

# Tax Increment Finance District Number 23 Project Plan

Prepared by:

Sioux Falls Development Foundation in  
conjunction with Planning & Development  
Services Department City of Sioux Falls

January 2021

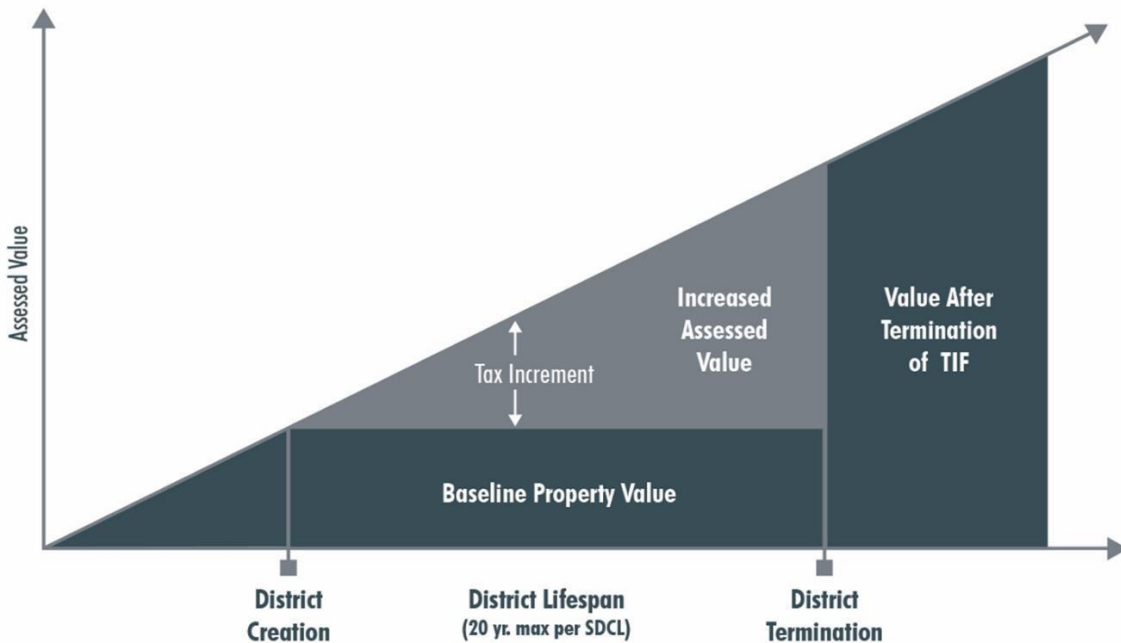
# I. INTRODUCTION:

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.

In Sioux Falls, TIF funding has been used for the following purposes: to encourage the redevelopment of deteriorated, or otherwise blighted real property; to stimulate economic development in the community by assisting projects that promote the long-term economic vitality of Sioux Falls and the State of South Dakota; and, to stimulate increased private investment in areas that would have otherwise remained undeveloped or under-developed and which will, in the long-term, provide a significant source of additional tax revenues to all taxing entities.

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 and improvements occur. 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.

### Tax Increment Finance Diagram



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 purpose of TIF #23 is to accelerate the development of Foundation Park North, a heavy industrial park, located in the northwest quadrant of Sioux Falls. These efforts will stimulate the general economic prosperity of the state through job creation, increased tax base and support of economic development strategies.

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.

***"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-Three" ("TIF #23").

**"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 #23 ARE AS FOLLOWS:**

(Parcel Number 15579) - SW1/4 (EX RY & EX WINTERSTEEN'S ADDN) 13-102-50 SIOUX FALLS CITY UNPLATTED

(Parcel Number 15580) - SE1/4 (EX W 1730.76' E 1770.76' S 562.58') 13-102-50 SIOUX FALLS CITY UNPLATTED

47184 259TH STREET (Parcel Number 15581) - W 956.47' E 996.47' S 562.58' SE 1/4 13-102-50 SIOUX FALLS CITY UNPLATTED

47174 259TH STREET (Parcel Number 15582) - W 774.29' E 1770.76' S 562.58' SE 1/4 13- 102-50 SIOUX FALLS CITY UNPLATTED

