

Tax Incremental District #18  
City of Sioux Falls  
Project Plan

Prepared by:  
Community Development Department  
City Of Sioux Falls

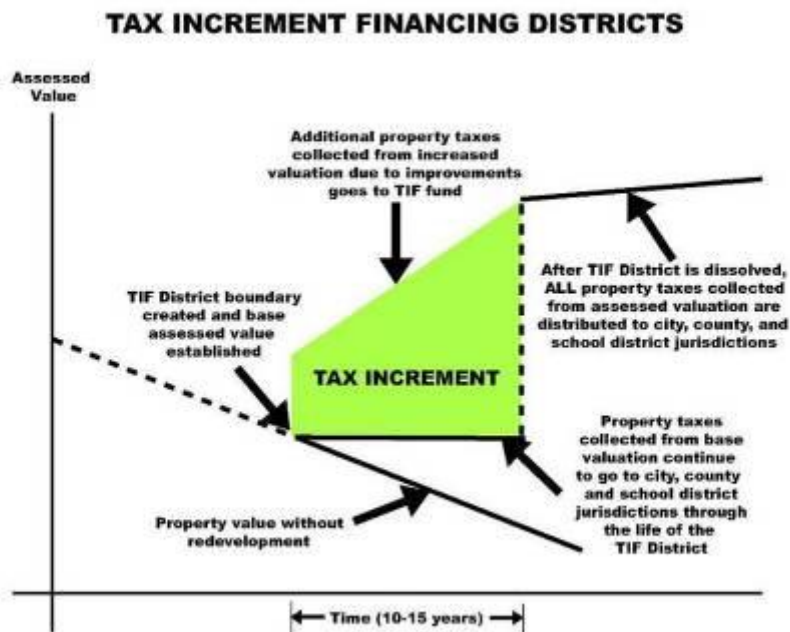
November 2012

## Introduction

Tax Increment Financing (TIF) is an incentive utilized by local governments to attract private development and investment. New investment equals new jobs, more customers, and in turn, more investment opportunity. The incentive can also help retain existing businesses that might otherwise find more attractive options elsewhere. The jobs and additional investment, both private and public, mean more money for the community. TIF helps to overcome the extraordinary costs that often prevent redevelopment and private investment from occurring in difficult to develop areas of the community. As a result, the TIF area itself improves and property values increase.

The benefits of TIF improvements occur where the costs for extensive infrastructure or site clean-up can make development prohibitive. In Sioux Falls, TIF funding has helped redevelop areas where blight or physical challenges would have made improvement cost prohibitive.

Specifically, money for improvements and other incentives comes from the growth in property tax revenues — the tax increment. A tax increment is the difference between the amount of property tax revenue generated from property within the TIF district before TIF district designation and the amount of property tax revenue generated from property within the TIF district after TIF designation. Property taxes collected on properties included in the TIF at the time of its designation continue to be distributed to the school districts, county and all other taxing districts in the same manner as if the TIF district did not exist. Only property taxes collected as a result of the incremental increase in the value of these properties after formation of the TIF district are available for use by the City to fund projects costs in the TIF district. The graph that follows depicts this concept.



A local government, per South Dakota Codified Law, Chapter 11-9, can designate a specific area within its boundaries as a redevelopment area appropriate for a TIF district and prepare a plan for development. TIF projects must be recommended for approval by the City Planning Commission and the City Council.

## PURPOSE OF THE PLAN AND GENERAL DEFINITIONS

The purpose of this Plan, to be implemented by the City of Sioux Falls is to satisfy the requirements for a Tax Increment Finance District Number 18, City of Sioux Falls as specified in SDCL Chapter 11-9. The Plan will describe the boundary, estimated costs, feasibility and fiscal impact of the district, in addition to conformance with City policies related to TIF.

The following terms found in this Plan are defined as the following:

**"Base" or "Tax Incremental Base"** means the aggregate assessed value of all taxable property located within a Tax Incremental District on the date the district is created, as determined by SDCL § 11-9-20.

**"Blighted"** means property that meets any of the criteria as defined and established by SDCL § 11-9-9.

**"Project Costs"** means any expenditure or monetary obligations by the City of Sioux Falls, whether made, estimated to be made, incurred or estimated to be incurred, which are listed as Project Costs herein will include any costs incidental thereto but diminished by any income, special assessments, or other revenues, other than tax increments, received, or reasonably expected to be received, by the City of Sioux Falls in connection with the implementation of this Plan.

