibility Study

An economic feasibility study per SDCL \S 11-9-13(2) is attached as Schedule 2.

Economic Development Study

Attached is Schedule 3 an Economic Development Study showing the impact of the Tax Increment District, until and after the bonds are repaid, upon all entities levying property taxes in the district. Required as per SDCL § 11-9-13(4).

Fiscal Impact Statement

Attached is Schedule 4 a Fiscal Impact Statement showing the impact of the Tax Increment District, until and after the bonds are repaid, upon all entities levying property taxes in the district. Required as per SDCL § 11-9-13(4).

METHOD OF FINANCING, TIMING OF COSTS AND MONETARY OBLIGATIONS

The payment of Project Costs is anticipated to be made by the County to Developer from the special fund of the Tax Incremental District. SDCL § 11-9-13(5). Pursuant to the Developer's Agreement, the County will pay to the Developer all available tax increment funds it receives from the District.

Maximum Amount of Tax Increment Revenue

The maximum amount of tax increment revenue bonds or monetary obligations to be paid through Tax Increment District #4 shall be the amount sufficient to reimburse the Developer for the payments made for Project Costs and pay all tax increment bonds or monetary obligations in an amount not to exceed \$21,221,000 principal and interest or such lesser amount as may be feasible with the estimated revenue generated by the Tax Increment District. The final terms and conditions will be set forth in the Developer's Agreement.

Duration of Tax Increment Plan

The duration of the Plan will extend to the number of years it will take for the reimbursement of the Developer, the extinguishment of bonds and the monetary obligation except that the Plan duration **shall not exceed 20 calendar years** of revenue from the year 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 value of the base. All taxing districts shall receive the taxes from that base which will be the value set for the 2022 assessment year for taxes payable in 2023. The tax increment will be available to the taxing jurisdictions after dissolution, which is at or before twenty years after the creation of the District. Schedule 5 details the tax capture implications to each of the local taxing jurisdictions. After the repayment of all bonds and monetary obligations, taxing entities will receive their proportionate share of tax dollars for the base value and the tax incremental values.

GENERAL FUND

Mechanisms are built within State Codified Law to ensure that school districts are held harmless by TIF districts for their General Fund. For these purposes, law (SDCL 13-13-10.2) defines four classifications of TIFs:

- Economic Development Any area where there is or will be one or more businesses
 engaged in any activity defined as commercial or industrial by the governing body that
 has zoning authority over the land contained within the tax incremental district
- Industrial Any factory or any business engaged primarily in the manufacturing or assembly of goods, the processing of raw materials, and the wholesale distribution of products for resale
- Affordable Housing Includes an area where: 1. The original selling price of any house in
 the district will be at or below the first-time homebuyer purchase price limit being used
 by the South Dakota Housing Development Authority as of the date the house is sold; OR
 2. The monthly rental rate of all multifamily housing units in the district will be at or below
 the calculated rent for the state's eighty percent area median income as of the date the
 district is created, for a minimum of five years following the date of first occupancy.
- Local Any tax incremental districts that do not fall under Economic Development or Industrial

Public school districts are generally funded through the State Aid to Education formula. The two primary channels of the formula are State Aid and Local Effort. Multiple agencies of the State of South Dakota calculate the amount of General Fund monies to be distributed to school districts each year through the State portion. Local effort is considered the amount of revenue that is generated by local property taxes at maximum levies.

If a TIF is classified as Economic Development, Industrial, or Affordable Housing, the school funding that would be generated by the increment valuation is considered lost local effort and is paid through the State Aid side of the formula. If a TIF is classified as Local, the affected school district funding must be recouped through local effort in the form of an additional levy added to the General and Special Education Funds. In either scenario, the school district receives the financial need associated with the increment valuation.

Davison County TIF #4 has already received the preliminary classification from the Department of Revenue. The TIF is considered Industrial; therefore, any lost local effort of the General Fund will be covered through the State Aid to Education Formula.