(Parcel Number 65144) - PART NW1/4 N & E OF BN RR ROW 24-102-50 SIOUX FALLS CITY UNPLATTED

(Parcel Number 15657) - PART NE1/4 LYING N OF BN RR ROW 24-102-50 SIOUX FALLS CITY UNPLATTED

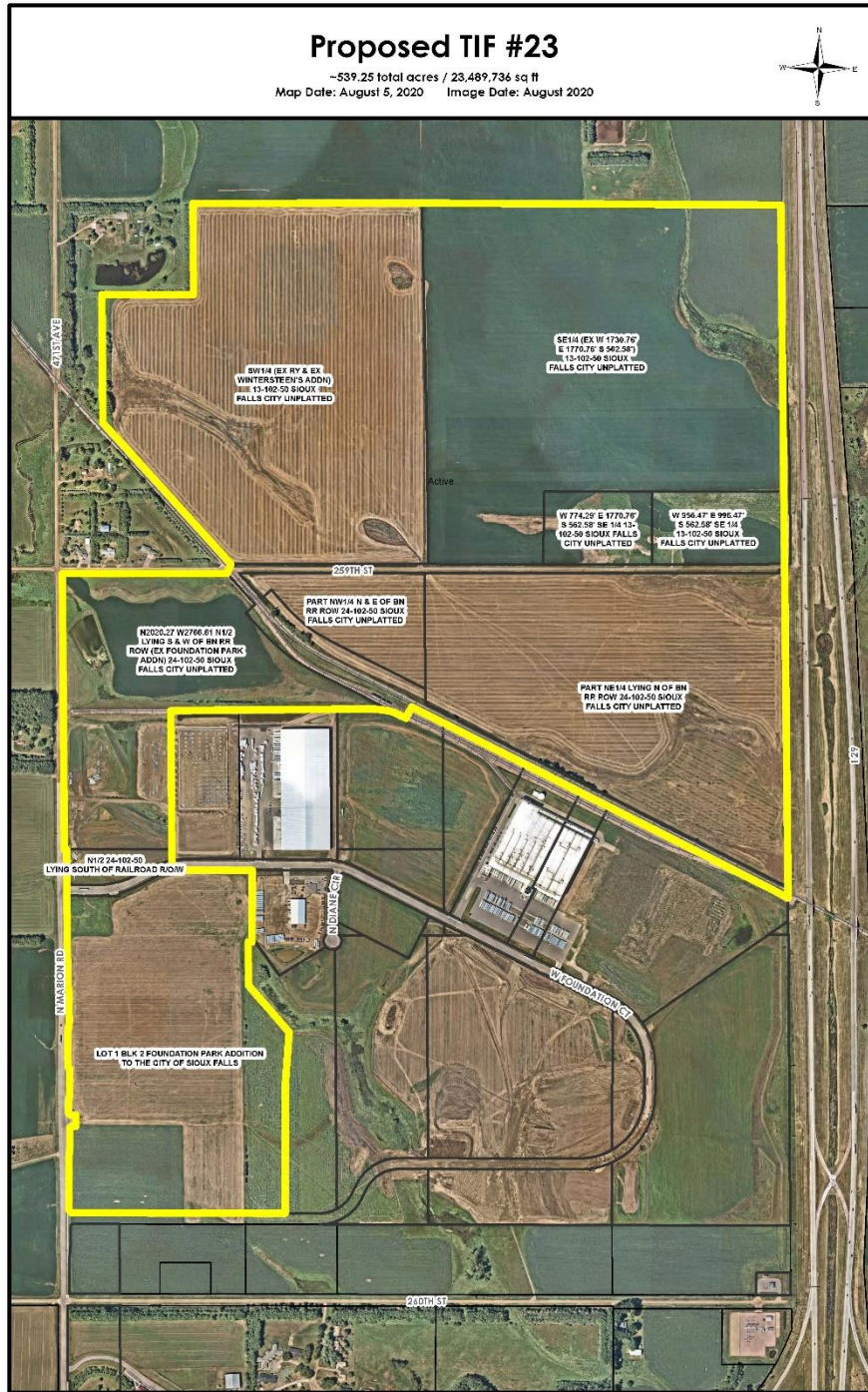
(Parcel Number 15658) - N2020.27 W2766.61 N1/2 LYING S & W OF BN RR ROW (EX FOUNDATION PARK ADDN) 24-102-50 SIOUX FALLS CITY UNPLATTED

