

Tax Increment Finance District
Application 2017-A (Proposed TIF 21)
Project Plan

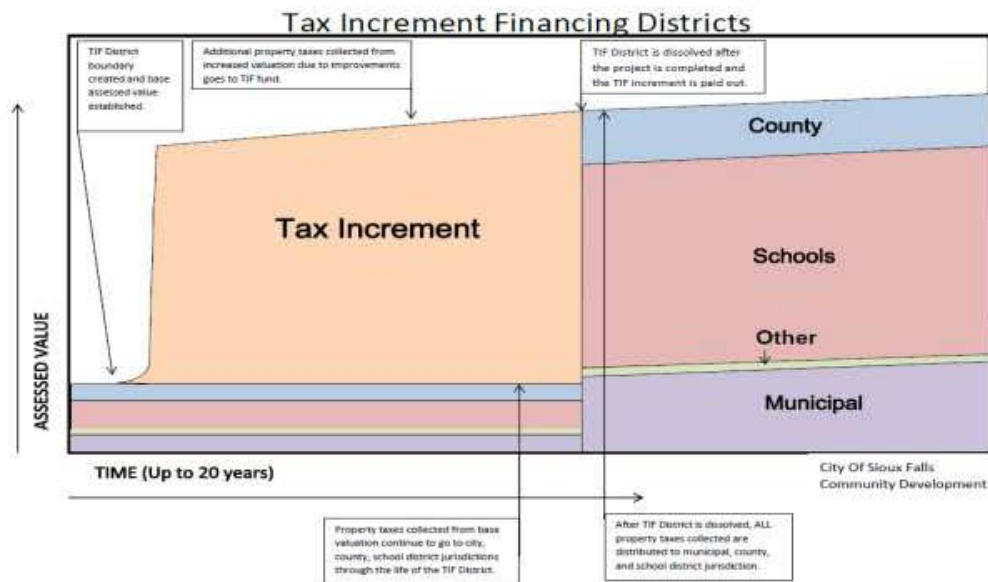
Prepared by:
Community Development Department
City of Sioux Falls
September 2017

I. INTRODUCTION:

Tax Increment Financing ("TIF") is an incentive utilized by local governments to attract private development and investment. New investment creates new jobs, more customers, and in turn, more investment opportunity. TIF can also retain existing businesses that might otherwise find more attractive options elsewhere. The jobs and additional investment, both private and public, mean more revenue 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 District itself improves and property values increase.

The benefits of TIF improvements occur where the costs for extensive infrastructure or site clean-up 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 is generated 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 the same 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 project costs in the TIF District. The graph that follows depicts this concept.



As set forth in South Dakota Codified Law, Chapter 11-9, a local government 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 approved by the City Planning Commission and the City Council.

II. 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 as specified in SDCL Chapter 11-9. The Plan will describe the boundaries of the TIF District, estimated costs, feasibility and fiscal impact of the Tax Increment Finance District, and conformance with development guidelines of the City of Sioux Falls relating to TIFs in general.

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

"Base Value" or "Tax Incremental Base Value" 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.

"Developer" means any individual or entity responsible for carrying out any portion of the projects listed in the TIF plan, including both expenses considered eligible for TIF reimbursement and any other costs associated with private projects within the plan.

"Developer Project Development Agreement" means any agreement which is binding between the City and one or more Developers and which specifies the duties, responsibilities, and obligations of all parties relative to the implementation of this plan. The agreement commits the Developer to complete listed projects, and commits the City to payments of tax increment revenues to the developer(s), among other items. The agreement can include contingency and performance provisions.

"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" all real taxable property located in a Tax Incremental District.

"Tax Incremental District" a contiguous geographic area within the City of Sioux Falls defined and created by resolution of the governing body and named "City of Sioux Falls Tax Incremental District Number Twenty-One" ("TIF #21").

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

All other definitions in SDCL 11-9 shall apply.