CAPITAL OUTLAY FUND

The impact of a TIF to the Capital Outlay Fund is minimal. Starting on July 1, 2020, a school district is limited to the amount of capital outlay dollars they can receive by either:

- A. the previous year's maximum allowable can be increased by a growth factor plus 3% Or
 - B. a per student amount.

The primary impact would be to the first scenario; a TIF would delay annual growth until the TIF is completed. However, once the TIF is dissolved, all increment value would be considered new growth for the school district.

If a school district falls under a per student limitation, they will see no impact to their funding due to the TIF.

SPECIAL EDUCATION FUND

The Special Ed Fund has the potential to see the greatest negative impact from the creation of a TIF district.

If the school district requests their special education monies in the form of a levy, then the exclusion of the TIF increment in the tax base would mean the school district is not receiving as much as it could.

If the school district submits their request in a dollar amount, then the fund would see no impact from a TIF district.

BOND REDEMPTION FUND

The school district is always able to ask for the needed money for the principal and interest of their bond repayment. The only impact a TIF would have on this fund is by holding back the increment value, lowering tax base for the spreading of the tax burden and creating a slightly higher levy for the local taxpayers.

MAPS

The Conditions map, SDCL § 11-9-16(1), is included as Attachment 2.

The Improvements map, SDCL § 11-9-16(2), is included as Attachment 3.

The Zoning Change Map, SDCL § 11-9-16(3), is included as Attachment 4.

SUPPLEMENTARY FINDINGS

CHANGES TO COUNTY COMPREHENSIVE/MASTER PLAN MAP, BUILDING CODES & COUNTY ORDINANCES PER SDCL §11-9-16 (4)

No changes to County ordinances nor the County Comprehensive Plan are required.

LIST OF ESTIMATED NON-ELIGIBLE PROJECT COSTS

The following is a list of the non-Project Costs per SDCL § 11-9-16(5). All costs are listed as taxable value; actual non-project costs will exceed the following amounts.

The amount of \$21,221,000 is being requested out of the total project costs of \$503,971,758.

	TIF Eligib	e	7	Total Project
	Project Co	sts		Costs
Total Project Costs			\$	503,971,758
Total TIF Eligible Project Costs	\$ 79,656,	000		
TIF Amount Requested	\$ 21,221,	000		
Total Non-Eligible Costs			\$	424,315,758

STATEMENT OF DISPLACEMENT AND RELOCATION PLAN

No residents or families will be displaced by the Project. SDCL § 11-9-16(6)

PERFORMANCE BOND, SURETY BOND OR OTHER GUARANTY

As security for its fulfillment of the agreement with the governing body, a Performance Bond may be required. This additional security may be provided for in a Developer's Agreement.

LIST OF SCHEDULES

SCHEDULE 1 - Estimated Project Cost

SCHEDULE 2 - Economic Feasibility Study & Estimated Captured Taxable Values

SCHEDULE 3 - Economic Development Study

SCHEDULE 4 - Fiscal Impact Statement

SCHEDULE 1 DETAIL OF PROJECT COSTS

Estimates TID Eligible of Project Costs Requested

Davison County has determined that this will be an Industrial Tax Increment District, thus the eligible cost will be in the form of an infrastructure grant that will not exceed \$21,221,000. This is a permitted use under SDCL 11-9-15.

- 11-9-15. Specific items included in project costs. Project costs include:
- (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, permanent fixtures; the acquisition of equipment; the clearing & grading of land; & the amount of interest payable on tax incremental bonds 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 & interest on the tax incremental bonds 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 and a reserve for the payment of principal of and interest on such obligations in an amount determined by the governing body to be reasonably required for the marketability of such obligations;
- (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 and grants made, at the discretion of the governing body, which are found to be necessary or convenient to the creation of tax incremental districts, the implementation of project plans, or to stimulate and develop the general economic welfare and prosperity of the state.

