

**TAX INCREMENTAL FINANCING REVIEW COMMITTEE AGENDA  
COUNCIL CHAMBERS, CITY HALL  
612 N. MAIN ST, MITCHELL, SD  
AUGUST 28, 2017 1:00 pm**

1. CALL TO ORDER
2. ROLL CALL
3. Approval Of Agenda
4. Approval Of Minutes:

Documents:

[TIFCOMMMIN522017.PDF](#)

5. REVIEW AND RECOMMENDATION OF TAX INCREMENTAL FINANCING DISTRICT #24

Documents:

[TIFORDINANCE.PDF](#)  
[PROJECT PLAN 8-24-17 \(CLEAN\).PDF](#)

6. ADJOURNMENT

**CITY OF MITCHELL  
TAX INCREMENTAL FINANCING PROJECT REVIEW COMMITTEE  
MINUTES, MAY 2, 2017**

**NOT APPROVED**

Chairman Smith called the meeting to order at 1:00 pm in the Council Chambers, City Hall, 612 N Main St, Mitchell, SD.

Members Present: Council Members Smith & Tronnes, Planning Commissioners Larson & Everson, School Board Member Olson, City Attorney Johnson, City Planner Putnam, MADC Director Hisel.

Member Absent: Finance Officer Bathke

Others Present: Mayor Toomey, Stephanie Ellwein, Don Petersen, Tim McGannon, and Evan Hendershot

Approval of Agenda: Motion by Larson, seconded by Tronnes to approve the agenda. All members present voting aye, motion carried.

Approval of Minutes: Motion by Hisel, seconded by Larson to approve the minutes of the March 22, 2016 meeting. All members present voting aye, motion carried.

Action to consider recommending a Tax Incremental Project Plan: Review and recommendation of Tax Incremental #23, City of Mitchell, SD, Economic Development Plan, in conjunction with Mitchell Area Development Corporation and Vantage Point.

Stephanie Ellwein, City Administrator, provided an overview of the submitted project plan. She mentioned this is a product of the city working together with MADC for a project involving the expansion of Vantage Point. The plan indicates the potential of 40 new jobs over a five-year period and the construction of a 25,000 square foot addition. This TIF District proposal is different from other city TIF projects, because there will be no interest, it will not exceed 16 years, and the city is not financing this TID (details are on pages 10 & 11). She also mentioned state laws in regards to TIF districts classifications has changed. The initial consultation with the state indicate this project will comply as an "Economic Development" project, which is a requirement of the statute. However, if the state does not classify it as such, the TIF district will not be finalized. The developer is waiving the discretionary formula. Don Petersen, attorney for MADC, and Ellwein stated "Eligible Project Costs" per state statute consist of 'grant' as reference in (8), page 10 of the project plan. They both indicated there will be an employee agreement that guarantees the number of employees to be hired and the consequences for noncompliance.

Tronnes asked Hisel about Mitchell's workforce issues. Hisel indicated that we are having difficulty with the professional careers, however this project may assist in recruiting engineering and accounting positions that may be lost to other areas. Smith asked about the accounting and controls of the funds. Hisel and Ellwein stated that MADC and the city will monitor the cash flow and internal controls. McGannon asked if the project must be bid, the answer was no, since the project is a 'grant'. Larson asked for a summary of the status of existing TIF Districts. Ellwein indicated she will provide one for the planning commission.

Petersen gave his opinion on aspects of the proposed plan it is possible compliance with the requirements of City of Mitchell Ordinance 2-6-3. He indicated the plan complies 2-6- 3B 1 thru 7 and 11 have been provided, 8 is not applicable, he is requesting the committee waive 9 and 10. He feels the plan complies with Items 1, 2 and 3 listed in 2-6-3 D Mandatory Criteria: In regards to 2-6-3D 4, Petersen contends the plan complies with two of the six criteria, specifically a., c., and d. Petersen also suggested the plan complies with 2-6-3E Discretionary Criteria; 7., 9., and 10.

The committee considered Petersen’s opinion. Motion by Olson, seconded by Tronnes to concur with the determinations by Petersen and recommend the plan be approved by the City Planning Commission. Members voting aye, Smith, Tronnes, Putnam, Johnson, Olson, Larson, Abstaining Hisel and Everson. Motion carried.

Chairman Smith adjourned the meeting at 1:40 pm.

\_\_\_\_\_

Chairman

\_\_\_\_\_

Date

Minutes prepared by Neil Putnam

# Chapter 6

## TAX INCREMENT FINANCING

### 2-6-1: INTRODUCTION; DEFINITIONS:

A. Introduction: In 1978, the South Dakota legislature approved the use of tax increment financing (TIF) by municipalities to help finance redevelopment projects. Tax increment financing is a method of funding public investments in an area by capturing, for a time, all of the increased tax revenue that results when public investment stimulates private investment. TIF is one of the few economic development and community redevelopment tools currently available to municipalities in South Dakota. However, as with any technique, TIF should be used according to carefully specified criteria. These criteria will assure that projects help fulfill the city's objectives for economic development and redevelopment and avoid unnecessary subsidies. This chapter outlines criteria and procedures for evaluating proposals for the use of TIF. These criteria should be considered guidelines only and do not guarantee approval of a request for tax increment financing. (Ord. 2170, 8-1-2005; amd. Ord. 2402, 4-16-2012)

#### B. Definitions:

**DEPARTMENT OF REVENUE AND REGULATION:** The South Dakota department of revenue and regulation.

**GOVERNING BODY:** The board of trustees, the board of commissioners, the board of county commissioners, or the common council of a municipality.

**GRANT:** 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.

**MUNICIPALITY:** Any incorporated city or town in this state and, for purposes of this chapter only, any county in this state.