(Parcel Number 718085) 6700 N Marion Rd. – LOT 1 BLOCK 2 FOUNDATION PARK ADDITION TO THE CITY OF SIOUX FALLS, MINNEHAHA COUNTY, SOUTH DAKOTA

(Parcel Number 718082) - PT N1/2 (EX N2020.27' W2766.61' & EX S274 W348' & EX H-1 & EX TR1 & EX LOTS H-3 & H-4 & EX FOUNDATION PARK ADDN) LYING S OF BN RR ROW 24-102-50

The boundaries of TIF #23 do not overlap any other Tax Incremental Districts.

Please note: 1) Several parcel IDs and legal descriptions were updated between the Resolution that created this district and this Project Plan which reflect newly filed plats. The original parcel IDs and legal descriptions used for the creation of the District and Base Value are listed in Section VI. 2) Parcel IDs and legal descriptions may change after the approval of this document once additional development is planned for Foundation Park.



**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 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 \$12.6 billion. The Base Value of the taxable property in TIF #23, as set forth in Director of Equalizations records, is \$3,522,542. Further, the cumulative Base Value of active TIF Districts in Sioux Falls is as follows:

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 #18	\$ 770,775
TIF District #20	\$ 357,287
TIF District #21	\$ 396,256
TIF District #22	\$ 1,647,792
TIF District #23	\$ 3,522,542
TOTAL	\$ 26,586,356

The Cumulative Base Value of all active TIF Districts in Sioux Falls, including TIF #23 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.

TIF #23 will promote economic growth and development and enhance the lives of the residents and visitors of Sioux Falls. It is anticipated that a majority of property within the District will see increase in the property valuation as a result of improvements made possible through creation of TIF #23.

**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.

<b>Project</b>	<b>Kind</b>	<b>Number</b>	<b>Location</b>	<b>Amount</b>
259th St Improvements	SDCL § 11-9-15 (1)	1	Site	\$3,627,670
Northern Access Road	SDCL § 11-9-15 (1)	1	Site	\$3,113,786
N-S Collector Street	SDCL § 11-9-15 (1)	1	Site	\$2,166,313
North Sewer	SDCL § 11-9-15 (1)	1	Site	\$927,476
Rail-Adjacent Sewer	SDCL § 11-9-15 (1)	1	Site	\$1,055,585
Grading - FP Phase III	SDCL § 11-9-15 (1)	1	Site	\$1,912,680
Grading - FP Phase IV	SDCL § 11-9-15 (1)	1	Site	\$13,242,300
Regional Detention	SDCL § 11-9-15 (1)	1	Site	\$1,809,085
Water Reclamation	SDCL § 11-9-15 (1)	1	Site	\$8,905,000
Wetland Mitigation	SDCL § 11-9-15 (1)	1	Site	\$239,850
Rail Spurs	SDCL § 11-9-15 (1)	1	Site	\$5,892,800
Power Line Enhancements	SDCL § 11-9-15 (1)	1	Site	\$2,123,500
Gas Line Install	SDCL § 11-9-15 (1)	1	Site	\$2,806,000
Interior Roads	SDCL § 11-9-15 (1)	1	Site	\$2,599,575
Engineering & Legal. Costs	SDCL § 11-9-15 (4)	1	Site	\$9,022,514
Plat Fees and SSCR	SDCL § 11-9-15 (1)	1	Site	\$13,119,125
Econ. Devel. Competitiveness Fund	SDCL § 11-9-15 (8)	1	Off-Site	\$30,000,000
Financing Costs (5%)	SDCL § 11-9-15 (2)	1	Site	\$30,184,577
	Identified TIF-Eligible Expenses			\$132,747,836
	Total TIF Requested*			\$94,371,313

\*Permanent Financing Costs of up to 5% Annual Percentage Rate (APR) on the TIF-approved expenses are in addition to this amount.

The chart above 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.