The following are estimated total project costs for the project as provided by the Project Engineers.

TECHNICAL MEMO



Date: 02.10.2023

Project: HPP Greenfield Plant FEL3

KFI Project Number: 22-0036.01

Submitted by: Thomas Paitrick, P.E.

Subject: Project Cost Estimate – TIF (rev 1)

Mitchell, SD

PROJECT BACKGROUND

High Plains Processing, LLC (HPP) is planning a Greenfield facility for the extraction and refining of sunflower and soybean feedstocks. KFI Engineers (KFI) is the lead engineering firm that HPP has selected to assist with the development of the project. As part of project development, KFI has produced a comprehensive project budget with the assistance of partner firms, budgetary contractor pricing, and supplemented from KFI's internal cost database. HPP has requested that KFI prepare a summary of the estimate with cost components that may be eligible for a TIF with the state of South Dakota.

Project Budget

	on		
	Site Work and Underground Utilities	\$	21,221,000
	Rail	\$	12,447,000
	Piling	\$	8,906,000
	Concrete and Masonry	\$	15,135,000
	Structural Steel	\$	27,872,000
	Exterior Enclosures	\$	8,969,000
	Interior Construction	\$	6,482,000
	Equipment	\$	82,418,000
	Grains	\$	51,902,000
	Mechanical Contractors	\$	51,250,000
	Electrical/Controls Construction	\$	49,702,000
	Specialty Contractors	\$	12,215,000
	General Conditions	\$	18,901,000
Cubtotal D	aw Construction Costs	Ś	367,420,000
Subtotal R	aw Construction Costs	*	367,420,000
Subtotal K	Project Contingency	s	36,800,000
	1		
Subtotal C	Project Contingency	\$	36,800,000
Subtotal C	Project Contingency onstruction Costs	\$	36,800,000
Subtotal C	Project Contingency onstruction Costs g & Construction Fees	\$	36,800,000 404,220,000 18,700,000
Subtotal C Engineerin	Project Contingency construction Costs g & Construction Fees Engineering	\$ \$ \$ \$	36,800,000 404,220,000 18,700,000 4,000,000
Subtotal C Engineerin	Project Contingency construction Costs g & Construction Fees Engineering Construction Management	\$ \$ \$ \$ \$	36,800,000 404,220,000 18,700,000 4,000,000
Subtotal C Engineerin Escalation Excise Tax	Project Contingency construction Costs g & Construction Fees Engineering Construction Management	\$ \$ \$ \$ \$	36,800,000 404,220,000 18,700,000 4,000,000 14,000,000 9,556,037
Subtotal C Engineerin Escalation Excise Tax	Project Contingency construction Costs g & Construction Fees Engineering Construction Management	\$ \$ \$ \$ \$	36,800,000 404,220,000 18,700,000 4,000,000
Subtotal C Engineerin Escalation Excise Tax Sales and	Project Contingency construction Costs g & Construction Fees Engineering Construction Management	\$ \$ \$ \$ \$	36,800,000 404,220,000 18,700,000 4,000,000 14,000,000 9,556,037
Subtotal C Engineerin Escalation Excise Tax Sales and	Project Contingency onstruction Costs g & Construction Fees Engineering Construction Management Use Tax	\$ \$ \$ \$ \$ \$	36,800,000 404,220,000 18,700,000 4,000,000 14,000,000 9,556,037 8,161,721
Subtotal C Engineerin Escalation Excise Tax Sales and	Project Contingency onstruction Costs g & Construction Fees Engineering Construction Management Use Tax Project Cost	\$ \$ \$ \$ \$ \$	36,800,000 404,220,000 18,700,000 4,000,000 14,000,000 9,556,037 8,161,721

The following are the estimated total TIF eligible project costs associated with the project.



