



TAX INCREMENT FINANCE DISTRICT #2

Prepared for:

CITY OF TEA

**Submitted by:
C-Lemme Companies, 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 TIF #2 is to fund further infrastructure improvements for the commercial/light industrial park in Bakker Landing - including water, sanitary sewer, and storm water management infrastructure - between Sundowner Avenue and Interstate 29. Once fully operational, the infrastructure and expansion of city water and sewer will open up new parcels for possible future development. Multiple, various businesses are already showing interest in the area.

The City of Tea wishes to intensify their efforts to build and protect a long-lasting local economy, both in job creation and diversifying their sales tax base. Ensuring a strong economic presence will allow both the City and the State to benefit from the sales tax dollars that are spent in the area every year.

It must be noted that the none of the TIF proceeds will offset costs of the building of any of the businesses. Rather, it will be the increment value from the new industries that will be used to fund the infrastructure improvements necessary to construct the city water and sewer expansion.

PURPOSE & GENERAL DEFINITIONS

The property upon which this Tax Incremental District (TID) is proposed to be implemented is located within City of Tea, South Dakota.

As such, the creation of City of Tea TIF #2 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 Tea Planning and Zoning Commission.

The purpose of this Plan, to be implemented by City of Tea, South Dakota is to satisfy the requirements for a Tax Increment District Number 2 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 Commissioners 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.

The intention of this TIF Project is to expand infrastructure improvements for the a commercial/light industrial park on the west and northern part of Bakker Landing. Construction of the infrastructure development is scheduled to begin in 2021 or early 2022 and the area is expected to attract multiple, various businesses. In addition, this TIF Project will be instrumental in offsetting costs for the extension of existing city water and sewer lines. The various infrastructure and site improvements of the 90 acres of primarily agricultural land within the business park will enhance the City of Tea's ability to encourage future growth and a stronger sales tax base.

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 Council of Tea, 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 C-Lemme Companies, LLC

"Developer's Agreement" means the agreement between Developer and City of Tea 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 Tea

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

"Governing body" means the City of Tea, 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 City of Tea Planning Commission

"Plan" means this Project Plan.

"Project Costs" means any expenditure or monetary obligations by City of Tea, 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 Tea 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 City 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 City defined and created by resolution of the governing body and named City of Tea Tax Incremental District #2.

"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 TEA TAX INCREMENT DISTRICT #2

Representatives of the Developer have approached officials of City of Tea 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 Tea.

The primary objective of TIF #2 is to fund continued infrastructure improvements in the commercial/light industrial park in Bakker Landing - including the infrastructure needed to expand city water and sanitary sewer. Once fully operational, the infrastructure and expansion of water and sewer lines will open up new parcels in the northern and western section of the area for possible future development for a multitude of possible types of businesses. Diversifying a sales tax base will ensure an economic impact for both city and state.

It must be noted that none of the TIF process will offset costs of the construction of any future businesses. Rather, the new assessed value from any facilities will be the mechanism used to fund the infrastructure improvements and site development of the 90 acres of the Bakker Landing area located between Sundowner Avenue and I-29.

Property Within Tax Increment #2

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

- Tract 1 of Bakker Landing 1st Addition (Except Tract 1A Bakker Landing 1st Addition, Lot 9 in Block 5 of Bakker Landing 1st Addition, Lots 5 and 8 in Block 1 of Bakker Landing 1st Addition, Lot 2 in Block 6 of Bakker Landing 1st Addition, and Except that portion of Lot 6 of Block 1 of Bakker Landing 1st Addition lying within Tract 1 of Bakker Landing 1st Addition) to the City of Tea, Lincoln County, South Dakota; and,
- Tract 1A of Bakker Landing 1st Addition (Except Lot 9 in Block 5 Bakker Landing 1st Addition, and Lot 2 in Block 6 of Bakker Landing 1st Addition) to the City of Tea, Lincoln County, South Dakota; and,
- Lot 6 of Block 1 of Bakker Landing 1st Addition lying within Tract 1 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota (Except that portion of Lot 6 of Block 1 Bakker Landing 1st Addition lying within Tract 2 of Bakker Landing 1st Addition); and,
- Lot 9 in Block 5 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota; and,
- Lot 2 in Block 6 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota; and,
- Lot 5 in Block 1 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota; and,

