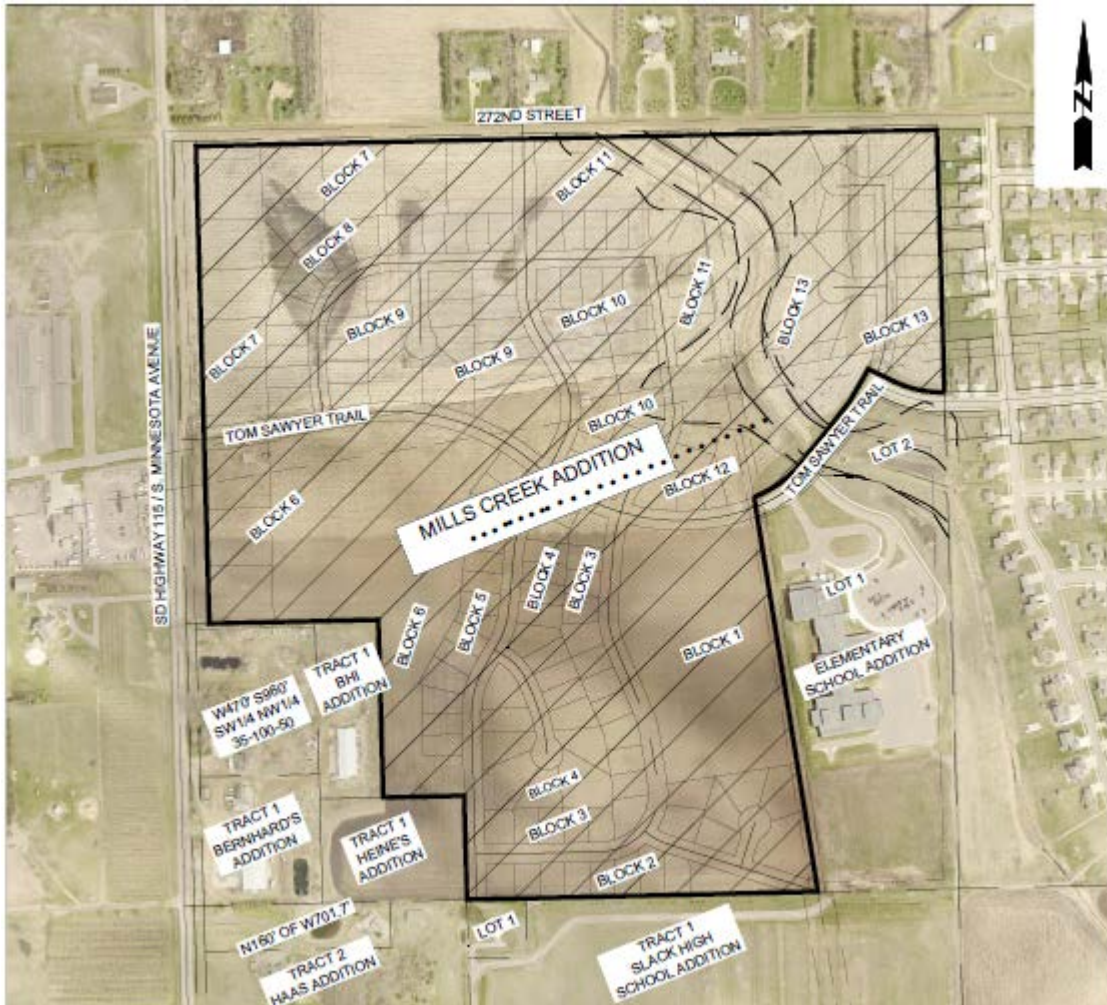


Tax Incremental District
Number 3
City of Harrisburg, South Dakota



Mills Creek Addition
Sawyer Pointe

Prepared by Dougherty & Company LLC
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Introduction – The Project

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 attract and retain existing businesses and workers that might otherwise find more attractive options elsewhere. The jobs and additional investment, both private and public, mean more money for the community. Tax Increment Financing helps to overcome costs that often prevent redevelopment and private investment from occurring in the community. As a result, the TIF area itself improves and property values increase.

Specifically, money for improvements and other incentives comes from the growth in property valuations and the corresponding property tax revenues — the tax increment. A tax increment is the difference between the amount of property valuation present within the TIF district before TIF district designation and the amount of property valuation increase due to the creation of a TIF district. Property taxes collected on the original valuation existing in the TIF at the time of its designation continue to be distributed to the city, school district, 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 counties or cities to fund projects costs in the TIF district.

In addition to increasing property valuation, creating a Tax Increment District for the benefit of economic development can mean retaining and creating more jobs. Today's business climate allows corporations the flexibility to call any state in the union their home. It is up to local communities to attract and retain companies to their communities. Using Tax Increment Financing is one of the most powerful economic development tools to help communities achieve their goals.

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 County or City Planning Commission and the County or City Commission/Council.







The primary objective of City of Harrisburg TIF Number Three is the development of a 118 acre agricultural site located south of 272nd Street and east of Minnesota Avenue into apartments, single family homes, and the eventual possibility of creating commercial/retail space. It should be noted that housing is the primary focus.

The intent is to begin a market rate and affordable apartment community immediately. While the first phase of the apartment complex is being constructed, development plans for the residential area will be solidified to support the sale of lots and construction of individual homes. Additionally, as the South Dakota Department of Transportation (DOT) completes their improvement of Minnesota Avenue, the land along Minnesota will be redeveloped for commercial/retail activities.

Lloyd Companies, the Developer, is a full-service real estate development company that specializes in both apartment and commercial property management, both residential and commercial real estate, construction management and development. Their current portfolio includes management of over 5,000 apartment homes and over 1,500,000 square feet of commercial office and retail space.







The following grids show what rental rates would be at 60% and at 80% area median income (AMI) of the Sioux Falls Metro Area and Lincoln County. It should be stressed that rents for the first phase of development within this TIF would be restricted as to not exceed 80% AMI. The tenants themselves would not be required to qualify, but rather the apartments would be rent restricted by design.

Rent Limits for 2017
(Based on 2017 50% VLI Income Limits)

Bedrooms (People)	Charts	60.00%	60.00%	50.00%	40.00%	FMR
Efficiency (1.0)		807	807	672	538	543
1 Bedroom (2.0)		922	922	768	615	655
2 Bedrooms (3.0)		1,038	1,038	865	692	811
3 Bedrooms (4.0)		1,152	1,152	960	768	1,098
4 Bedrooms (5.0)		1,245	1,245	1,037	830	1,296
5 Bedrooms (6.0)		1,336	1,336	1,113	891	

1

Rent Limits for 2017
(Based on 2017 80% Low Income Limits)

Bedrooms (People)	Charts	80.00%	FMR	HOME Low Rent	HOME High Rent
Efficiency (1.0)		1,076	543	0	0
1 Bedroom (2.0)		1,229	655	0	0
2 Bedrooms (3.0)		1,383	811	0	0
3 Bedrooms (4.0)		1,536	1,098	0	0
4 Bedrooms (5.0)		1,659	1,296	0	0
5 Bedrooms (6.0)		1,782		0	0

Currently, Lloyd Companies is predicting rents for the apartment homes well below the 80% of AMI for the units to be developed from this Plan:

- 1 Bedroom - \$760
- 2 Bedroom - \$945
- 3 Bedroom - \$1,095

Lloyd Companies takes pride in ensuring that their workforce housing units fit within the area median income (AMI). Generally, the company sets rents between 50 and 60% AMI, but even if rents were to increase significantly in the next few years, they would remain within the 80% threshold.

