

**EDIC MEETING**  
**Tuesday, March 26, 2024 – 1:00 p.m. City**  
**Commission Chambers, Fargo City Hall**

**AGENDA**

- 1. Approve Tax Exempt Review Committee Meeting Minutes of 2/27/2024**
  - a. February 27, 2024 [Page 1-2]
- 2. Commonwealth PILOT Application for Senior Housing [Page 3-10]**
- 3. Proposed Change to TIF Policy [Page 11-20]**

**ECONOMIC AND DEVELOPMENT INCENTIVE COMMITTEE  
Fargo, North Dakota**

**Regular Meeting**

**Tuesday, February 27, 2024**

The February meeting of the Economic and Development Incentive Committee of the City of Fargo, North Dakota was held in the City Commission Room at City Hall at 1:00 p.m., Tuesday, February 27, 2024.

The committee members present or absent are:

Members Present: Dave Piepkorn, Mayor Mahoney, Jim Gilmour, Jackie Gapp, Jon Eisert, Michael Splonskowski, Robert Wilson, Lucas Paper and John Cosgriff.

Members Absent: Jessica Ebeling, Erik Barner, and Levi Bachmeier.

Commissioner Piepkorn called the meeting to order at 1:02 p.m.

**Minutes Approved**

A motion was made by Mayor Mahoney to approve the minutes from November 28, 2023. John Cosgriff seconded. Motion carries.

**Ownership Change for Woodrow Wilson Apartments/Commercial Space**

- Graystoke Capital Woodrow LLC purchased the Woodrow Apartments located at 301/315 University Dr N and 1222 4 Ave n from DFI Woodrow Wilson LLC on January 19, 2022.
- Would like the remainder of the PILOT tax schedule transferred to Graystoke Capital Woodrow LLC and ACV ALB San Mateo LLC the new operator of the project.

A motion was made by Lucas Paper to approve remainder of the PILOT to be transferred. Jon Eisert seconded. Motion carries.

**Border States PILOT Application for Distribution Center**

- James Sipe- Executive VP of Supply Chain

- Tony Serati- VP of Operations
- Border States is constructing a 350,000 square foot distribution center with \$5 per square foot in specials.
- Asking for a 10 year PILOT
- This will be the first distribution center for Border States that will be nation wide
- Border States has 120 operating facilities over 29 states and employs more than 3,000 individuals in 38 states. They would like to leverage branch locations.
- Expecting to be done with the expansion in late 2025 or early 2026

A motion was made by Mayor Mahoney to approve PILOT application. Jon Eisert seconded. Motion carries.

#### **Changes to Tax Increment Financing Policy**

- The change would encourage developers for remove blighted buildings in a first phase of development.
- The second phase would be review of the details of the proposed development and a financial review to determine if additional incentives are needed.
- Limit to 5 year TIF
- If the developer does not start in the required time, the developer would not receive TIF income.

Discussion will continue regarding tax increment financing policy.

Jessica Ebling resigned.

The meeting was adjourned at 1:26pm.

# Application For Property Tax Incentives For New or Expanding Businesses

N.D.C.C. Chapter 40-57.1

Project Operator's Application To Fargo  
City or County

File with the City Auditor for a project located within a city; County Auditor for locations outside of city limits.

A representative of each affected school district and township is included as a non-voting member in the negotiations and deliberation of this application.

**This application is a public record**

## Identification Of Project Operator

1.	Name of project operator of new or expanding business	<u>NEX Senior, LLC</u>	
2.	Address of project	<u>1728 South 42nd Street</u>	
	City	<u>Fargo</u> County <u>Cass</u>	
3.	Mailing address of project operator	<u>24 South Brooke Street</u>	
	City	<u>Fond du Lac</u> State <u>WI</u> Zip <u>54935</u>	
4.	Type of ownership of project		
	<input type="checkbox"/> Partnership	<input type="checkbox"/> Subchapter S corporation	<input type="checkbox"/> Individual proprietorship
	<input type="checkbox"/> Corporation	<input type="checkbox"/> Cooperative	<input checked="" type="checkbox"/> Limited liability company
5.	Federal Identification No. or Social Security No.	<u>[REDACTED]</u>	
6.	North Dakota Sales and Use Tax Permit No.	<u></u>	
7.	If a corporation, specify the state and date of incorporation	<u></u>	
8.	Name and title of individual to contact	<u>Tyler Sheeran, VP of Development</u>	
	Mailing address	<u>24 South Brookee Street</u>	
	City, State, Zip	<u>Fond du Lac, Wisconsin, 54935</u> Phone No. <u>608-556-2939</u>	