- Lot 8 in Block 1 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota; and,
- Tracts 4 & 5 of Bakker Landing 1st Addition (Except Lot 2 in Block 8 of Bakker Landing 1st Addition) to the City of Tea, Lincoln County, South Dakota; and,
- Lot 2 in Block 8 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota

TAXABLE VALUE OF CITY OF TEA

State law requires that tax increment districts cannot exceed ten percent of the taxable value of a municipality. The 2020 Taxes Payable value for City of Tea is \$315,808,821. The base value of the taxable property for inclusion into this Tax Incremental District #2, as estimated but not yet verified by Lincoln County Director of Equalization, is \$975,389.

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.

CITY OF TEA

Tax Increment Dist	Base Value
1	\$ 217,049
2	\$ 975,389
TOTAL	\$ 1,192,438

Tea City Current Taxable Value	315,808,821
All TIF Base Value must be less than 10%	31,580,882

The total value of all active TIF Districts in City of Tea is less than ten (10) percent of total taxable value in the City. Using the estimates provided for TID #2, the value of all existing Tax Incremental Districts combined is less than 1% of the total 2020 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 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	\$5,184,628	11-9-15(8)
Eligible Project Costs		\$5,184,628	

The above are estimates of the costs involved in 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 is expected to be \$5,184,628. This amount is the controlling value with respect to authorized TID Project Costs 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.

Conditions of the Developer Agreement relating to Constitutional Debt

It is specifically a condition of the proposed Developer's Agreement that the City's obligation to pay is limited to the proceeds of the positive tax increment from the TID receipted into the TIF Fund. The obligation of the City to pay pursuant to the proposed Agreement does not constitute a general indebtedness of the City or a charge against the City's general taxing power. The provisions of SDCL 11-9-36 are specifically incorporated within the Agreement by reference. It is also to be specifically agreed that the City has made no representation that the proceeds from such Fund shall be sufficient to retire any indebtedness incurred by Developer. The parties further acknowledge that SDCL 11-9-25 limits the duration of allocation of the positive tax increment payments and the fund created by the TID.

Additionally, the City's obligations to make the payments set forth in the proposed Agreement shall be lawfully made from funds to be budgeted and appropriated on an ANNUAL BASIS for that purpose during the City's then current fiscal year, thus not counting towards Constitutional Debt. If at any time during the term of this Agreement, the governing body of the City shall fail or refuse to approve or authorize the funds due hereunder, then the Agreement shall terminate upon the end of the fiscal year for which funds were approved or authorized, without penalty to the City. The City's obligation hereunder shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of the City. Notwithstanding anything to the contrary contained in the proposed

Agreement, the City hereby acknowledges and agrees that the obligations of the City under this Agreement are a material inducement for Developer to incur various development and construct improvements upon the TID property and the failure to pay tax increment to Developer will be financially detrimental to future improvements on said property.

It is further understood that the amount of \$5,184,628 will be the maximum amount the City will ever pass on acting as a conduit for TIF #2. This amount will include any and all interest associated with the debt and the controlling value of the TIF will never pay more than \$5,184,628 All TIF revenue will be passed onto the Developer until the full amount has been paid or 20 years from the year of creation, whichever happens first.

The payment of tax increment funds under this Agreement is a grant under Chapter 11-9 of the South Dakota Codified Laws (the "Grant"). The Grant is a personal property right vested with the Developer on the effective date of this Agreement. The City will grant this amount to the Developer and thus not have to account for any assets on the City's financial statement. The Developer will be responsible for obtaining their financing and the City will not be liable for any Developer debt.

Upon completion of the construction of the infrastructure improvements, the Developer shall certify to the City's Finance Officer the costs of construction, including capital costs, Professional Fees, and contingency costs. The Developer shall provide contractor/supplier invoices or other supporting documentation upon request of the Finance Officer. Upon certification and verification of costs, the City shall pay all available tax increment fund revenues not to exceed \$5,184,628.