Purpose & General Definitions as used in this Plan

The property upon which this Tax Incremental District (TID) is proposed to be implemented is located within Lincoln County, South Dakota, and specifically located within the city limits of the City of Harrisburg.

As such, the creation of City of Harrisburg TIF #3 shall be conditioned upon the creation of the District by resolution, and the establishment of the TID boundaries and approval of the TID Project plan by the City of Harrisburg Planning and Zoning Commission along with the City Council.

The purpose of this Plan, to be implemented by the City of Harrisburg, South Dakota is to satisfy the requirements for a Tax Increment District Number 3 as specified in SDCL Chapter 11-9. The principal purpose of the Plan is to define eligible property and to define a Tax Increment Plan for funding eligible activities in an eligible area of the City. The Plan will describe the boundary, estimated costs, feasibility and fiscal impact of the District.

This Plan was prepared for adoption by the City Council in recognition that the area requires a coordinated, cooperative strategy, with financing possibilities, to promote economic development and accomplish the City's development objectives for improving the continued viability by promoting economic development within the City

The driving interest in the establishment of this Plan is to offer tax increment financing as a tool to stimulate and leverage private sector development and redevelopment, and to promote economic development throughout the District.

Immediately after TIF approval, construction will begin on a 13-building apartment complex. The first phase of the apartment project involves five buildings. As demand dictates, additional buildings will be added. These units are designed to support the demand for work-force housing and will be priced accordingly.

Phase II is targeted to begin once the apartment community has reached 50% completion. This phase will comprise of significant development of roads within the TIF district: Tom Sawyer Trail will be extended by 1,800 feet to Minnesota Avenue; and Huckleberry Trail will be constructed along the entire north/south length of the complex (950 feet). These public improvements will greatly improve traffic flow, not just for this development but will also support the existing residential community to the east. The road developments will also provide alternate access points to the Freedom Elementary School.

While the development plans related to the residential area and the commercial/retail space are not yet finalized, the expectations are that significant funds will be used for street development in this area. In

addition, the Developer is working with the city, the school district, and the local baseball association to coordinate park and recreational developments throughout the district. As plans are finalized, there may be requests for donated land or TIF funds for park development. If this scenario materializes, the Developer would like to retain the right to increase the TIF amount, but the total amount will never exceed what was adopted in the TIF Plan.

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 or Economic Development" SDCL § 11-9-8.

- (1) Not less than twenty-five percent, by area, of the real property within the district is a blighted area or 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; and
- (2) The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district.

"City Council" means the City of Harrisburg, South Dakota

"Calendar Year" means the starting date of January 1 to an ending date of December 31st.

"Department of Revenue" means the South Dakota Department of Revenue.

"Developer" means Lloyd Companies

"Developer's Agreement" means the agreement between Developer and City of Harrisburg concerning this Tax Incremental District.

"District" means the Tax Incremental District.

"Economic Development" means all powers expressly granted and reasonably inferred pursuant to SDCL § 9-54.

"Fiscal year" means that fiscal year for City of Harrisburg.

"Generally Applicable Taxes" shall have the same meaning as set forth in 26 CFR § 1.141-4(e).

"Governing body" means the Harrisburg City Council, South Dakota.

"Grant" means the transfer for a governmental purpose of money or property to a transferee that is not a related party to or an agent of the municipality;

"Infrastructure Improvements" means a street, road, sidewalk, parking facility, pedestrian mall, alley, bridge, sewer, sewage treatment plant, property designed to reduce, eliminate, or prevent the spread of identified soil or groundwater contamination, drainage system, waterway, waterline, water storage facility, rail line, utility line or pipeline, or other similar or related structure or improvement, together with necessary easements for the structure or improvement, for the benefit of or for the protection of the health, welfare, or safety of the public generally.

"Planning Commission" means the Harrisburg City Planning Commission South Dakota

"Plan" means this Project Plan.

"Project Costs" means any expenditure or monetary obligations by City of Harrisburg, 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 City of Harrisburg in connection with the implementation of this Plan.

"Project Plan" means a properly approved Plan for the development or redevelopment of a tax incremental district including all properly approved amendments thereto as recommended pursuant to SDCL § 11-9-13.

"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 County 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 County defined and created by resolution of the governing body and named City of Harrisburg Tax Incremental District #3.

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

"Tax Increment Law" means South Dakota Codified Laws Chapter 11-9.

Creation of City of Harrisburg, South Dakota TID #3

Representatives of the Developer have approached officials with City of Harrisburg regarding the possibility of creating a Tax Incremental Financing District ("TID") to assist in the Project Costs within the Plan on land located within City of Harrisburg South Dakota. As presented by the Developer, the TID will consist of the development of a 118 acre agricultural site located south of 272nd Street, west of Freedom Elementary School, and east of Minnesota Avenue into apartments, homes, and commercial/retail space. As presented by the Developer, the TID will consist of two phases, as follows:

Phase I

Phase one will consist of construction of apartment complexes west of the elementary school. The first phase of the apartment project involves five buildings. As demand dictates, additional buildings will be added. These units are designed to support the demand for work-force housing in the Harrisburg area and will be priced accordingly. The first phase will also include public improvements: a 300-foot extension of Tom Sawyer Trail, a detention pond, and possible upgrades to the sanitary sewer system.

Phase II

Phase two involves significant development of roads within the TIF district. Tom Sawyer Trail will be extended to connect with Minnesota Avenue (1,800 feet) and Huckleberry Trail will be constructed the entire north/south length of the apartment complex (950 feet). Additional roads, north of Tom Sawyer Trail could be added in this phase dependent upon the completion of the sanitary sewer trunk line to service this area.

Phase III

While the plans related to the residential area and the land east of the Minnesota Avenue designated as commercial/retail space are not yet finalized, the expectations are that significant funds will be used for street development in this area. The Developer is also working with the local entities and associations for possible park and recreational improvements in the area.

The public improvements related to the apartment complex are projected to total approximately \$2,500,000. Conversations with Harrisburg leadership have centered on the developer controlling the first \$3,000,000 of the TIF proceeds with the understanding that public improvements will be part of that amount. The use of the next \$500,000 will be dependent on which portion of the remaining 100 plus acres develops next. The developer will have discretion to use these funds for public improvements anywhere in the TIF district. The final \$2,000,000 will also be used for public improvements, but these requested improvements will need to be brought back to Harrisburg city council for additional approvals. Finally, the amount of \$3,000,000 of Discretionary Costs and Grants will be solely and fully controlled by the City and may be allocated to the Developer as project improvements arise. As long as there is increment to pay for such costs, the control over the final \$3,000,000 will be retained by the City.

Property within Tax Increment District #3

The real property to be located within the Tax Increment District is within City of Harrisburg, described as follows:

The Northwest Quarter (NW 1/4) of Section 35, Township 100 North, Range 50 West of the 5th P.M., Lincoln County, South Dakota, including (but not limited to) Lot H-1 according to the recorded plat thereof, except the West 470 feet of the South 960 feet of the Southwest Quarter of the Northwest Quarter (SW 1/4NW1/4) thereof, except Lots 1 and 2 of Elementary School Addition in the Northwest Quarter (NW 1/4), except Tract I of BHI Addition in the Northwest Quarter (NW 1/4), and except Tract I of Heine's Addition in the Northwest Quarter (NW 1/4), all contained therein.

Taxable Value of City of Harrisburg

State law requires that tax increment districts cannot exceed ten percent of the taxable value of City of Harrisburg for payable 2017. This value for City of Harrisburg is approximately \$266,952,096. The base value of the taxable property for inclusion into this Tax Incremental District #3, as estimated but not yet verified by Harrisburg County Director of Equalization is estimated at \$344,429.

