

City Council Agenda Memo

From: Mike Struck, Community Development Director

Meeting: August 22, 2023

Subject: Resolution 23-073: Creating Boundaries of Tax Increment District # 14

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

Summary:

The City of Brookings proposes to create Tax Increment District Number Fourteen in the southern portion of the City of Brookings.

Background:

The use of Tax Increment Financing (TIF) to fund public 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.

Item Details:

Tax Increment District #14 boundaries consist of the area south of 20th Street South, east of Medary Avenue, and west of Bluegill Addition. The proposed public improvements consist of water, sanitary sewer, storm sewer, streets, drainage facilities, sidewalks, and site grading for the development of workforce housing.

The creation of Tax Increment District #14 is a public / private partnership as the City intends to capitalize on the private sector improvements and increased property tax increment revenue to potentially enhance park improvements at the Fishback Soccer Park. The developer will front the costs associated with the workforce housing project improvements and only be reimbursed the increment generated from the improvements. The total project costs are estimated in excess of \$8 million. The proposed improvements lie within the proposed boundaries of the district.

The legal description of the district is as follows:

North ½ of the Northwest ¼ , excepting the East 650 feet, and excepting the West 1,600 feet, and excepting Substation Addition, and excepting the West 150 feet, and excepting the North 40 feet in Section 1-T109N-R50W, 7.05 Acres

West 390 feet of the East 1,040 feet in the Southeast ¼ of the Northwest ¼, Section 1-T109N-R50W, 7.27 Acres

Lots 12A and 12B, Block 9, Bluegill Addition

West 1,600 feet of the South ½ of the Northwest ¼, excepting Trail Addition Block 2 in Section 1-T109N-R50W

Trail Addition, Block 2 excepting the North 490 feet

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

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 10 percent of the assessed taxable value of a municipality. Estimating the base value of proposed Tax Increment District #14 and all existing Tax Increment Districts combined is less than 2.0% of the total 2022 taxable valuation for the City of Brookings.

Legal Consideration: None

Strategic Plan Consideration:

- 1) 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.
- 2) Economic Growth – Infrastructure improvements allow development of workforce housing to assist in meeting labor force needs of business and industry.

Financial Consideration:

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.

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 6-0 recommending approval. Staff recommends creation of Tax Increment Number Fourteen boundaries.

Supporting Documentation:

Memo

Resolution

Notice

Minutes

Map