III. THE ADDRESSES, PARCEL NUMBERS AND LEGAL DESCRIPTIONS OF THE PROPERTIES WHICH WILL BE INCLUDED WITHIN TIF #21 ARE AS FOLLOWS:

701 N PHILLIPS AVE (Parcel Number 81512) - LOT 1A BLOCK 3 PHILLIPS TO THE FALLS ADDITION TO THE CITY OF SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA.

721 N PHILLIPS AVE (Parcel Number 81015) - LOT 2A BLOCK 3 PHILLIPS TO THE FALLS ADDITION TO THE CITY OF SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA.

107 W 2ND ST (Parcel Number 87576) - LOT 3 BLOCK 3 PHILLIPS TO THE FALLS ADDITION TO THE CITY OF SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA.

No Address (Parcel Number 87577) - LOT 4 BLOCK 3 PHILLIPS TO THE FALLS ADDITION TO THE CITY OF SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA.

710 N PHILLIPS AVE (Parcel Number 81012) - THE WEST 25' OF TRACT 3 PHILLIPS TO THE FALLS ADDN TO THE CITY OF SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA.

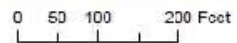
109 W 2ND ST (Parcel Number 27669) - THE EAST 78' OF LOTS 1, 2 & 3 AND THE W1/2 OF VACATED ALLEY LYING ADJACENT, ALL IN BLOCK 34, BROOKINGS & EDMUNDS ADDITION TO SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA.

728 N MAIN AVE (Parcel Number 27670) - THE WEST 72' OF LOTS 1, 2, & 3 IN BLOCK 34 BROOKINGS & EDMUNDS ADDITION TO SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA.

724 N MAIN AVE (Parcel Number 27671) - LOTS 4, 5, 6 & N 11.3' OF LOT 7 AND THE W1/2 OF VACATED ALLEY LYING ADJACENT, ALL IN BLOCK 34, BROOKINGS & EDMUNDS ADDITION TO SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA.

700 N MAIN AVE (Parcel Number 27672) - THE SOUTH 32.69' OF LOT 7 & ALL LOTS 8 & 9 AND THE W1/2 OF VACATED ALLEY LYING ADJACENT, ALL IN BLOCK 34, TOGETHER WITH THE N1/2 OF VACATED WEST 3RD STREET LYING ADJACENT THERETO, ALL IN BROOKINGS & EDMUNDS ADDITION TO SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA.

Proposed Boundary (TIF Application 2017-A)



The boundaries of TIF # 21 do not overlap any other Tax Incremental District.

IV. TAXABLE VALUE OF SIOUX FALLS:

State law requires that the cumulative base value of all Tax Incremental Districts in the City of Sioux Falls cannot exceed ten percent (10%) of the taxable value of the all taxable property within the corporate limits of the City of Sioux Falls. The total assessed value of taxable property in Sioux Falls is approximately \$14.7 billion. The Base Value of the taxable property in TIF #21, as set forth in Director of Equalizations records, is \$396,256. Further, the cumulative Base Value of active TIF Districts in Sioux Falls is as follows:

TIF District #5	\$ 410,264
TIF District #7	\$ 510,088
TIF District #10	\$ 778,651
TIF District #11	\$ 295,270
TIF District #12	\$ 11,514,076
TIF District #13	\$ 4,571,705
TIF District #14	\$ 1,691,952
TIF District #15	\$ 271,775
TIF District #16	\$ 258,187
TIF District #17	\$ 1,057,881
TIF District #18	\$ 770,775
TIF District #19	\$2,199,655
TIF District #20	\$357,287
TOTAL	\$ 24,687,566

The Cumulative Base Value of all active TIF Districts in Sioux Falls is significantly less than ten percent (10%) of total taxable value in the City. Using the estimates provided, significantly less than one percent (1%) of the Cumulative Base Value of the City is located within an active TIF District.

Proposed TIF #21 will promote economic growth and development and enhance the lives of the residents of 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 TIF # 21.