11-9-7. Maximum percentage of taxable property in municipality permitted in districts. In order to implement the provisions of this chapter, the resolution required by § 11-9-5 shall contain a finding that the aggregate assessed value of the taxable property in the district plus the **tax incremental base of all other existing districts does not exceed ten percent** of the total assessed value of taxable property in the municipality.

Total base value of active TIF Districts in City of Harrisburg, South Dakota is as follows:

HARRISBURG CITY

Tax Increment District	Base Value
1	\$ 11,506,445
2	\$ 1,008,150
3	\$ 344,429
TOTAL	\$ 12,859,024

City of Harrisburg Current Taxable Value	266,952,096
All TIF Base Value must be less than 10%	26,695,210

The total value of all active TIF districts in City of Harrisburg is less than ten (10) percent of total taxable value in the City. Using the estimates provided for TID #3, the value of all existing Tax Increment Districts combined is only 4.8% of the total 2017 Taxable Valuation.

Kind, Number, Location and Detailed Costs of Proposed
Public Works and Improvements. SDCL § 11-9-13(1).

In order to implement the provisions of SDCL Chapter 11-9, the following are Project Costs and expenditures made or estimated to be made and the monetary obligations incurred or estimated to be incurred. The Project Costs include capital costs, financing costs, real property assembly costs, professional fee costs, imputed administration costs, relocation costs, organizational costs, discretionary costs and grants, plus any costs incidental thereto.

All Project Costs are found to be necessary and convenient to the creation of the Tax Incremental District and its implementation. The project constitutes economic development which is a proper public purpose of the City. The City exercises the powers expressly stated in and reasonably inferred by SDCL §11-9-15 and Chapter 9-54. The City shall enter into all contracts in accordance with South Dakota Law.

Costs of Public Works or Improvements

In accordance with SDCL § 11-9-14 the following is the kind, number, location and dollar amount of estimated Project Costs, costs of public works and improvements.

The following are estimated costs of **Phase I** (60 apartments) of the Project:

Kind of Project	Location ¹	Amount	Reference ²
Capital Costs (Street, Water & Sewer) (cleaning & grading of land & associated costs) ²	District	\$3,000,000	11-9-15(1)
Financing Costs	District		11-9-15(2)
Real Property Assembly	District		11-9-15(3)
Professional Fees	District		11-9-15(4)
Administrative Costs	District		11-9-15(5)
Relocation Costs	District		11-9-15(6)
Organizational Costs	District		11-9-15(7)
Discretionary Costs and Grants	District		11-9-15(8)
Eligible Project Costs		\$3,000,000	

¹District shall mean the Tax Increment District.

²SDCL §11-9-15 (1) Capital costs, including the actual costs of the construction of public works or improvements, buildings, structures, and permanent fixtures; the demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and permanent fixtures; the acquisition of equipment; the clearing and grading of land; and the amount of interest payable on tax incremental bonds or notes issued pursuant to this chapter until such time as positive tax increments to be received from the district, as estimated by the Project Plan, are sufficient to pay the principal of and interest on the tax incremental bonds or notes when due;

(2) Financing costs, including all interest paid to holders of evidences of indebtedness issued to pay for Project Costs, any premium paid over the principal amount thereof because of the redemption of such obligations prior to maturity and a reserve for the payment of principal of and interest on such obligations in an amount determined by the governing body to be reasonably required for the marketability of such obligations;

(3) Real property assembly costs, including the actual cost of the acquisition by a municipality of real or personal property within a tax incremental district less any proceeds to be received by the municipality from the sale, lease, or other disposition of such property pursuant to a Project Plan;

(4) Professional service costs, including those costs incurred for architectural, planning, engineering, and legal advice and services;

(5) Imputed administrative costs, including reasonable charges for the time spent by municipal employees in connection with the implementation of a Project Plan;

(6) Relocation costs;

(7) Organizational costs, including the costs of conducting environmental impact and other studies and the costs of informing the public of the creation of tax incremental districts and the implementation of project plans; and

(8) Payments and grants made, at the discretion of the governing body, which are found to be necessary or convenient to the creation of tax incremental districts or the implementation of project plans.

The above are estimates of the costs involved in Phase I of the project; the final total may be greater or smaller. An itemized listing of the estimated costs is set forth on Schedule 1. Because the cost estimates are only projected expenditures, the total authorized TID costs for Phase I is expected to be \$3,000,000. This amount is the controlling value with respect to authorized TID Project Costs, Phase I, rather than the particular line item amounts contained in the above Chart and Schedule 1. The line item categories proposed are for guidance only, and actual costs will be determined upon completion of the improvements. The above total represents eligible Project Costs. Only such amounts as are feasible will be allowed by the City or by monetary obligation.

The following are estimated costs for **Phase II** (96 Apartments) of the proposed development.

Kind of Project	Location ¹	Amount	Reference ²
Capital Costs (Street, Water & Sewer) (cleaning & grading of land & associated costs) ²	District	\$2,000,000	11-9-15(1)
Financing Costs	District		11-9-15(2)
Real Property Assembly	District		11-9-15(3)
Professional Fees	District		11-9-15(4)
Administrative Costs	District		11-9-15(5)
Relocation Costs	District		11-9-15(6)
Organizational Costs	District		11-9-15(7)
Discretionary Costs and Grants	District		11-9-15(8)
Eligible Project Costs		\$2,000,000	

The above are estimates of the costs involved in Phase II of the project; the final total may be greater or smaller. An itemized listing of the estimated costs is set forth on Schedule 1. Because the cost estimates are only projected expenditures, the total authorized TID costs for Phase II is expected to be \$2,000,000. This amount is the controlling value with respect to authorized TID Project Costs, Phase II, rather than the particular line item amounts contained in the above Chart and Schedule 1. The line item categories proposed are for guidance only, and actual costs will be determined upon completion of the improvements. The above total represents eligible Project Costs. Only such amounts as are feasible will be allowed by the City or by monetary obligation.

The following are estimated costs for **Phase III** (Post-Apartment Projects) of the proposed development.

Kind of Project	Location ¹	Amount	Reference ²
Capital Costs (Street, Water & Sewer) (cleaning & grading of land & associated costs) ²	District		11-9-15(1)
Financing Costs	District		11-9-15(2)
Real Property Assembly	District		11-9-15(3)
Professional Fees	District		11-9-15(4)
Administrative Costs	District		11-9-15(5)
Relocation Costs	District		11-9-15(6)
Organizational Costs	District		11-9-15(7)
Discretionary Costs and Grants	District	\$3,000,000	11-9-15(8)
Eligible Project Costs		\$3,000,000	

The above are estimates of the costs involved in Phase III of the project; the final total may be greater or smaller. An itemized listing of the estimated costs is set forth on Schedule 1. Because the cost estimates are only projected expenditures, the total authorized TID costs for Phase III is expected to be \$3,000,000. This amount is the controlling value with respect to authorized TID Project Costs, Phase III, rather than the particular line item amounts contained in the above Chart and Schedule 1. The line item categories proposed are for guidance only, and actual costs will be determined upon completion of the improvements. The above total represents eligible Project Costs. Only such amounts as are feasible will be allowed by the City or by monetary obligation.

The total TIF expenditures for all phases shall not exceed \$8,000,000. This \$8,000,000 in total payments includes any and all interest expense the City or Developer may incur, should either entity borrow funds.

