We the People Save the Republic
Political Action Committee

October 1, 2025

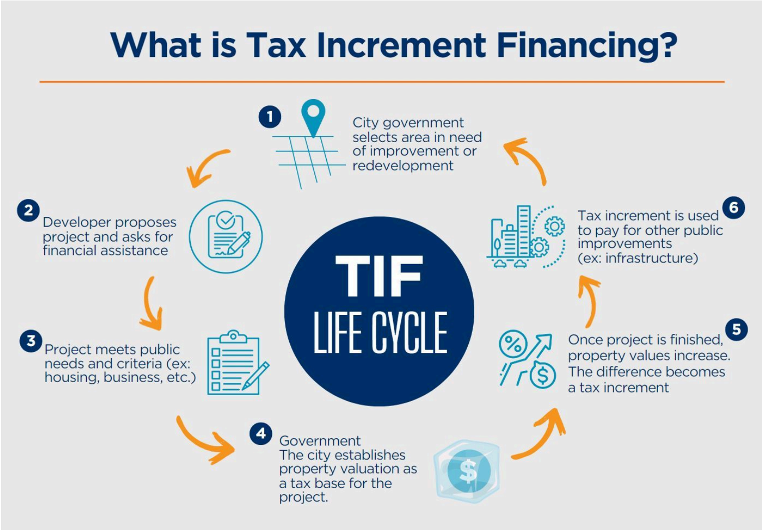
Our Recommendation to the City Council to Create Rules for Tax Increment Financing by Charter.

Tax Increment Financing has become a very popular finance tool in developing the City of Sioux Falls today. However, there are some within the community that have the desire to set by charter a minimum set of rules of which to govern the city government, in an effort to promote Affordable Housing, Transparency, and Virtue.

Introduction:

<u>Tax Increment Financing</u> is a public economic development tool that allows local governments to fund public improvements by capturing the future increase in property tax revenue generated by new development in a designated area.

Because of the fact that Tax Increment Financing increases property values within the City, and the leading topic within the State of South Dakota is "increased property taxes" on families, the need to set a minimum set of rules on this economic tool is necessary in order to protect families, promote affordable housing, and ensure long-term viability of the success of the City of Sioux Falls in the distant future.



The thought process from several residents in our community is that we must in good faith, begin citywide discussion on promoting T.I.F Districts that promote smaller-sized capital projects within the core areas of our city.

In recent years, T.I.F's have risen to great lengths to build large-scale economic-business type projects, and the need for smaller housing projects has become key to the future protections for our long-time residents.

The need to promote revitalizing core neighborhoods, historic areas of our city has arisen throughout the area, and the incentive for repairing older sections of our city becomes detrimental to the future success of our city.

This proposed change to **Section 5.10** of the City Charter is not meant to overly restrict Tax Increment Financing in the city, but designed mainly to establish a set of minimum rules as for the city government to follow going forward, as to support smaller sections of our residential, core sub-divisions throughout the over all, citywide annexed properties.

With the growing costs of our assessed property tax dollars on our residential land and housing stock within Sioux Falls, the people are looking for greater assurance by city government that affordable housing is the leading factor in creating these T.I.F Districts future years.

Therefore, the proposed recommendation to this commission is to advise the Mayor's Office, the City Council to place in the charter the following rules.

We wish not to restrict the idea of Tax Increment Financing, but for every large scale Business-led, economic concept adopted in Sioux Falls, the greater need to promote smaller, more affordable housing, workforce developmental projects becomes key to our long term visionary goals for our inner-core neighborhoods.

In an article written by Will Jason, of the Lincoln Institute of Land Policy he writes in the story **Why Tax Increment Financing Often Fails, and How Communities Can do Better**:

“Tax Increment Financing, or T.I.F is a wildly popular economic development tool in the United States, but it often falls short of its promise to revitalize struggling neighborhoods.”

Leading Issues with Tax Increment Financing.