V. IDENTIFICATION, 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 and the costs of Public Works.

Kind	Number	Location	Amount
Capital			
Financing Costs	1	District	\$1,800,000
Real Property Assembly	1	District	\$50,000
Professional Fees (City Expenses)	1	n/a	\$25,000

Administrative Costs	1 or more	n/a	\$20,000
Relocation Costs	n/a	n/a	n/a
Organizational Costs	n/a	n/a	n/a
Discretionary Costs and Grants	1	District	\$4,100,000
TOTAL			\$5,995,000

Eligible expenses are intended to be expended as grants as allowed by SDCL § 11-9-32 and set forth in an approved Development Agreement between the City and Developer. The total actual amount which may be expended by the TID shall be limited to the amount listed in the Plan of \$5,995,000. If, during any time during the life of the TID, the cumulative total reimbursement is expected to exceed \$5,995,000, an amendment to this plan will be required; the individual amounts listed in this Section are estimates and may be higher or lower than anticipated in practice. All obligations of the City are subject to the creation of District and The Developer Agreement becoming effective.

The chart below represents identified construction and development activities expected to be incurred for the development to occur and for which this TIF District and Project Plan is created. They are considered Eligible Project Costs. Only such amounts as are feasible will be financed by a monetary obligation. This chart is a summary of Eligible Project Costs (also set forth under the Feasibility Study below). All Eligible Project Costs are expected to be expended by the Developer(s) within five (5) years of the establishment of TIF #21 by the City Council.

If Eligible Project Costs, in sum, exceed the total value set forth above, an amendment to the Plan in accordance with SDCL §11-9-23 will be required.

Project	Kind	Location	Value
Demolition of blighted property	Capital	Site	\$ 330,000.00
Soil borings, environmental testing, remediation and site prep. Remedial action plans, geotechnical investigation, asbestos abatement in building, lead contamination and petrol contamination haul away, soil treatment and haul away, excavation, rock blasting and backfill.	Capital	Site	\$2,800,000.00
BMP for development	Capital	Site	\$ 90,000.00
Shoring along Main Avenue	Capital	Site	\$ 250,000.00
Utilities	Capital	Site	\$ 270,000.00
Main Avenue / Phillips Avenue improvements	Capital	Site	\$ 680,000.00
2nd Street improvements	Capital	Site	\$ 630,000.00
Surface parking (Interior courtyard area)	Capital	Site	\$ 90,000.00
Professional Services and Fees (A&E, Legal)	Professional	Site	\$ 270,000.00
Elevated public patio along Phillips Avenue	Capital	Site	\$ 50,000.00
Facade Easement (700 N. Main Ave.)	Real Estate	Site	\$ 50,000.00
TOTAL			\$ 5,510,000.00

VI. 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 2017, for development of City-owned property. The City selected Lloyd Companies to be the chosen developer. Lloyd Companies has requested the consideration of a Tax Incremental Finance District to support Eligible Project Costs which are listed above in Section V. The table below establishes the current Base Value of the properties located in the proposed TIF #21 District, identified in Section III.

County ID	Address	Taxable Assessed Value	Sq. Feet	Legal Description
81592	701 N. Phillips Ave.	\$ 0	28,901	See Article III
81015	721 N. Phillips Ave.	\$ 0	42,579	See Article III
87576	107 W. 2 nd St.	\$ 0	2,895	See Article III
87577	Unaddressed	\$ 0	1,870	See Article III
27669	109 W. 2 nd St.	\$ 80,009.00	11,352	See Article III
27670	728 N. Main Ave.	\$ 62,528.00	9,504	See Article III
27671	724 N. Main Ave.	\$ 253,719.00	21,495	See Article III
27672	700 N. Main Ave.	\$ 0	24,097	See Article III
81012	710 N. Phillips Ave.	\$ 0	496,284	See Article III
TOTAL ASSESSED BASE VALUE		\$ 396,256.00		

VII. PROJECTS AND PROJECTED TAX REVENUE:

The overall development project will be constructed in two phases. The first phase will include approximately 98,000 square feet of underground parking (~260 spaces), and Building A, which is expected to include approximately 125 apartment homes and 20,000 square feet of first floor commercial space along Phillips Avenue. Phase two will include Building B, which is expected to include approximately 74 apartment homes. The estimated combined total project costs for both phases are \$43,338,000. Of the total project costs, the construction costs are roughly \$33,000,000.