**"Public Works"** means the Infrastructure Improvements, the acquisition by purchase or condemnation of real and personal property within the Tax Incremental District and the sale, lease, or other disposition of such property to private individuals, partnerships, corporations, or other entities at a price less than the cost of such acquisition which benefit or further the health, safety, welfare and economic development of the City and Project Costs.

**"Taxable Property"** means all real taxable property located in a Tax Incremental District;

**"Tax Incremental District"** means a contiguous geographic area within a City defined and created by resolution of the governing body and named City of Sioux Falls Tax Incremental District Number Eleven;

**"Tax Increment Valuation"** means the total value of the Tax Incremental District minus the tax incremental base pursuant to § 11-9-19.

## PROPERTY WITHIN TAX INCREMENT DISTRICT #18

Lot 2, Block 2, Phillips to the Falls Addition, including the 3<sup>rd</sup> Street Right-of-Way and Phillips Avenue Right-of-Way adjacent thereto,

Lot 1 (Exc. Lot 3, Block 2, Phillips to the Falls Addition, including Phillips Avenue Right-of-Way adjacent thereto,

The N 33' Block 1, Phillips to the Falls Addition, including Phillips Avenue Right-of-Way adjacent thereto,

W 25' Tract 2, Phillips to the Falls Addition, adjacent to Phillips Avenue,

W 25' Tract 3, Phillips to the Falls Addition, adjacent to Phillips Avenue.

Lot 1B, Block 33, Brookings & Edmunds Addition



The boundaries of this district are adjacent to, but do not overlap the boundaries of TIF #12. The boundaries of this district do not overlap any other TIF district.

## TAXABLE VALUE OF SIOUX FALLS

State law requires that tax increment districts cannot exceed ten percent of the taxable value of the City of Sioux Falls. This value for Sioux Falls is approximately \$11 billion. The base value of the taxable property for inclusion into this Tax Incremental District, as per the Director of Equalizations records is as follows:

Total base value of active TIF Districts in Sioux Falls is as follows:

TIF District #5	\$ 395,354
TIF District #7	\$ 510,088
TIF District #10	\$ 778,651
TIF District #11	\$ 295,270
TIF District #12	\$ 11,415,324
TIF District #13	\$ 4,482,718
TIF District #14	\$ 983,134
TIF District #15	\$ 251,327
TIF District #16	\$ 260,000
TIF District #17	\$ 1,057,881
<b>Total</b>	<b>\$ 20,429,747</b>

The total value of all active TIF districts in Sioux Falls is significantly less than ten (10) percent of total taxable value in the City. Using the estimates provided, significantly less than one (1) percent of the base taxable value of the City is within a TIF boundary.

The proposed Tax Incremental District will promote economic growth and enhancements in Sioux Falls. It is anticipated that a majority of properties within the district will see increases in their property valuation as a result of improvements made possible through creation of the proposed Tax Incremental District.

## KIND, NUMBER, AND LOCATION OF PUBLIC WORKS OR IMPROVEMENTS

In accordance with SDCL § 11-9-13 the following is the kind, number, location and dollar amount of estimated Project Costs, costs of public works and improvements. There are ten (10) capital costs, three (3) professional costs and one (1) financing cost within the district.

<b>Project</b>	<b>Kind</b>	<b>Location</b>	<b>Value</b>
3 <sup>rd</sup> Street Upgrades	Capital	Site	\$109,801
4 <sup>th</sup> Street Improvements	Capital	Site	\$400,000
Storm Sewer	Capital	Site	\$200,000
Phillips Avenue Improvement	Capital	Site	\$73,157
Park Parking	Capital	Site	\$82,465
Good Sam/Larson BMP	Capital	Site	\$85,000
Soil Borings & Environmental Testing	Professional	Site	\$62,500
Site Work	Capital	Site	\$323,215
Soil Remediation & Site Preparation	Capital	Site	\$838,775
Dewatering, Monitoring, & Treatment	Capital	Site	\$551,973
Foundation Retaining Walls	Capital	Site	\$84,811
Structural Engineering	Professional	Site	\$28,000
Professional Fees (Legal)	Professional	Site	\$30,000
Financing Costs (\$2,560,000 for 20 years @ 4%)	Financing	Site	\$1,240,133
<b>TOTAL PUBLIC WORKS IMPROVEMENTS</b>			<b>\$4,109,830</b>

The above total represents eligible project costs. Not all eligible costs are listed, simply those eligible costs that exceed the amount of TIF necessary to make the project financially feasible. Only such amounts as are feasible will be financed by a monetary obligation. This chart is a summary of total costs projects with more detailed breakdowns of costs listed under the Feasibility Study. All improvements and costs are expected to be expended within five (5) years of the establishment of the TIF District by the City Council.

