

Planning Commission Agenda Memo

From: Mike Struck, Community Development Director

Meeting: November 7, 2023

Subject: Tax Increment District # 11 Project Plan Amendment

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

Summary:

Action to approve Tax Increment District Number Eleven 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 Number 11 and approved the Project Plan 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 20th Street South from Main Avenue to Medary Avenue, drainage improvements in and near the intersection of Medary Avenue and 20th 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 ten (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 ten (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 ten (10) years earlier than projected, while only extending Tax Increment District #7 another four (4) years.

The proposed improvements lie within the proposed boundaries of the district.

The legal description of the district is as follows:

N 1780' of NE ¼ EXC E 375' & EXC Platted Areas in Section 2-T109N-R50W and abutting roads rights-of-way, City of Brookings, Brookings County, State of South Dakota

Block 3A, Prairie Hills Addition and abutting road rights-of-way, City of Brookings, Brookings County, State of South Dakota

Lot 2, Block 1, Prairie Hills Addition and abutting road rights-of-way, City of Brookings, Brookings County, State of South Dakota

Block 1, Trail Addition and abutting road rights-of-way, City of Brookings, Brookings County, State of South Dakota

N 490' of Block 2, Trail Addition and abutting road rights-of-way, City of Brookings, Brookings County, State of South Dakota

Substation Addition and abutting road rights-of-way, City of Brookings, Brookings County, State of South Dakota

Block 3, McClemans Addition and abutting road rights-of-way, City of Brookings, Brookings County, State of South Dakota

NW ¼ of NW ¼ Exc Platted Areas in Section 1-T109N-R50W and abutting road rights-of-way, City of Brookings, Brookings County, State of South Dakota

Block 1, Nelson Fifth Addition and abutting road rights-of-way, City of Brookings, Brookings County, State of South Dakota

The Planning Commission must provide a recommendation on the Tax Increment District #11 project plan amendment to the City Council.

Options and Recommendation:

The Planning Commission has the following options:

1. Approve as presented
2. Approve as amended
3. Deny

Staff recommends approval of the project plan amendment.

Supporting Documentation:

1. Notice
2. Memo
3. Project Plan