Project Cost Estimate - TIF High Plains Partners Page 2 of 2

TIF Eligible Costs

Within the total project budget of approximately \$504 million there are a number of potential project costs that are eligible for the TIF program.

These are Itemized in the below table. The site work, underground utilities, rail, piling, and medium voltage electrical distribution have been estimated using the current engineering documents and contractor vetted unit rates. General conditions have been calculated based on the project cost and proportioned accordingly for the TIF eligible items. Contingency of 10% of project cost is currently being carried to allow for changes in project scope and escalation due to the project timeline. The Owner's cost category consists of allowances to address outside of the plant fence infrastructure upgrades and includes project capitalized interest based upon the current project financing plan.

Category	Subcategory	Total Cost
Site Work and Underground		\$21,221,000
Utilities		
	Grading and Earthwork (Plant)	\$8,284,000
	Grading and Earthwork (Rail)	\$3,554,000
	Roadways (in-plant)	\$6,891,000
	Underground Utilities (Water/Sewer/Gas)	\$2,492,000
Rail		\$12,447,000
Piling		\$8,906,000
MV Electrical Distribution		\$4,353,000
General Conditions (TIF Alloca	tion based on % project cost)	\$2,552,000
Subtotal, Raw Construction Co	osts (TIF)	\$49,479,000
Project Contingency (% of cons	struction costs allocated to TIF Items)	\$4,948,000
Engineering Costs (proportion	allocated to TIF items)	\$2,388,000
Owners Costs		\$22,841,000
	Road Improvement	\$1,000,000
	Natural Gas Interconnect	\$250,000
	Potable Water Connection	\$150,000
	Electrical Interconnect and Substation	\$3,100,000
	Waste Water Force Main to WWTP	\$1,241,000
	Capitalized Interest Expenses	\$17,100,000
Total Project Costs (TIF)		\$79,656,000

Of the \$79,656,000 in TIF eligible project costs, the developer is only requesting \$21,221,000 of the total TIF eligible project costs.

SCHEDULE 2

ECONOMIC FEASIBILITY STUDY & TAXABLE VALUE

The County has been asked to create a Tax Increment District to help offset the expansion associated with this project. This feasibility study provides that the Project Costs can be financed through tax increment financing under 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.

In tax increment financing, 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 financing 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 committed by the County to the reimbursement of approved project costs.

Tax increment financing is permitted only in connection with a "Project Plan" duly adopted by the County. The property is currently estimated to have a taxable value of \$571,413. The improvements to be made to the property are estimated to add to the assessed valuation. The estimated increment resulting from the improvements would be approximately \$90,000,000 in new value once fully developed. Since only positive tax increment will be applied, the proposed project is feasible.

All of the project costs are found to be necessary and convenient to the creation of the Tax Incremental District and the implementation of the project.

The County's role is to simply act as a conduit for the revenue and pass on all positive increment to the Developer for their expenses, of which, will never exceed \$21,221,000 in total payments, or 20 years, whichever comes first.

It is assumed that all obligations incurred would be adequately secured as to allow the payment of principal and interest when due, whether by means of a taxable bond or loan. The actual repayment schedule may change, but all principal and interest shall be paid within the life of the TID. Utilizing the information regarding expected increment valuation and tax generation, it is possible to estimate an expected revenue stream that can be utilized to retire debt that will be created as a result of implementing the Project Plan.

TID Tax Revenue Estimates Available

The calculations of the estimated tax increment valuation and tax generated for the TID can be found in the following tables. For purposes of this Project Plan, it is anticipated no increment generated by County TID #4 will be available until the earliest of calendar year 2025. Being that the area in the TID will create further opportunities for new expansion and growth, the following assumptions take into the account the High Plains Processing project. The preliminary projections below represent what a break-even analysis looks like in order to repay the eligible expenses.

