

Peterson: TIFs Are Valuable Tools For Economic Development

By David Lias, Nov 14, 2025



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Housing development is a major component of current economic development in Vermillion and Jim Peterson, president and CEO of the Vermillion Chamber and Development Company (VCDC), described areas where residences may soon be appearing, including 18 acres of property on the corner of Crawford and Main streets that have been platted.



increment (new growth) is temporarily used to pay for infrastructure that enables growth.

“It’s all regulated by the state,” Peterson said, “and it has a maximum term of 20 years. A TIF can be local, it can be industrial to bring in business, it can be for economic development and also for affordable housing.

“It’s called the Armstrong Property,” he said. “It was agreed to in the joint jurisdiction between the county and the city. It’s not annexed in yet, but the intent is next September to annex it in for development. It will be called Bluestone Trail and it will be about 15 acres.”

“The City has done 12 TIFs. The last three were private TIFs by developers for multifamily housing,” he said.

Peterson talked about the VCDC’s efforts at the Wednesday, Oct. 15, luncheon meeting of the Vermillion Rotary Club.

That housing includes The Todd Poling Project, which is constructing 35 townhomes at the southeast corner of Duke and Cottage streets near ACE Hardware; the Stencil Group, which is building 118 apartments with 165 beds on the east side of town on Roosevelt Street; and a project being built by AMS Building Systems of Vermillion. They are constructing 24 two-bedroom apartments across four buildings.

A TIF (Tax Increment Financing) will be needed to make this housing development a reality, he added, because a street will be needed to be built.

“All of those had a Tax Increment Financing. All of the risk of that is on those developers. and not to the City,” Peterson said. “There’s nothing (in terms of risk) to the City. It doesn’t go against City bonding or county bonding. It all goes to the developers.”

A TIF is a financing tool used by local governments to encourage development in a designated area by using future property tax increases to fund public improvements.

With TIFs, communities and economic developers use a “but for test,” he said. “But for the TIF, we wouldn’t do it. So, if you don’t have enough money, it doesn’t pencil out, so they need the TIF to make it go forward.

“If you don’t have a TIF available, it’s probably not going to happen,” Peterson said, “and we can get about 50 to 60 homes as a design in there and some other things.”

“They (developers) need some of that money coming back to them. They pay the tax and then the tax comes back to them for a set period of time,” Peterson said.

By using Tax Increment Financing, he added, the VCDC and the City of Vermillion attract business, expand businesses that are in place and build new infrastructure, such as roads.

TIFs, Peterson said, provide incentives to attract businesses or help existing businesses expand without tapping into general funds.

He used information from the State of South Dakota to better explain how TIFs work.

Property inside a TIF district is taxed like any other property, he said. The difference is that tax

If you have a parcel of land with a value of \$1,000 and you do a TIF on that land, the county and City

and every other entity of government that receives property tax revenue will still receive tax funds from that land.

Over time, the owner of the land develops it and, for example, Peterson said, the value of the land then jumps to \$1,700,000.

"So that difference from the \$1,000 that taxes are being paid on to the \$1,700,000 – that person (developer) pays the tax," he said, "and then he gets it back to him until such time whatever was deemed appropriate costs that could go into a TIF are done.

"Taxes are still in place," Peterson said, adding that TIFs must be approved by local government.

TIFS may pay for certain costs of developing property.

"It can't be for the building going up, but it can be for the infrastructure costs, some of the architect fees and sewer hookup fees. The goal is they (developers) are still paying taxes on that baseline," he said. "That increase of value they're doing -- they're paying that tax, but then it comes back to them until it satisfies whatever was agreed to up

front and it can be no longer than 20 years. If the taxes don't pay out, that person or business is on the hook for those funds."

TIFs, he said, are a good thing for communities and developers to use if they are done correctly.

"That's what I want you to leave with," Peterson said. "It's one of our only tools to entice development."

He shared an example of the positive impact TIFs have had in Vermillion. The Bliss Pointe housing development became a reality thanks to a TIF of \$1.7 million. The assessed value of the property before it was developed was \$55,000. In 2025, that land, with its housing, has an assessed value of \$30 million and generates approximately \$600,000 annually in real estate taxes.

"Without that \$1.7 million TIF, this probably wouldn't have happened. I would hope you think it's a good thing," Peterson said.