

# **TAX INCREMENT FINANCE DISTRICT #14**



**Submitted by:  
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On behalf of  
Branch Creek**

**Created:  
July 2023**

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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 city, school district, county 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 affordable housing 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.

The intention of this TIF Project is to provide affordable housing in City of Brookings. The Project will consist of increasing the availability of affordable housing, including providing the necessary infrastructure for the development.

The City of Brookings has seen population growth and is expected to continue seeing growth. With the growth of the City and South Dakota State University growing faster than any other college in the state, the need for affordable housing is high. Like many state colleges, students turn to rental housing which takes away housing options from the community of Brookings. Many residents in the area have resided in cities like Volga and Aurora due to the lack of affordable housing in the City of Brookings.

Affordable housing is important to the economic vitality of communities. It can attract and retain employees to a community, a selling point for area employers. Affordable homes also support the local workforce so they can live close to their jobs. Shorter commutes allow workers to spend more time with their families while the community benefits from reduction in traffic congestion, air pollution, and expenditures on roads. In revitalizing communities, the construction of affordable homes can also help

to stimulate economic growth. A healthy mix of housing options ensures opportunities for all individuals to improve their economic situation and contribute to their communities.

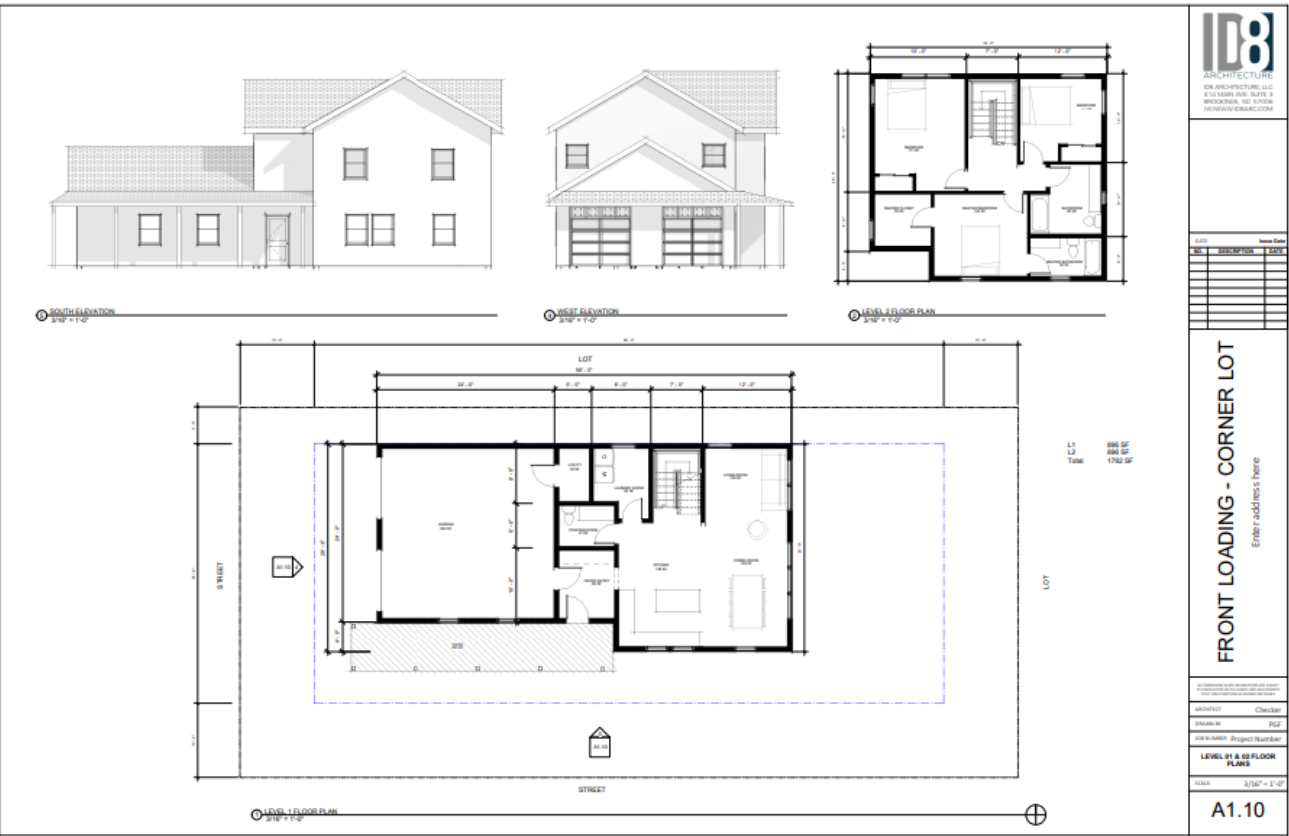
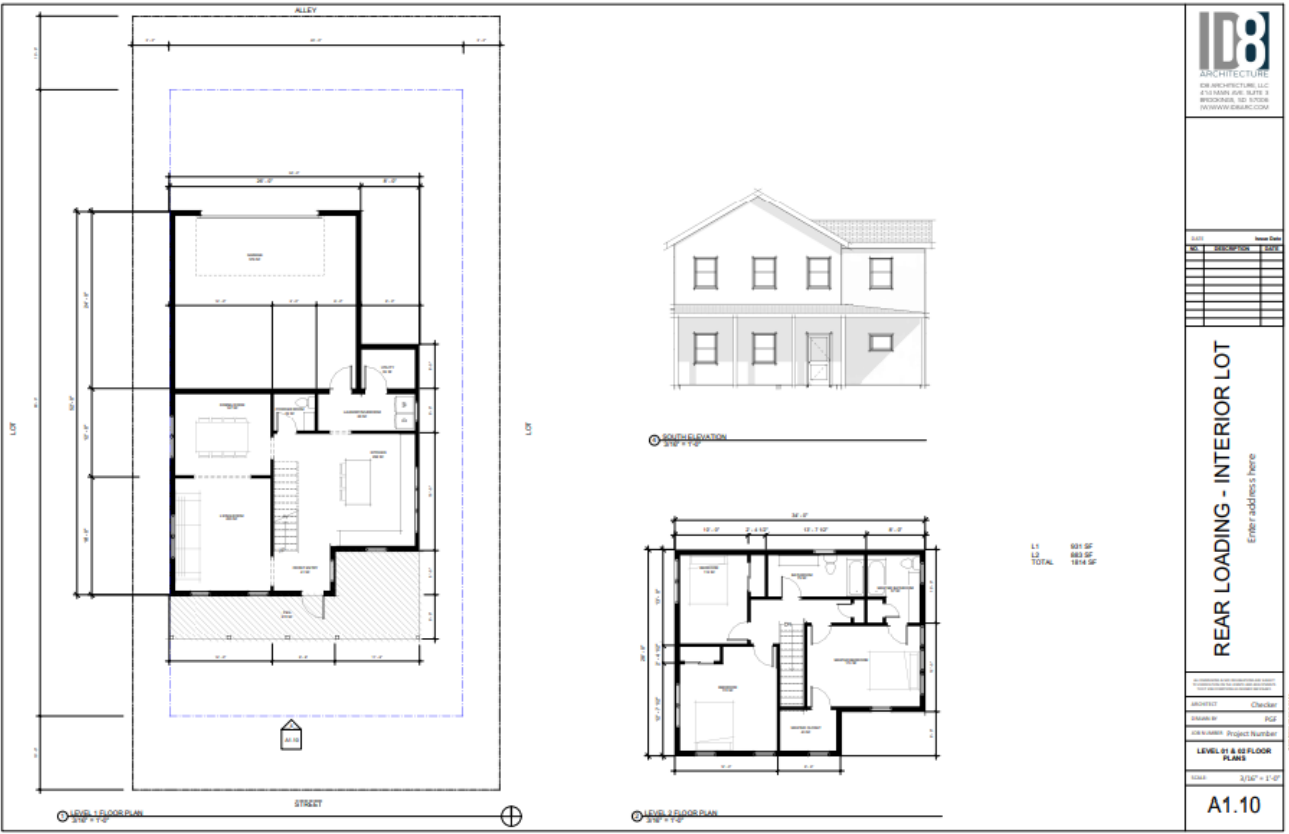
For many families, homeownership represents the American Dream. Aside from comprising their largest financial asset, homeownership provides security from unwanted moves and control over features of their home. From a community’s perspective, homeowners may provide stability to their neighborhoods in which they are invested.

