

City Council Agenda Item Memo

From: Mike Struck, Community Development Director

Meeting: February 25, 2025

Subject: Resolution 25-019: Creating the Boundaries of Tax Increment District # 17

Presenter(s): Mike Struck, Community Development Director

Summary and Recommended Action:

The City of Brookings proposes to create a Tax Increment District Number Seventeen along 6th Street and Campanile Avenue to support economic development. The Planning Commission voted 6-1 recommending approval. Staff recommends approval of the resolution creating the boundaries of Tax Increment District # 17.

Item Details:

The use of Tax Increment Financing (TIF) to fund improvements within a specified area has become popular in the state. Many communities throughout the state have utilized tax increment financing to pay for extending roads, sewer, water, trails, and other infrastructure into areas to expedite development and/or redevelopment. As the name implies, only the tax increment (future growth in property tax revenues) is used to fund the improvements. The base, or property tax generated before the creation of the Tax Increment Finance District, continues to be paid to the taxing authorities. Tax Increment Districts are created to help attract private development. In turn, these developments expand employment opportunities, increase sales tax, and expand businesses into the community.

Tax Increment District #17 boundaries consist of a vacant property along 6th Street between 12th Avenue and 13th Avenue, and property along Campanile Avenue between 6th Street and 7th Street. The proposed improvements consist of drainage improvements, site grading, street improvements, land assembly, and financing costs for the economic development project incorporating a mixture of commercial space and workforce housing.

The developer will front the costs associated with the project improvements and will only be reimbursed the increment generated from the improvements. The eligible project costs are estimated at \$9.48 million. The proposed improvements lie within the proposed boundaries of the district.

The legal description of the district is as follows:

- Lot 1A in Block 4 of Hill Park Addition, an addition to the City of Brookings, Brookings County, South Dakota
- Lot 13A in Block 2 of Sanderson's Addition to the City of Brookings, Brookings County, South Dakota
- S 40-feet Lot 4, Lot 5, N 15-feet Lot 6, Block 1 of Sanderson's Addition to the City of Brookings, Brookings County, South Dakota

The notice was published one time at least 10 days but not more than 30 days prior to the public hearing. The Planning Commission must provide a recommendation on the district boundaries to the City Council for creation of a TIF District.

State law requires that tax increment districts cannot exceed ten (10%) percent of the taxable value of a municipality. Estimating the base value of proposed Tax Increment District #17 and all existing Tax Increment Districts combined is approximately one and one-half (1.5%) percent of the total 2024 taxable valuation.

Legal Consideration:

None

Strategic Plan Consideration:

Economic Growth – The City of Brookings will support effective diversified community investment and equitable opportunities for prosperity.

Financial Consideration:

None. Tax Increment Financing is a pay-as-you-go financing mechanism in which the developer fronts the costs of improvements and is only reimbursed what the district generates in tax increment revenue.

Supporting Documentation:

Resolution

Minutes

Notice

Map