

RESOLUTION 2018 - 03

RESOLUTION PROVIDING FOR THE CREATION OF TAX INCREMENTAL DISTRICT NUMBER FOUR, CITY OF HARRISBURG, SOUTH DAKOTA

WHEREAS, the Planning Commission of the City of Harrisburg has recommended the District Boundaries for Tax Incremental District Number Four, City of Harrisburg, South Dakota, and has recommended its creation; and

WHEREAS, the City Council of the City of Harrisburg, South Dakota (the "City"), has the powers, pursuant to SDCL 11-9-2, to create Tax Incremental District Number Four, City of Harrisburg, South Dakota, and to define its boundaries.

NOW THEREFORE, IT IS HEREBY RESOLVED:

1. **Authority and Declaration of Necessity.** The City of Harrisburg, South Dakota, declares the necessity for the creation of Tax Incremental District Number Four, City of Harrisburg, South Dakota (hereinafter sometimes referred to as the "District"), pursuant to SDCL Chapter 11-9. Further, the City finds that the improvement of the area within the District is likely to enhance significantly the value of substantially all of the other real property in the District and is necessary for economic development within the City of Harrisburg by the construction of commercial and residential developments.
2. **Findings.** The City Council makes the following findings with regard to economic development:
 - a. More than 50% of the property in the District by area will stimulate and develop the general economic welfare and prosperity of the City of Harrisburg;
 - b. Improvements to the District will significantly and substantially enhance the value of all property within the District;
 - c. Development of the District will enhance sales tax revenue.
 - d. Development of the District for commercial and residential purposes will improve the quality of life for residents of the City of Harrisburg by providing a place to purchase goods locally that residents would have had otherwise leave the City of Harrisburg for and fill a gap in the residential housing market.
3. **Findings of Maximum Percentage of Tax Incremental Districts.** The aggregate assessed value of the taxable property in the District, plus all other tax incremental districts does not exceed ten (10%) percent of the total assessed valuation of the City.
4. **Creation of District.** There is hereby created, pursuant to SDCL Chapter 11-9, Tax Incremental District Number Four, City of Harrisburg, South Dakota. The District is hereby created on the day this Resolution becomes effective which shall be twenty (20) days after publication of this Resolution.

5. **Designation of District Boundaries.** The District shall be located with the northern, southern, western, and eastern boundaries of the following described real property:

The Southeast Quarter of Section 35, Township 100 North, Range 50 West of the 5th Principal Meridian, Lincoln County, South Dakota, containing 160.17 acres [including 5.01 acres of Right of Way (Easement)]; and excluding 0.42 acres of Lot H1 contained therein

6. **Creation of Tax Incremental Fund.** There is hereby created, pursuant to SDCL 11-9-31, a Tax Incremental District Number Four Fund, which shall be a segregated asset account. All tax increments collected pursuant to Tax Incremental District Number Four shall be deposited into the Tax Incremental District Number Four Fund. All funds in the Tax Incremental District Number Four Fund shall be used solely for those purposes expressly stated and reasonably inferred in SDCL Chapter 11-9.
7. **Adoption of Project Plan.** The City hereby adopts the Project Plan for Tax Incremental District Number Four.

Adopted this 16th day of January, 2018.

CITY OF HARRISBURG

Mayor

ATTEST:

Finance Officer

Publication:

Effective Date:

Published once at the approximate cost of _____.

TAX INCREMENT FINANCE DISTRICT #4



Prepared for:

CITY OF HARRISBURG

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January 2018

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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.

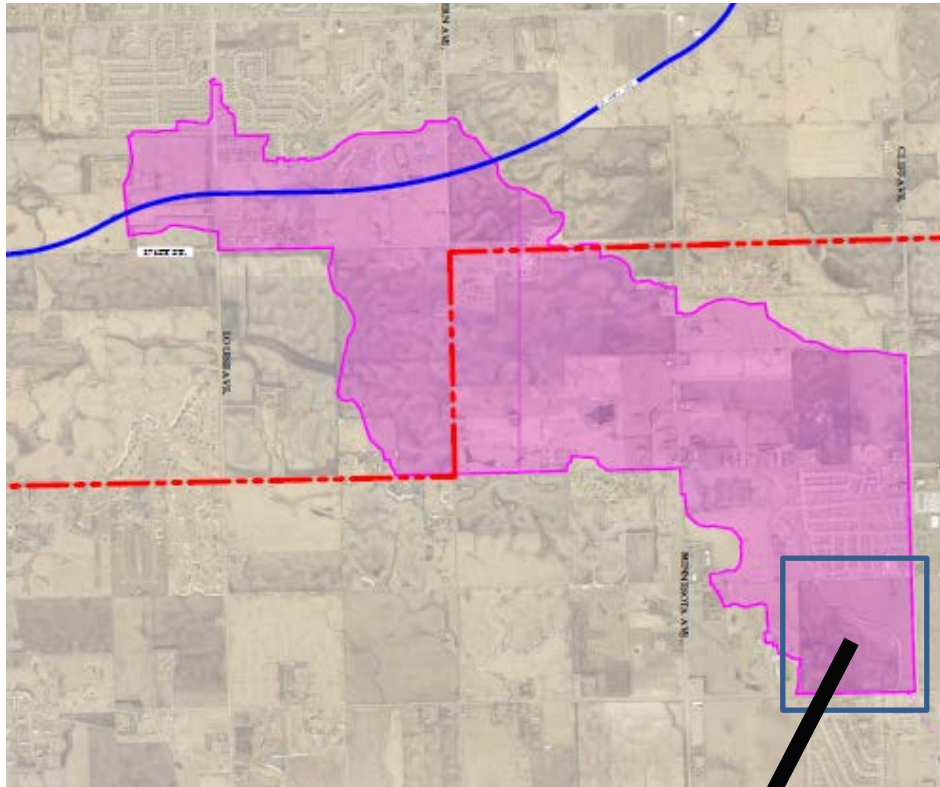
A local government, per South Dakota Codified Law, Chapter 11-9, can designate a specific area within its boundaries as a redevelopment area appropriate for a TIF district and prepare a plan for development. TIF projects must be recommended for approval by the County or City Planning Commission and the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

The primary objectives of City of Harrisburg TIF Number 4 are the installation of a sanitary sewer trunk line and a flood/storm water runoff control project along with other customary infrastructure improvements such as streets, curb and gutter that will provide connectivity to surrounding developments and improved access to the Harrisburg High School. No TIF funds will be used for the construction of single or multi-family homes.

The Coyote Basin Trunk Sewer will be constructed within Township 100N, Range 50W, Section 35. The project will begin west of the intersection of Cliff Avenue and Willow Street and will extend through the southeast and northwest quarters of Section 35 and will serve the adjacent properties, as well as the Tom Sawyer Addition, west of Highway 115. The sanitary sewer main will provide gravity-flow sewer service. Work will include the removal of the current Coyote Lift Station located in the Homesites Addition of Harrisburg.

