

# City Council Agenda Item Memo

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

**Meeting:** August 27, 2024

**Subject:** Resolution 24-078: Creating Boundaries of Tax Increment District # 16

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

## **Summary and Recommended Action:**

The City of Brookings proposes to create a Tax Increment District #16 in the east-central portion of the City of Brookings to support industrial development. The Planning Commission voted 6-0 recommending approval. Staff recommends approval of the resolution creating the boundaries of Tax Increment District # 16.

## **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. 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 # 16 boundaries consist of the Solventum property along 22<sup>nd</sup> Avenue. The proposed improvements consist of water, sanitary sewer, storm sewer, drainage facilities, site grading and street improvements for the development of industrial pad sites for the Solventum expansion.

Solventum will front the costs associated with the industrial project improvements and will only be reimbursed the increment generated from the improvements. The eligible project costs are at \$5 million. The proposed improvements lie within the proposed boundaries of the district.

The legal description of the district is as follows:

- Outlots, That Portion of SW ¼ Lying S of C & NW RR, Inc. Meyers Subdiv, Exc Lot 5A, 5B, 6B, & 7B & Exc S .84 Ac of L H-11, Exc L H-8 Sec 30-110-49, Also N ½ NW ¼ Exc H-2 & Exc. .43 Acres of Lot H-5 in City of Brookings

The notice was published one time at least 10 days but not more than 30 days prior to the public hearing consistent with SDCL 11-9-3. 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 assessed tax value of a municipality. Estimating the base value of proposed Tax Increment District #16 and all existing Tax Increment Districts combined is less than two (2%) 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:**

Memo

Resolution

Notice – City Council

Notice – Planning Commission

Minutes – Planning Commission

Map