

STAFF REPORT  
May 23, 2019

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**No. 19TI001 – Application for TID #67 Amendment #1 to reallocate Project Plan Costs** **Item 19**

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GENERAL INFORMATION:

APPLICANT	Joe Muth for Doeck, LLC
AGENT	Kale McNaboe, Sperlich Consulting, Inc.
PROPERTY OWNER	Multiple property owners
PARCEL ACREAGE	Approximately 410 acres
LOCATION	East and west of Haines Avenue and north and south of Country Road
DATE OF APPLICATION	April 9, 2019
REVIEWED BY	Patsy Horton / Todd Peckosh

RECOMMENDATION: The Tax Increment Financing Review Committee recommends approving the request to reallocate costs to coincide with those costs expended and certified for the associated project plan line items.

GENERAL COMMENTS: The Project Plan for Tax Increment District #67 was approved on April 21, 2008, assisted in the development of Brookfield Subdivision located east of Haines Avenue and north of Country Road. TIF funds were identified for box culverts, grading and oversizing costs for the extension of water and sewer. Developer A is requesting a cost reallocation to adjust the 2008 TIF funding proposal in order to coincide with certified costs for the associated project plan line items.

**Developer A:** The proposed change would reallocate contingency costs to cover the additional expenditures related to oversizing the water main in Cobalt Street. When the Plan was adopted in 2008, the proposal identified a 16" water main in Tupelo Drive. During the review and approval of the construction plans, staff determined that the best location of the proposed water main should be Cobalt Drive, thus increasing the oversizing cost by approximately \$33,000 and decreasing the available Contingency Costs by \$33,000.

**Developer B:** Developer B is not eligible for any TIF fund reimbursements as construction was not complete within the five-year timeline as required by SDCL 11-9-13. As such, there are no incremental expenditures available to Developer B.

**STAFF REVIEW:** Developer A submitted an application on April 9, 2019 to amend TID #67 Project Plan costs to reallocate \$33,000 from the available Contingency Costs to the Oversizing Water/Sewer within Brookfield Subdivision and \$20,000 from the Contingency Costs for the required Additional Imputed Administrative Fee (this fee is not paid by the Developer).

**South Dakota Codified Law / Statutory Requirements:** The applicant has indicated that the proposed project plan reallocation complies with all applicable statutory requirements as well as the City's adopted Tax Increment Policy.

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**11-9-18. Amendment to project plan - Procedure.**

*The planning commission may at any time adopt an amendment to a project plan which shall be subject to approval by the governing body in the same manner as an initial project plan.*

**Conclusion:** The amendment as proposed complies with the process defined in SDCL 11-9-18.

**TIF Policy – Process for Revising Approved Tax Increment District Project Plans.**

1. *Submit written request to the Department of Community Planning staff.*
2. *Department of Community Planning staff schedules a Tax Increment Finance Project Review Committee meeting for review of the request.*
3. *The Tax Increment Finance Project Review Committee shall meet with the applicant, review the request, take public comment and make a recommendation. If approved by the committee, the staff shall prepare the revised project plan. If denied by the committee, the applicant may appeal the decision to the Planning Commission. If the Planning Commission authorizes the preparation of the revised project plan, the staff shall prepare the revised project plan and submit the request in accordance with the procedures that follow. If the Planning Commission does not authorize the preparation of the revised project plan, the applicant may appeal that decision to the Legal and Finance Committee who shall provide a recommendation to the City Council. If the City Council authorizes the preparation of the revised plan, the staff shall prepare the revised project plan and submit the request in accordance with the procedures that follow. If the City Council does not authorize the preparation of the revised project plan, no further action shall be taken.*
4. *Pursuant to the provisions of SDCL 11-9-18, the Planning Commission considers the proposed revisions and approves any changes by resolution.*
5. *Upon approval by the Planning Commission, the request is forwarded to the Legal and Finance Committee.*
6. *The recommendation of the Legal and Finance Committee is forwarded to the City Council; City Council may approve, amend or reject the revised Project Plan.*
7. *The City Finance Office shall provide an “Annual Summary of all Active Tax Increment Financing Districts” to the City Council on or before July 31 of each year utilizing the Summary of Current Interest Rate on Active Districts spreadsheet with the addition of Prior Assessment and Revenues Received Information.*

**Conclusion:** The amendment as proposed complies with the process defined in the existing TIF Policy. Action by the TIF Review Committee, the Planning Commission,

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the Legal Finance Committee and eventually the City Council determines when the revised Project Plan is prepared and submitted for review and approval by the reviewing committees.