Phase of Project	Estimated Costs
Phase I	\$3,000,000
Phase II	\$2,000,000
Phase III	\$3,000,000
TOTAL TIF #3	\$8,000,000

Expenditures Exceeding Estimated Cost

Any expenditures, which in sum would exceed the total amount of the TID amount of \$8,000,000, will require an amendment of this Plan. All amendments would be undertaken pursuant to SDCL §11-9-23.

When the expenditures within the Plan are increased in excess of more than 35 percent of the total above, the Department of Revenue will be required to reset the base, in accordance with SDCL §11-9-23.

If the Project Costs are not provided for in the original plan, the governing body would be required to amend the plan which requires the South Dakota Department of Revenue to re-determine the tax increment base when additional Project Costs are added to a plan. SDCL §11-9-23.

Detailed List of Estimated Project Costs

Attached as Schedule 1 is a detailed list of estimated Project Costs for each of the phases of the project as per SDCL § 11-9-13(3). No expenditure for Project Costs is provided for more than five years after the District is created.

Feasibility Study

An economic feasibility study per SDCL § 11-9-13(2) is attached as Schedule 2.

Economic Development Study

Not less than 50% of the area within the proposed district will stimulate and develop the general economic welfare and prosperity of the state through commercial, manufacturing and agricultural development as evidenced by the Economic Development Study attached as Schedule 3.

Fiscal Impact Statement

Attached is Schedule 4 a Fiscal Impact Statement showing the impact of the Tax Increment District, until and after the bonds are repaid, upon all entities levying property taxes in the district. Required as per SDCL § 11-9-13(4).

Method of Financing, Timing of Costs and Monetary Obligations

The payment of Project Costs is anticipated to be made by the City to Developer from the special fund of the Tax Incremental District. SDCL § 11-9-13(5). Pursuant to the Developer's Agreement, the City will pay to the Developer all available tax increment funds it receives from the District.

Maximum Amount of Tax Incremental Revenue

The maximum amount of tax incremental revenue bonds or monetary obligations to be paid through Tax Increment District #3 shall be the amount sufficient to reimburse the City for the payments made for Project Costs and pay all tax increment bonds or monetary obligations in an amount not to exceed \$8,000,000 principal and interest or such lesser amount as may be feasible with the estimated revenue generated by the Tax Increment District. The final terms and conditions will be set forth in the Developer's Agreement.

Duration of Tax Incremental Plan

The duration of the Plan will extend to the number of years it will take for the reimbursement of the City, the extinguishment of bonds and the monetary obligation except that the Plan duration **shall not exceed 20 calendar years** of revenue from the date of creation of the District.

Estimated Impact of Tax Increment Financing on Revenues of Taxing Jurisdictions

The site will generate taxes to the local jurisdictions at or above the assessed value of the base. All taxing districts shall receive the taxes from that base which will be the value set for 2017 taxes payable in 2018. The tax increment will be available to the taxing jurisdictions at or before twenty years after the creation of the District. Schedule 5 details the tax capture implications to each of the local taxing jurisdictions. After the repayment of the bonds and monetary obligations, taxing entities will receive their proportionate share of tax dollars for the base value and the tax incremental values.

Mechanisms are built within State Codified Law to ensure that school districts are held harmless by TIF districts for their General and Special Education Funds. For these purposes, law (SDCL 13-13-10.2) defines three classifications of TIFs:

- Economic Development - Any area where there is or will be one or more businesses engaged in any activity defined as commercial or industrial by the governing body that has zoning authority over the land contained within the tax incremental district

- Industrial – Any factory or any business engaged primarily in the manufacturing or assembly of goods, the processing of raw materials, and the wholesale distribution of products for resale
- Other or Local – Any tax incremental districts that do not fall under Economic Development or Industrial

All public school districts are funded through the State Aid to Education formula. The two primary channels of the formula are State Aid and Local Effort. Multiple agencies of the State of South Dakota calculate the amount of General Fund monies to be distributed to school districts each year through the State portion. Local Effort is considered the amount of revenue that is generated by local property taxes at maximum levies.

If a TIF is classified as Economic Development or Industrial, the school funding that would be generated by the increment valuation is considered lost Local Effort and is paid through the State Aid side of the formula. If a TIF is classified as “Other”, the affected school district funding must be recouped through local effort in the form of an additional levy added to the General and Special Education Funds. In either scenario, the school district receives the financial need associated with the increment valuation.

Harrisburg TIF #3 will be classified as Economic Development; therefore, any lost Local Effort will be covered through the State Aid to Education Formula.

Conditions Map, Improvements Map, Zoning Change Map

The Conditions map, SDCL § 11-9-16(1), is included as Attachment 2.

The Improvements map, SDCL § 11-9-16(2), is included as Attachment 3.

The Zoning Change Map, SDCL § 11-9-16(3), is included as Attachment 4.

Changes to the City of Harrisburg Comprehensive/Master Plan/ Map, Building Codes & County Ordinances per SDCL § 11-9-16(4)

No changes to City ordinances nor the City Master Plan are required.

List of Estimated Non-Project Costs

The following is a list of the non-Project Costs per SDCL § 11-9-16(5). All costs are listed as taxable value; actual non-project costs will exceed the following amounts.

Item	Amount
Construction of all apartment buildings, residential homes, and commercial structures	\$22,000,000
TOTAL	\$22,000,000

Statement of Displacement and Relocation Plan

No residents or families will be displaced by the Project. SDCL § 11-9-16(6)

Performance Bond, Surety Bond or other Guaranty

As security for its fulfillment of the agreement with the governing body, a purchaser or lessee of redevelopment property may furnish a performance bond, with such surety and in such form and amount as the governing body may approve or make such other guaranty as the governing body may deem necessary in the public interest. This additional security may be provided for in a Developer's Agreement.

List of Schedules

Schedule 1 - Estimated Project Cost

Schedule 2 - Economic Feasibility Study

Schedule 3 - Economic Development Study

Schedule 4 - Fiscal Impact Statement

Schedule 5 - Estimated Captured Taxable Values

List of Attachments

Attachment 1 - Descriptions of Real Property

Attachment 2 - Conditions map, SDCL § 11-9-16(1)

Attachment 3- Improvements map, SDCL § 11-9-16(2)

Attachment 4 - Zoning Change Map SDCL § 11-9-16(3)

Schedule 1 - "Detail of Project Costs"

The following are estimated costs for each phase of the Project:

	Qty	Cost	Total	
Phase 1 - 60 Apartments				
Tom Sawyer Trail	300	\$500	\$150,000	
Plat Application & Platting Fees			\$4,100	
Sanitary Sewer, Lift Station, & Hookup			\$140,400	
Detention Pond			\$58,300	
Rough Grading & Erosion Control - 7A			\$77,500	
Prof, Eng, & Misc - Phase 1			\$62,600	
Contingency			\$49,000	
Total Phase 1			\$541,900	
Phase 2 - 96 Apartments				
Tom Sawyer Trail	1,800	\$510	\$918,000	All the way to Minnesota
Huckleberry Trail	950	\$510	\$484,500	Only Length of Apt Complex
Street Design, Admin, Inspection			\$175,000	
Street Lighting			\$56,400	
Plat Application & Platting Fees			\$3,800	
Sewer Hookups			\$5,500	
Rough Grading & Erosion Control - 6A			\$105,000	
Prof & Engineering - Phase 2			\$54,200	
Contingency			\$185,000	
Total Phase 2			\$1,987,400	
Total Apartment-Related Project Costs			\$2,529,300	
Post-Apartment Improvements				
(\$2 Million City Council Controlled)				
Huckleberry Trail	750	\$520	\$390,000	Extended
Bunyan Drive	1,500	\$520	\$780,000	
Local RDW Streets 33'	1,300	\$455	\$591,500	
Plat Application & Platting Fees			\$23,800	
Sewer Cost Recovery			\$116,700	
Detention Pond			\$57,200	
Wetlands			\$35,000	
Rough Grading & Erosion Control			\$210,000	
Prof & Engineering - Phase 3			\$41,600	
Contingency			\$224,000	
Total Post-Apartment			\$2,469,800	
Overall Project TIF Request			\$4,999,100	

Estimates TID Eligible of Project Costs Requested

The City of Harrisburg has determined that this will be an economic development Tax Incremental District, thus the eligible cost will be in the form of a infrastructure grant that will not exceed \$8,000,000 This is a permitted use under SDCL 11-9-15.