The properties included within TIF #21 District are currently assessed at \$396,256. The improvements to be made to the properties included within the TIF #21 District are estimated to add approximately \$21,000,000 to the assessed valuation of the properties within TIF # 21 District. The estimated annual tax increment is expected to be fully realized to occur in tax year 2020 (payable in 2021) with a 1% annual escalator in assessed values as evidenced by the table below.

NOTES: The tax levy for TIF #21 is computed at \$21.00 per \$1,000.00 of value during the term of TIF#21. The first phase of building included within TIF #21 are being placed in service in 2019 (first “assessment year”, with increased taxes being payable in 2020), with the remaining building included within TIF #21 District being placed in service in 2020 (first “assessment year”, with increased taxes being payable in 2021). The increment taxes listed as payable in 2019 assume approximately one-third of construction has occurred and been valued by the County Assessor.

Tax Valuation Year-Jan. 1	Tax Payable Year	Estimated Value	Adjustment Factor (.93)	Base Value (adjusted)	Increment Value (adjusted)	Increment Taxes Payable (rate .021)	Cumulative
2017	2018	\$396,000	\$368,280	\$368,280	\$-	\$-	\$-
2018	2019	\$8,080,000	\$7,514,400	\$368,280	\$7,146,120	\$150,069	\$150,069
2019	2020	\$18,180,000	\$16,907,400	\$368,280	\$16,539,120	\$347,322	\$497,390
2020	2021	\$22,901,750	\$21,298,628	\$368,280	\$20,930,348	\$439,537	\$936,927
2021	2022	\$23,130,768	\$21,511,614	\$368,280	\$21,143,334	\$444,010	\$1,380,937
2022	2023	\$23,362,075	\$21,726,730	\$368,280	\$21,358,450	\$448,527	\$1,829,465
2023	2024	\$23,595,696	\$21,943,997	\$368,280	\$21,575,717	\$453,090	\$2,282,555
2024	2025	\$23,831,653	\$22,163,437	\$368,280	\$21,795,157	\$457,698	\$2,740,253
2025	2026	\$24,069,969	\$22,385,072	\$368,280	\$22,016,792	\$462,353	\$3,202,606
2026	2027	\$24,310,669	\$22,608,922	\$368,280	\$22,240,642	\$467,053	\$3,669,659
2027	2028	\$24,553,776	\$22,835,011	\$368,280	\$22,466,731	\$471,801	\$4,141,461
2028	2029	\$24,799,314	\$23,063,362	\$368,280	\$22,695,082	\$476,597	\$4,618,057
2029	2030	\$25,047,307	\$23,293,995	\$368,280	\$22,925,715	\$481,440	\$5,099,497
2030	2031	\$25,297,780	\$23,526,935	\$368,280	\$23,158,655	\$486,332	\$5,585,829
2031	2032	\$25,550,758	\$23,762,205	\$368,280	\$23,393,925	\$491,272	\$6,077,102
2032	2033	\$25,806,265	\$23,999,827	\$368,280	\$23,631,547	\$496,262	\$6,573,364
2033	2034	\$26,064,328	\$24,239,825	\$368,280	\$23,871,545	\$501,302	\$7,074,666
2034	2035	\$26,324,971	\$24,482,223	\$368,280	\$24,113,943	\$506,393	\$7,581,059
2035	2036	\$26,588,221	\$24,727,045	\$368,280	\$24,358,765	\$511,534	\$8,092,593
2036	2037	\$26,854,103	\$24,974,316	\$368,280	\$24,606,036	\$516,727	\$8,609,320

The information in the above tables establishes a total increase assessed property value of approximately \$20,900,000, as of the estimated stabilized year of 2020 generating a total of \$8,609,320 in increment payable to TIF #21. Therefore, it is feasible to fund a TIF District in for the entire amount listed in project costs, which includes both principal and financing costs.