**PLANNING COMMISSION:** A planning commission created under South Dakota Codified Laws chapter 11-6 or a municipal planning committee of a governing body of a municipality which has no planning commission or, if the municipality is a county having no planning commission or planning committee, its board of county commissioners.

**PROJECT PLAN:** The properly approved plan for the development or redevelopment of a tax incremental district including all properly approved amendments thereto.

**TAX INCREMENT VALUATION:** The total value of the tax incremental district minus the tax incremental base pursuant to South Dakota Codified Laws section 11-9-19.

**TAX INCREMENTAL DISTRICT:** A contiguous geographic area within a municipality defined and created by resolution of the governing body.

**TAXABLE PROPERTY:** All real and personal taxable property located in a tax incremental district. (Ord. 2402, 4-16-2012)

### 2-6-2: PURPOSE; USES:

A. The city of Mitchell recognizes the following purposes for the use of tax increment financing:

1. To encourage the redevelopment of deteriorated, or otherwise blighted real property in Mitchell through the investment of public funds;
2. To stimulate economic development in the community by assisting projects that promote the long term economic vitality of the community;
3. To stimulate increased private investment in areas that would have otherwise remained undeveloped or underdeveloped and which will, in the long term, provide a significant source of additional tax revenues to all taxing entities; or
4. To stimulate the construction of safe and affordable housing units for low and moderate income residents of the community and expand the general housing stock in the community. (Ord. 2170, 8-1-2005)

B. Tax increment financing may be used for the following purposes in Mitchell:

1. Capital costs, including the actual costs of construction or reconstruction of public works or improvements, buildings, structures, and permanent fixtures;
2. The clearing and grading of land;
3. The acquisition of equipment;
4. Financing costs;
5. Real property assembly costs;
6. Professional services;
7. Imputed administrative costs;
8. 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;
9. Other payments found to be necessary or convenient to the creation of the tax incremental district or implementation of the project plan;
10. Relocation costs;
11. 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. (Ord. 2402, 4-16-2012)

### **2-6-3: PROJECT SELECTION:**

- A. TIF Project Review Committee: Each project seeking to use TIF must submit a complete application to the city planner which will be forwarded to the TIF project review committee for

evaluation. The TIF project review committee will make recommendations on the use of TIF to the planning commission and city council. The project review committee consists of the following members: finance director or his/her representative; planning director or his/her representative; city attorney or his/her representative; MADC president or his/her representative; two (2) planning commission members appointed by the mayor; two (2) city council members appointed by the mayor; and, one representative of the Mitchell school district appointed by the superintendent.

A majority of the project review committee members present at the meeting where the TIF proposal is evaluated must concur for a project to receive a positive recommendation. All recommendations of the project review committee will be transmitted to the planning commission for a recommendation and on to the city council for a final decision. (Ord. 2170, 8-1-2005)

B. Application Requirements: An application for the use of TIF must include the following information, and the TIF project review committee may waive any required information:

1. A detailed project description;
2. A proposal for a development financing plan, including sources of funds and loan terms unless the city is going to procure financing for the project through its bonding process;
3. A proforma, if appropriate, indicating projected costs and revenues;
4. If required, a statement and demonstration that the project would not proceed without the use of TIF;
5. Evidence that the project meets evaluation criteria;
6. Preliminary plans for the project;
7. A development schedule;
8. If applicable, a list of public improvements which will be constructed along with the project;
9. Corporation or partnership papers if applicable;
10. An audited financial statement of the corporation, partnership, or individual for the most recent five (5) calendar year(s) or the life of the company if appropriate;
11. A copy of the proposed wage scale, employee benefits package, and full and part time employment levels unless waived by the tax increment financing project review committee or, in the case of an affordable housing project, a copy of the applicable federal housing grant program; and
12. Other information that may be required by the project review committee. All applications for TIF must be submitted to the city planner. The TIF project committee will schedule a meeting, at which the applicant will present his/her project, within two (2) weeks of submission. (Ord. 2402, 4-16-2012)

C. Criteria For Evaluation: Projects applying for assistance through TIF must qualify by meeting certain criteria. Some criteria are mandatory and must be met in order for the committee to consider the project for assistance. Others are discretionary, and enable the committee to determine the benefits of the project. The project application must demonstrate how the project meets the required criteria. (Ord. 2170, 8-1-2005)

D. Mandatory Criteria: In order to be considered for TIF, a project must meet each of the following three (3) criteria:

1. The project must be located within a proposed district in which a minimum of twenty five percent (25%) of the area of the district is determined to be "blighted" or not less than fifty percent (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, or 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. It is not necessary to identify the specific parcels meeting the criteria.

For the purposes of TIF, a "blighted area" is defined as:

- a. An area in which the structures, buildings, or improvements are conducive to ill health, the transmission of disease, infant mortality, juvenile delinquency, or crime, and which is detrimental to the public health, safety, morals, or welfare; or
  - b. An area that substantially impairs or arrests the sound growth of the municipality, retards the provision of adequate housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, morals, or welfare as a result of substandard, unsafe or deteriorating development; or
  - c. An open area which because of the need for infill development and cost effective use of existing utilities and services, obsolete platting, diversity of ownership, deterioration of structures or site improvements, or otherwise is determined to be blighted, substantially impairs or arrests the sound growth of the community.
2. The project must comply with the adopted comprehensive plan and all other appropriate plans and regulations.
  3. The use of TIF for the project will not result in the net loss of preexisting tax revenues to the city and other taxing jurisdictions.
  4. In addition, a project must meet two (2) of the following six (6) criteria:
    - a. The project must demonstrate that it is not economically feasible without the use of TIF. In addition, if the project has site alternatives, the proposal must demonstrate that it would not occur in Mitchell without TIF.
    - b. The project will eliminate actual or potential hazard to the public. Hazards may include condemned or unsafe buildings, sites, or structures.
    - c. The project will not provide direct or indirect assistance to retail or service businesses competing with existing businesses in the Mitchell trade area.
    - d. The project will bring new or expanded employment opportunities as demonstrated by proposed wage scales, employee benefits and mixture of full and part time employees.
    - e. The project will result in additional redevelopment in the tax incremental district.