- TIF are prone to several pitfalls. In practice, TIF often captures some revenues that would have been generated through normal appreciation in property values, even without the TIF-funded investment.
- Over-capture of revenue diverts resources away from public services citywide.
- Cities also sometimes exploit TIF to obtain revenues that would otherwise go to overlying government entities such as school districts.
- TIF’s can make cities’ financial decisions less transparent by separating them from the normal budget process.
- Carries the same risks as other types of business tax incentives, which can lead to inter-city competition and short-term decision-making.

Tax Increment Financing should not necessarily be utilized to increase city government budgets, they must be used more effectively to improve the overall inner-city neighborhoods, revitalizing older neighborhoods, by giving the city government more incentive to promote smaller capital projects throughout the city, rather than larger projects in business districts.

Our Group is more focused on creating incentive for our city government to promote affordable housing, revitalize older neighborhoods, by promoting small $150,000 to $550,000 Capital Projects spread out over the greater area of the city itself, rather than concentrating on the more glamourous, often more popular business districts of the town.

Our Recommendation:

Proposed Amendment to Article V, Section 5.10.

Section 5.10 Overspending of appropriations, Tax Increment Financing prohibited

(a) No payment shall be made or obligation incurred against any allotment or appropriation except in accordance with appropriations duly made and unless the mayor or the mayor's designee first certifies that there is a sufficient unencumbered balance in such allotment or appropriation and that sufficient funds therefrom are or will be available to cover the claim or meet the obligation when it becomes due and payable. Any authorization of payment or incurring of obligation in violation of the provisions of this charter shall be void and any payments made illegal. A violation of this provision shall be cause for removal of any officer who knowingly authorized or made such payment or incurred such obligation. Such officer may also be liable to the city for any amount so paid. Except where prohibited by law, however, nothing in this charter shall be construed to prevent the making or authorizing of payments or making of contracts for capital improvements to be financed wholly or partly by the issuance of bonds or to prevent the making of any contract or lease providing for payments beyond the end of the fiscal year, but only if such action is made or approved by ordinance.

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(b) No Tax Increment Finance District shall be created unless the desired project(s) fit the rules as established and adopted by this charter, and no Tax Increment Payment of Funds shall be distributed to any private contractor, developer, land owner, organization, or corporation without meeting the criteria below:

(1) Tax Increment Financing shall be restricted to such sub-divisions, districts, development projects where such development will eliminate blight, build density within the core area of the city, whereas simultaneously shall provide both affordable housing, and workforce housing projects.

(2) Tax Increment Financing that provides for Public Roads, Infrastructure, Public Improvements to water, sewer, or utility upgrades, of which exceed the total value of $10,000,000 million dollars, shall require a public vote of the qualified electors of the city at a special election to be held at a predetermined time, place, and date in the city.

(3) Any Financial Package including Bonds, Bank Loans, or other outside funding sources shall require no less than three-fourths super-majority approval of the City Council by adopting a future ordinance upon second reading.

(4) Any Tax Increment Financing that is to reimburse any private organization, corporation, association, or group of persons, the council shall at the time of creating a district, shall require a list of names of all developmental partners, investors, and financial partners, of which by resolution, shall become a matter of public record in the office of the city clerk.

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In Closing.

We the People find this proposed amendment necessary, to ensure the tax payer, that their property taxes will not be increased without their public comment, their approval, and their vote of acceptance in the years ahead.

As for the continued property tax discussion throughout the State of South Dakota, the residents of the City of Sioux Falls deserve to be a part of all public discussion concerning Tax Increment Financing. And the fact that all economic capital projects to improve land, buildings, and infrastructure have a lasting effect on the pocket books of the residents, this proposed amendment to our written charter is key to their survival.

For all too long, a small-class of people in the city have reaped the rewards of Tax Increment Financing at the high cost of raising property values on everyday, common residents, husbands, wives, families just trying to pay their bills, their taxes, put food on their table - these people deserve to be part of all future discussion where their daily lives are affected by increased property values.

Therefore, the Topic of creating a few basic rules regulating Tax Incrementing Financing within our charter, must be discussed today.

Families are Suffering, People are Hurting, and Taxes are Rising.

This Recommendation Presented by Mike Zitterich, Resident of City.