VIII. METHOD OF FINANCING:

The City may enter into a Development Agreement with the Developer(s) to reimburse the Developer for incurred expenses identified within the Plan. TIF Eligible Project Costs and expenditures will be paid out of the developer's funds, or by financing secured by the developer as they are initially incurred. There shall be no advances by the City, unless contemplated in a Developer Agreement. The City may reimburse itself for administrative and professional costs from the tax increments as defined in the Development Agreement between the City and the Developer. Eligible Project Costs incurred by the Developer(s) shall be paid by the proceeds of tax increment revenue as Discretionary Costs and Grants.

IX. FISCAL IMPACT TO TAXING AUTHORITIES:

During the reimbursement phase (that can last up to twenty years from the date TIF #21 is created), the anticipated annual increase in taxes is expected to reimburse Developer(s) and is expected to have a positive fiscal impact on all entities levying taxes upon property in TIF #21 District.

Total Tax Levy	21.03	% of Levy
Minnehaha County	3.34	15.88%
Sioux Falls School District	12.95	61.58%
Water District	0.03	00.14%
City of Sioux Falls	4.71	22.40%

The Project would likely generate the following anticipated annual property tax revenue (as showed cumulatively and by taxing entity), and be allocated to the TIF District. A mid-course average revenue in 2024 is used for illustration.

Total Tax Payment	\$455,000.00
Minnehaha County	\$72,254.00
Sioux Falls School District	\$280,189.00
Water District	\$637.00
City of Sioux Falls	\$101,920.00

X. FINDINGS OF BLIGHT/ECONOMIC BENEFITS:

ESTABLISHMENT:

Pursuant to SDCL Section 11-9-5, the City of Sioux Falls must “adopt a resolution which ... describes the boundaries ... of a tax incremental district, creates the district on a given date, and assigns a name to the district for identification purposes”. Further, pursuant to SDCL Section 11-9-8, the City of Sioux Falls must include findings in the aforementioned resolution: (a) that either the area within the district is “blighted” (as further defined in SDCL Section 11-9-9) or that the planned improvements “will stimulate and develop the general economic welfare of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural or natural resources”; and (b) that the planned improvements within the District are “likely to enhance significantly the value of all of the other real property in the District”. The purpose of the foregoing process is to determine if impediments to economic development and/or other issues of blight exist which, pursuant to state law, are sufficient enough to warrant the creation of a tax incremental district.

DESCRIPTION OF PROPERTY:

There are multiple structures and buildings within the proposed District which are dilapidated, aged and obsolete, as set forth in SDCL 11-9-9. These structures and buildings are no longer habitable and will be razed and replaced with approximately 260 underground privately-owned parking spaces, over 130 publicly-owned on-street angled parking spaces, approximately 200 market rate apartment homes and approximately 20,000

square feet of commercial space. The creation of the mixed-use development will significantly enhance the values of the all other properties within the proposed District.

RELOCATION OF AFFECTED PERSONS:

There are no families or persons residing in the proposed District and therefore no relocation plan is needed.

SUMMARY OF FINDINGS – BLIGHT AND ECONOMIC DEVELOPMENT:

Statutory requirements are met because the property within the proposed District satisfies the requirements established in SDCL Section 11-9-8 in that both the Project will remove “blighted” properties and will “stimulate and develop the general economic and welfare of the state”. Further, SDCL Section 11-8-10 (Urban Renewal) states that “a municipality, to the greatest extent it determines to be feasible ... shall afford maximum opportunity, consistent with the sound needs of the municipality as a whole, to the rehabilitation or redevelopment of (an) urban renewal area by private enterprise.”