School	County	City		Fire		Water	Α	bulance		Total		Equalized
10.608	3.778	0.306		0.205		0.061		0		14.958		90%
Construction Year	Valuation Year	Revenue Year	Proj	ject Increment	Pr	roject Increment	ı	Project		Project	To	tal Amount
Construction real	valuation real	ixeveriue reai		1		2	Inc	rement 3	Inc	rement 4	Ava	ilable for D/S
2023	2024	2025	\$	499,178							\$	499,178
2024	2025	2026	\$	1,060,754							\$	1,060,754
2025	2026	2027	\$	1,247,946	\$	-					\$	1,247,946
2026	2027	2028	\$	1,247,946	\$	-	\$	-			\$	1,247,946
2027	2028	2029	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2028	2029	2030	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2029	2030	2031	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2030	2031	2032	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2031	2032	2033	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2032	2033	2034	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2033	2034	2035	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2034	2035	2036	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2035	2036	2037	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2036	2037	2038	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2037	2038	2039	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2038	2039	2040	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2039	2040	2041	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2040	2041	2042	\$	1,247,946	\$	-	\$	-	\$	-	\$	1,247,946
2041	2042	2043	\$	1,247,946	\$	-	\$	-	\$		\$	1,247,946
			\$	22,775,013	\$	-	\$	-	\$	-	\$	22,775,013

\$ 90,000,000	Projected Valuation							
Revenue Year	Projected Assessment	Projecte	d Valuation	Taxabl	e Valuation	Valuation Increase	•	Taxation
2023	0%	\$	-	\$	-	3%	\$	-
2024	0%	\$	-	\$	-	3%	\$	-
2025	40%	\$	36,000,000	\$	33,372,000	3%	\$	499,178
2026	85%	\$	76,500,000	\$	70,915,500	3%	\$	1,060,754
2027	100%	\$	90,000,000	\$	83,430,000	3%	\$	1,247,946
2028	100%	\$	90,000,000	\$	83,430,000	3%	\$	1,247,946

The tables above are only projections. The final valuation of the project will be set by an independent appraiser hired by Davison County. If the valuation comes in at a lower amount than projected, it is at no liability to Davison County. The total amount of TIF requested is \$21,221,000.

SCHEDULE 3 ECONOMIC DEVELOPMENT STUDY

Introduction

Davison County has been approached concerning the creation of a tax increment district (TID) located within Davison County. Per South Dakota Codified Law 11-9-8, the governing body must make a finding that not less than 50%, by area, of the real property within the district will stimulate and develop the general economic welfare and prosperity of the State through the promotion and advancement of industrial, commercial, manufacturing, agricultural and natural resources, and the improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district.

Study Area Boundary

The Project boundaries are described and depicted on the maps in Attachments 1 and 5 of this Plan.

Establishing Economic Development

South Dakota law describes economic development as activity that stimulates and develops the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources. The definition of Economic Development for State Aid to Education Formula purpose is any area where there is or will be one or more businesses engaged in any activity defined as commercial or industrial. The proposed Davison County TID #4 meets both of these criteria. The area within the boundaries of the TIF is to continue to be developed into a commercial/light industrial business area. The infrastructure development and infrastructure improvements will ensure future development for various types of businesses.

The project will lie within Davison County. The infrastructure for the TIF is expected to be complete by the end of 2025 and the High Plains Processing is expected to be completed by 2027 calendar year.

<u>Finding That the Improvements to the Area Are Likely to Enhance Significantly the Value of Substantially All of The Other Real Property in The District</u>

It is definitively found that once the improvements set forth within the Project Plan are initiated, the improvements will enhance significantly the value of substantially all of the other real property in the district. The Davison County TID #4 will have a tremendous economic impact on the region's infrastructure advancement and the labor force.

<u>Conditions Within the Study Area; Land Use and Planning Land Use, Planning and Comprehensive Plan</u>

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

Findings within the Project Area Analysis

It is found that not less than 50%, by area, of the real property within the District will stimulate and develop the general economic welfare and prosperity of the State of South Dakota through the promotion and advancement of industrial, commercial, manufacturing, agricultural, and natural resources. It is also found that the improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the District in accordance with SDCL 11-9-8.