*If these expenditures exceed the value of \$4,109,830 set up above, an amendment to the Plan in accordance with SDCL §11-9-23 is required.*

## ECONOMIC FEASIBILITY STUDY

The City of Sioux Falls, as part of the extension of Phillips Avenue to Falls Park underwent the process of issuing a Request For Proposals in 2007, with the award winner, Lloyd Companies chosen as the developer. Lloyd Companies has requested the consideration of a Tax Increment Finance District to support project eligible costs which are listed above. The table below establishes the base assessed value of the proposed district.

<b>County ID</b>	<b>Address</b>	<b>Assessed Value</b>	<b>Sq. Feet</b>	<b>Legal Description</b>
81014	621 N. Phillips Ave.	\$0	52,850	Lot 2, Block 2, Phillips to the Falls Addition
81593	601 N. Phillips Ave.	\$0	30,981	Lot 1 (Exc. Lot 3, Block 2, Phillips to the Falls Addition
81013	521 N. Phillips Ave.	\$0	37,010	N 33' Block 1, Phillips to the Falls Addition

81012	710 N. Phillips Ave.	\$0	18,950	W 25' Tract 2, Phillips to the Falls Addition
81011	504 N. Phillips Ave.	\$0	2,850	W 25' Tract 3, Phillips to the Falls Addition
85613	n/a	\$0	2,328	Lot 1B, Block 33, Brookings & Edmunds Addition
<b>TOTAL ASSESSED BASE VALUE</b>		<b>\$0</b>		

LISTING OF PROJECT COSTS

Kind	Number	Location	Amount
Capital	10	District	\$2,749,197
Financing	1	District	\$ 1,240,133
Real Property Assembly			n/a
Professional Fees	3	District	\$120,500
Administrative Costs			n/a
Relocation Costs			n/a
Organizational Costs			n/a
<b>TOTAL COSTS</b>			<b>\$4,109,830</b>

These capital, financing, and other expenses are intended to be expended as grants as allowed by SDCL § 11-9-32 and determined by an approved development agreement to be established between the City and the Developer. The actual amount of reimbursement will be limited to \$2,560,000 plus financing costs as listed in the plan.

PROJECTED TAX REVENUE

The site is currently assessed at \$0. The improvements to be made to the property are estimated to add approximately \$9,300,000 to the assessed valuation. The estimated annual tax increment resulting from the improvements would be \$191,350 with a 2% annual escalator as evidence by the table below:

Assessment Year	Estimated Value	Non-Ag Valuation Adjustment	Assessed Value	Base Value	Increment	Levy per \$1,000	Taxes Payable for TIF
2012	0						
2013	0						
2014	10,278,004						
2015	10,487,576	0.886	9,291,992	0	9,291,992	20.593	191,350
2016	10,697,327	0.886	9,477,832	0	9,477,832	20.593	195,177
2017	10,911,274	0.886	9,667,389	0	9,667,389	20.593	199,081
2018	11,129,499	0.886	9,860,737	0	9,860,737	20.593	203,062
2019	11,352,089	0.886	10,039,952	0	10,039,952	20.593	207,123
2020	11,579,131	0.886	10,240,751	0	10,240,751	20.593	211,266
2021	11,810,714	0.886	10,445,566	0	10,445,566	20.593	215,491
2022	12,046,928	0.886	10,654,477	0	10,654,477	20.593	219,801
2023	12,287,866	0.886	10,867,567	0	10,867,567	20.593	224,197
2024	12,533,624	0.886	11,084,918	0	11,084,918	20.593	228,681
2025	12,784,296	0.886	11,306,617	0	11,306,617	20.593	233,255
2026	13,039,982	0.886	11,532,749	0	11,532,749	20.593	237,920