XI. CURRENT PLANS, CODES, AND CONDITIONS:

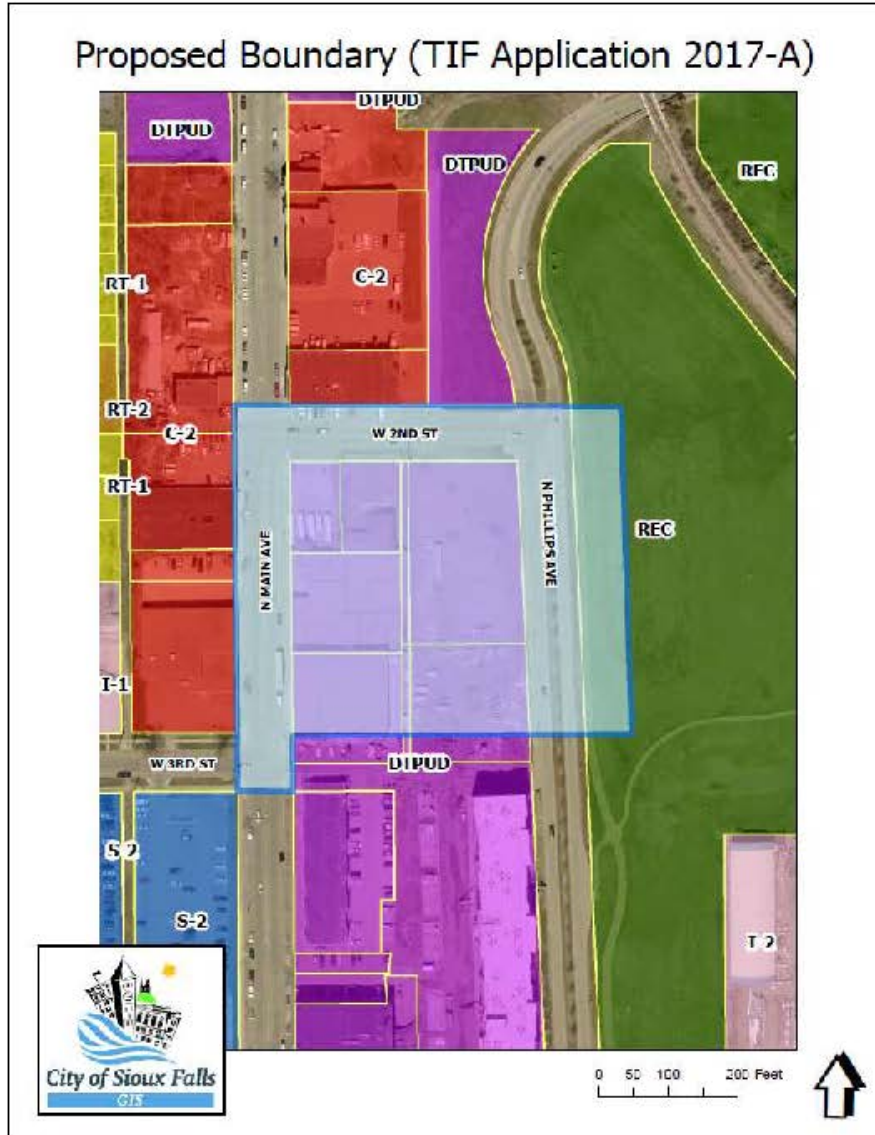
The Plan conforms to the “Shape Sioux Falls 2040 Comprehensive Plan”. Proposed uses within boundaries of TIF #21 are allowed within the established zoning district and further zoning action is not required.

Proposed structures and improvements within the boundaries of TIF #21 District shall 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 are shown here:

District Conditions: The properties included in the district are primarily vacant lots and dilapidated buildings. Two structures on the property would be demolished.

Zoning:



Project Phasing (Section VIII):