11-9-15. Specific items included in project costs. Project costs include:

(1) Capital costs, including the actual costs of the construction of public works or improvements, buildings, structures, and permanent fixtures; the demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and permanent fixtures; the acquisition of equipment; the clearing and grading of land; and the amount of interest payable on tax incremental bonds issued pursuant to this chapter until such time as positive tax increments to be received from the district, as estimated by the project plan, are sufficient to pay the principal of and interest on the tax incremental bonds when due;

(2) Financing costs, including all interest paid to holders of evidences of indebtedness issued to pay for project costs, any premium paid over the principal amount thereof because of the redemption of such obligations prior to maturity and a reserve for the payment of principal of and interest on such obligations in an amount determined by the governing body to be reasonably required for the marketability of such obligations;

(3) Real property assembly costs, including the actual cost of the acquisition by a municipality of real or personal property within a tax incremental district less any proceeds to be received by the municipality from the sale, lease, or other disposition of such property pursuant to a project plan;

(4) Professional service costs, including those costs incurred for architectural, planning, engineering, and legal advice and services;

(5) Imputed administrative costs, including reasonable charges for the time spent by municipal employees in connection with the implementation of a project plan;

(6) Relocation costs;

(7) Organizational costs, including the costs of conducting environmental impact and other studies and the costs of informing the public of the creation of tax incremental districts and the implementation of project plans; and

(8) Payments and grants made, at the discretion of the governing body, which are found to be necessary or convenient to the creation of tax incremental districts, the implementation of project plans, or to stimulate and develop the general economic welfare and prosperity of the state.

Schedule 2 – “Economic Feasibility Study”

The City has been asked to create a Tax Increment District to help offset the expansion associated with project. This feasibility study provides that the Project Costs can be financed through tax increment financing under South Dakota Tax Incremental District Law (South Dakota Codified Laws Chapter 11-9). Tax increment financing is an indispensable self-financing tool used throughout the United States to help local governments successfully develop and redevelop areas and encourage economic development.

In tax increment financing, the current real property tax assessed value of all properties in a designated project area (“tax increment financing district”) is established as the “base value.” As development in the tax increment financing district increases the assessed values of the redeveloped properties, a portion of the additional tax revenue generated by the increase in assessed value over the base value is set aside and committed by the City to the reimbursement of approved project costs.

Tax increment financing is permitted only in connection with a “Project Plan” duly adopted by the City. The property is currently taxable at \$344,429. The improvements to be made to the property are estimated to add to the assessed valuation. The estimated increment resulting from the improvements would be approximately \$22,000,000 in new value once fully developed. Since only positive tax increment will be applied, the proposed project is feasible.

All of the project costs are found to be necessary and convenient to the creation of the Tax Incremental District and the implementation of the project.

For purposes of this Project Plan, the Developer is projecting that all apartment buildings will be built and fully developed by calendar year 2021. The retail/commercial properties are expected to be completed by 2023, and all residential homes by calendar year 2025.

The City’s role is to simply act as a conduit for the revenue and pass on all positive increment to the Developer or to reimburse the City for their expenses, of which, will never exceed \$8,000,000 in total payments, or 20 years, whichever comes first. The Harrisburg City Council will also control that last \$5,000,000 of project costs, requiring any suggested public improvements must be approved by said council.

It is assumed that all obligations incurred would be adequately secured as to allow the payment of principal and interest when due, whether by means of a taxable bond or loan. The actual repayment schedule may change, but all principal and interest shall be paid within the life of the TID. Utilizing the information regarding expected increment valuation and tax generation, it is possible to estimate an expected revenue stream that can be utilized to retire debt that will be created as a result of implementing the Project Plan.

Harrisburg TID #3 is proven feasible based upon the projections made by the Developer, projecting a total in excess of \$9,000,000 in tax revenue during the life of the 20 year TIF. The calculations of the estimated tax increment valuation and tax generated for the TID can be found in the following tables. For purposes of this Project Plan, it is anticipated no increment generated by City TID #3 will be available until the earliest of calendar year 2020 and thereafter.

TID Tax Revenue Estimates Available for City of Harrisburg

TIF #3 Tax Revenue



Apartment Portion

Jackson Heights Townhomes - Equalized V	\$60,000
Mill Levy	0.02359
Taxes/Unit	\$1,415
Number of Apartment Units	156
Annual Tax Revenue	\$220,802

Single Family Home Portion

Owner Occupied Home Values	\$150,000
Mill Levy	0.01807
Taxes/Unit	\$2,711
Number of Single Family Homes	65
Annual Tax Revenue	\$176,183

Area Between Single Family & Commercial n/a

*10 Acres not factored in

Commercial - South of Tom Sawyer

Strip Mall - 350' x 65' x \$2.50	\$56,875
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Estimated Annual Tax Revenue - Total	\$453,860
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Revenue Projections for TIF #3



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Apt Rev	\$220,802	\$225,218	\$229,723	\$234,317	\$239,004	\$243,784	\$248,659	\$253,633	\$258,705	\$263,879
% Collected	0%	0%	38%	100%	100%	100%	100%	100%	100%	100%
Apt Tax	\$0	\$0	\$88,355	\$234,317	\$239,004	\$243,784	\$248,659	\$253,633	\$258,705	\$263,879
Home Rev	\$176,183	\$179,706	\$183,300	\$186,966	\$190,706	\$194,520	\$198,410	\$202,378	\$206,426	\$210,554
% Collected	0%	0%	0%	10%	35%	60%	85%	100%	100%	100%
Home Tax	\$0	\$0	\$0	\$18,697	\$66,747	\$116,712	\$168,649	\$202,378	\$206,426	\$210,554
Comm Rev	\$56,875	\$58,013	\$59,173	\$60,356	\$61,563	\$62,795	\$64,050	\$65,331	\$66,638	\$67,971
% Collected	0%	0%	0%	0%	50%	100%	100%	100%	100%	100%
Comm Tax	\$0	\$0	\$0	\$0	\$30,782	\$62,795	\$64,050	\$65,331	\$66,638	\$67,971
Taxes Per Year	\$0	\$0	\$88,355	\$253,014	\$336,532	\$423,290	\$481,358	\$521,342	\$531,769	\$542,405
Total Taxes Collected	\$0	\$0	\$88,355	\$341,369	\$677,901	\$1,101,191	\$1,582,550	\$2,103,892	\$2,635,661	\$3,178,066