Expenditures Exceeding Estimated Cost

Any expenditures, which in sum would exceed the total amount of the TID amount of \$5,184,628, 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 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 3 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 #2 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 \$5,184,628 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 year 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 the 2020 assessment year for taxes payable in 2021. The tax increment will be available to the taxing jurisdictions after dissolution, which is 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 all bonds and monetary obligations, taxing entities will receive their proportionate share of tax dollars for the base value and the tax incremental values.

GENERAL FUND

Mechanisms are built within State Codified Law to ensure that school districts are held harmless by TIF districts for their General Fund. 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
- Affordable Housing – Includes an area where: 1. The original selling price of any house in the district will be at or below the first-time homebuyer purchase price limit being used by the South Dakota Housing Development Authority as of the date the house is sold; OR 2. The monthly rental rate of all multifamily housing units in the district will be at or below the calculated rent for the state's eighty percent area median income as of the date the district is created, for a minimum of five years following the date of first occupancy.
- Local – Any tax incremental districts that do not fall under Economic Development or Industrial

Public school districts are generally 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, Industrial, or Affordable Housing, 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 Local, 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.

City of Tea TIF #2 has already received the preliminary classification from the Department of Revenue. The TIF is considered Economic Development; therefore, any lost local effort of the General Fund will be covered through the State Aid to Education Formula.

CAPITAL OUTLAY FUND

The impact of a TIF to the Capital Outlay Fund is minimal. Starting on July 1, 2020, a school district is limited to the amount of capital outlay dollars they can receive by either:

- A. the previous year's maximum allowable can be increased by a growth factor plus 3%
- Or
- B. a per student amount.

The primary impact would be to the first scenario; a TIF would delay annual growth until the TIF is completed. However, once the TIF is dissolved, all increment value would be considered new growth for the school district.

If a school district falls under a per student limitation, they will see no impact to their funding due to the TIF.

SPECIAL EDUCATION FUND

The Special Ed Fund has the potential to see the greatest negative impact from the creation of a TIF district.

If the school district requests their special education monies in the form of a levy, then the exclusion of the TIF increment in the tax base would mean the school district is not receiving as much as it could.

If the school district submits their request in a dollar amount, then the fund would see no impact from a TIF district.

BOND REDEMPTION FUND

The school district is always able to ask for the needed money for the principal and interest of their bond repayment. The only impact a TIF would have on this fund is by holding back the increment value, lowering tax base for the spreading of the tax burden and creating a slightly higher levy for the local taxpayers.

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 & CITY ORDINANCES PER SDCL §11-9-16 (4)

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

LIST OF ESTIMATED NON-ELIGIBLE 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
Manufacturing Building	\$10,000,000
Commercial Buildings	\$10,000,000
Furniture and Fixtures	\$1,000,000
TOTAL	\$21,000,000

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 estimate TIF eligible costs for the project as provided by the Project Engineers. The Project will be broken out into two different phases.

January 8th, 2021



Engineers Estimate of Probable Construction Cost

Bakker Landing - Phase 2 & 3A Cost Estimate				
	Qty	Unit	Unit Cost	Total
Surfacing				\$ 1,175,805.00
C&G	12998	LF	\$ 18.00	\$ 233,964.00
Asphalt	9245	Ton	\$ 75.00	\$ 693,375.00
PCC Valley and Fillets	358	SqYd	\$ 77.00	\$ 27,566.00
Base Course	11045	Ton	\$ 20.00	\$ 220,900.00
Water Main				\$ 200,700.00
4" PVC	780	LF	\$ 30.00	\$ 23,400.00
6" PVC	100	LF	\$ 35.00	\$ 3,500.00
8" PVC	2130	LF	\$ 40.00	\$ 85,200.00
4" Gate Valve	11	Each	\$ 1,200.00	\$ 13,200.00
6" Gate Valve	5	Each	\$ 1,300.00	\$ 6,500.00
8" Gate Valve	5	Each	\$ 1,700.00	\$ 8,500.00
12"x4" Service Saddle	14	Each	\$ 1,500.00	\$ 21,000.00
8"x4" Service Saddle	14	Each	\$ 1,100.00	\$ 15,400.00
8" x 4" MJ Tee	11	Each	\$ 450.00	\$ 4,950.00
8" x 6" MJ Tee	5	Each	\$ 500.00	\$ 2,500.00
8" x 8" MJ Tee	1	Each	\$ 550.00	\$ 550.00
Fire Hydrant	5	Each	\$ 3,200.00	\$ 16,000.00
Sanitary Sewer				\$ 133,750.00
8" PVC	2870	LF	\$ 35.00	\$ 100,450.00
Manhole	9	Each	\$ 3,700.00	\$ 33,300.00
Storm Sewer				\$ 334,250.00
12" RCP F&I	490	LF	\$ 35.00	\$ 17,150.00
18" RCP F&I	2320	LF	\$ 40.00	\$ 92,800.00
18" ARCP F&I	90	LF	\$ 60.00	\$ 5,400.00
24" RCP F&I	910	LF	\$ 45.00	\$ 40,950.00
24" ARCP F&I	30	LF	\$ 65.00	\$ 1,950.00
30" ARCP F&I	590	LF	\$ 50.00	\$ 29,500.00
Drop Inlet	31	Each	\$ 4,000.00	\$ 124,000.00
Outlet Structure	4	Each	\$ 5,000.00	\$ 20,000.00
Junction Box	1	Each	\$ 2,500.00	\$ 2,500.00
Lighting				\$ 127,350.00
Street Light	33	Each	\$ 3,600.00	\$ 118,800.00
Junction Box	4	Each	\$ 800.00	\$ 3,200.00
Wiring	5350	LF	\$ 1.00	\$ 5,350.00