The flood/storm water runoff control project will provide temporary storage and the metered release of storm water runoff. Not only will this protect the new workforce housing and downstream infrastructure, but it will also safeguard existing homes along the mile of tributary channel between the project area and Nine Mile Creek.

The proposed TIF Project area lies within part of the Coyote Drainage Basin, which encapsulates a total of 2,278 acres. Currently, precipitation runoff collects in this area, making it prone to flooding and unfeasible for structures or improvements. Poor drainage has various adverse effects, including pooling of water on improvement surfaces, poor plant health, hydroplaning on roadways, foundation damage to structures, moss or mildew, as well as unintended wildlife. A comprehensive drainage plan is imperative to opening the area up to development and construction.

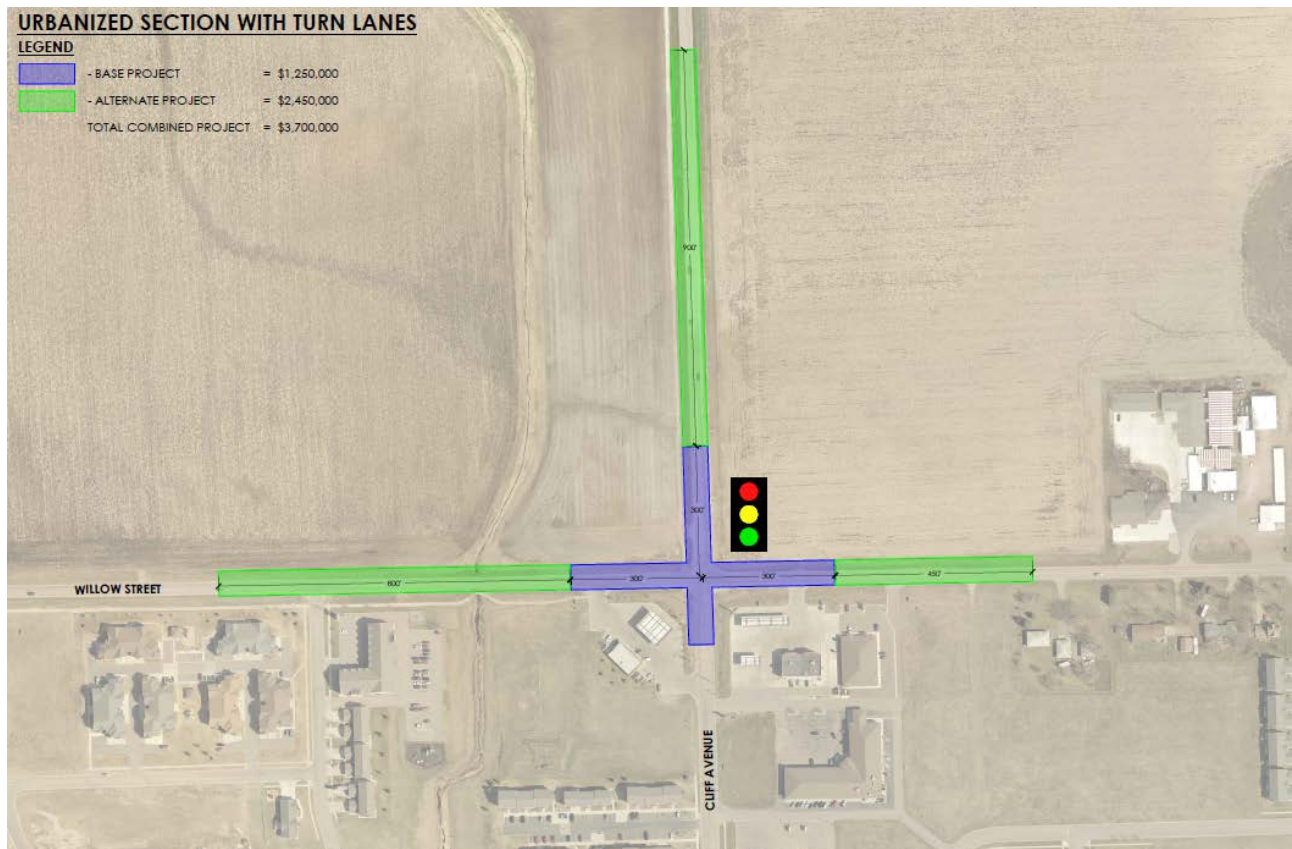


Adding the proposed channel and metering dam will help guide water overflow, from rain or irrigation, removing it from the ground surface and preventing saturation. Water quality is also an issue on the forefront of any urban drainage system. Not only must we consider agricultural runoff, but also urban area pollutants. Once polluted, groundwater is extremely difficult to clean up.

The overall benefit of this sanitary sewer main and drainage project is to open up the area for various affordable workforce housing. These projects will also allow up to 1,000 additional acres to be available for future development.

Signature Companies, LLC, the Developer, is a diversified company involved with the arranging and building of various housing options to complement several living styles: single family homes, condominiums, townhouses, villas, and multifamily communities. Clint Ackerman is the sole owner of Signature Companies, LLC and Signature Construction, LLC. He has been and is currently involved in developing several premier developments in and around Sioux Falls.

A supplementary benefit of the Project will be to ensure traffic safety and flow as the area is developed and becomes settled. The primary thoroughfare affected will be the intersection of Cliff Avenue and Willow Street. Turning lanes and other necessary improvements will be made to these streets to relieve congestion and direct traffic flow as the Project Area becomes established as a residential area.



Purpose & General Definitions

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 #4 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 4 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.

After TIF approval, construction will begin in 2018 on the Coyote Basin Trunk Sewer. The project will begin west of the intersection of Cliff Avenue and Willow Street and will extend through the southeast and northwest quarters of Section 35. The sewer will serve the adjacent properties, as well as the Tom Sawyer Addition, west of Highway 115. Work will include the removal of the current Coyote Lift Station located in the Homesites Addition of Harrisburg.