The Developer of the City of Brookings TIF #14 is Tom Fishback with Brach Creek LLC. Branch Creek, LLC purchased the property of the proposed development in 2023 to be used for workforce housing within the City of Brookings.

The proposed development consists of approximately 17 acres within the City of Brookings was purchased by Branch Creek LLC. Upon completion, there will be more than 100 lots developed, comprising of 135 units, a community center, and commercial space. The 135 units will be evenly split between single family homes, duplexes and townhomes, as well as the potential for multifamily living. The development will create a neighborhood able to meet the needs of the variety of Brookings residents looking for affordable housing options.

The following pictures show potential housing design options for the project:













## Purpose & General Definitions

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

As such, the creation of City of Brookings TIF #14 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 City Planning and Zoning Commission.

The purpose of this Plan, to be implemented by City of Brookings, South Dakota is to satisfy the requirements for a Tax Increment District Number 14 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 City. The Plan will describe the boundary, estimated costs, feasibility and fiscal impact of the District.

This Plan was prepared for adoption by the City Council in recognition that the area requires a coordinated, cooperative strategy, with financing possibilities, to promote affordable housing and accomplish the City's development objectives for improving the continued viability by promoting economic development within the City of Brookings

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 by providing affordable housing.

The intention of this TIF Project is to increase the availability of affordable housing in the City of Brookings, as well as improve community infrastructure. The lots and homes will be sold at the South Dakota Housing Development Authority's standard for first-time homebuyers.

The development of affordable housing will provide necessary housing to meet the needs of the increasing attraction of the region. Affordable housing is important to the economic vitality of communities; access to affordable housing improves a community's ability to attract and retain residents and remain competitive the in global economy.

## 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.

**“City Council”** means the City Council of the City of Brookings, South Dakota

**“Calendar Year”** means the starting date of January 1 to an ending date of December 31<sup>st</sup>.

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

**“Developer”** means Branch Creek, LLC

**“Developer’s Agreement”** means the agreement between Developer and City of Brookings concerning this Tax Incremental District.

**“District”** means the Tax Incremental District.

**“Economic Development”** means all powers expressly granted and reasonably inferred pursuant to SDCL § 9-54.

**“Fiscal year”** means that fiscal year for City of Brookings

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

**“Governing body”** means the Brookings City Council

**“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 municipality;

**“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 City of Brookings Planning Commission

**“Plan”** means this Project Plan.

**“Project Costs”** means any expenditure or monetary obligations by City of Brookings, 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 City of Brookings 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 City 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 Count defined and created by resolution of the governing body and named City of Brookings Tax Incremental District #14

**“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 CITY OF BROOKINGS TAX INCREMENT DISTRICT #14

Representatives of the Developer have approached officials of City of Brookings regarding the possibility of creating a Tax Incremental Financing District (“TID”) to assist in the Project Costs within the Plan on land located within the City of Brookings, South Dakota.

The TID will consist of creating a new housing development in the City of Brookings and all necessary infrastructure needs.

Affordable housing is important to the economic vitality of communities. It can attract and retain employees to a community, supporting the local workforce so they can live close to their jobs. In revitalizing communities, the construction of affordable homes can also help to stimulate economic growth.