The Project area currently consists of agricultural land two miles south of I-90 on Highway 37 in Davison County. The project is projected to substantially increase the regional economy by increasing employment and new business within the County.

The project will stimulate and develop the general economic welfare and prosperity of the State through the promotion of employment and advancement of commerce during the construction period. The Project will enhance the Davison County area by creating additional jobs and will have a substantial annual economic impact to the region and state.

Schedule 4 FISCAL IMPACT STATEMENT FOR DAVISON COUNTY TID #4

Introduction

A fiscal impact statement shows the impact of the TID, both until and after the bonds or obligations are repaid, upon all entities levying taxes upon property in the District. The following fiscal impact statement is intended to provide only a brief 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 challenge a more detailed, complete financial analysis.

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 Davison County Tax Increment District Number 4.

"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, are estimated at taxable purposes up to \$90,000,000
- 2. The average tax levy of all taxing districts will be \$14.958 per thousand dollars of taxable valuation.
- 3. Tax increment will start to be collected in 2025 and end prior to 2043.
- 4. The discretionary formula will be waived by Developer, when applicable

SCHEDULE 5 ESTIMATED CAPTURED TAXABLE VALUES

For purposes of this Project Plan, Developer assumes that <u>Developer will elect not to use the</u> <u>real property tax discretionary formula on their development but cannot require that of all owners</u> currently utilized in Davison County, South Dakota, pertaining to payment of real property taxes (i.e., 20% Year 1; 40% Year 2; 60% Year 3; 80% Year 4; and 100% Year 5).

* Actual valuation shall depend upon the value determined by the Davison County Director of Equalization when assessed, with the application of dollars-per-thousand from local taxes. All tax increment revenues shall be from Generally Applicable Taxes attributable to the improvements to be constructed in the TID. The potential for total increment collections are estimated to be at the maximum range of \$21,221,000 covering a span of captured tax years not to exceed 20. Collection is anticipated to begin in 2025, and the schedule carries out the tax captured 20 years from the date of Plan adoption.

The following dollars-per-thousand rates are the current taxing rates of the local taxing jurisdictions.

2023 Property Tax Rate

2022 Payable in 2023	\$ per \$1,000 assessed
Davison County	\$ 3.778
James River Water District	\$ 0.061
Prosper Township	\$ 0.306
Mitchell Rural Fire District 30	\$ 0.205
School District "Other"	\$ 10.608
Total Tax Levy	\$ 14.958

Utilizing the information regarding expected increment valuation and tax generation, it is possible to generate an expected revenue stream that can be utilized to retire debt that will be created as a result of implementing the Project Plan.

LIST OF ATTACHMENTS

Attachment 1 - Descriptions of Real Property

Attachment 2 - Conditions map, SDCL § 11-9-16(1)

Attachment 3 - Improvements map, SDCL § 11-9-16(2)

Attachment 4 - Zoning Change Map SDCL § 11-9-16(3)