Continued on next page

Street Light	33	Each	\$ 3,600.00	\$ 118,800.00
Junction Box	4	Each	\$ 800.00	\$ 3,200.00
Wiring	5350	LF	\$ 1.00	\$ 5,350.00
Earthwork				\$ 2,394,000.00
	266000	CuYd	\$ 9.00	\$ 2,394,000.00
Erosion Control				\$ 123,000.00
	82	Ac	\$ 1,500.00	\$ 123,000.00

Subtotal \$ 4,488,855.00
 10% Mobilization \$ 448,885.50
 5% Contingency \$ 246,887.03
Total \$ 5,184,627.53

Estimates TID Eligible of Project Costs Requested

The City of Tea has determined that this will be an economic development Tax Increment District, thus the eligible cost will be in the form of an infrastructure grant that will not exceed \$5,184,628. 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, permanent fixtures; the acquisition of equipment; the clearing & grading of land; & 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 & 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 \$975,389. 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 \$20,000,000 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 the infrastructure and site improvements will be built through up to 4 phases and fully developed by calendar year 2023.

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 \$5,184,628 in total payments, or 20 years, whichever comes first.

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.

City of Tea TID #2 is proven feasible based upon the projections made by the Developer, projecting a total in excess of \$5,184,628 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 #2 will be available until the earliest of calendar year 2021 and thereafter.

TID Tax Revenue Estimates Available for City of Tea

This project will have properties that are classified as Non-Ag Other.

Levies					Equalized							
School	County	City	Fire	Total	85%							
14.456	2.087	6.415	0	22.958								
					Construction Year	Valuation Year	Revenue Year	Project Increment 1	Project Increment 2	Project Increment 3	Project Increment 4	Total Amount Available for D/S
Project 1					2022	2023	2024					\$ -
Commercial Project					2023	2024	2025	\$ 78,057				\$ 78,057
Total Project Costs \$4,000,000					2024	2025	2026	\$ 78,057	\$ 87,814			\$ 165,872
Projected Valuation \$3,400,000					2025	2026	2027	\$ 78,057	\$ 87,814	\$ 97,572		\$ 263,443
Projected Taxes \$ 78,057					2026	2027	2028	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Year Built 2022					2027	2028	2029	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
					2028	2029	2030	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
					2029	2030	2031	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Project 2					2030	2031	2032	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Commerical					2031	2032	2033	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Total Project Costs \$4,500,000					2032	2033	2034	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Projected Valuation \$3,825,000					2033	2034	2035	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Projected Taxes \$87,814					2034	2035	2036	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Year Built 2023					2035	2036	2037	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
					2036	2037	2038	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Project 3					2037	2038	2039	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Commerical					2038	2039	2040	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Total Project Costs \$5,000,000					2039	2040	2041	\$ 78,057	\$ 87,814	\$ 97,572	\$ 78,057	\$ 341,500
Projected Valuation \$4,250,000												
Projected Taxes \$97,572								\$ 1,326,972	\$ 1,405,030	\$ 1,463,573	\$ 1,092,801	\$ 5,288,375
Year Built 2024												
Project 4												
Commercial												
Total Project Costs \$4,000,000					<i>The TIF can not exceed 20 years from the year of creation</i>							
Projected Valuation \$3,400,000					<i>Actual Revenue is for 18 years</i>							
Projected Taxes \$78,057					<i>For projection purposes only and do not reflect actual revenue</i>							
Year Built 2025												