When creating the project plan effort was taken to identify all possible eligible expenses that may

occur within the district to provide “shovel-ready” sites within Foundation Park North. Shovel-ready provides rough grading and infrastructure up to the sites but do not make the sites “build-ready”. Additional investment is needed by each private company locating in the District to make the sites build-ready (i.e. fine grading, soil preparations, utility connections, etc.). Each development will have its own set of needs that are difficult to project therefore the Project Plan establishes an Economic Development Competitiveness Fund to assist with those additional site preparation, infrastructure and development costs associated with site buildouts. The fund is designed to be flexible to enable the community to be competitive and to facilitate the recruitment and retention of businesses that are considering locating or expanding within the District. The purpose of the fund is to pay for future identifiable costs associated with increased build-out of items identified within the chart above as well as site specific fine grading, site specific infrastructure (access roads, water, sewer, electric, gas connections), rail extensions, competitive land pricing, financial assistance, water pre-treatment, waste water pre-treatment and costs that are unique to different industries.

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 eligible costs for tax increment financing are \$132,747,836. Sioux Falls Development Foundation is requesting \$94,371,313 in TIF assistance, plus costs of financing. The property will generate an increment in a range of \$3,700,000 after the initial project and increase to \$13,500,000 in property taxes per year after payout. The projected payout is calculated to be no greater than 20 years. All obligations of the City are subject to the Developer Agreement becoming effective.

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.

## **VI. ECONOMIC FEASIBILITY STUDY:**

Sioux Falls Development Foundation 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 #23 District, identified in Section III.



<b>County ID</b>	<b>Address</b>	<b>Taxable Assessed Value</b>	<b>Sq. Feet</b>	<b>Legal Description</b>
<b>15579</b>		\$344,167	5,164,474	See Article III
<b>15580</b>		\$415,841	5,974,254	See Article III
<b>15581</b>	47184 259TH STREET	\$118,400	537,966	See Article III
<b>15582</b>	47174 259TH STREET	\$109,600	435,600	See Article III
<b>65144</b>		\$46,703	629,878	See Article III
<b>15657</b>		\$292,646	4,388,670	See Article III
<b>15658 (split)</b>		\$966,232	2,379,683	See Article III
<b>15659</b>		\$236,120	75,794	See Article III
<b>15661</b>		\$139,344	2,084,346	See Article III
<b>56615 (split)</b>		\$37,664	503,989	See Article III
<b>93027</b>		\$19,724	253,519	See Article III
<b>93054</b>		\$23,201	322,344	See Article III
<b>57600</b>		\$772,900	1,001,880	See Article III
<b>TOTAL ASSESSED BASE VALUE</b>		<b>\$3,522,542</b>		

**PROJECTS AND PROJECTED TAX REVENUE:**

The property included within TIF #23 District is currently assessed at \$3,522,542. The improvements to be made to the property included within the TIF #23 District are estimated to increase the assessed value of the property over multiple phases beginning in 2022. The increase in assessed value will range from \$3,522,542 at the beginning of the district's creation to approximately \$190,000,000 of assessed valuation by year 2023 and approximately \$620,000,000 by the year 2030. The estimated annual tax increment is expected to increase over each phase and includes a 1% annual escalator in assessed values as evidenced by the table below.

**NOTES:** The tax levy for TIF #23 is computed at \$21.27 per \$1,000.00 of value during the term of TIF#23. The first building included within TIF #23 is being placed in service in 2023 (first "assessment year", with increased taxes being fully payable in 2024).