Attachment 5 – TID Boundary Map

Attachment 6 – Conditional Use Permit

Attachment 7 – Department of Revenue Classification Letter

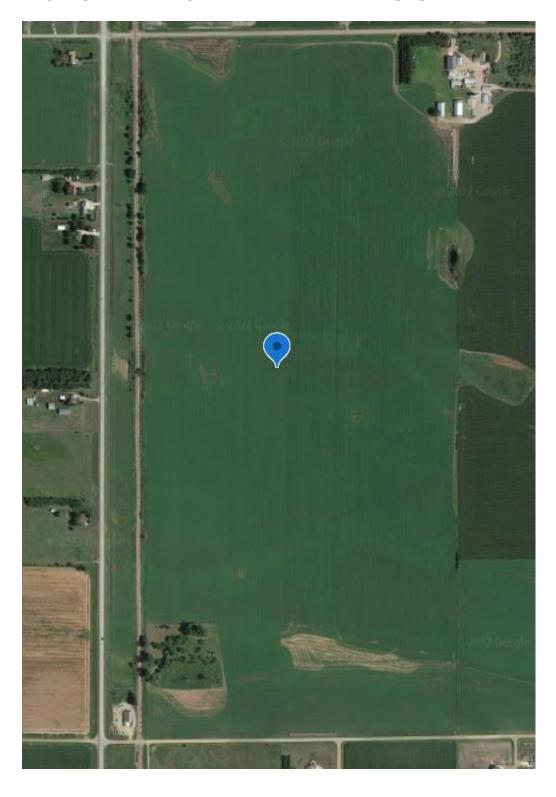
DESCRIPTIONS OF REAL PROPERTY:

- NW1/4 EX LOT A OF JOHNSON'S SUB & EX H1 H2 RY
- SW1/4 EX RY & H2 AND EX SW1/4 OF SW1/4 OF SW1/4 OF SEC 11 LYING WEST OF RR R-O-W & LYING E OF H-2

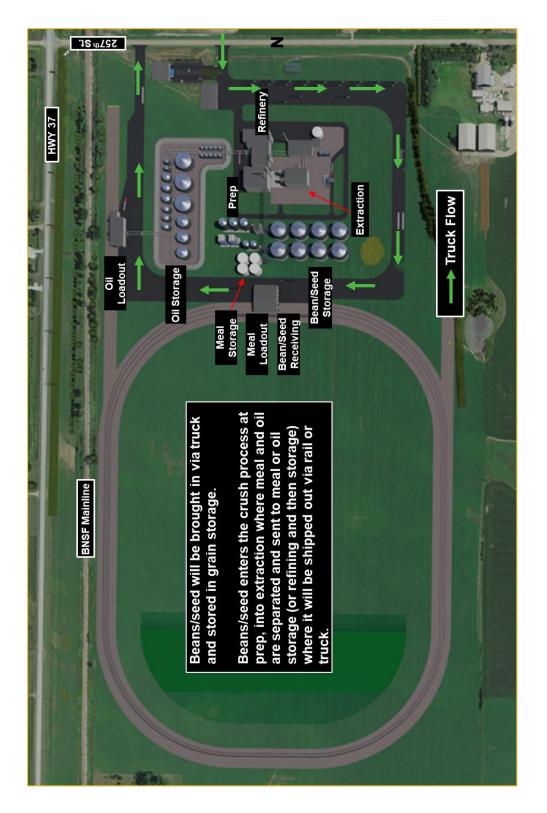
All Located in Davison County, South Dakota including within and adjacent rights-of-ways.

Conditions picture for Davison County Incremental District #4, SDCL § 11-9-16(1)

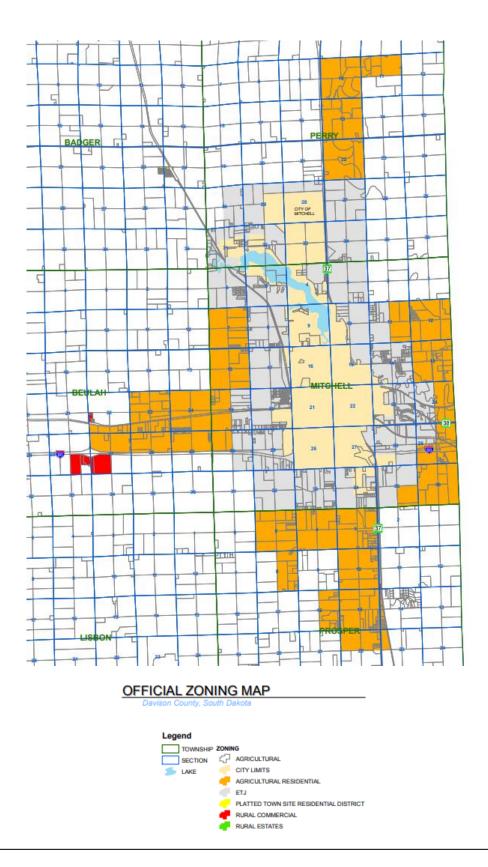
The following is a picture showing the current conditions of the proposed location of TIF #4



Improvements map for Davison County Tax Incremental District #4, SDCL § 11-9-16(2).