f. The project will result in the construction of "affordable housing units" defined as housing where the occupant is paying no more than thirty percent (30%) of gross income for housing costs including utilities and complies with the following requirements:

- (1) Affordable housing projects must target residents at or below eighty percent (80%) of median income with rents at thirty percent (30%) of the tenant's income or the fair market rent (FMR) for the section 8 program, whichever is greater. A minimum of fifty one percent (51%) of the dwelling units of the proposed development shall be occupied by households meeting this income guideline;
- (2) Affordable housing is required to remain affordable as defined above for ten (10) years. If affordability is less than ten (10) years, repayment of prorata share of increment benefit will be due and payable to the city. (Ord. 2402, 4-16-2012)

E. Discretionary Criteria: In addition, the project should meet several of the following criteria. The project will be evaluated relative to the criteria outlined below. The extent to which a project meets these criteria will be used in evaluation of the project including the length of time a district may run.

1. The project will generate at least one full time job for each ten thousand dollars (\$10,000.00) in principal value of the TIF; or would create a minimum of fifty (50) new jobs.
2. All TIF proceeds are used for the construction of public improvements.
3. The project involves the rehabilitation of a building listed on or eligible for listing on the national register of historic places.
4. The project will directly benefit low and moderate income people, as defined by the U.S. department of housing and urban development as applied to the community development block grant program. A project will meet this criterion if at least fifty one percent (51%) of the jobs created will be held by or available to low and moderate income people.
5. The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of South Dakota Codified Laws 11-9.
6. The project involves the start up of an entirely new business or business operation within the city of Mitchell.
7. The project involves the expansion of an existing business located within the city of Mitchell.
8. The project site has displayed a recent pattern of declining real property assessments, as measured by the Davison County director of equalization.
9. The project costs are limited to those specific costs associated with a site that exceed the typical or average construction costs (i.e., excessive fill, relocation costs, additional foundation requirements associated with unusual soil conditions, extension of sewer or water mains, on site or off site vehicular circulation improvements, etc.).
10. The developer agrees to waive the five (5) year tax abatement. (Ord. 2170, 8-1-2005)

#### **2-6-4: APPROVAL PROCESS:**

If after reviewing the application the project review committee recommends approval of the TIF assistance the following approval process shall be initiated:

- A. Preparation Of A Project Plan: A project plan shall be prepared and must comply with the requirements of South Dakota Codified Laws 11-9-13. A resolution will also be prepared defining the proposed tax incremental district. (Ord. 2402, 4-16-2012)
- B. Approval Of The Project Plan: The resolution creating the tax incremental district and project plan is then submitted to the planning commission for its recommendation. Following planning commission review and recommendation, the resolution and project plan is then submitted to the common council for its approval.
- C. Approval Of The Development Agreement: Following approval of the resolution creating the tax incremental district and the project plan, the city and the developer will negotiate a development agreement. The agreement sets forth the mutual responsibilities of both parties. The development agreement is reviewed by the common council who must authorize the mayor and finance officer to sign the agreement.

If the TIF project review committee does not recommend approval of the TIF assistance the applicant may appeal that decision to the planning commission and city council. Upon approval by the city council, city staff shall prepare the resolution creating the district and the project plan and the proposal shall be reviewed as outlined in subsections B and C of this section. (Ord. 2170, 8-1-2005)

#### **2-6-5: GENERAL RULES:**

All approved projects must comply with the following general rules:

- A. TIF shall not be used for the construction of residential structures.
- B. Any TIF assisted rehabilitation within a national historic district must be carried out according to the secretary of the interior's standards for rehabilitation. Plans must be complete and must receive the approval of the TIF project review committee prior to the release of funds. (Ord. 2278, 5-5-2008)
- C. The city is responsible for acquiring all necessary financing. The city assumes no responsibility for the repayment of any loan or bond beyond the tax allocations outlined in the project plan.
- D. Any plan previously approved by the committee pursuant to section 2-6-1 et seq., of this chapter and approved by the city council, which plan is subsequently amended, but does not provide for any increase in the bonded indebtedness, but needs to be amended in any other particulars, does not need to be reconsidered by the TIF committee. (Ord. 2324, 1-19-2010)



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## **Introduction**

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 tax revenues - the tax increment. A tax increment is the difference between the amount of property tax revenue generated from property within the TIF district before TIF district designation and the amount of property tax revenue generated from property within the TIF district after TIF designation. Property taxes collected on properties included 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 that helps accomplish job creation.

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.

## **Purpose & General Definitions as used in this Plan**

The property upon which this Tax Incremental District (TID) is proposed to be implemented is located within Davison County, South Dakota, and is or will be specifically located within the city limits of the City of Mitchell at the time the TID is created by the City Council.

As such, the creation of City of Mitchell TIF #24 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 Mitchell Planning and Zoning Commission along with the City Council.

The purpose of this Plan, to be implemented by the City of Mitchell, South Dakota is to satisfy the requirements for a Tax Increment District Number #24 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.

Development in the area is anticipated to occur starting in the fall of 2017 with the potential for tax increment financing to provide the impetus and means to undertake this development at faster pace than might occur otherwise, but more importantly to ensure that the expansion of Performance Pet occurs in Mitchell South Dakota, and not another city in South Dakota or another state. The project would not proceed without use of TIF.