A healthy mix of housing options ensures opportunities for all individuals to improve their economic situation and contribute to their communities. For many working families, homeownership represents the American Dream. From a community’s perspective, homeowners may provide stability to their neighborhoods in which they are invested.

## **Property Within Tax Increment #14**

The real property to be located within the Tax Increment District is within the boundaries of the City of Brookings and described as follows:

- N 1/2 NW 1/4 EXC E 650' & EXC W 1600' & EXC SUBSTATION ADDN & EXC W 150' & EXC N 40' IN SEC 1-109-50 11.50 AC
- W 390' OF E 1040' IN SE ¼ NW ¼ SEC 1-109-50 11.63 AC
- LOTS 12A & 12B, BLK 9, BLUEGILL ADDITION
- W 1600' OF S ½ NW ¼ EXC TRAIL ADD BLK 2 IN SEC 1-109-50
- TRAIL ADDITION, BLK 2 EXC N 490'

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

## TAXABLE VALUE OF CITY OF BROOKINGS

State law requires that tax increment districts cannot exceed ten percent of the taxable value of a municipality. The 2022 Taxes Payable value for City of Brookings is \$1,556,742,639. The base value of the taxable property for inclusion into this Tax Incremental District #14, as estimated but not yet verified by Brookings County Director of Equalization, is \$201,900.

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.

There is currently one other active TIF districts in the City of Brookings. Using the estimates provided for TID #14, the value of all existing Tax Increment Districts combined is less than 1.50% of the total 2023 Taxable Valuation.

### City of Brookings

Tax Increment District	Base Value
1	\$10,031,085
5	-
6	-
7	\$7,880,540
8	\$159,725
9	\$2,745,730
10	\$1,039,395
11	\$519,525
12	-
13	NA
14	\$201,900
<b>Total</b>	<b>\$22,577,900</b>

City of Brookings Taxable Value

\$1,556,742,639

All Base Value must be less than 10%

\$155,674,264

# 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 City. The City exercises the powers expressly stated in and reasonably inferred by SDCL §11-9-15 and Chapter 9-54. The City 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.

The following are estimated costs of the Project:

Kind of Project	Location <sup>1</sup>	Amount	Reference <sup>2</sup>
Capital Costs (Street, Water & Sewer) (cleaning & grading of land & associated costs) <sup>2</sup>	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	\$9,000,000	11-9-15(8)
<b>Eligible Project Costs</b>		<b>\$9,000,000</b>	

The above are estimates of the costs involved in the project; the final total may be greater or smaller. An itemized listing of the estimated costs is set forth on Schedule 1. Because the cost estimates are only projected expenditures, the total authorized TID costs is expected to be \$9,000,000. 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 City or by monetary obligation.

<sup>1</sup>District shall mean the Tax Increment District.

<sup>2</sup>SDCL §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 City's obligation to pay is limited to the proceeds of the positive tax increment from the TID received into the TIF Fund. The obligation of the City to pay pursuant to the proposed Agreement does not constitute a general indebtedness of the City or a charge against the City'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 City 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 City'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 City'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 City 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 City. The City's obligation hereunder shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of the City. Notwithstanding anything to the contrary contained in the proposed Agreement, the City hereby acknowledges and agrees that the obligations of the City 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.

The Developer anticipates the project costs in acquiring, developing, financing and preparing the TIF Property for sale, lease and/or development will meet or exceed Nine Million Dollars. Certain of these costs would be considered TIF-eligible costs within the meaning of SDCL § 11-9-14 and SDCL § 11-9-15. The Developer anticipates requesting reimbursement of those eligible reimbursement costs that relate to site work, street and utility build-out, and engineering, together with financing costs. It is anticipated the City will seek reimbursement of the TIF-eligible sewer project costs, and that the parties would allocate increment payments arising from the TIF.

It is further understood that the amount of \$9,000,000 will be the maximum amount the City will ever pass on acting as a conduit for TIF #14. This amount will include any and all interest associated with the debt and the controlling value of the TIF will never pay more than \$9,000,000. 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 City will Grant this amount to the Developer and thus not have to account for any assets on the City's financial statement. The Developer will be responsible for obtaining their financing and the City will not be liable for any Developer debt.



Upon completion of the construction of the infrastructure improvements, the Developer shall certify to the City's Finance Officer 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 Finance Officer. Upon certification and verification of costs, the City shall pay all available tax increment fund revenues not to exceed \$9,000,000.

**Expenditures Exceeding Estimated Cost**

Any expenditures, which in sum would exceed the total amount of the TID amount of \$9,000,000 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 re-determine the tax increment base when additional Project Costs are added to a plan. SDCL §11-9-23.

# FEASIBILITY STUDY, ECONOMIC DEVELOPMENT STUDY, AND FISCAL IMPACT STATEMENT

## **Detailed List of Estimated Project Costs**

Attached as Schedule 1 is a detailed list of estimated Project Costs for each of the phases of 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**

An economic feasibility study per SDCL § 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 City to Developer from the special fund of the Tax Incremental District. SDCL § 11-9-13(5). Pursuant to the Developer's Agreement, the City 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 #14 shall be the amount sufficient to reimburse the City for the payments made for Project Costs and pay all tax increment bonds or monetary obligations in an amount not to exceed \$9,000,000 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 City, the extinguishment of bonds and the monetary obligation except that the Plan duration **shall not exceed 20 calendar years** of revenue 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 value of the base. All taxing districts shall receive the taxes from that base which will be the value set for 2022 taxes payable in 2023. The tax increment will be available to the taxing jurisdictions 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 the bonds and monetary obligations, taxing entities will receive their proportionate share of tax dollars for the base value and the tax incremental values.

Mechanisms are built within State Codified Law to ensure that school districts are held harmless by TIF districts for their General and Special Education Funds. 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

All public school districts are 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.