<b>Tax Valuation Year-Jan. 1</b>	<b>Taxes Payable Year</b>	<b>Estimated Value</b>	<b>Adjustment Factor (.941)</b>	<b>Base Value (adjusted)</b>	<b>Increment Value (adjusted)</b>	<b>Increment Taxes Payable (rate .02127)</b>	<b>Cumulative</b>
2020	2021	\$3,522,542	\$3,314,712	\$3,314,712	\$0	\$0	\$0
2021	2022	\$3,522,542	\$3,314,712	\$3,314,712	\$0	\$0	\$0
2022	2023	\$150,524,760	\$141,643,799	\$3,314,712	\$138,329,087	\$2,942,260	\$2,942,260
2023	2024	\$190,999,760	\$179,730,774	\$3,314,712	\$176,416,062	\$3,752,370	\$6,694,629
2024	2025	\$392,884,512	\$369,704,326	\$3,314,712	\$366,389,614	\$7,793,107	\$14,487,736
2025	2026	\$396,823,179	\$373,410,612	\$3,314,712	\$370,095,900	\$7,871,940	\$22,359,676
2026	2027	\$400,801,331	\$377,154,053	\$3,314,712	\$373,839,341	\$7,951,563	\$30,311,239
2027	2028	\$605,319,365	\$569,605,522	\$3,314,712	\$566,290,810	\$12,045,006	\$42,356,245
2028	2029	\$611,387,691	\$575,315,818	\$3,314,712	\$572,001,106	\$12,166,464	\$54,522,708
2029	2030	\$617,516,853	\$581,083,359	\$3,314,712	\$577,768,647	\$12,289,139	\$66,811,847
2030	2031	\$623,707,460	\$586,908,719	\$3,314,712	\$583,594,007	\$12,413,045	\$79,224,892
2031	2032	\$629,960,127	\$592,792,479	\$3,314,712	\$589,477,767	\$12,538,192	\$91,763,084
2032	2033	\$636,275,477	\$598,735,224	\$3,314,712	\$595,420,512	\$12,664,594	\$104,427,678
2033	2034	\$642,654,139	\$604,737,545	\$3,314,712	\$601,422,833	\$12,792,264	\$117,219,942
2034	2035	\$649,096,746	\$610,800,038	\$3,314,712	\$607,485,326	\$12,921,213	\$130,141,155
2035	2036	\$655,603,941	\$616,923,309	\$3,314,712	\$613,608,597	\$13,051,455	\$143,192,609
2036	2037	\$662,176,371	\$623,107,965	\$3,314,712	\$619,793,253	\$13,183,002	\$156,375,612
2037	2038	\$668,814,689	\$629,354,622	\$3,314,712	\$626,039,910	\$13,315,869	\$169,691,481
2038	2039	\$675,519,556	\$635,663,902	\$3,314,712	\$632,349,190	\$13,450,067	\$183,141,548
2039	2040	\$682,291,640	\$642,036,433	\$3,314,712	\$638,721,721	\$13,585,611	\$196,727,159

The information in the above tables establishes a total increase assessed property value of approximately \$190,000,000 as of the estimated stabilized year of 2024 and approximately \$620,000,000 as of the year 2030 generating a total of approximately \$196,000,000 in increment payable to TIF #23. Sioux Falls Development Foundation has requested support for \$94,371,313, plus the costs of financing. Therefore, it is feasible to fund a TIF District for the entire amount listed in the project costs, which includes both principal and financing costs.

**VII. METHOD OF FINANCING:**

The City may enter into a Development Agreement with the Developer(s) to remit TIF revenue to the Developer for Eligible Project Costs 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.

**VIII. FISCAL IMPACT TO TAXING AUTHORITIES:**

During the reimbursement phase (that can last up to twenty years from the date TIF #23 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 #23 District.

<b>Total Tax Levy</b>	<b>21.27</b>	<b>% of Levy</b>
Minnehaha County	3.379	15.88%
Tri-Valley School District	13.465	63.31%
Water District	0.024	00.11%
City of Sioux Falls	4.402	20.70%

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 2027 is used for illustration.

<b>Total Tax Payment</b>	<b>\$ 7,900,000</b>
Minnehaha County	\$ 1,254,520
Tri-Valley School District	\$ 5,001,490
Water District	\$ 8,690
City of Sioux Falls	\$ 1,635,300

**IX. 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:**

The property is currently undeveloped and is part of Foundation Park which is a heavy industrial

park and future large employment center in northwest Sioux Falls.

**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 it will “stimulate and develop the general economic and welfare of the state”.

**X. CURRENT PLANS, CODES, AND CONDITIONS:**

The Plan conforms to the “Shape Sioux Falls 2040 Comprehensive Plan”. Proposed uses within boundaries of TIF #23 are allowed within the established zoning district and future rezoning actions will need to bring the entire district into a similar zoning classification.

Proposed structures and improvements within the boundaries of TIF #23 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 within this Plan.