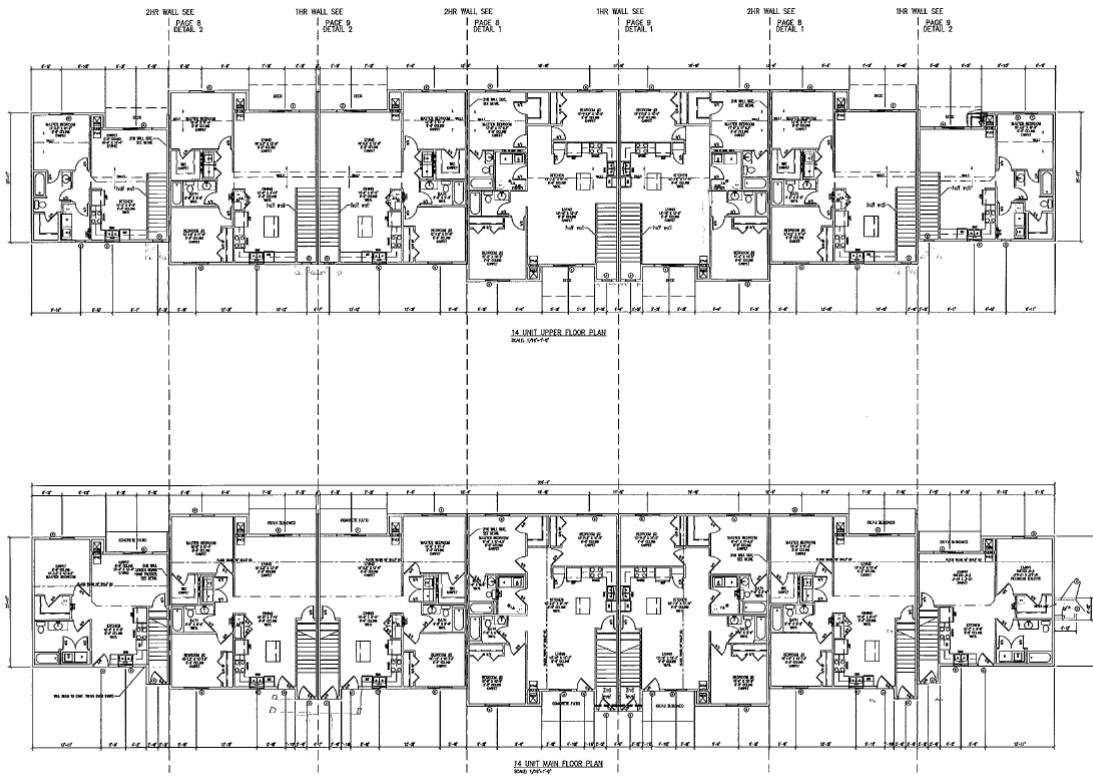
After the proposed sanitary sewer trunk main is constructed, construction of workforce housing will commence. Signature Companies, LLC, the Developer, offers a multitude of housing structure options, from apartment rentals to single family homes for sale.

Apartment Complex

- 14 units
- 1-2 or 3 bedroom
- No garages



Apartment Complex layout



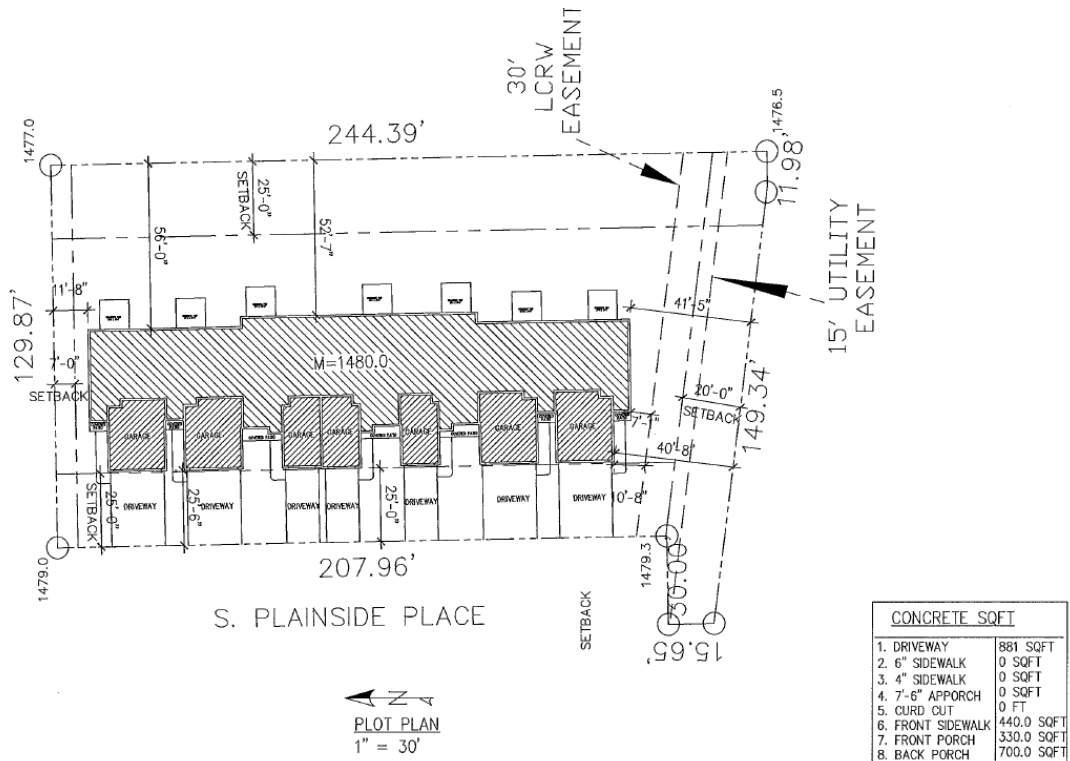
Townhome - Rental

- 7 unit building
- 1-2 or 3 bedroom units
- 2 stall garages

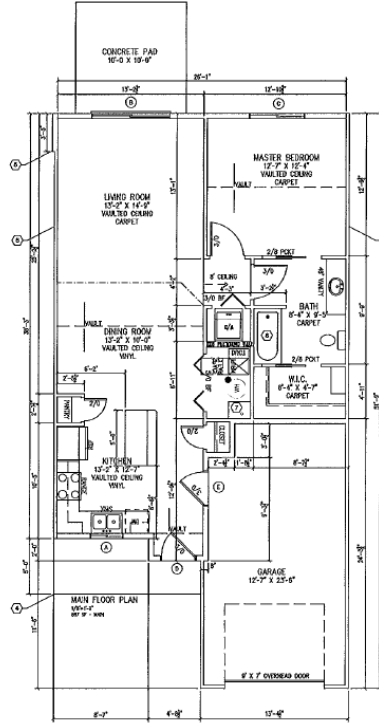
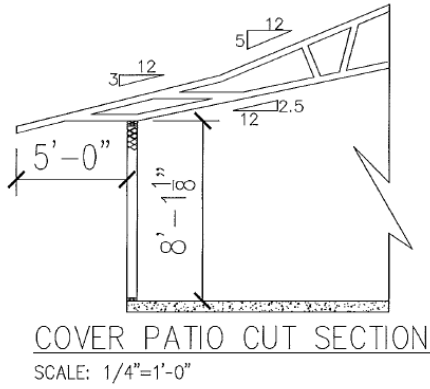


Townhome – For Sale

- 2 styles
 - Waverly - single story, 1 bedroom, 1 garage
 - Whitfield - 2 stories, 2 bedroom, 2 garage
- Selling price \$130,000-\$165,000