Developer A has submitted the following reallocation proposal:

<b>TID #67 Summary - Project Plan and Developer Costs</b>			
	Project Plan Costs	Reallocation Amount	Amendment #1 Project Plan Cost Totals
<b>Developer A</b>			
Capital Projects			
Culvert and Grading at Cobalt Street	\$431,529.32		\$431,529.32
Culvert and Grading at Three Rivers Street	\$245,561.76		\$245,561.76
Oversizing water/sewer for annexed land west of Haines	\$281,484.78		\$281,484.78
Oversizing water/sewer for Brookfield	\$123,675.43	\$32,969.98	\$156,645.41
<b>Total Capital Costs</b>	<b>\$1,082,251.29</b>	<b>\$32,969.98</b>	<b>\$1,115,221.27</b>
Professional Service Costs	\$175,000.00		\$175,000.00
Contingency Costs	\$69,000.00	(\$52,969.98)	\$16,030.02
Relocation Costs	\$0.00		\$0.00
Organizational Costs	\$0.00		\$0.00
Necessary and Convenient Costs	\$300,000.00		\$300,000.00
Financing Costs	\$1,665,499.01		\$1,665,499.01
Additional Imputed Administrative Fee	\$0.00	\$20,000.00	\$20,000.00
<b>Developer A Total</b>	<b>\$3,291,750.30</b>	<b>\$0.00</b>	<b>\$3,291,750.30</b>
<b>Developer B</b>			
Capital Projects	\$0.00		\$0.00
Professional Service Costs	\$0.00		\$0.00
Financing Costs:			
Financing Interest	\$378,370.94		\$378,370.94
Contingency Costs	\$0.00		\$0.00
Relocation Costs	\$0.00		\$0.00
Organizational Costs	\$0.00		\$0.00
Necessary and Convenient Costs	\$300,000.00		\$300,000.00
<b>Developer B Total</b>	<b>\$678,370.94</b>	<b>\$0.00</b>	<b>\$678,370.94</b>

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<b>TID #67 Total Project Costs</b>			
Capital Projects			
Culvert and Grading at Cobalt Street	\$431,529.32	\$0.00	\$431,529.32
Culvert and Grading at Three Rivers Street	\$245,561.76	\$0.00	\$245,561.76
Oversizing water/sewer for annexed land west of Haines	\$281,484.78	\$0.00	\$281,484.78
Oversizing water/sewer for Brookfield	\$123,675.43	\$32,969.98	\$156,645.41
<b>Total Capital Costs</b>	<b>\$1,082,251.29</b>	<b>\$32,969.98</b>	<b>\$1,115,221.27</b>
Professional Service Costs	\$175,000.00	\$0.00	\$175,000.00
Financing Costs:			
Financing Interest	\$2,043,869.95	\$0.00	\$2,043,869.95
Contingency Costs	\$69,000.00	(\$52,969.98)	\$16,030.02
Relocation Costs	\$0.00	\$0.00	\$0.00
Organizational Costs	\$0.00	\$0.00	\$0.00
Necessary and Convenient Costs	\$600,000.00	\$0.00	\$600,000.00
Additional Imputed Administrative Fee	\$0.00	\$20,000.00	\$20,000.00
<b>Total TID #67 Project Costs</b>	<b>\$3,970,121.24</b>	<b>\$0.00</b>	<b>\$3,970,121.24</b>

The imputed \$2,050 administrative costs identified in the original Project Plan were paid in June 2013, interest-free, and not included in the total project costs. Based on the current TIF Policy, an additional \$20,000 interest-free imputed administrative fee must be included as a Project Cost as noted above if the amendment moves forward.

The incremental revenue for TID #67 will continue accruing for twenty years or April 7, 2028, or until the certified expenditures are fully repaid and the District is dissolved per SDCL 11-9-46. As of February, 2019, the TID #67 Fund currently has a balance available for reimbursement to Developer A in the amount of \$2,159,870.41.

**STAFF RECOMMENDATION:** Staff recommends, as well as the Tax Increment Financing Review Committee, approving the requested cost reallocation as submitted.