

# City Council Agenda Item Memo

**From:** Jacob Meshke, Deputy City Manager

**Council Meeting:** March 12, 2024

**Subject:** Tax Increment District #14 Development Agreement

**Presenter:** Jacob Meshke, Deputy City Manager

## **Summary:**

Staff recommends approval of the Development Agreement between the City of Brookings and Branch Creek LLC for Tax Increment District #14. The agreement details the developer's obligations, infrastructure improvements, project costs eligible for reimbursement, terms of tax increment revenue utilization, and outcomes.

## **Background:**

Branch Creek LLC requested tax increment financing (TIF) assistance for the development of workforce housing. The approximate 23-acre site includes 20.23 acres in a large-scale residential development and 2.85 acres along 20<sup>th</sup> Street South for neighborhood commercial. The residential development includes single-family homes, twin homes, and up to four (4) unit townhouses with a maximum of 160 total dwelling units.

TIF District #14 Project Plan identifies \$9 million as authorized tax increment financing costs to be utilized for eligible project expenses. TIF District #14 is a partnership between the developer and the City of Brookings. The developer will utilize a portion of the tax increment for infrastructure improvements in the area and the City is committed to using a portion for park and pedestrian/biking connectivity improvements.

## **Item Details:**

The development agreement specifies the developer can be reimbursed up to \$7.3 million for eligible project costs. Examples of reimbursable, eligible project costs include: water, sanitary sewer, storm sewer, streets, drainage facilities, sidewalks, and site grading for the development of workforce housing.

The development agreement will provide funds for the City to make public improvements and commit the City to making park and pedestrian/biking connectivity improvements while preserving flexibility for other TIF-eligible project costs.

The development agreement outlines the workforce housing to be constructed. Branch Creek will construct a mixture of townhouses, twin homes, and single-family homes. While the price points will vary for the homes, the sales price for any home will not exceed the South Dakota Housing Development Authority First Time Homebuyers Program limit which is currently at \$380k. The homes will be constructed over five

phases and the specific mix of townhouses, twin homes, and single-family homes will vary across the phases.

For the first phase of home construction, the two (2) and three (3) bedroom townhouses will have a purchase price between \$226,999 and \$254,999. A four (4) unit townhouse may also be built at a price point that will not exceed \$319,999. Twin homes and single-family units will be sold at prices which are at or below the South Dakota Housing Development Authority First Time Homebuyers Program limit.

Price points for future phases will be indexed to the change in the South Dakota Housing Development Authority First Time Homebuyers Program limit. For each phase, and prior to the listing of homes for sale, Branch Creek will share price points with the City Manager.

**Legal Consideration:**

City Attorney Steve Britzman has reviewed the agreement.

**Strategic Plan Consideration:**

Fiscal Responsibility – tax increment funds are made available to offset the costs of infrastructure and public improvements.

Economic Growth – the project will provide workforce housing opportunities through public-private partnership.

**Financial Consideration:**

The City utilizes a pay-as-you-go financing method in which the developer is responsible for fronting the costs and is only reimbursed from tax increment revenue generated from the project. The project plan identifies \$9 million as authorized tax increment financing costs. The developer will be entitled to receive up to \$7.3 million for eligible project costs. Reimbursement to the developer will be made based on actual costs.

**Options and Recommendation:**

The City Council has the following options:

1. Approve as presented
2. Amend
3. Deny
4. Move the item to a Study Session
5. Discuss / take no action / table

Staff recommends approval.

**Supporting Documentation:**

Development Agreement

Location Map

Project Plan