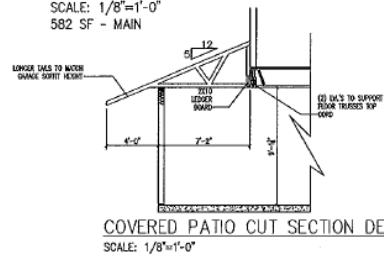
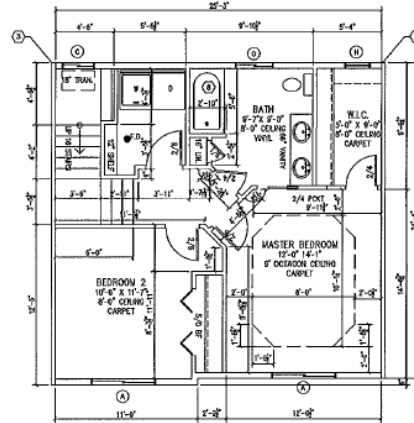
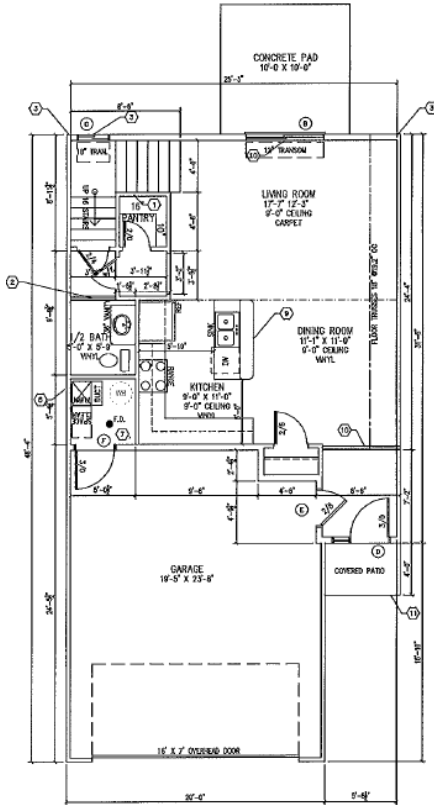


Townhome - Waverly Layout



- SYMBOLS THIS SHEET
1. EXTERIOR BUMP WILL FIELD VERIFY.
 2. NONE
 3. NONE
 4. EDGE OF SOFFIT.
 5. PARTY WALL, (2) 2X4 BETWEEN.
 6. HEADER HEIGHT 8'-4"
 7. WATER MAIN.
 8. TUB/ SHOWER ADA B
 9. 12" COUNTERTOP ON

Townhome - Whitfield Layout

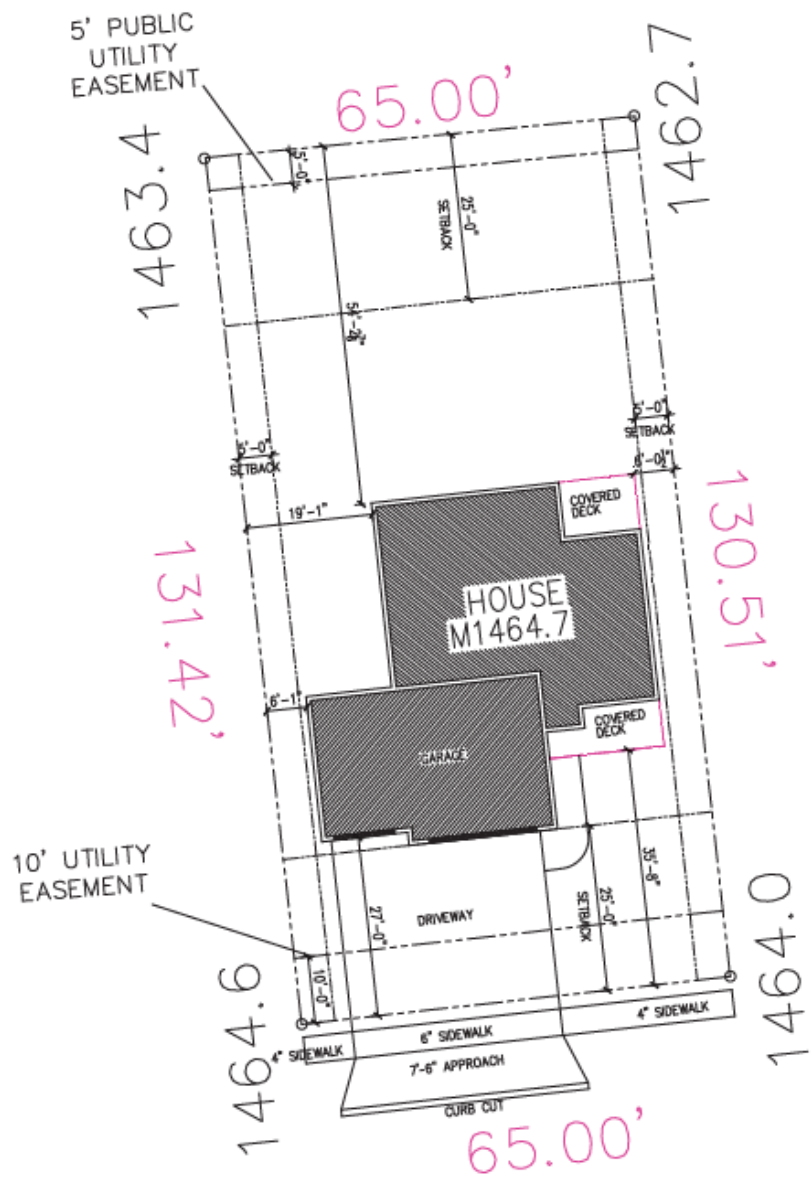
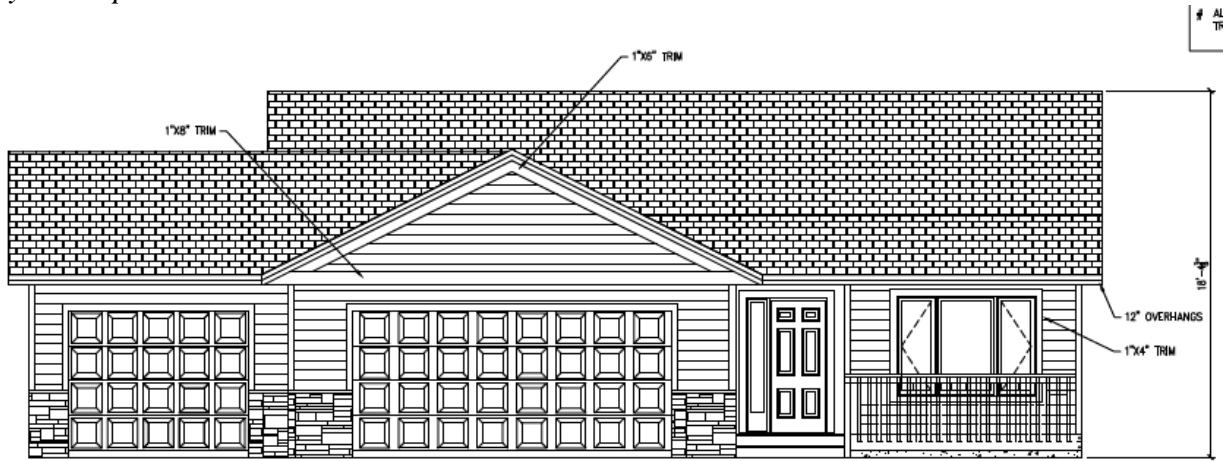