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 Mitchell, South Dakota

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

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

"Developer" means Mitchell Area Development Corporation, South Dakota non-profit corporation formed in accordance with SDCL 9-27-37.

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

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

"Governing body" means the Mitchell 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.

"MADC" means the Mitchell Area Development Corporation, a South Dakota nonprofit corporation found in accordance with SDCL§ 9-27-37.

"Performance Pet" means Farmers Union Industries, LLC, a Minnesota limited liability company authorized to do business in South Dakota, d/b/a Performance Pet Products.

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

"Plan" means this Project Plan.

"Project Costs" means any expenditure or monetary obligations by City of Mitchell, 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 Mitchell 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§ 11-9-1 3.

"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 Mitchell Tax Incremental District #24.

"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 Mitchell. South Dakota TID #24**

Representatives of the Developer have approached officials with City of Mitchell regarding the possibility of creating a Tax Incremental Financing District ("TID") to assist in the Project Costs within the Plan on land which is – or will be prior to TID #24 creation – located within City of Mitchell, South Dakota. As presented by the Developer, the TID will consist of one phase, as follows:

Performance Pet operates a dog food manufacturing plant and warehouse in Mitchell, South Dakota. The manufacturing takes place at Performance Pet's 915 East Havens Avenue Facility which consists of seven different buildings located upon the 915 East Havens property including a 70,002 square foot main building, 2,160 square foot office building, 144 square foot shed, a 3,681 square foot second building, a 308.55 square foot pump house, a 5,100 square foot pole building and a second 1,960 square foot pole building. Performance Pet also owns an approximately 82,000 square foot building located at 1801 Van Dyke Drive, Mitchell, South Dakota 57301 which is utilized as warehouse/cold storage. Performance Pet has plans to expand its 915 East Havens Avenue Property with the design and construction of improvements with associated ingress, egress, project costs and infrastructure for an approximate 140,000 square foot addition to the East Havens Facility consisting of approximately 70,000 square feet for canning processing and 70,000 square feet of warehouse and office space.

Timing and weather permitting Developer intends to begin construction in the fall of 2017 with a completion date by 2018.

**Property within Tax Increment District #24**

The real property to be located within the Tax Increment District consists of two separate parcels described as follows:

Parcel 1: Irregular Tract 1 and 2 within Lot 3 in the NE1/4 of 27-103-60. Parcel 1 is located within the city boundaries.

Parcel 2:

That portion of Irregular Tract No. 4 in Lot Three (3) of the Northeast Quarter (NE1/4) of Section Twenty-seven (27), Township One Hundred Three (103) North, Range Sixty (60), West of the 5th P.M., Davison County, South Dakota, abutting and lying west of a line which is 908.70 Feet west of and parallel to the East section line of said Northeast Quarter (NE1/4).

**Taxable Value of City of Mitchell**

State law requires that tax increment districts cannot exceed ten percent of the taxable value of City of Mitchell for payable 2017. This value for City of Mitchell is approximately \$818,530,660\*. The base value of the taxable property for inclusion into this Tax Incremental District #24, as per the Director of Equalizations records is \$569,315\*.

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 Mitchell, South Dakota is as follows:

TIF #	Certified Base Value State of South Dakota Department of Revenue City of Mitchell
5	\$180,050
7	\$265,415
8	\$6,002,565
9	\$50,400
10	\$6,995,035
11	\$207,565
13	\$0
14	\$37,850
15	\$629,700
16	\$5,005,495
17	\$12,810,800
18	\$2,204,600
19	\$13,370
20	\$151,890
21	\$142,235
22	\$1,229,145
23	\$3,004,275
24	\$569,315
Total Base Value(s)	\$39,499,705

The total value of all active TIF districts in City of Mitchell is less than ten (10) percent of total taxable value in the City. Using the estimates provided, with TID #24 included, the total Tax Incremental Districts combined is 4.83% when compared to the 2016 Taxable Valuation.

\*The values set forth above do not include the value of Parcel 2 as it has not been annexed into the City at the time of the draft of this Project Plan.

**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.

The City is working to develop an economic and competitive base to benefit the City and the State of South Dakota as a whole. 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 -9-1 5 and Chapter 9-54. The City shall enter into all contracts in accordance with South Dakota law.

A combination of private investment and tax increment financing will assist progress toward the overall objectives of MADC. The Performance Pet expansion is part of the overall global mission of MADC which includes:

- To recruit new business(s) to the City of Mitchell
- To retain and expand existing business(s) within the City of Mitchell
- To address and remedy conditions in the area that impair or arrest the sound growth of City of Mitchell;
- To develop, redevelop and rehabilitate the area in a manner which is compatible with and
- complementary to unique circumstances in the area;
- To effectively utilize undeveloped and underdeveloped land;
- To ultimately contribute to increased revenues for all taxing entities;
- To improve areas that are likely to significantly enhance the value of substantially all property in the district.

**Costs of Public Works or Improvements**

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

The following are listed as estimated costs of the Project.

Kind of Project	Location <sup>1</sup>	Amount	Reference <sup>2</sup>
Capital Costs (Street, Water & Sewer) (Cleaning & grading of land & associated costs)	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	\$2,600,000	11-9-15(8)
Eligible Project Costs		\$2,600,000	

All of the above are estimates of the costs involved in the project, and the actual 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 estimated costs, the total authorized TID costs of \$2,600,000 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.

\*Costs incurred may be allocated and may be completed in any order

<sup>1</sup> District shall mean the Tax Increment District.

<sup>2</sup> SDCL §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.

### **Expenditures Exceeding Estimated Cost**

Any expenditures which in sum would exceed the total amount of the TID amount of \$2,600,000 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 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.