City of Brookings TIF #14 will be classified as Affordable Housing; therefore, any lost local effort will be covered through the State Aid to Education Formula.

## 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 CITY & COUNTY COMPREHENSIVE/MASTER PLAN MAP, BUILDING CODES & CITY OR COUNTY ORDINANCES PER SDCL §11-9-16 (4)**

No changes to neither City ordinances nor the City Master Plan are required.

### **LIST OF ESTIMATED NON-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 following table is based on 100 total duplexes and twin home units as well as 35 single family homes built out to 2030.

Item	Amount
Construction of the homes	\$39,273,865
<b>TOTAL</b>	<b>\$39,273,865</b>

### **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 purchaser or lessee of redevelopment property may 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'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

## ESTIMATED PROJECT COSTS

### Estimates TID Eligible of Project Costs Requested

The City of Brookings has determined that this will be an affordable housing Tax Increment District, thus the eligible cost will be in the form of an infrastructure grant that will not exceed \$9,000,000 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, and permanent fixtures; the acquisition of equipment; the clearing and grading of land; and 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 and 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.



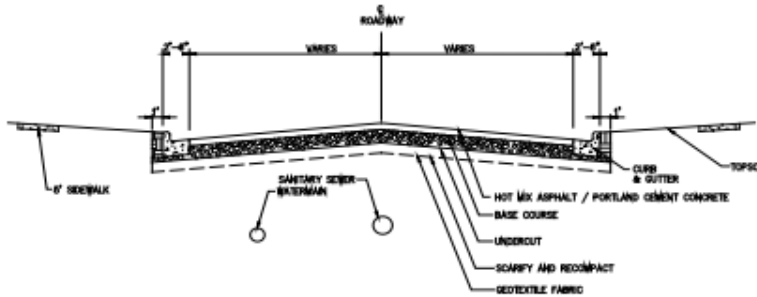
The following shows the preliminary cost summary provided by the project engineer.

**Preliminary Construction Cost Summary for Urban Street Projects**

**BANNER**

Job Description: Fishback Development  
 Job No: 23843-00  
 Date: 16-Jun-22

CONSULTING ENGINEERS & ARCHITECTS  
**BANNER ASSOCIATES, INC.**  
 409 22nd Avenue South - P.O. Box 298  
 Brookings, South Dakota 57006-0298  
 (605) 692-6342  
 fax (605) 692-5714



**Input Information**

**Street Information**

Street Length	6155 feet
Street Width <sup>1</sup>	31 feet
Hot-Mix Asphalt Depth	4 inches
P.C.C. Pavement	0 inches
Base Course/Cushion Depth	8 inches
Undercut Depth	0 inches
Scarify and Recompact	1 (No=0; Yes=1)
Geotextile Fabric	1 (No=0; Yes=1)
5' Sidewalk	0 (No=0; Yes=1)
Sewer Main	1 (No=0; Yes=1)
Water Main	1 (No=0; Yes=1)
Services	1 (No=0; Yes=1)

**Unit Costs**

Hot Mix Asphalt	\$120.00 per Ton
P.C.C. Pavement	\$0.00 per SY
Base Course	\$20.00 per Ton
Unclassified Excavation	\$4.00 per CY
Undercut Backfill	\$15.00 per Ton
Scarify and Recompact	\$3.00 per SY
Geotextile Fabric	\$3.00 per SY
5' Sidewalk	\$8.00 per SF
Curb and Gutter	\$17.00 per LF
Sewer Main	\$50.00 per LF
Water Main	\$52.00 per LF
Sewer Services	\$1,200.00 per Each
Water Service	\$1,600.00 per Each
Fire Hydrants	\$1,000.00 per Each
Manholes	\$5,000.00 per Each

**Output Information**

**Cost Breakdown**

	Unit	Cost
Hot-Mix Asphalt	3951 Ton	\$474,120
P.C.C. Pavement	0 SY	\$0
Base Course	10030 Ton	\$200,600
Unclassified Excavation	7523 CY	\$30,092
Undercut Backfill <sup>2</sup>	0 Ton	\$0
Scarify and Recompact	22568 SY	\$67,704
Geotextile Fabric	22568 SY	\$67,704
5' Sidewalk	0 SF	\$0
Curb and Gutter	12310 LF	\$209,270
Sewer Main	5060 LF	\$253,000
Water Main	6155 LF	\$320,060
Sewer Services	120 Each	\$144,000
Water Services	120 Each	\$192,000
Fire Hydrants	14 Each	\$14,000
Manholes	19 Each	\$95,000
Mobilization (10%)	Lump Sum	\$351,755

<b>Cost Summary</b>	\$2,419,305
x 20% <sup>3</sup>	\$483,861
	\$2,903,166

**Additional Items**

Storm Drainage	\$500,000
Site Grading	\$400,000
Lift Station	\$250,000
Alley	\$300,000

**Opinion of Engineer Construction Cost Estimate**

**\$4,353,166**

**Notes:**

- <sup>1</sup> Street width is figured from back of curb to back of curb.
- <sup>2</sup> Undercut backfill material is from an off-site borrow source.
- <sup>3</sup> The 20% covers items, such as, fillets, valley gutters, water valves, fittings, topsoil placement, traffic control, testing and any other incidentals not broken out separately. There is **no storm sewer** estimated within this process, unless otherwise indicated.

The following shows the use of funds within the TIF

<b>Total Projected Uses of Funds</b>	
Estimated Project Costs	\$4,353,166
Contingency	\$1,000,000
Imputed Interest	\$3,646,834
<b>Total</b>	<b>\$9,000,000</b>

## SCHEDULE 2

### ECONOMIC FEASIBILITY STUDY & TAXABLE VALUE

The City 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 City to the reimbursement of approved project costs.

Tax increment financing is permitted only in connection with a “Project Plan” duly adopted by the City. The property is currently estimated to have a taxable value of \$201,900. 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 \$9,000,000 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.