*Assumption of Annual Inflation 2.0%

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
\$269,157	\$274,540	\$280,031	\$285,631	\$291,344	\$297,171	\$303,114	\$309,177	\$315,360	\$321,667	\$321,667
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
\$269,157	\$274,540	\$280,031	\$285,631	\$291,344	\$297,171	\$303,114	\$309,177	\$315,360	\$321,667	\$321,667
\$214,765	\$219,061	\$223,442	\$227,911	\$232,469	\$237,118	\$241,861	\$246,698	\$251,632	\$256,665	\$256,665
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
\$214,765	\$219,061	\$223,442	\$227,911	\$232,469	\$237,118	\$241,861	\$246,698	\$251,632	\$256,665	\$256,665
\$69,330	\$70,717	\$72,131	\$73,574	\$75,045	\$76,546	\$78,077	\$79,639	\$81,232	\$82,856	\$82,856
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
\$69,330	\$70,717	\$72,131	\$73,574	\$75,045	\$76,546	\$78,077	\$79,639	\$81,232	\$82,856	\$82,856
\$553,253	\$564,318	\$575,604	\$587,116	\$598,858	\$610,836	\$623,052	\$635,513	\$648,224	\$661,188	\$661,188
\$3,731,318	\$4,295,636	\$4,871,240	\$5,458,356	\$6,057,215	\$6,668,051	\$7,291,103	\$7,926,616	\$8,574,840	\$9,236,028	\$9,236,028

Total Taxes for 20 Year TIF	\$9,236,028
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Schedule 3 – “Economic Development Study”

Introduction

The City of Harrisburg has been approached concerning the creation of a tax increment district (TID) located within City limits. Per South Dakota Codified Law 11-9-8, the governing body must make a finding that not less than 50%, 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 and natural resources, and the improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district.

Study Area Boundary

The Project boundaries are described and depicted on the maps in Attachments 1 and 2 of this Plan.

Section 3 - Establishing Economic Development

South Dakota law describes economic development as activity that stimulates and develops the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources. The definition of Economic Development for State Aid to Education Formula purpose is any area where there is or will be one or more businesses engaged in any activity defined as commercial or industrial. The proposed City of Harrisburg TID #3 meets both of these criteria. The area making up the boundaries of consists of a 42 acre agricultural site located south of Tom Sawyer Trail, west of the Freedom Elementary School, and east of Minnesota Avenue in Harrisburg City. Once completed, the area will be fully developed into apartment complexes, single family homes, with potential for development of commercial/retail space. Although housing is the primary focus of TID #3, there will also be other public improvements including extensions of existing roadways, a detention pond, and significant upgrades to the sanitary sewer system.

Section 4 – Finding That the Improvements to the Area Are Likely To Enhance Significantly the Value Of Substantially All Of The Other Real Property In The District

It is definitively found that once the improvements set forth within the Project Plan are initiated, the improvements will enhance significantly the value of substantially all of the other real property in the district. The City of Harrisburg TID #3 will provide affordable workforce housing, extensive roadway extensions and improvements, a detention pond, and upgrades to the sanitary sewer system.

Section 5 – Conditions Within The Study Area; Land Use And Planning Land Use, Planning And Comprehensive Plan

The City of Harrisburg Comprehensive Plan is consistent with the proposed use of the District.

Section 6 – Findings within the Project Area Analysis

It is found that not less than 50%, by area, of the real property within the District will stimulate and develop the general economic welfare and prosperity of the State of South Dakota through the promotion and advancement of industrial, commercial, manufacturing, agricultural, and natural resources. It is also found that the improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the District in accordance with SDCL 11-9-8.

The Project area currently consists of a 42 acre agricultural site that will be developed into apartment complexes, single family homes, and potential for commercial/retail space development. Various public improvements will also be developed in the area. The Developer is projecting the construction expenditures for the area expected to be \$8,000,000.

The investment of more than \$5,000,000 in the Project area will stimulate and develop the general economic welfare and prosperity of the State through the promotion of employment and advancement of commerce during the construction period. The Project will generate additional workforce housing, create more efficient roadways, and enhance the community of Harrisburg.

Schedule 4 - "Fiscal Impact Statement" for City of Harrisburg TID #3

Introduction

A fiscal impact statement shows the impact of the TID, both until and after the bonds or obligations are repaid, upon all entities levying taxes upon property in the District. The following fiscal impact statement is intended to provide only a brief analysis of the estimated impact of the Tax Increment District to the public pursuant to SDCL § 11-9-13(4). It is not intended to challenge a more detailed, complete financial analysis.

Definitions

"Assumptions" means factors or definitions used in the fiscal analysis. Assumptions may include facts and figures identified by the District and educated guesses that are sometimes necessary when not all of the information is available. Assumptions are often used to extrapolate an estimate. Assumptions may include an estimate of tax levies of each taxing entity, the school aid formula contribution, the value of the real property, etc.

"Base Revenues" means the taxes collected on the base value.

"Fiscal Impact" means the increase or decrease in revenues and generally refers to an impact to revenues caused by the district.

"Revenue" means ad valorem taxes.

"Tax Increment District" means City of Harrisburg, Tax Increment District Number 9.

"Taxing Districts" means all political subdivisions of the state which have ad valorem taxing power over property within the boundaries of the Tax Increment District.

"Tax Increment Revenues" means all revenues above the Base Revenues.

Assumptions

1. The property will have improvements which at completion is estimated at taxable purposes at \$22,000,000
2. The average tax levy of all taxing districts will be \$22.799 per thousand dollars of taxable valuation.
3. Tax increment will start to be collected in 2020 and end prior to 2037.
4. The discretionary formula will be waived by Developer.

Schedule 5 – "Estimated Captured Taxable Values"

For purposes of this Project Plan, Developer assumes that **Developer will elect not to use the real property tax discretionary formula** currently utilized in City of Harrisburg, South Dakota, pertaining to payment of real property taxes (i.e., 20% Year 1; 40% Year 2; 60% Year 3; 80% Year 4; and 100% Year 5).

* Actual valuation shall depend upon the value determined by the Harrisburg County Director of Equalization when assessed, with the application of dollars-per-thousand from local taxes. All tax increment revenues shall be from Generally Applicable Taxes attributable to the improvements to be constructed in the TID. The potential for total increment collections are estimated to be at the maximum range of \$4,999,100 covering a span of captured tax years not to exceed 20. Collection is anticipated to begin in 2020, and the schedule carries out the tax captured 20 years from the date of Plan adoption.

The following dollars-per-thousand rates are the current taxing rates of the local taxing jurisdictions:

2017 Property Tax Rate

2016 Payable in 2017	\$ per \$1,000 assessed
Lincoln County	\$ 2.306
City of Harrisburg	\$ 3.797
<u>School District "Other"</u>	<u>\$ 16.696</u>
Total Tax Levy	\$ 22.799

Utilizing the information regarding expected increment valuation and tax generation, it is possible to generate an expected revenue stream that can be utilized to retire debt that will be created as a result of implementing the Project Plan.