Single Family Homes – For Sale

- 3 styles
 - Ashby - 3 bedroom, 3 stall garage, upper and lower floor
 - Bayfield - 4 bedrooms, 2 stall garage, split foyer
 - Concord - 4 bedroom, 2 stall garage, upper and lower floor
- Selling price \$160,000-\$250,000
- Member of a Home Owners Association which will take care of lawn care and snow removal



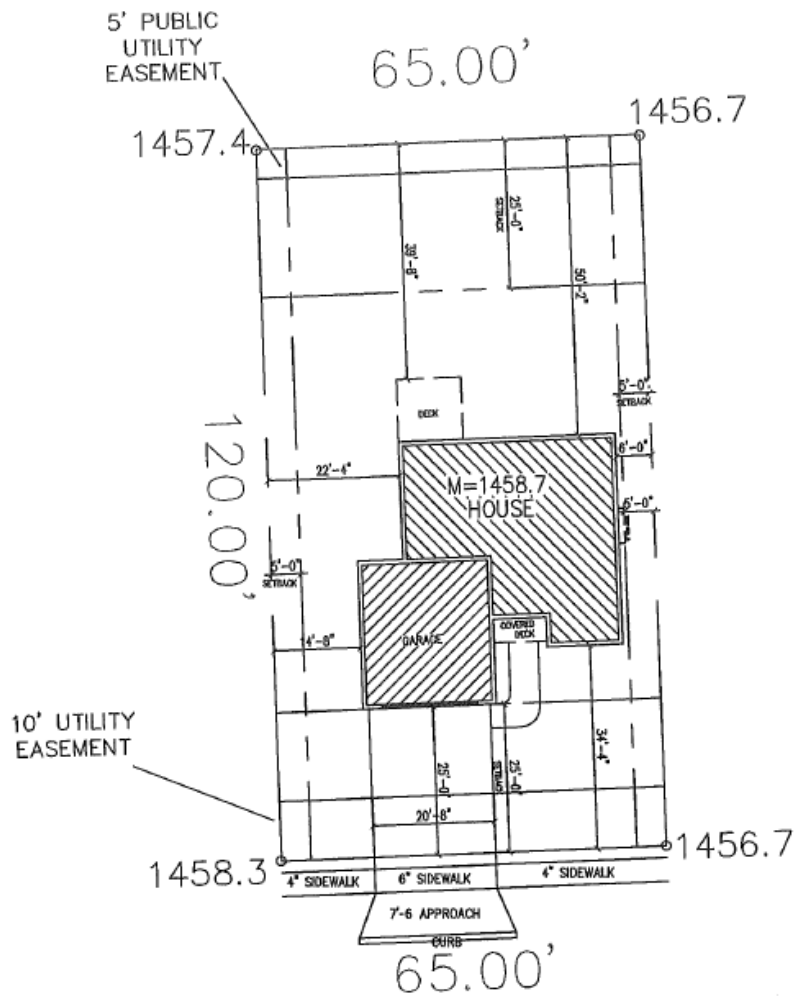
Ashby mockup



Bayfield mockup



FRONT ELEVATION
1/8"=1'-0"

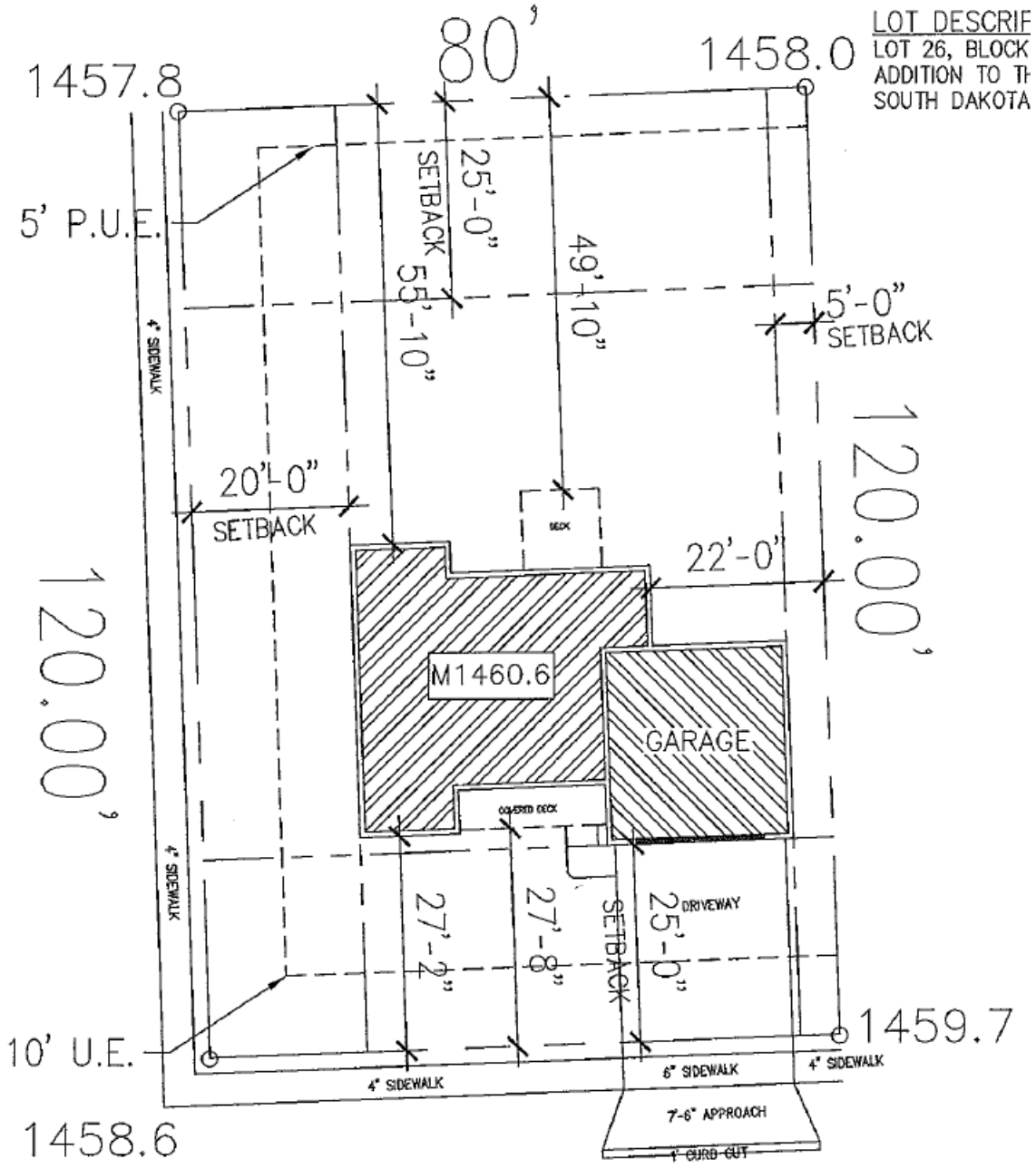


Concord mockup



FRONT ELEVATION
1/8"=1'-0"