### **Developer's Agreement**

The City of Mitchell will enter into a Developer's Agreement with MADC with the following as the guidelines for the Agreement:

#### Financing Terms:

- **Amount.** The total amount of the TIF will not exceed \$2,600,000.
- **Interest Rate.** There will be no interest rate associated with this TIF.
- **Length.** The TIF will not exceed 18 calendar years from the date of creation.
- **Expiration.** The TIF will expire at the end of 18 years or when the \$2,600,000 has been paid out, whichever comes first. Should there be a balance on the TIF note at the end of year 18, the TIF will still expire.

#### Legal Terms:

- Should the State of SD not classify the TIF as industrial or economic development, the TIF will not be finalized and will cease to exist.
- Performance Pet will waive its right to the discretionary tax abatement.
- The annexation of Parcel 2 described above shall be a condition precedent to the creation of the TIF by resolution.
- Should Parcel 2 not be rezoned to Industrial, the TIF will not be finalized and will cease to exist.

#### Developer Terms:

- MADC will act as the Developer of TIF #24 and all TIF proceeds will flow to MADC.
- MADC will be responsible to pass on a portion of the increment generated by the TIF to Performance Pet and may retain a portion of the increment to be utilized for professional fees, subject to the Exclusive Development Agreement described below.
- MADC will enter into an Exclusive Development Agreement with Performance Pet which shall include among other things the timeframe in which Performance Pet will complete the construction of its expansion at a cost of approximately \$8,196,000, the approximate cost of new machinery and equipment to be included in the facility which is anticipated to be in the amount of \$12,000,000, and the timeframe for the creation of between 30 and 50 new full-time employment positions.
- In addition to the TIF Performance Pet has been approved for a State of South Dakota Revolving and Economic Development & Initiative Fund (REDI) Loan and possible South Dakota Economic Development Finance Authority bonds and a rebate of a portion of the State of South Dakota's sales tax paid on eligible equipment costs.

- Should Performance Pet fail to meet its requirements set forth within the Exclusive Development Agreement MADC shall inform the City of the same and the City may terminate or withhold payments to MADC as a result of such breach by Performance Pet.
- MADC will certify the costs to the City for reimbursement
- The City of Mitchell reserves the right to charge an annual administration expense. This fee will be used to offset any future expenses that may occur due to reporting. The amount will not exceed \$5,000.00 in a calendar year.

### **Detailed List of Estimated Project Costs**

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

### **Feasibility Study**

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

### **Economic Development Study**

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

### **Fiscal Impact Statement**

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

### **Method of Financing. Timing of Costs and Monetary Obligations**

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

### **Maximum Amount of Tax Incremental Revenue**

The maximum amount of tax incremental revenue bonds or monetary obligations to be paid through Tax Increment District #24 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 \$2,600,000 principal and interest or such lesser amount as may be feasible with the estimated revenue generated by the Tax Increment District. The final terms and conditions will be set forth in the Developer's Agreement

### **Duration of Tax Incremental Plan**

The duration of the Plan will extend to the number of years it will take for the reimbursement of the City, the extinguishment of bonds and the monetary obligation except that the Plan duration **shall not exceed 18 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 that base which will be the value set for 2017 taxes payable in 2018. The tax increment will be available to the taxing jurisdictions at or before eighteen (18) 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.

### **Conditions Map, Improvements Map, Zoning Change Map**

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

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

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

### **Changes to the City of Mitchell 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 other than the rezoning discussed above.

### **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
Economic Development TIF	\$0
<b>TOTAL</b>	<b>\$0</b>

### **Statement of Displacement and Relocation Plan**

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

### **Performance Bond Surety Bond or other Guaranty**

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

**List of Schedules**

SCHEDULE 1 - Estimated Project Cost

SCHEDULE 2 - Economic Feasibility Study

SCHEDULE 3 - Economic Development Study

SCHEDULE 4 - Fiscal Impact Statement

SCHEDULE 5 - Estimated Captured Taxable Values

**List of Attachments**

Attachment 1 - Descriptions of Real Property

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

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

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

**Schedule 1 – “Detail of Project Costs”**

Kind of Project	Number of Projects	Location <sup>1</sup> above	Amount	Reference <sup>2</sup>
Capital Costs (Street, Water & Sewer) (Cleaning & grading of land & associated costs)		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	1	District	\$2,600,000	11-9-15(8)
Eligible Project Costs			\$2,600,000	

## **Estimates TID Eligible of Project Costs Requested**

The City of Mitchell has determined that this will be an economic development Tax Incremental District, thus the eligible cost will be in the form of a grant that will not exceed \$2,300,000. 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"**

MADC and Performance Pet have approached the City of Mitchell regarding the possibility of creating a Tax Incremental Financing District to assist with help in offsetting the costs associated with constructing a 140,000 to 150,000 square foot addition to Performance Pet's current manufacturing facility located on East Havens Avenue in Mitchell, South Dakota. The addition will include approximately 70,000 to 75,000 square feet of new state of the art cannery with automation and approximately 70,000 to 75,000 square feet of warehouse and office space. Performance Pet shall also purchase approximately \$12,000,000 in new equipment/machinery to install in the new addition. The City of Mitchell shall receive a one-time payment of approximately \$240,000 in sales tax revenue from the purchase of such equipment, that it will otherwise not receive if the TIF is not approved. In addition to the construction, Performance Pet shall continue to employ their current workforce and add an additional 30 to 50 positions for a new third shift. Selected existing employees will be retrained to operate the automated equipment and will receive increases in wages. The employment positions will include general labor and skilled technical positions. The scope of the Performance Pet expansion project will be a long lasting effect on both the City of Mitchell and the State of South Dakota. The State of South Dakota is so committed to the Project that it has committed to the REDI Loan and the bonds and the partial sales tax rebate as described on page 11 and 12 of this Project Plan.

### Expansion Project

The notes below summarize a potential expansion of the Performance Pet expansion in Mitchell.