Attachment 1

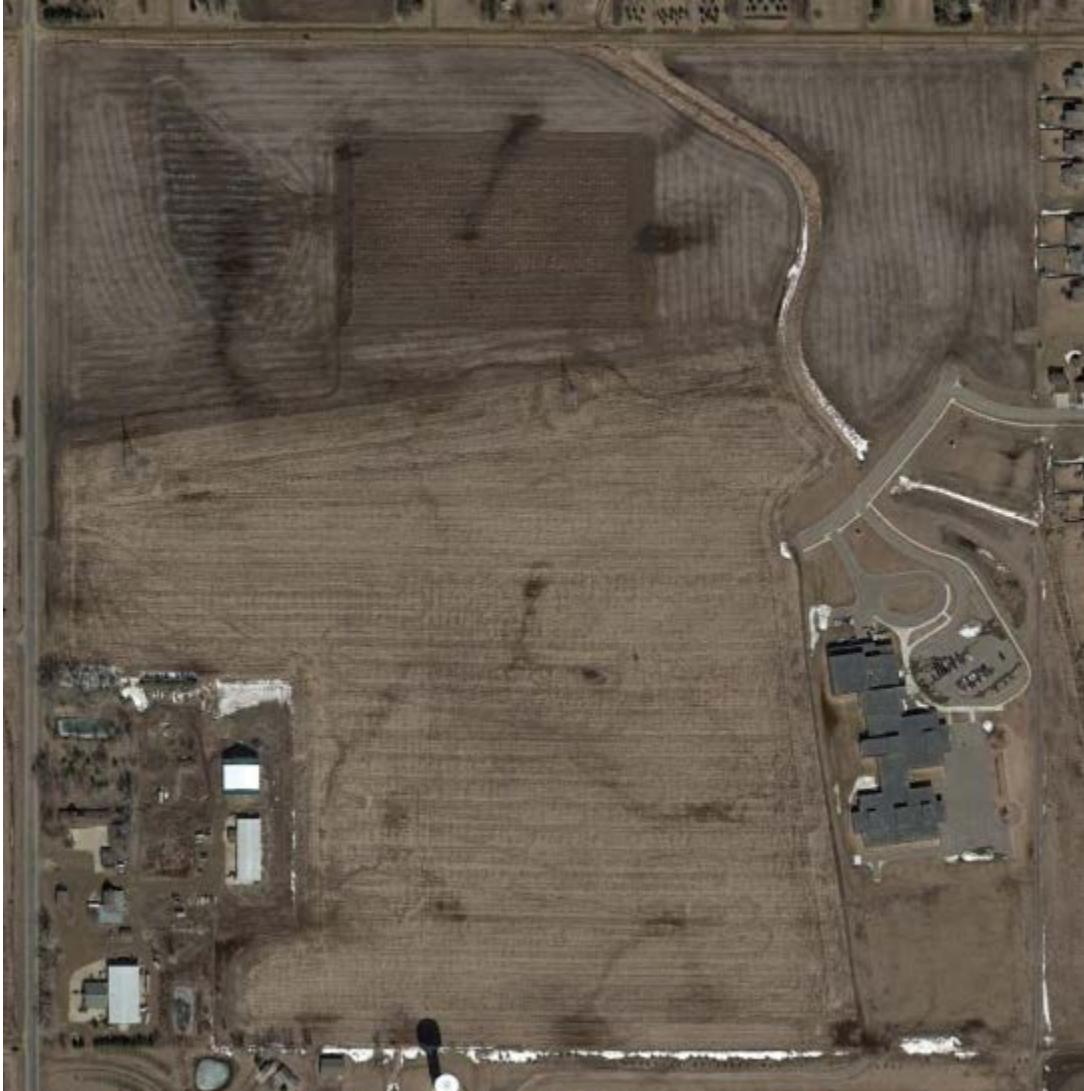
Descriptions of Real Property:

The Northwest Quarter (NW 1/4) of Section 35, Township 100 North, Range 50 West of the 5th P.M., Lincoln County, South Dakota, including (but not limited to) Lot H-1 according to the recorded plat thereof, except the West 470 feet of the South 960 feet of the Southwest Quarter of the Northwest Quarter (SW 1/4 NW 1/4) thereof, except Lots 1 and 2 of Elementary School Addition in the Northwest Quarter (NW 1/4), except Tract I of BHI Addition in the Northwest Quarter (NW 1/4), and except Tract I of Heine's Addition in the Northwest Quarter (NW 1/4), all contained therein.

Attachment 2

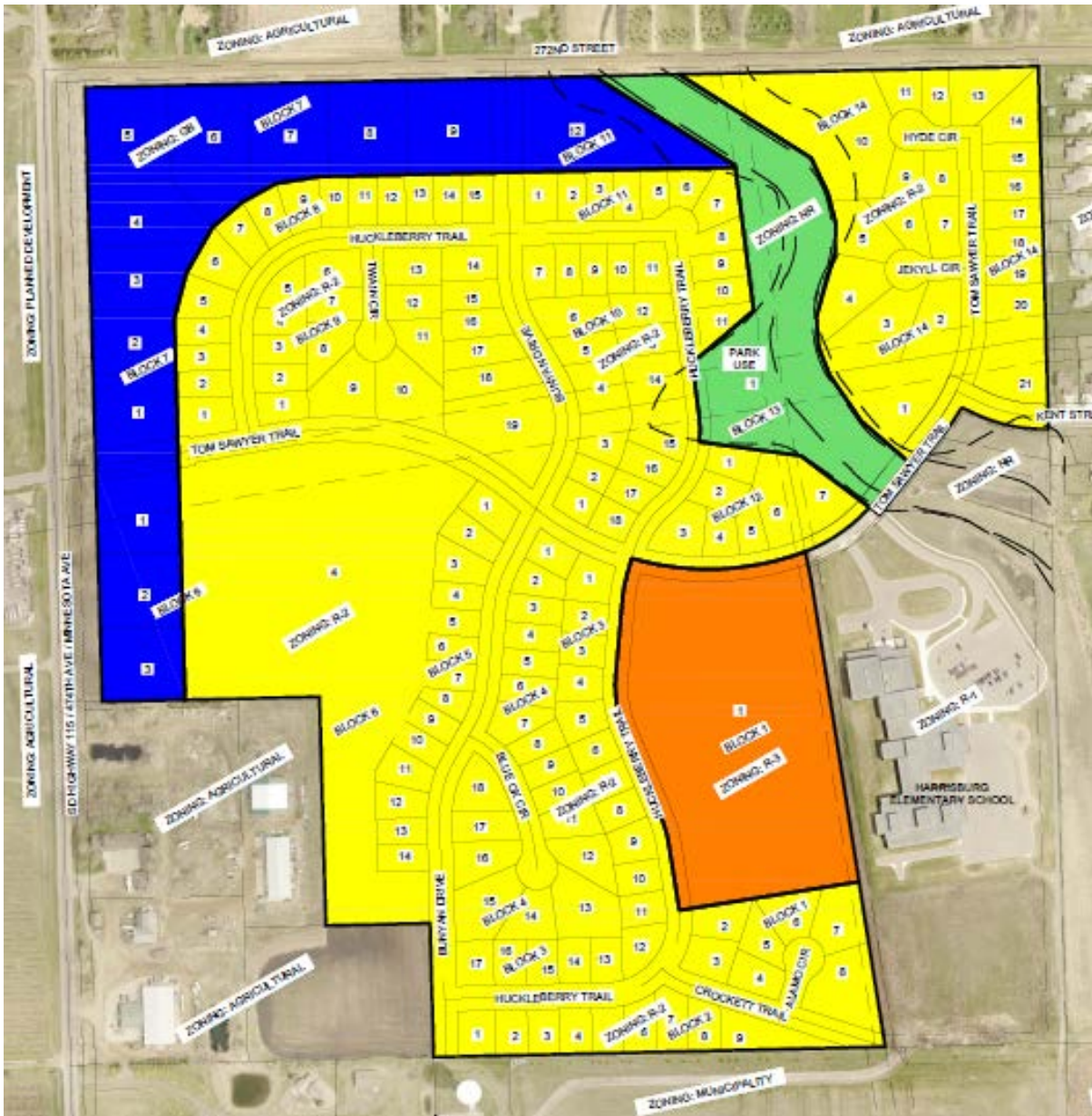
Conditions picture for City of Harrisburg Tax Incremental District #3, SDCL § 11-9-16(1)