1. ROOF PITCH 6/12 ROOF.
2. ALL WINDOWS AND DOORS TO HAVE 1X4 TRIM.



LOT DESCRIF
LOT 26, BLOCK
ADDITION TO T-
SOUTH DAKOTA

Townhomes Rentals (35 units), Townhome For Sale (10 units) and mid-range Single Family Homes (25 units) will be the first type of housing to be constructed in calendar year 2018. Construction on the apartment complexes is projected to begin in year 3. All workforce housing is expected to be completed by calendar year 2022.

As the area is developed and becomes settled, the intersection of Cliff Avenue and Willow Street will become a primary thoroughfare and will require upgrades. Turning lanes and other necessary improvements will be made to these streets to relieve congestion and direct traffic flow as the Project Area becomes established as a residential area.

General Definitions

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 Signature Companies, LLC

“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 #4.

"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 Harrisburg Tax Increment District #4

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.

The TID will consist of the installation of a main trunk sewer line within a 160 acre agricultural site in Township 100N, Range 50 W, Section 35. The sanitary sewer main will provide gravity-flow sewer service to the project area, as well as adjacent properties. Work will include the removal of the current Coyote Lift Station located in the Homesites Addition of Harrisburg. The TID project also includes the development of a flood/storm water runoff control project will provide temporary storage and the metered release of storm water runoff. Not only will this protect the new anticipated workforce housing, but it will also safeguard existing homes.

As presented by the Developer, the TID will consist of two phases:

Phase I

The Coyote Basin Trunk Sewer project will begin west of the intersection of Cliff Avenue and Willow Street and will extend through the southeast and northwest quarters of Section 35. The sewer will serve the adjacent properties, as well as the Tom Sawyer Addition, west of Highway 115. Work will include the removal of the current Coyote Lift Station located in the Homesites Addition of Harrisburg. The project will begin during the 2018 calendar year.

Phase II

The development of various affordable workforce housing types will begin after the sanitary sewer trunk line. The Developer will begin with the construction of townhomes for rent, townhomes for sale, and mid-range single family homes in the first year. In the second or third year, the Developer will begin construction of the apartment complexes. As a supplement to the development of a residential area, the intersection of Cliff Avenue and Willow Street will require upgrades. Turning lanes upgrades and any other necessary improvements will be made to these two streets to relieve congestion and direct traffic flow as the Project Area progresses.

The infrastructure cost to install the Coyote Basin Trunk Sewer is estimated at \$5,000,000 Public improvements related to the workforce housing are projected to use approximately \$3,000,000.

Property Within Tax Increment #4

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

The Southeast Quarter of Section 35, Township 100 North, Range 50 West of the 5th Principal Meridian, Lincoln County, South Dakota, containing 160.17 acres [including 5.01 acres of Right of Way (Easement)]; and excluding 0.42 acres of Lot H1 contained therein

Taxable Value of City of Harrisburg

State law requires that tax increment districts cannot exceed ten percent of the taxable value of a municipality. The 2016 Taxes Payable value for the City of Harrisburg is approximately \$266,952,096. The base value of the taxable property for inclusion into this Tax Incremental District #4, as estimated but not yet verified by Lincoln County Director of Equalization, is \$435,899.

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
4	\$ 435,899
TOTAL	\$ 13,294,923

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 #4, the value of all existing Tax Incremental Districts combined is just at 5.0% 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 and 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** (sewer trunk main) of the Project:

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	\$5,000,000	11-9-15(8)
Eligible Project Costs		\$5,000,000	

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 \$5,000,000. 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** (workforce housing) 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 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 \$3,000,000. 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.

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 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	\$5,000,000
Phase II	\$3,000,000
TOTAL TIF #4	\$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, Economic Development Study, and Fiscal Impact Statement

Feasibility Study

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

Economic Development Study

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).

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 Increment Revenue

The maximum amount of tax increment revenue bonds or monetary obligations to be paid through Tax Increment District #4 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 Increment 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 2018 taxes payable in 2019. 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 #4 will be classified as Economic Development; therefore, any lost Local Effort will be covered through the State Aid to Education Formula.

Maps

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.

Supplementary Findings

Changes to City 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 workforce housing, townhomes, residential homes, and commercial structures	\$10,000,000
TOTAL	\$10,000,000

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 & Estimated Captured Taxable Values

SCHEDULE 3 - Economic Development Study

SCHEDULE 4 - Fiscal Impact Statement

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:

	QUANTITY	UNIT	COST	TOTAL
Phase 1 - Sewer Trunk Main				
Excavation - Channel Cut	100,275	yds	\$ 4.25	\$426,169
Excavation - Channel Extra 6" Cut	10,500	yds	\$ 4.25	\$44,625
Install 6" Topsoil - Channel	10,500	yds	\$ 3.50	\$36,750
Finish Grade	565,550	sq ft	\$ 0.06	\$33,933
Seeding and Mulching	565,550	sq ft	\$ 0.03	\$16,967
Erosion Control				\$18,000
Misc Pumping, etc				\$45,600
Excavation - East of Gas Line Cut	17,250	yds	\$ 4.00	\$69,000
Excavation - East of Gas Line Extra 6" Cut	2,150	yds	\$ 4.00	\$8,600
Install 6" Topsoil	2,150	yds	\$ 3.50	\$7,525
Finish Grade	116,469	sq ft	\$ 0.06	\$6,988
Seeding and Mulching	116,469	sq ft	\$ 0.03	\$3,494
Erosion Control				\$4,500
Misc Pumping, etc				\$11,400
Excavation - West of Gas Line Cut	12,100	yds	\$ 4.00	\$48,400
Excavation - West of Gas Line Extra 6" Cut	1,400	yds	\$ 4.00	\$5,600
Install 6" Topsoil	1,400	yds	\$ 3.50	\$4,900
Finish Grade	76,110	sq ft	\$ 0.06	\$4,567
Seeding and Mulching	76,110	sq ft	\$ 0.03	\$2,283
Erosion Control				\$3,700
Misc Pumping, etc				\$9,000
Excavate 12' Bench for Sewer Main - Cut	7,500	yds	\$ 4.00	\$30,000
Excavate 12' Bench for Sewer Main - Extra 6" Cu	1,250	yds	\$ 4.00	\$5,000
Install 6" Topsoil	1,250	yds	\$ 3.50	\$4,375
Finish Grade	45,240	sq ft	\$ 0.06	\$2,714
Seeding and Mulching	45,240	sq ft	\$ 0.03	\$1,357
Erosion Control				\$4,500
Wetland Reclamation / Mitigation				\$75,000
CLOMAR / LOMAR				\$15,000
Engineering				\$65,000
Misc				\$272,710
			Total	\$1,287,657

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 & Taxable Value

The City has been asked to create a Tax Increment District to help offset the expansion associated with this 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 estimated to have a taxable value of \$435,899. 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 \$68,000,000 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 townhomes, single family homes, and apartments will be built and fully developed by calendar year 2022.