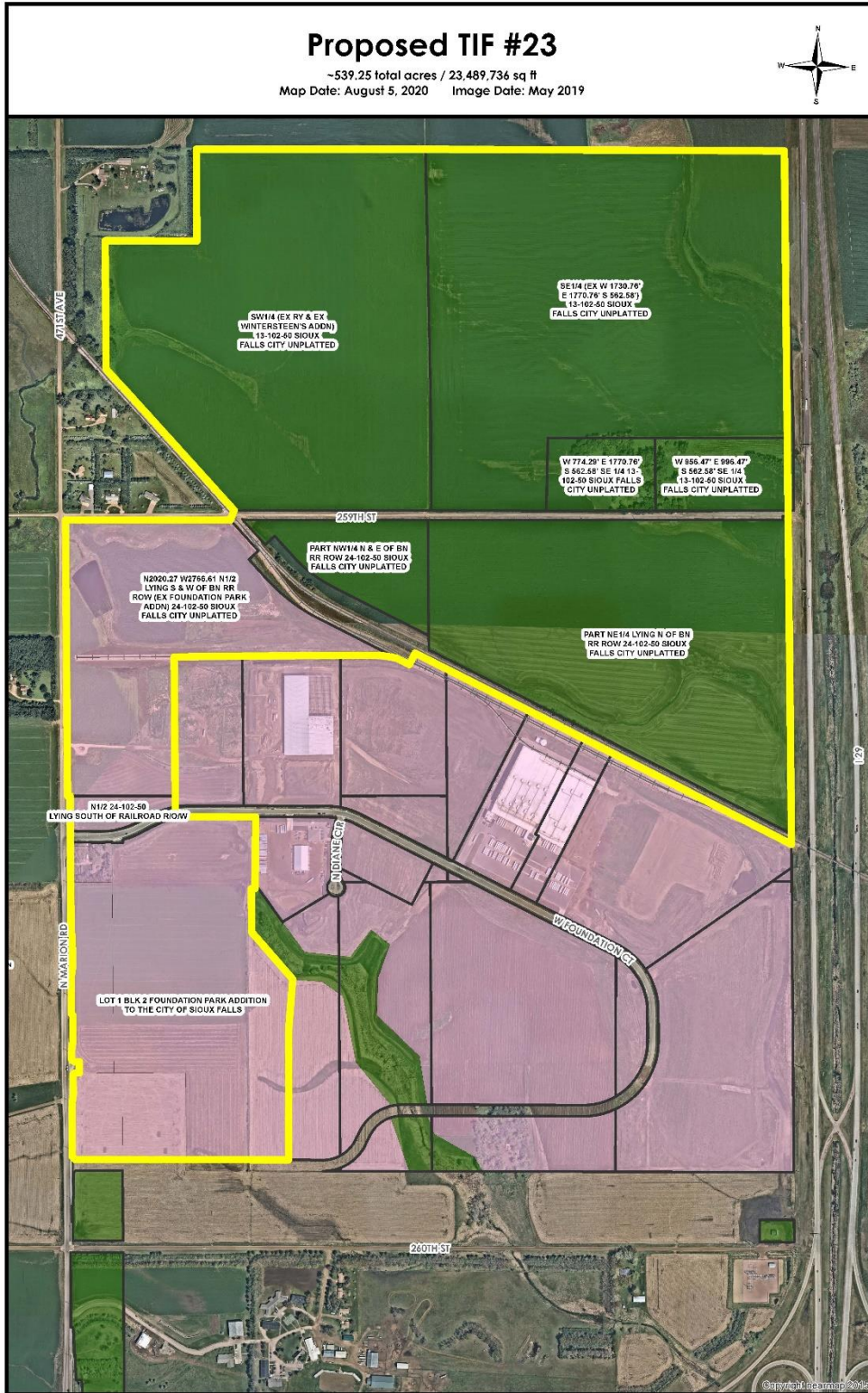
**XI. LIST OF ESTIMATED NON-PROJECT COSTS**

The following represents the estimated cumulative costs of tenant investment in Foundation Park TIF:

Estimated Total Non-Project Costs	\$2,500,000,000
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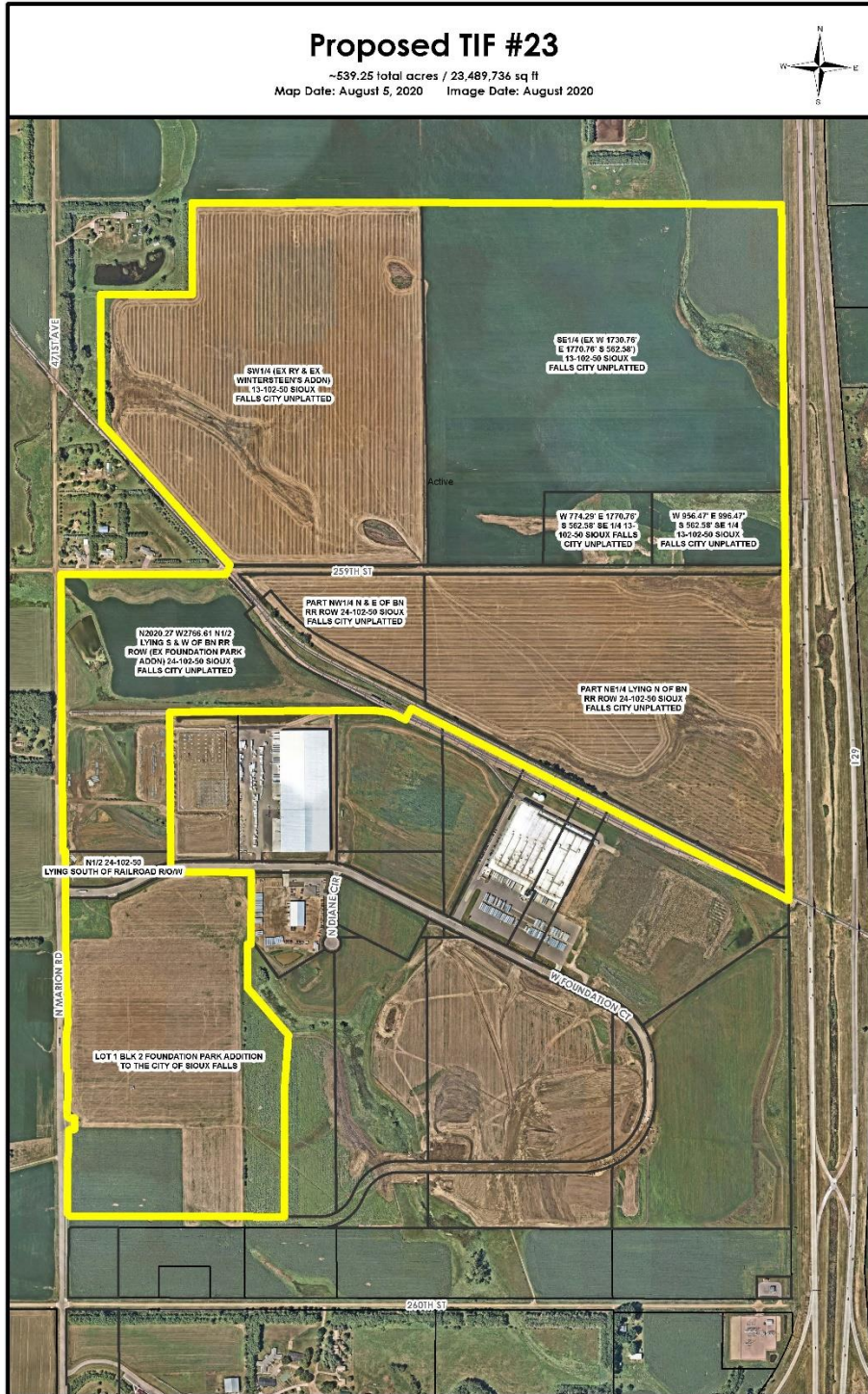
The non-project costs estimated above is a projection based off the existing per acre investment from tenants located in Foundation Park. These costs include site preparations, building footings, foundation and construction, furniture, fixtures, equipment and other costs associated with capital investment by business tenants. These costs were projected and applied over the 539.25 acres located within the TIF district.

**Zoning:**





**Existing Uses and Conditions:** The Exhibit below shows the undeveloped condition of the property. The land was previously used for agriculture and will be transformed into an industrial park.



**Project Improvements and Uses:**