For purposes of this Project Plan, the Developer is projecting that the Housing Development will be built and fully developed by calendar year 2028.

The City’s role is to simply act as a conduit for the revenue and pass on all positive increment to the Developer or to reimburse the City for their expenses, of which, will never exceed \$9,000,000 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.

City of Brookings TID #14 is proven feasible based upon the projections made by the Developer, projecting a total in excess of \$9,000,000 in tax revenue during the life of the 20-year-TID can be found in the following tables. For purposes of this Project Plan, it is anticipated no increment generated by City TID #14 will be available until the earliest of calendar year 2026 and thereafter.

## TID Tax Revenue Estimates Available for City of Brookings

This project will have properties that are classified as Non-Ag Owner-Occupied

Year		2026		
Townhomes	Avg Price	Total	Mill Rate	TIF Revenue
5	\$226,500.00	\$1,132,500.00	0.016183	\$16,494.52
Townhomes	Avg Price	Total	Mill Rate	
5	\$254,566.00	\$1,272,830.00	0.016183	\$18,538.39
Single Family	Avg Price	Total	Mill Rate	
5	\$285,000.00	\$1,425,000.00	0.016183	\$20,754.70
Single Family	Avg Price	Total	Mill Rate	
5	\$311,643.00	\$1,558,215.00	0.016183	\$22,694.93
Duplex	Avg Price	Total	Mill Rate	
5	\$280,000.00	\$1,400,000.00	0.016183	\$20,390.58
Duplex	Avg Price	Total	Mill Rate	
5	\$312,401.00	\$1,562,005.00	0.016183	\$22,750.13
		<b>\$8,350,550.00</b>		
Year		2027		
Townhomes	Avg Price	Total	Mill Rate	TIF Revenue
5	\$233,295.00	\$1,166,475.00	0.016183	\$16,989.36
Townhomes	Avg Price	Total	Mill Rate	
5	\$262,202.98	\$1,311,014.90	0.016183	\$19,094.54
Single Family	Avg Price	Total	Mill Rate	
5	\$293,550.00	\$1,467,750.00	0.016183	\$21,377.34
Single Family	Avg Price	Total	Mill Rate	
5	\$320,992.29	\$1,604,961.45	0.016183	\$23,375.78
Duplex	Avg Price	Total	Mill Rate	
5	\$288,400.00	\$1,442,000.00	0.016183	\$21,002.30
Duplex	Avg Price	Total	Mill Rate	
5	\$321,773.03	\$1,608,865.15	0.016183	\$23,432.64
		<b>\$8,601,066.50</b>		
Year		2028		
Townhomes	Avg Price	Total	Mill Rate	TIF Revenue
5	\$240,293.85	\$1,201,469.25	0.016183	\$17,499.04
Townhomes	Avg Price	Total	Mill Rate	
5	\$270,069.07	\$1,350,345.35	0.016183	\$19,667.37
Single Family	Avg Price	Total	Mill Rate	
5	\$302,356.50	\$1,511,782.50	0.016183	\$22,018.66
Single Family	Avg Price	Total	Mill Rate	
5	\$330,622.06	\$1,653,110.29	0.016183	\$24,077.06
Duplex	Avg Price	Total	Mill Rate	
5	\$297,052.00	\$1,485,260.00	0.016183	\$21,632.37
Duplex	Avg Price	Total	Mill Rate	
5	\$331,426.22	\$1,657,131.10	0.016183	\$24,135.62
		<b>\$8,859,098.50</b>		

Year		2029		
Townhomes	Avg Price	Total	Mill Rate	TIF Revenue
5	\$247,502.67	\$1,237,513.33	0.016183	\$18,024.01
Townhomes	Avg Price	Total	Mill Rate	
5	\$278,171.14	\$1,390,855.71	0.016183	\$22,508.22
Single Family	Avg Price	Total	Mill Rate	
5	\$311,427.20	\$1,557,135.98	0.016183	\$22,679.22
Single Family	Avg Price	Total	Mill Rate	
0	\$340,540.72	\$0.00	0.016183	\$0.00
Duplex	Avg Price	Total	Mill Rate	
5	\$305,963.56	\$1,529,817.80	0.016183	\$22,281.34
Duplex	Avg Price	Total	Mill Rate	
5	\$341,369.01	\$1,706,845.04	0.016183	\$24,859.69
<b>\$7,422,167.85</b>				
Year		2030		
Townhomes	Avg Price	Total	Mill Rate	TIF Revenue
5	\$254,927.75	\$1,274,638.73	0.016183	\$18,564.73
Townhomes	Avg Price	Total	Mill Rate	
5	\$286,516.28	\$1,432,581.38	0.016183	\$20,865.12
Single Family	Avg Price	Total	Mill Rate	
0	\$320,770.01	\$0.00	0.016183	\$0.00
Single Family	Avg Price	Total	Mill Rate	
0	\$350,756.94	\$0.00	0.016183	\$0.00
Duplex	Avg Price	Total	Mill Rate	
5	\$315,142.47	\$1,575,712.33	0.016183	\$22,949.78
Duplex	Avg Price	Total	Mill Rate	
5	\$351,610.08	\$1,758,050.39	0.016183	\$25,605.48
<b>\$6,040,982.83</b>				

The following projections show the total amount of revenue the TID would produce if it went the full 20 years based on the projections above.