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 the last \$5,000,000 of project costs with stipulation that any suggested public improvements 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 #4 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 #4 will be available until the earliest of calendar year 2020 and thereafter.

TID Tax Revenue Estimates Available for City of Harrisburg

TIF #4 Tax Revenue

Townhome Rental	
Rental Townhomes - Equalized Value	\$100,000
Mill Levy	0.02280
Taxes/Unit	\$2,280
Number of Townhome Units	35
Annual Tax Revenue	\$79,797

Townhome For Sale	
Owner Occupied Home Values - Equalized Value	\$130,000
Mill Levy	0.01803
Taxes/Unit	\$2,344
Number of Townhome Units	10
Annual Tax Revenue	\$23,436

Single Family Home	
Owner Occupied Home Values - Equalized Value	\$195,000
Mill Levy	0.01803
Taxes/Unit	\$3,515
Number of Homes	25
Annual Tax Revenue	\$87,887

Light Industrial	
16,000 sq ft - Equalized Value	\$850,000
Mill Levy	0.02280
Annual Tax Revenue	\$19,380

Estimated Annual Tax Revenue - Total	\$210,499
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This project will have properties that are classified as Owner Occupied (OO) and as Non-Ag Other. As to not overinflate the projected revenues of TIF #4, the following chart is using only the Owner Occupied total school levy.

City of Harrisburg
Tax Increment District #4
Revenue Assumptions / Feasibility Study

Assumed Base Value										
				\$	435,899					
Construction Year	Valuation Year	Revenue Year	Valuation Increment	Total School Levy "OO"	County Mill Rate	City of Harrisburg	Total Mill Rate*	Total Revenue Increment	Total Increment for Debt Service	
2018	2019	2020	\$ 10,000,000	11.925	2.306	3.797	18.028	\$ 180,280.00	\$ 180,280.00	
2019	2020	2021	\$ 14,000,000	11.925	2.306	3.797	18.028	\$ 252,392.00	\$ 432,672.00	
2020	2021	2022	\$ 17,000,000	11.925	2.306	3.797	18.028	\$ 306,476.00	\$ 739,148.00	
2021	2022	2023		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2022	2023	2024		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2023	2024	2025		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2024	2025	2026		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2025	2026	2027		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2026	2027	2028		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2027	2028	2029		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2028	2029	2030		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2029	2030	2031		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2030	2031	2032		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2031	2032	2033		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2032	2033	2034		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2033	2034	2035		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2034	2035	2036		11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
2035	2036	2037	Final Year of Revenue	11.925	2.306	3.797	18.028	\$ -	\$ 739,148.00	
								\$	12,439,320.00	

Assumptions

* Mill Levies remain constant for the duration of the TIF

Note: These numbers are for projection purposes only and do not reflect what the actual number(s) may be. The projection numbers are based on assumptions provided by the developer.

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.

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 #4 meets both of these criteria. The area within the boundaries of the TIF is currently 160 acres of agricultural land that has the potential for development into workforce housing. In order to make the land viable for such an expansion, a sanitary sewer main line and a flood/storm water runoff project are necessary.

The project will begin west of the intersection of Cliff Avenue and Willow Street and will extend through the southeast and northwest quarters of Section 35. The sanitary sewer main will provide gravity-flow sewer service to the project area, as well as adjacent properties and the Tom Sawyer Addition, west of Highway 115. Work will include the removal of the current Coyote Lift Station located in the Homesites Addition of Harrisburg. The development of a flood/storm water runoff control project will provide temporary storage and the metered release of storm water runoff.

The project is expected to be completed during the 2018 calendar year.

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 #4 will create an extensive drainage project which will not only benefit projected residential areas but will also make thousands of acres viable for future development. The Project also serves to provide affordable workforce housing in the form of townhouses, single family dwellings, and apartments. A supplemental use of the TIF will be roadway extensions and improvements as deemed necessary within the developed area.

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.

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 160 agricultural site that has the potential for development into workforce housing. In order to make the land viable for such an expansion, a sewage trunk main line and flood/storm water runoff control is necessary. These projects will be constructed to serve the adjacent properties, as well as the Tom Sawyer Addition, west of Highway 115. Work will include the removal of the current Coyote Lift Station located in the Homesites Addition of Harrisburg. 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 enhance the community of Harrisburg by installing a much needed drainage system and sanitary sewer system, and by creating additional workforce housing.

Schedule 4

Fiscal Impact Statement for City of Harrisburg TID #4

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 4.

“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 \$68,000,000
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.

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.

This project will have properties that are classified as Owner Occupied (OO) and as Non-Ag Other.

The following dollars-per-thousand rates are the current taxing rates of the local taxing jurisdictions for both Owner Occupied and for Other property types:

2017 Property Tax Rate

2016 Payable in 2017	\$ per \$1,000 assessed
Lincoln County	\$ 2.306
City of Harrisburg	\$ 3.797
<u>School District "OO"</u>	<u>\$ 11.925</u>
Total Tax Levy	\$ 18.028

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 Southeast Quarter of Section 35, Township 100 North, Range 50 West of the 5th Principal Meridian, Lincoln County, South Dakota, containing 160.17 acres [including 5.01 acres of Right of Way (Easement)]; and excluding 0.42 acres of Lot H1 contained therein

Attachment 2

Conditions picture for City of Harrisburg Tax Incremental District #4, SDCL § 11-9-16(1)