Zoning Change Map for Davison County Tax Incremental District #4, SDCL § 11-9-16(2).



Davison County TID #4 Boundary Map:



Conditional Use Permit:

DAVISON COUNTY CONDITIONAL USE PERMIT

DATE GRANTED: July 12, 2022

TO: South Dakota Soybean Processors, LLC

FOR: Conditional Use Permit to Operate an Agriculture Product Processing Facility in the Agriculture District.

LEGAL DESCRIPTION: Parcel #1: The Northwest Quarter (NW ½), except Lot A of Johnson's Subdivision and Except Lots H1 and H2, Section Eleven (11), Township One Hundred Two (102) North, Range Sixty (60), West of the 5th P.M., Davison County, South Dakota; and Parcel #2: The Southwest Quarter (SW ½) except the railroad and H2 and except the Southwest quarter of the Southwest Quarter (SW1/4 SW 1/4) of Section Eleven (11), lying west of the railroad right-of-way and lying east of H2 and in Section Eleven (11), Township One Hundred Two (102) North, Range Sixty (60), West of the 5th P.M., Davison County, South Dakota.

BOARD OF ADJUSTMENT CHAIRPERSON:

AUDITOR ATTEST:

Conditional Use Permit Stipulations

- Comply with the Memorandum of Understanding (MOU) recommendations of the Traffic Impact Study and the Department of Transportation, at no cost to Davison County. The final determination will include input from the Highway Superintendent, one County Commissioner, and one Prosper Township Board Member.
- Driveway approach access will be approved by the Highway Superintendent.
- 3. Present a landscape plan to the Planning & Zoning office, to include installation and maintenance of a fast-growing shelterbelt designed by the Davison County NRCS, including, but not limited to the south and east sides of the property wherever it is reasonably feasible to do so. The east side will not extend north past the south property line of Lot A of Johnson's Subdivision in the N ½ of Section 11-102-60.
- 4. A modification of ownership structure or legal entity name shall not require a new Conditional Use Permit.
- 5. Due to the length of construction, the 24-month non-use criteria set forth in Section 12:06 (A) 3 (Board of Adjustment Powers and Duties of Conditional Use Permits) of the Davison County Zoning Ordinance shall be waived.
- 6. Have a written plan for the site to address cleanup and disposal of the structures when the economic life of the building has expired. The life of the building shall be considered expired if not occupied for a 24-month period.
- 7. Comply with all regulations mandated by the Department of Agriculture and Natural Resources (DANR).

Department of Revenue Classification Letter:



SOUTH DAKOTA DEPARTMENT OF REVENUE 445 East Capitol Avenue • Pierre, SD 57501 (605) 773-3311 • dor.sd.gov

March 16, 2023

Planning & Zoning 200 E 4th Ave Mitchell SD 57301

RE: Preliminary Classification of Davison County # 4

Dear Jeff Bathke:

The Department of Revenue hereby acknowledges receipt of your request for Preliminary Classification of Tax Increment Financing District submitted on 03/16/2023.

Upon review of the provided information, the Department has determined the preliminary classification for the TIF District "Davison County # 4" to be <u>Industrial</u> for the purposes of the State Aid to Education formula.

If you have any questions or concerns, please do not hesitate to contact this office.

Sincerely,

Wendy Semmler, Director Property Tax Division