Building Expansion	140,000 to 150,000 square feet
Capital Investment/ Real Estate	\$8,196,000 plus
Capital Investment/Machinery & Equipment	\$12,000,000
Projected sales tax to the City of Mitchell for Equipment Purchase	\$240,000
New Employees	a minimum of 30 jobs created by January 1, 2023
Employee Pay & Benefits	comparable to existing positions

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

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

Tax increment financing is permitted only in connection with a "Project Plan" duly adopted by the City. The property is currently taxable at \$569,315. The improvements to be made to the property are estimated to add \$7,540,320 to the assessed valuation\*. The estimated increment resulting from the improvements would be approximately \$165,570 in new taxes 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 construction of a 140,000 to 150,000 square foot facility will be fully constructed by 2018. It is anticipated that Performance Pet will procure financing to fund the TID improvements by way of a loan. The City at no time shall ever be responsible for any Performance Pet or the Developer secures. The City's role is to simply act as a conduit for the revenue and pass on all positive increment to the Developer, of which, will never exceed \$2,600,000 in total payments, or 18 years, whichever comes first.

A portion of the development within the District could qualify for the discretionary tax abatement. However, the Project Plan has been prepared anticipating that all development will "not" elect to utilize the "real property" tax discretionary formula.

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.

For purposes of this Project Plan, it is anticipated no increment generated by City TID #24 will be available until calendar year 2020 and thereafter. The calculation of the estimated tax increment valuation and tax generated for City of Mitchell TID #24 is presented in the table below.

\*Although the estimated cost of construction for this addition is \$8,196,000, Davison County applies a "factor" number to determine "tax assessed value". The factor applied currently is 0.920 for non-agricultural property. When applying the current factor to the estimated construction cost, the estimated tax assessed value is reduced to \$7,540,320.

**TID Tax Revenue Estimates Available for City of Mitchell TID #24**

Revenue Assumptions/Feasibility Study

Levies are based on payable 2017

Construction Year	Valuation Year	Revenue Year	Valuation Increment	County	City	School	JR Water	Total	Total Increment for Debt Service	Cumulative Amt Paid Out
				<b>3.905</b>	<b>5.85</b>	<b>12.14</b>	<b>0.063</b>	<b>21.958</b>		
2017	2018	2019	\$0	\$0	\$0	\$0	\$0	\$0		
2018	2019	2020	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2019	2020	2021	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2020	2021	2022	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2021	2022	2023	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2022	2023	2024	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2023	2024	2025	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2024	2025	2026	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2025	2026	2027	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2026	2027	2028	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2027	2028	2029	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2028	2029	2030	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2029	2030	2031	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2030	2031	2032	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2031	2032	2033	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2032	2033	2034	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2033	2034	2035	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
									<b>\$2,649,126</b>	

Assumptions

In Year 1 it is assumed the facility will have no improvements assessed.

In Year 2 the facility will be completed

\*Assumes 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 Performance Pet.

### **Schedule 3 - "Economic Development Study"**

#### **SECTION 1 - INTRODUCTION**

The City has been approached concerning the creation of a tax increment district located within City limits. In order to determine whether a tax increment district (TID) may be created, 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.

#### **SECTION 2 - STUDY AREA BOUNDARY**

The Study area is described as the area depicted on the map attached to this Study (Attachments 1 and 2).

#### **SECTION 3 - ESTABLISHING ECONOMIC DEVELOPMENT**

South Dakota law describes economic development as activity that stimulates and develops the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources. The area making up the boundaries of proposed City of Mitchell TID #24 consists of a manufacturing building that is Performance Pet's current manufacturing center as well as undeveloped adjoining land to the South of Performance Pet.

#### **SECTION 4 - FINDING THAT THE IMPROVEMENTS TO THE AREA ARE LIKELY TO ENHANCE SIGNIFICANTLY THE VALUE OF SUBSTANTIALLY ALL OF THE OTHER REAL PROPERTY IN THE DISTRICT**

It is specifically found that once the improvements set forth within City of Mitchell TID #24 Project Plan are commenced the improvements enhance significantly the value of substantially all of the other real property in the District.

#### **SECTION 5 - CONDITIONS WITHIN THE STUDY AREA; LAND USE AND PLANNING LAND USE, PLANNING AND COMPREHENSIVE PLAN**

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

## SECTION 6 - FINDINGS WITHIN THE STUDY AREA ANALYSIS

In accordance with state law, it is found that not less than fifty percent (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, and it is 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 accord with SDCL 11-9-8(1) and (2).

The study area currently consists of a manufacturing facility that is Performance Pet's current manufacturing plant as well as undeveloped adjoining land to the south of Performance Pet. Performance Pet is proposing to build a 140,000 square foot expansion on the undeveloped land that will lead to enhanced employment opportunities for the existing work force. The building construction expenditures are expected to be approximately \$8,196,000. In addition, Performance Pet will spend approximately \$12,000,000 for new equipment and machinery to place in the plant for an estimated total investment of \$20,196,000. The investment in machinery and equipment is anticipated to generate approximately \$240,000 in additional sales tax revenue to the City of Mitchell.

In accordance with State Law, the following addresses specific characteristics of economic development are found within the Study Area with corresponding portions of 11-9-8 and 11-9-11:

The investment of more than \$20,000,000 in real estate improvements and equipment/machinery purchase in the study area will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of commerce during the construction period. More 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 commerce. The development will cause more employment and generate additional economic activity through retail commerce and development.