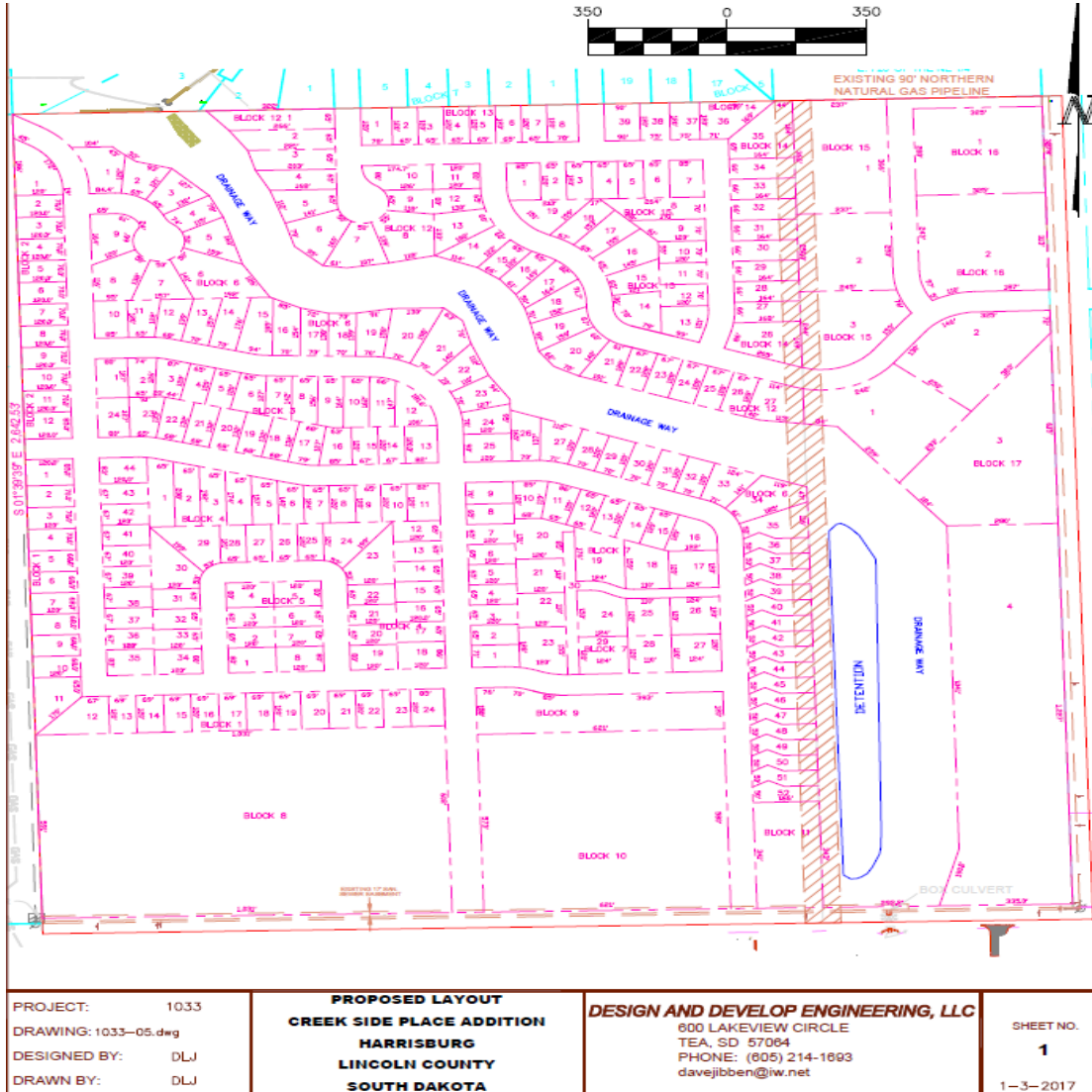
The following is a picture showing the current conditions of the proposed location of TIF #4

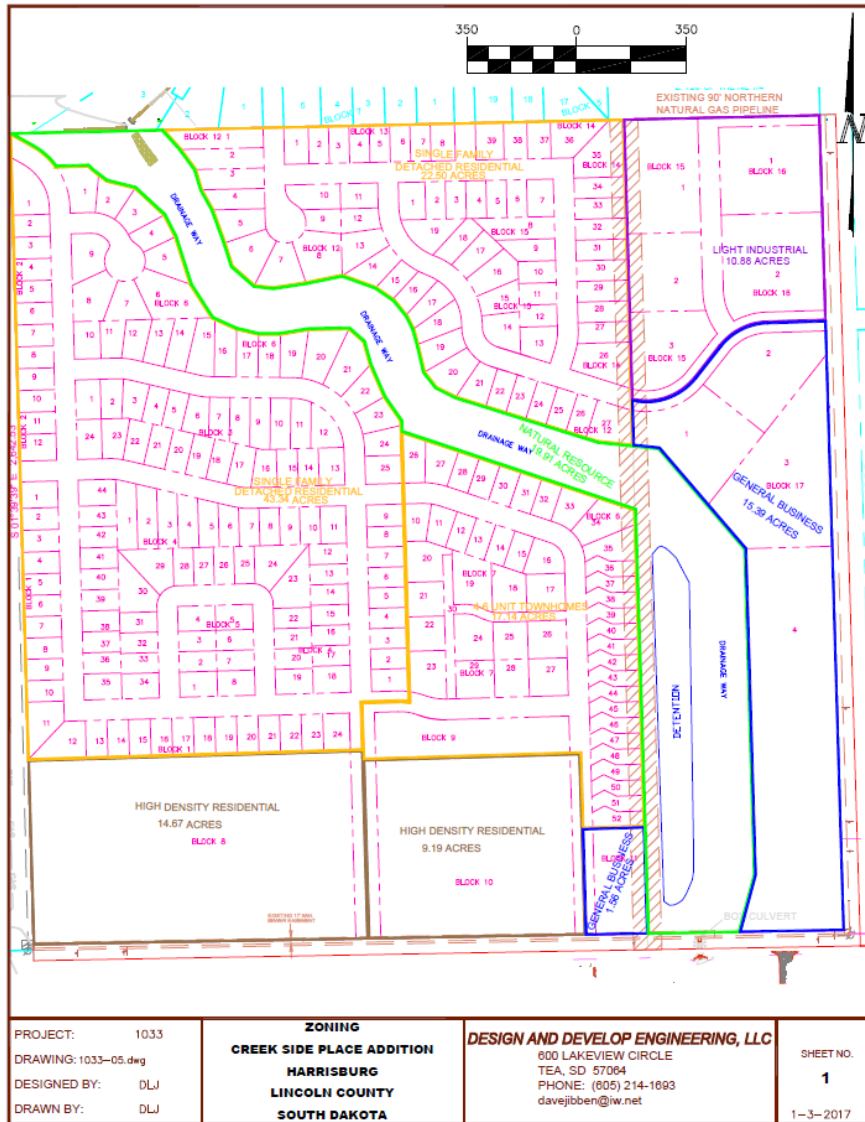


Attachment 3

Improvements map for City of Harrisburg Tax Incremental District #4, SDCL § 11-9-16(2).

The following is a plat map of the Tax Increment District:





PROJECT: 1033	ZONING	DESIGN AND DEVELOP ENGINEERING, LLC	SHEET NO.
DRAWING: 1033-05.dwg	CREEK SIDE PLACE ADDITION	600 LAKEVIEW CIRCLE	1
DESIGNED BY: DLJ	HARRISBURG	TEA, SD 57064	
DRAWN BY: DLJ	LINCOLN COUNTY	PHONE: (605) 214-1693	
	SOUTH DAKOTA	davejibben@iw.net	1-3-2017

Attachment 4

Zoning Change Map for City of Harrisburg Tax Incremental District #4, SDCL § 11-9-16(2).