SCHEDULE 3

ECONOMIC DEVELOPMENT STUDY

Introduction

The City of Tea has been approached concerning the creation of a tax increment district (TID) located within the 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 Tea TID #2 meets both of these criteria. The area within the boundaries of the TIF is to continue to be developed into a commercial/light industrial business area. The infrastructure development and extension of city water and sewer lines will ensure future development for various types of businesses.

The project will lie within the Bakker Landing annexation in the City of Tea. The Project would expand the city's presence, retain a current substantial workforce, and is projected to bring a significant annual economic impact to the region.

The project is expected to be completed through multiple phases. Final phases should be completed by 2023 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 Tea TID #2 will have a tremendous economic impact on the region's infrastructure advancement and the labor force.

Conditions Within the Study Area; Land Use and Planning Land Use, Planning and Comprehensive Plan

The City of Tea 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 Tract 2 and Lots 1, 2, and 3 between Sundowner Avenue and Interstate 29 east of downtown Tea that is suitable for development. The expansion is projected to substantially increase the regional economy by increasing sales tax and employment in the City and region.

The investment of about \$20,000,000+ 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 Tea City by creating additional jobs and will have a substantial annual economic impact to the region and state.

Schedule 4

FISCAL IMPACT STATEMENT FOR CITY OF TEA TID #2

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 Tea Tax Increment District Number 2.

"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, are estimated at taxable purposes up to \$20,000,000
2. The average tax levy of all taxing districts will be \$22.958 per thousand dollars of taxable valuation.
3. Tax increment will start to be collected in 2023 and end prior to 2041.
4. The discretionary formula will be waived by Developer, when applicable

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 on their development but cannot require that of all owners** currently utilized in City of Tea, 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 Lincoln 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 \$5,184,628 covering a span of captured tax years not to exceed 20. Collection is anticipated to begin in 2021, 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 for Non-AG Other property types:

2021 Property Tax Rate

2020 Payable in 2021	\$ per \$1,000 assessed
City of Tea	\$ 6.415
Lincoln County	\$ 2.087
<u>School District "Other"</u>	<u>\$ 14.456</u>
Total Tax Levy	\$ 22.958

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:

- Tract 1 of Bakker Landing 1st Addition (Except Tract 1A Bakker Landing 1st Addition, Lot 9 in Block 5 of Bakker Landing 1st Addition, Lots 5 and 8 in Block 1 of Bakker Landing 1st Addition, Lot 2 in Block 6 of Bakker Landing 1st Addition, and Except that portion of Lot 6 of Block 1 of Bakker Landing 1st Addition lying within Tract 1 of Bakker Landing 1st Addition) to the City of Tea, Lincoln County, South Dakota; and,
- Tract 1A of Bakker Landing 1st Addition (Except Lot 9 in Block 5 Bakker Landing 1st Addition, and Lot 2 in Block 6 of Bakker Landing 1st Addition) to the City of Tea, Lincoln County, South Dakota; and,
- Lot 6 of Block 1 of Bakker Landing 1st Addition lying within Tract 1 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota (Except that portion of Lot 6 of Block 1 Bakker Landing 1st Addition lying within Tract 2 of Bakker Landing 1st Addition); and,
- Lot 9 in Block 5 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota; and,
- Lot 2 in Block 6 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota; and,
- Lot 5 in Block 1 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota; and,
- Lot 8 in Block 1 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota; and,
- Tracts 4 & 5 of Bakker Landing 1st Addition (Except Lot 2 in Block 8 of Bakker Landing 1st Addition) to the City of Tea, Lincoln County, South Dakota; and,
- Lot 2 in Block 8 of Bakker Landing 1st Addition to the City of Tea, Lincoln County, South Dakota