<b>2027</b>	13,300,782	0.886	11,763,404	0	11,763,404	20.593	242,678
<b>2028</b>	13,566,797	0.886	11,998,672	0	11,998,672	20.593	247,532
<b>2029</b>	13,838,133	0.886	12,238,645	0	12,238,645	20.593	252,482
<b>2030</b>	14,114,896	0.886	12,483,418	0	12,483,418	20.593	257,532
<b>2031</b>	14,397,194	0.886	12,733,087	0	12,733,087	20.593	262,683
<b>2032</b>	14,685,138	0.886	12,987,748	0	12,987,748	20.593	267,457
<b>TOTAL</b>							<b>\$4,096,767</b>

Using this information as detailed in the above tables establishes a total increase assessed property values of \$9,291,992, generating a total of \$4,096,767 in increment payable to the TIF District. Therefore, it is feasible to fund a TIF District in the amount of \$4,096,767 that includes both principal and financing costs.

**METHOD OF FINANCING**

Project Costs shall be paid by the proceeds of tax increment revenue. There shall be no advances by the City. The City may reimburse for administrative costs from the tax increments as defined by the development agreement between the City and developer. These improvements will require private financing by each respective property owner. The City will enter into a development agreement with the property owner to reimburse expenses identified within the plan. The maximum amount payable will be determined based on the actual amount of increment generated or total eligible expenses, whichever is less.

**DESCRIPTION OF NON-ELIGIBLE PROJECT COSTS**

The total cost of all improvements within the boundaries of TIF District 18 is \$20,707,449. Of these costs, \$4,109,830 is identified as TIF eligible project costs with the remainder of \$16,659,669 as non-eligible project costs.

**FISCAL IMPACT TO TAXING AUTHORITIES**

During this reimbursement phase (that can last up to twenty years from the date TIF 18 is created), the anticipated annual increase in taxes of approximately \$191,350 (first year) is expected to pay project costs and is expected to have a positive fiscal impact on all entities levying taxes upon property in TIF 18.

<b>Total Tax Levy</b>	<b>20.593</b>	<b>% of Levy</b>
Minnehaha County	2.919	14.17%
Sioux Falls School District	13.148	63.85%
Water District	0.028	00.14%
City of Sioux Falls	4.498	21.84%

Upon fulfillment of the TIF reimbursable period, it can be estimated that the project will generate the following annual property tax revenue:

<b>Total Tax Payment</b>	<b>\$267,937</b>
Minnehaha County	\$37,967
Sioux Falls School District	\$171,078
Water District	\$375
City of Sioux Falls	\$58,517



## FINDING OF BLIGHT

### **ESTABLISHMENT**

If the City finds, by Resolution, that "blighted" conditions exist in not less than 25% of the area, it may after notification of affected taxing districts and after a public hearing, create a Tax Increment District. The purpose of the study is to determine if impediments to development and other issues of blight exist, pursuant to state law, sufficient enough to warrant the creation of a district. Starting July 1, 2011, a tax increment district may be created where not less than fifty percent, by area, of the real property within the district will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources.

South Dakota law describes a blighted area as one that contains a set of conditions which constitute blight. There are three statutory areas of blight referenced in SDCL § 11-9-9.

### **DESCRIPTION OF PROPERTY**

The study area contained industrial and warehouse property, most having been removed in the past 10 years. The majority of the property is currently vacant.

Lot Layout.	The original lot layouts do not adequately provide for current market requirements. Accessibility is limited due to width and limited frontage.
Unfinished Streets.	West 3rd and West 4th Streets between Main and Phillips are not in public use.
Deterioration of Improvements.	Improvements made in the late 1800's and early 1900's are no longer useful and will require replacement.
Undeveloped Lots.	The study area creates an unattractive nuisance where activities non conducive to economic prosperity can congregate. Known and potential soil contamination has hindered development of the property.

### **HISTORY**

The study area was developed in the late 1800's for industrial development, and has been the subject of redevelopment initiatives related to the extension of Phillips Avenue to Falls Park. Due to the cost of site acquisition and remediation, new construction has not occurred in the study area.

### **RELOCATION OF AFFECTED PERSONS**

There are no families or persons residing on the premises and therefore no relocation plan is needed.

### **SUMMARY**

Because the property has unfinished streets, contaminated soils, and inadequate lot layouts, blight exists on greater than 25% of the property; exceeding state requirements and city policies to establish blight.