Year	New Amt Avail. For D/S	Total Amount Available for Debt Service		
		Annual		Semi
2026	\$121,623.26	\$ 121,623.26	\$ 121,623.26	\$ 60,811.63
2027	\$246,895.21	\$ 368,518.46	\$ 246,895.21	\$ 123,447.60
2028	\$375,925.32	\$ 744,443.79	\$ 375,925.32	\$ 187,962.66
2029	\$486,277.79	\$ 1,230,721.58	\$ 486,277.79	\$ 243,138.90
2030	\$574,262.89	\$ 1,804,984.47	\$ 574,262.89	\$ 287,131.45
2031	\$574,262.89	\$ 2,379,247.36	\$ 574,262.89	\$ 287,131.45
2032	\$574,262.89	\$ 2,953,510.26	\$ 574,262.89	\$ 287,131.45
2033	\$574,262.89	\$ 3,527,773.15	\$ 574,262.89	\$ 287,131.45
2034	\$574,262.89	\$ 4,102,036.04	\$ 574,262.89	\$ 287,131.45
2035	\$574,262.89	\$ 4,676,298.93	\$ 574,262.89	\$ 287,131.45
2036	\$574,262.89	\$ 5,250,561.83	\$ 574,262.89	\$ 287,131.45
2037	\$574,262.89	\$ 5,824,824.72	\$ 574,262.89	\$ 287,131.45
2038	\$574,262.89	\$ 6,399,087.61	\$ 574,262.89	\$ 287,131.45
2039	\$574,262.89		\$ 574,262.89	\$ 287,131.45
2040	\$574,262.89		\$ 574,262.89	\$ 287,131.45
2041	\$574,262.89		\$ 574,262.89	\$ 287,131.45
2042	\$574,262.89		\$ 574,262.89	\$ 287,131.45
2043	\$574,262.89		\$ 574,262.89	\$ 287,131.45
2044				
			<b>\$ 9,270,402.08</b>	\$ 4,635,201.04

## SCHEDULE 3

### ECONOMIC DEVELOPMENT STUDY

#### Introduction

City of Brookings has been approached concerning the creation of a tax increment district (TID). 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 2 of this Plan.

#### Establishing Economic Development

South Dakota law describes affordable housing 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 Affordable Housing for State Aid to Education Formula purpose is any area where 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 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. The proposed City of Brookings TID #14 meets both of these criteria.

The proposed development consists of approximately 17 acres within the City of Brookings was purchased by Branch Creek LLC. Upon completion, there will be more than 100 lots developed, comprising of 135 units, a community center, and commercial space. The 135 units will be evenly split between single family homes, duplexes and townhomes, as well as the potential for multifamily living.

The investment in the Project area will stimulate and develop the general economic welfare and prosperity of the region through the promotion of employment and available housing.

#### 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

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 City of Brookings TID #14 will provide much needed affordable housing to the growing City of Brookings region. A supplemental use of the TIF will be improvements as deemed necessary within the developed area.

## Conditions Within The Study Area; Land Use And Planning Land Use, Planning And Comprehensive Plan

The City of Brookings 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 available affordable housing. 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.

## SCHEDULE 4

# FISCAL IMPACT STATEMENT FOR CITY OF BROOKINGS TID #14

### 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 City of Brookings Tax Increment District Number 14

**"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 is estimated at taxable purposes at \$39,273,865
2. The average tax levy of all taxing districts will be \$16.183 per thousand dollars of taxable valuation.
3. Tax increment will start to be collected in 2026 and end prior to 2043.
4. The discretionary formula will be waived by Developer.



## SCHEDULE 5

### ESTIMATED CAPTURED TAXABLE VALUES

For purposes of this Project Plan, it is assumed that the **Developer will elect not to use the real property tax discretionary formula** currently utilized in the City of Brookings, 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 Brookings 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 \$9,000,000 covering a span of captured tax years not to exceed 20. Collection is anticipated to begin in 2026, 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 for Owner Occupied property types:

2023 Property Tax Rate	
2022 Paybale in 2023	\$ per \$1,000 assessed
City of Brookings	2.450
Brookings County	4.157
East Dakota Water District	0.022
School District "OO"	9.554
<b>Total Tax Levy</b>	<b>16.183</b>

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 – Department of Revenue Classification Letter