**TID Tax Revenue Estimates Available for City of Mitchell TID #24**

Revenue Assumptions/Feasibility Study

Levies are based on payable 2017

Construc- tion Year	Valuation Year	Revenue Year	Valuation Increment	County	City	School	JR Water	Total	Total Increment for Debt Service	Cumulative Amt Paid Out
				<b>3.905</b>	<b>5.85</b>	<b>12.14</b>	<b>0.063</b>	<b>21.958</b>		
2017	2018	2019	\$0	\$0	\$0	\$0	\$0	\$0		
2018	2019	2020	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2019	2020	2021	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2020	2021	2022	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2021	2022	2023	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2022	2023	2024	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2023	2024	2025	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2024	2025	2026	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2025	2026	2027	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2026	2027	2028	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2027	2028	2029	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2028	2029	2030	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2029	2030	2031	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2030	2031	2032	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2031	2032	2033	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2032	2033	2034	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2033	2034	2035	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		

**\$2,649,126**

Assumptions

In Year 1 it is assumed the facility will have no improvements assessed.

In Year 2 the facility will be completed

\*Assumes 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 Performance Pet.

## Schedule 4 - "Fiscal Impact Statement"

Fiscal Impact Statement City of Mitchell- Tax Increment District #24

### INTRODUCTION

The fiscal impact statement is intended to provide a succinct 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 rival the level of detail required by a detailed financial analysis. A fiscal impact statement shows the impact of the Tax Increment District, both until and after the bonds or obligations are repaid, upon all entities levying taxes upon property in the District.

### 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 Mitchell, Tax Increment District Number 24.

**"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 will be valued for taxable purposes at \$7,540,320.
- (2) The average tax levy of all taxing districts will be \$21.958 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.

## FISCAL IMPACT

The total fiscal impact upon the taxing entities during the term of the Tax Increment District is as follows:

<b>Valuation Assumptions</b>	<b>Base Full/True Value</b>	<b>Increase</b>	<b>Positive Increment</b>
Land/Existing Improvements	\$569,315	0	0
Additional Improvements	\$0	\$7,540,320	\$7,540,320
Total Positive Increment	\$0	\$7,540,320	\$7,540,320

## **Schedule 5 - "Estimated Captured Taxable Values"**

For purposes of this Project Plan, Developer assumes that **Developer will elect not to use the real property tax discretionary formula** currently utilized in City of Mitchell, 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).

It is further assumed, for purposes of this Plan, that a 140,000 to 150,000 square foot manufacturing/warehouse/office space expansion will be completed by 2018. It is anticipated that when fully developed, the improvements are estimated to be assessed in the approximate amount of \$7,540,320\*, which will generate \$165,570 in annual real property taxes.

\*Actual valuation shall depend upon the value determined by the Davison 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 \$2,650,000 covering a span of captured tax years not to exceed 18. Collection is anticipated to begin in 2020, and the schedule carries out the tax captured 18 years from the date of Plan adoption.

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

<b>2016 Property Tax Rate</b>	
<b>2016 Payable in 2017</b>	<b>\$ per \$1,000 assessed</b>
Davison County	\$3.905
City of Mitchell	\$5.850
JR Water	\$0.063
School District	<u>\$12.140</u>
<b>Total Tax Levy</b>	<b>\$21.958</b>

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.

**TID Tax Revenue Estimates Available for City of Mitchell TID #24**

Revenue Assumptions/Feasibility Study

Levies are based on payable 2017

Construc- tion Year	Valuation Year	Revenue Year	Valuation Increment	County	City	School	JR Water	Total	Total Increment for Debt Service	Cumulative Amt Paid Out
				<b>3.905</b>	<b>5.85</b>	<b>12.14</b>	<b>0.063</b>	<b>21.958</b>		
2017	2018	2019	\$0	\$0	\$0	\$0	\$0	\$0		
2018	2019	2020	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2019	2020	2021	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2020	2021	2022	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2021	2022	2023	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2022	2023	2024	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2023	2024	2025	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2024	2025	2026	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2025	2026	2027	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2026	2027	2028	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2027	2028	2029	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2028	2029	2030	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2029	2030	2031	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2030	2031	2032	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2031	2032	2033	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2032	2033	2034	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2033	2034	2035	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		

**\$2,649,126**

Assumptions

In Year 1 it is assumed the facility will have no improvements assessed.

In Year 2 the facility will be completed

\*Assumes 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 Performance Pet.

**Attachment 1**

Descriptions of Real Property:

Parcel 1: Irregular Tract 1 and 2 within Lot 3 in the NE1/4 of 27-103-60. Parcel 1 is located within the city boundaries.

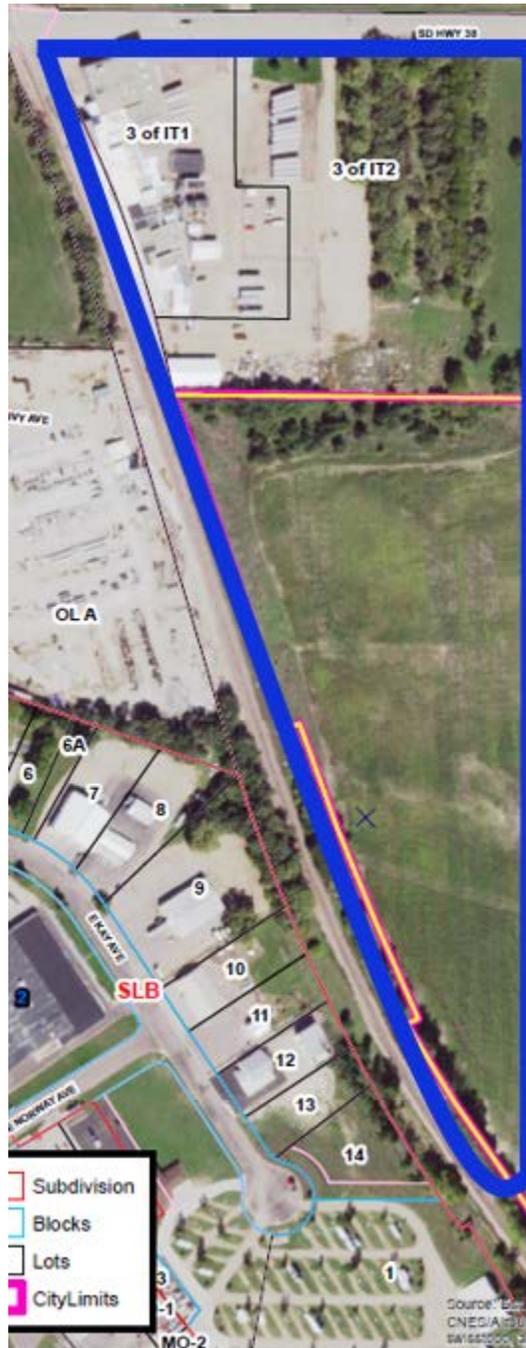
Parcel 2:

That portion of Irregular Tract No. 4 in Lot Three (3) of the Northeast Quarter (NE1/4) of Section Twenty-seven (27), Township One Hundred Three (103) North, Range Sixty (60), West of the 5th P.M., Davison County, South Dakota, abutting and lying west of a line which is 908.70 Feet west of and parallel to the East section line of said Northeast Quarter (NE1/4).

## Attachment 2

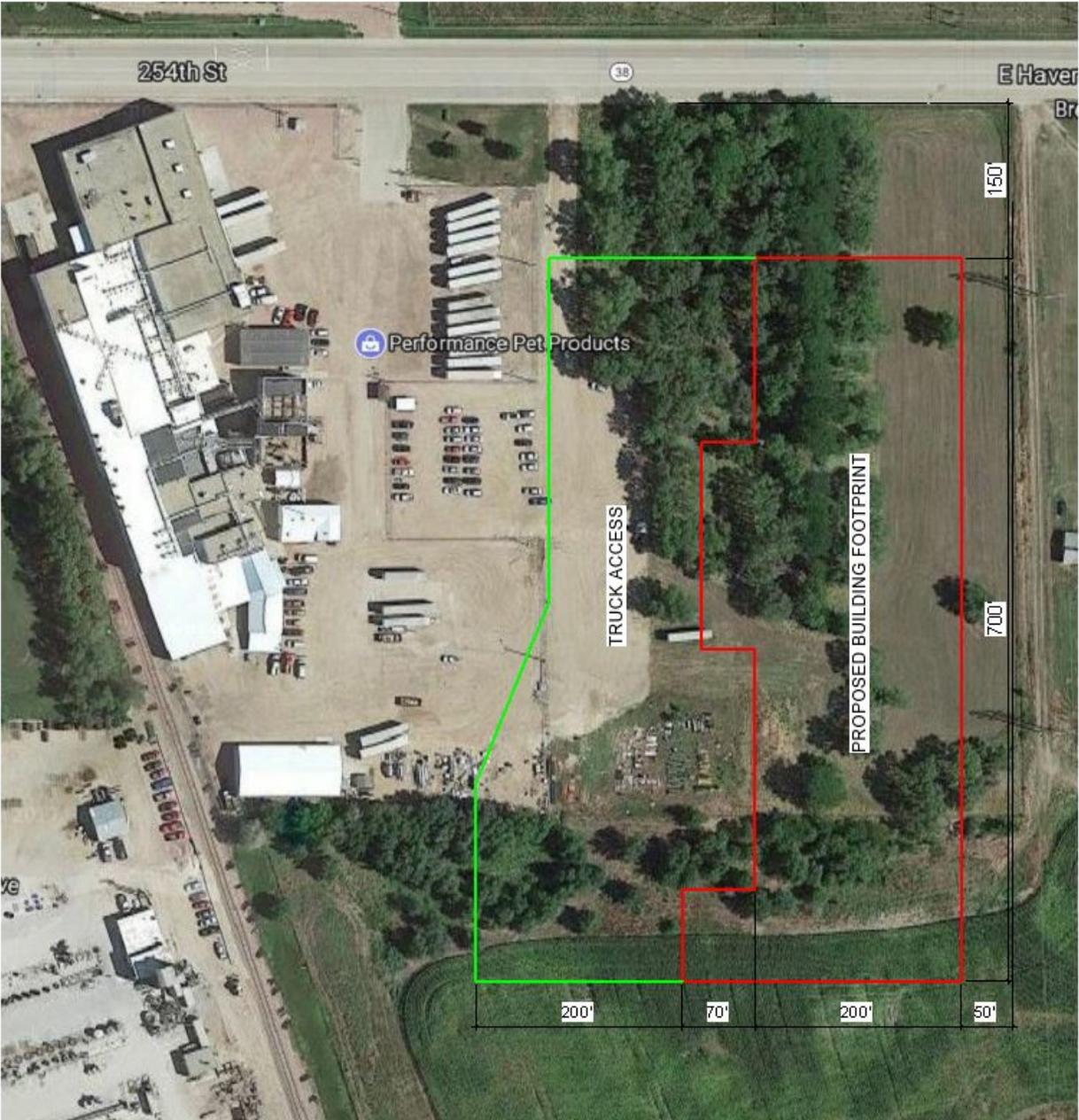
Conditions picture for City of Mitchell Tax Incremental District #24, SDCL § 11-9-16(1)

The following is a picture showing the current conditions of the proposed location of TIF #24



**Attachment 3**

Improvements map for City of Mitchell Tax Incremental District #24, SDCL § 11 -9-16(2).



**Attachment 4**

Zoning Change Map for City of Mitchell Tax Incremental District #23, SDCL § 11-9-16(3).

Parcel 2 will need to be rezoned to Industrial.