The following is a picture showing the current conditions of the proposed location of TIF #3



Attachment 3

Improvements map for City of Harrisburg Tax Incremental District #3, SDCL § 11-9-16(2). The following is a plat map of the Tax Increment District:



- NR: NATURAL RESOURCE
- R-1: SINGLE FAMILY DETACHED RESIDENTIAL
- R-2: LOW DENSITY RESIDENTIAL
- R-3: MULTI-FAMILY RESIDENTIAL
- GB: GENERAL BUSINESS

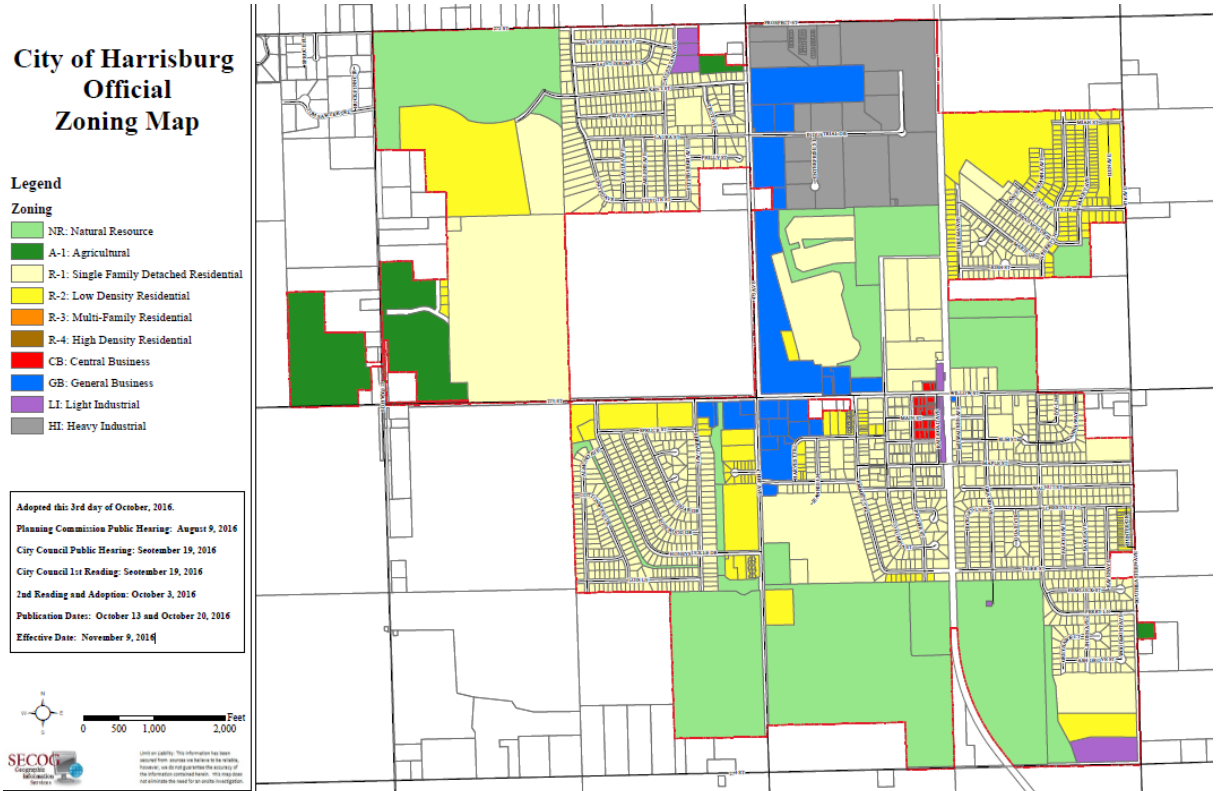
The following is a plat map of the apartment unit complex (represented by orange in previous map:)

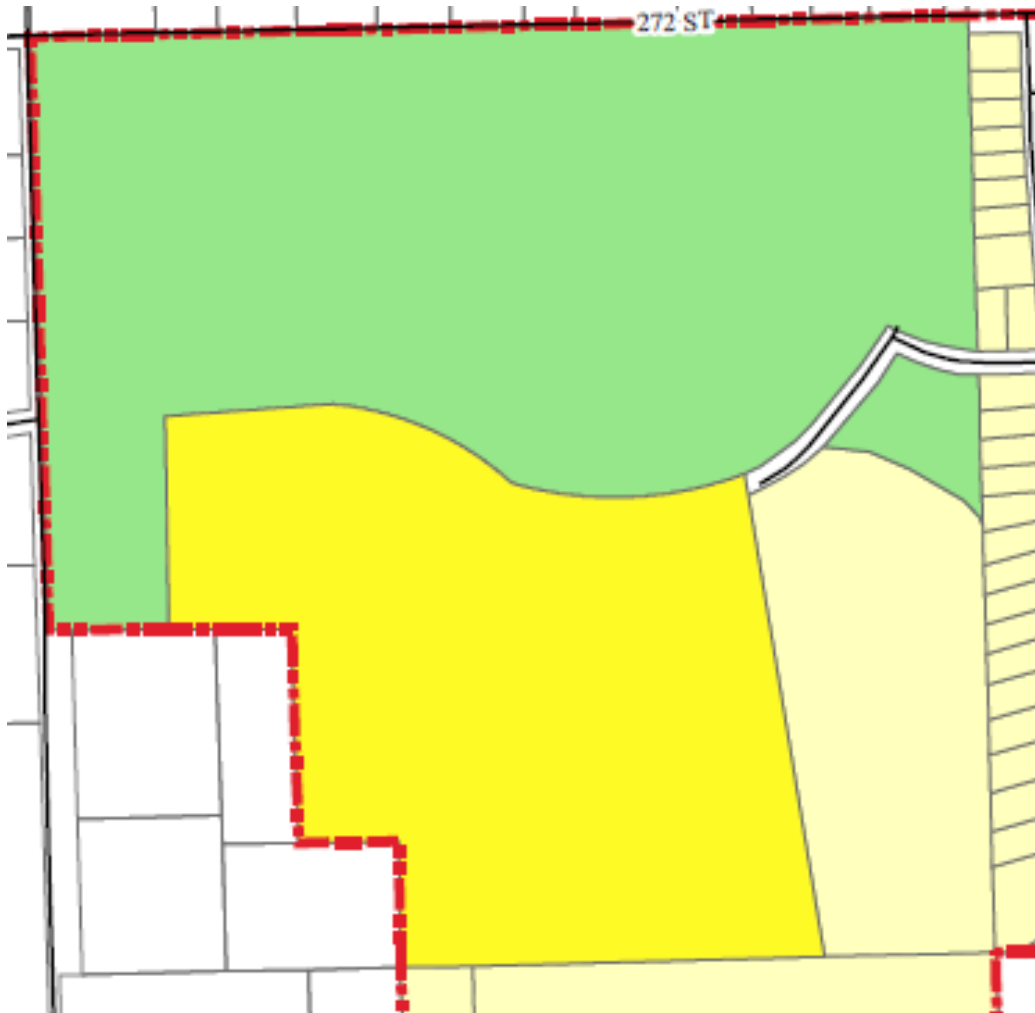


Attachment 4

Zoning Change Map for City of Harrisburg Tax Incremental District #3, SDCL § 11-9-16(2).





- No proposed changes





Legend

Zoning

-  NR: Natural Resource
-  A-1: Agricultural
-  R-1: Single Family Detached Residential
-  R-2: Low Density Residential