# ATTACHMENT 1

## DESCRIPTIONS OF REAL PROPERTY:

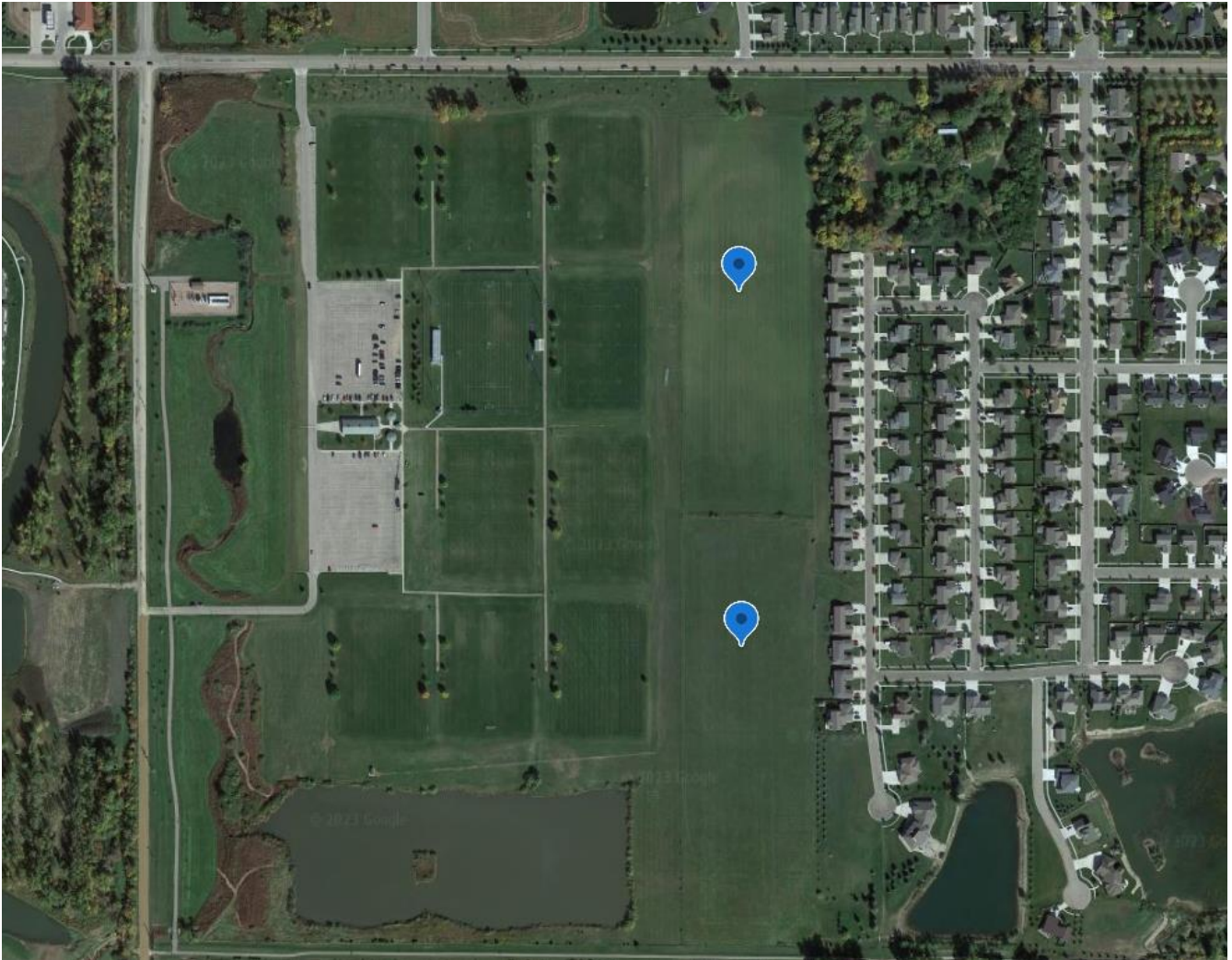
- N 1/2 NW 1/4 EXC E 650' & EXC W 1600' & EXC SUBSTATION ADDN & EXC W 150' & EXC N 40' IN SEC 1-109-50 11.50 AC
- W 390' OF E 1040' IN SE ¼ NW ¼ SEC 1-109-50 11.63 AC
- LOTS 12A & 12B, BLK 9, BLUEGILL ADDITION
- W 1600' OF S ½ NW ¼ EXC TRAIL ADD BLK 2 IN SEC 1-109-50
- TRAIL ADDITION, BLK 2 EXC N 490'

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

## ATTACHMENT 2

Conditions picture for City of Brookings Tax Incremental District #14, SDCL § 11-9-16(1)

The following are pictures showing the current conditions of the proposed location of TIF #14



## ATTACHMENT 3

Improvements map for City of Brookings Tax Incremental District #14, SDCL § 11-9-16(2).

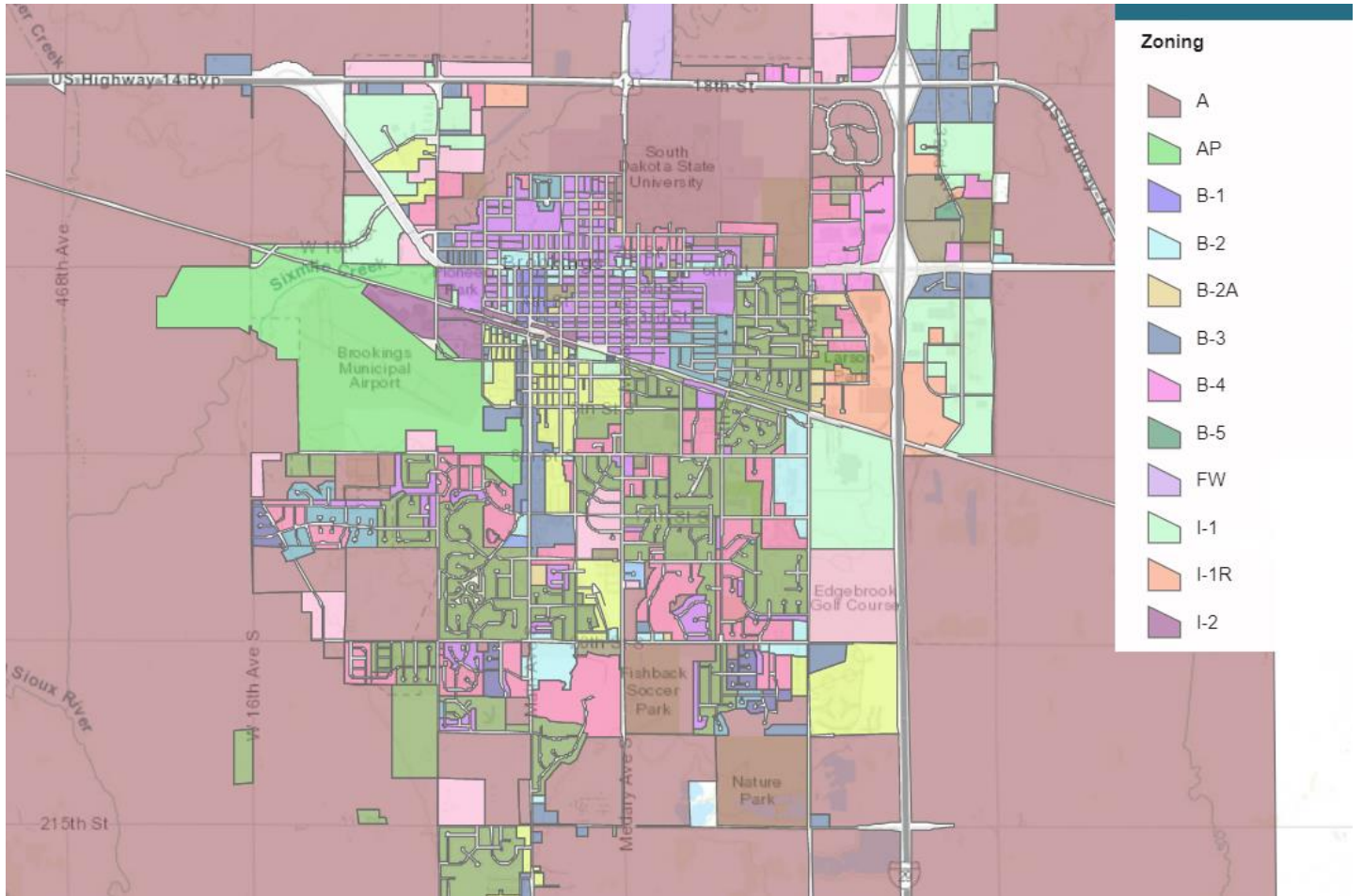
The following is a plat map of the Tax Increment District:

### MASTER SITE PLAN



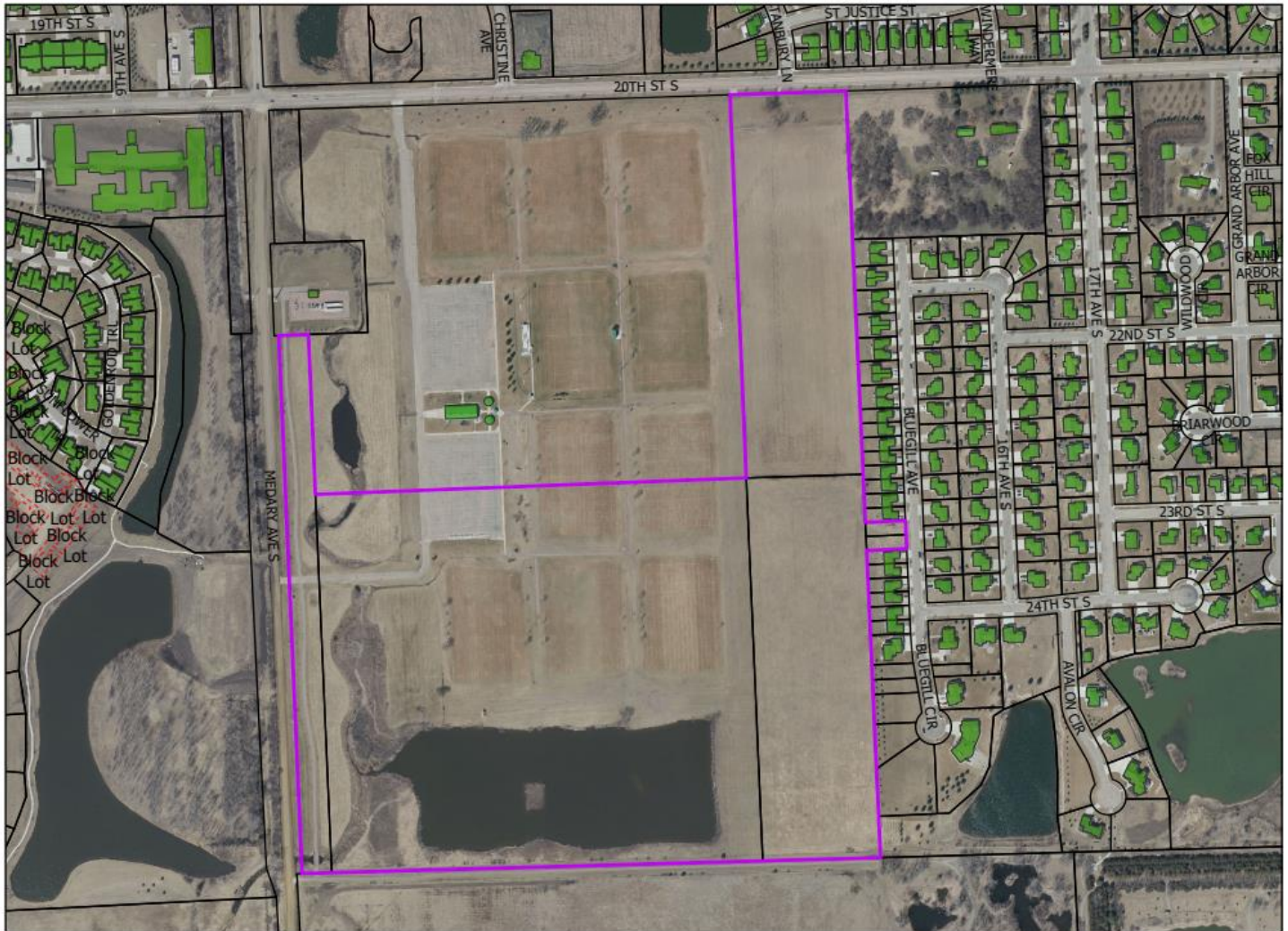
# ATTACHMENT 4

Zoning Map for City of Brookings Tax Incremental District #14 SDCL § 11-9-16(2).



# ATTACHMENT 5

The following shows the TID boundary for the City of Brookings TIF #14:



## ATTACHMENT 6

Department of Revenue Classification Letter for the City of Brookings TIF #14:



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

July 12, 2023

City Finance Office  
520 3rd Street, Suite 140  
Brookings SD 57006

RE: Preliminary Classification of City of Brookings # 14

Dear Mike Struck:

The Department of Revenue hereby acknowledges receipt of your request for Preliminary Classification of Tax Increment Financing District submitted on 07/11/2023.

Upon review of the provided information, the Department has determined the preliminary classification for the TIF District "City of Brookings # 14" to be Affordable Housing 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,

A handwritten signature in blue ink, appearing to read 'WJS'.

Wendy Semmler, Director  
Property Tax Division