ATTACHMENT 2

Conditions picture for City of Tea Tax Incremental District #2, SDCL § 11-9-16(1)

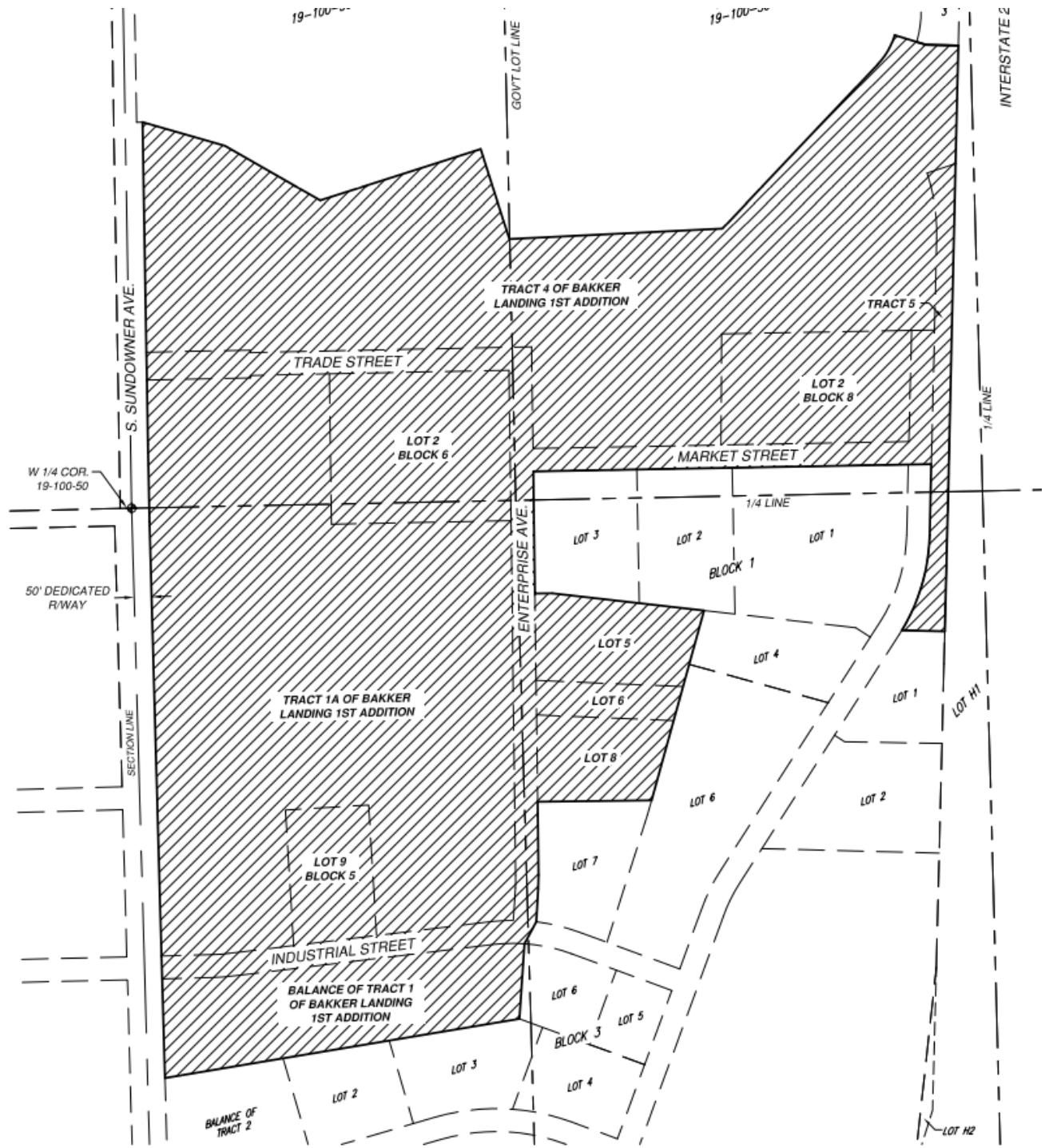
The following is a picture showing the current conditions of the proposed location of TIF #2



ATTACHMENT 3

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

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



ATTACHMENT 4

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