Recognition of the blighted area has previously been affirmed by the creation of Tax Increment Finance District #8 in the Spring of 2007. The proposed district is within the adopted Urban Renewal District per Sec. 41-130. SDCL 11-8-10 states; "A municipality, to the greatest extent it determines to be feasible in carrying

out the provision of this chapter [Urban Renewal], shall afford maximum opportunity, consistent with the sound needs of the municipality as a whole, to rehabilitation or redevelopment of the urban renewal area by private enterprise.”

## **ESTABLISHMENT OF ECONOMIC DEVELOPMENT**

Economic is established if the proposed activity will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources.

The Study area currently contains bare ground. It is proposed to locate a large, multi-story, mixed-use structure with retail and residential uses. The construction expenditures will exceed \$20,000,000.

In accordance with State Law, the following addresses specific characteristics economic development are found within the Study Area with corresponding portions of 11-9-8 and 11-9-11:

The investment of more than \$20,000,000 the study area will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of commerce during the construction period. More than fifty percent, by area, of the real property within the district will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of commerce. The development will cause more employment and generate additional economic activity through retail commerce and downtown development.

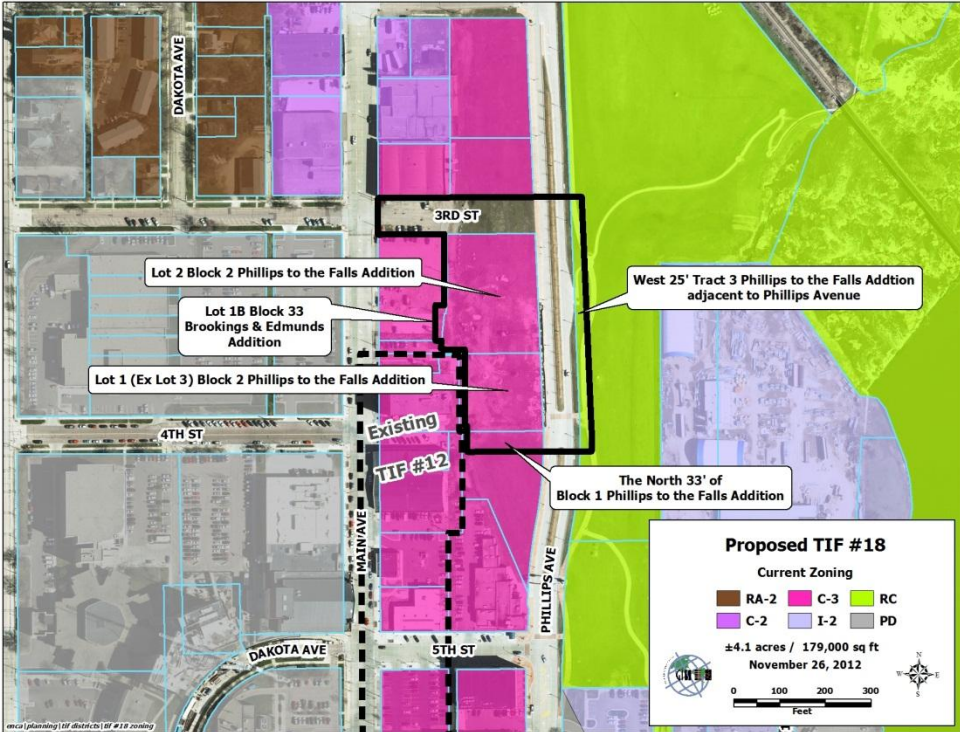
## **CURRENT PLANS, CODES, AND CONDITIONS**

The plan conforms to the Shape Sioux Falls 2035 Comprehensive Plan. The property within the TIF Boundaries is zoned C-3, Central Business District. Proposed uses within the TIF Boundary are allowed within the established zoning district and further zoning action is not required.

Proposed structures and improvements within the boundaries of TIF 18 will be in compliance with all applicable building, fire and zoning codes of the City of Sioux Falls.

Maps reflecting current zoning, current conditions and proposed improvements can be found on the following two pages.

CURRENT ZONING



CURRENT CONDITIONS

The current conditions aerial (image from 2008) reflects vacant property along N. Phillips Ave., and redevelopment at 620 N. Main Ave



### PROPOSED IMPROVEMENTS

The image below represents the proposed footprint and architectural rendering of the five-story, multi-family apartment, condominium and retail building under consideration.

