

# City Council Agenda Memo

**From:** Mike Struck, Community Development Director

**Meeting:** November 28, 2023

**Subject:** Tax Increment District #11 Project Plan Amendment

**Person(s) Responsible:** Mike Struck, Community Development Director

**Summary:**

Action to approve Tax Increment District #11 Project Plan Amendment, increasing the original project costs by 35%, pursuant to SDCL 11-9-23.

**Background:**

The City of Brookings created Tax Increment District #11 (Resolution 21-076) and approved the Project Plan (Resolution 21-077) for the district in 2021. The Project Plan detailed the costs of the public improvements in Sweetgrass Drive and Tallgrass Parkway, shared use path along 20<sup>th</sup> Street South from Main Avenue to Medary Avenue, and drainage improvements in and near the intersection of Medary Avenue and 20<sup>th</sup> Street South.

State law (SDCL 11-9-13) requires the Planning Commission adopt a Project Plan for each Tax Increment District and submit the plan to the governing body. The plan must contain specific information as stated in SDCL Chapter 11.

The Developer is responsible to front the costs of the project improvements in Sweetgrass Drive and Tallgrass Parkway while the City is responsible to front the costs of the remaining project improvements and will only be reimbursed property tax increment generated from development occurring within the district. The aggregate assessed value of the taxable property in Tax Increment District #11 plus the tax increment base of all other existing districts is less than 2% of the total assessed value of all taxable property in the City. State law restricts the maximum percentage to 10 percent.

**Item Details:**

Per SDCL 11-9-23, if the additional project costs are 35% or less the original costs, it is not necessary to redetermine the base value of the district. The original project costs were estimated at \$4.5 Million dollars. The revised cost estimates for the City proposed improvements as shown on pages 12 and 13 of the Project Plan exceed the total project costs anticipated in the original plan. Based upon state law, the project plan costs can be increased by \$1,575,000 to a revised total project cost of \$6,075,000.

Tax Increment District #11 overlaps Tax Increment District #7, which is allowable per SDCL 11-9-6. When a TIF District overlaps another TIF District, the second district does not receive TIF revenue until such time as the first district is decertified, unless the bondholders agree otherwise. The bondholders of TIF District #7 is the City of Brookings and agrees to utilize the revenue from TIF #7 to pay down TIF #11. Utilizing this financing method, it is projected that TIF District #11 will be paid off 10 years earlier.

The amendment to the Tax Increment District #11 Project Plan will increase the total project costs by not more than 35% of the original project plan costs. The financing method will allow Tax Increment District #7 revenue to pay down the debt service of Tax Increment District #11 quicker, thus decertifying Tax Increment District #11 approximately 10 years earlier than projected, while only extending Tax Increment District #7 another four years.

The proposed improvements lie within the proposed boundaries of the district. The Planning Commission must provide a recommendation on the Tax Increment District #11 Project Plan Amendment to the City Council.

**Legal Consideration:**

City Attorney has reviewed the proposed amendment and determined it consistent with South Dakota Codified Law Chapter 11-9.

**Strategic Plan Consideration:**

Fiscal Responsibility – Tax Increment Financing is a mechanism to utilize property tax increment to assist in funding infrastructure improvements benefitting the economic well-being of the City.

**Financial Consideration:**

The proposed amendment would generate an additional \$1.5 Million for the City for identified drainage, trail, and street improvements within and adjacent to the district.

**Options and Recommendation:**

The City Council has the following options:

1. Approve as presented
2. Approve as amended
3. Deny
4. Move the item to a study session
5. Discuss / take no action / table

The Planning Commission voted 8-0 recommending approval. Staff recommends approval.

**Supporting Documentation:**

Project Plan  
Notice  
Minutes