## Project Operator's Application For Tax Incentives

9.	Indicate the tax incentives applied for and terms. Be specific.	
	<input type="checkbox"/> <b>Property Tax Exemption</b>	<input checked="" type="checkbox"/> <b>Payments In Lieu of Taxes</b>
	<u></u> Number of years	<u>2025</u> Beginning year <u>2042</u> Ending year
	<u></u> Percent of exemption	<u>\$0</u> Amount of annual payments (attach schedule if payments will vary)
10.	Which of the following would better describe the project for which this application is being made:	
	<input checked="" type="checkbox"/> New business project	<input type="checkbox"/> Expansion of a existing business project

**Description of Project Property**

11. Legal description of project real property

Lot 3 Block 1 Ekman Addition

12. Will the project property be owned or leased by the project operator?  Owned  Leased

If the answer to 12 is leased, will the benefit of any incentive granted accrue to the project operator?

Yes  No

If the property will be leased, attach a copy of the lease or other agreement establishing the project operator's benefits.

13. Will the project be located in a new structure or an existing facility?  New construction  Existing facility

If existing facility, when was it constructed? \_\_\_\_\_

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application June 2024

b. Description of project to be constructed including size, type and quality of construction

NEX Senior will consist of 40 units of affordable housing. Development will feature one midrise style building with first floor covered parking and three stories of residential units above, four stories in total. 40 units will consist of 1 and 2 bedroom units. Affordability will range from 30% AMI to 80% AMI.

c. Projected number of construction employees during the project construction 100-150

14. Approximate date of commencement of this project's operations June 2025

15. Estimated market value of the property used for this project:

a. Land..... \$ 558,000


b. Existing buildings and structures for which an exemption is claimed..... \$ 0

c. Newly constructed buildings and structures when completed ..... \$ 4,000,000

d. Total..... \$ 4,558,000

e. Machinery and equipment ..... \$ \_\_\_\_\_

16. Estimate taxable valuation of the property eligible for exemption by multiplying the market values by 5 percent:

a. Land (not eligible) ..... 

b. Eligible existing buildings and structures..... \$ 0

c. Newly constructed buildings and structures when completed..... \$ 200,000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 200,000

e. Enter the consolidated mill rate for the appropriate taxing district ..... 272.00

f. Annual amount of the tax exemption (Line d multiplied by line e) ..... \$ 54,400.00

**Description of Project Business**

**Note: "project" means a newly established business or the expansion portion of an existing business. Do not include any established part of an existing business.**

17. Type of business to be engaged in:  Ag processing  Manufacturing  Retailing  
 Wholesaling  Warehousing  Services

18. Describe in detail the activities to be engaged in by the project operator, including a description of any products to be manufactured, produced, assembled or stored (attach additional sheets if necessary).

Providing cost-effective rental accommodations for low-income households, this development will meet a pressing demand for senior housing in the Fargo community, offering affordability as its cornerstone.

19. Indicate the type of machinery and equipment that will be installed

The building's design encompasses various features typically associated with four-story apartment buildings, such as communal spaces, parking facilities, and utility rooms. Among these amenities, an elevator will be installed to facilitate easy movement between floors, ensuring accessibility for residents and visitors alike.

20. For the project only, indicate the projected annual revenue, expense, and net income (before tax) from either the new business or the expansion itself for each year of the requested exemption.

Year (12 mo. periods)	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only
	Year 1	Year 2	Year 3	Year 4	Year 5
Annual revenue	_____	_____	_____	_____	_____
Annual expense	_____	_____	_____	_____	_____
Net income	_____	_____	_____	_____	_____

21. Projected number and salary of persons to be employed by the project for the first five years:

Current positions & positions added the initial year of project

# Current Positions	New Positions Under \$13.00	New Positions \$13.01-\$15.00	New Positions \$15.01-\$20.00	New Positions \$20.01-\$28.00	New Positions \$28.01-\$35.00	New Positions Over \$35.00

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) _____	_____	_____	_____	_____	_____
	(2) _____	_____	_____	_____	_____	_____
Estimated payroll	(1) _____	_____	_____	_____	_____	_____
	(2) _____	_____	_____	_____	_____	_____

(1) - full time  
(2) - part time

**Previous Business Activity**

22. Is the project operator succeeding someone else in this or a similar business?  Yes  No

23. Has the project operator conducted this business at this or any other location either in or outside of the state?  
 Yes  No

24. Has the project operator or any officers of the project received any prior property tax incentives?  Yes  No  
 If the answer to 22, 23, or 24 is yes, give details including locations, dates, and name of former business (attach additional sheets if necessary).  
~~Commonwealth Development Corp. of America, owner of NEX Senior LLC, has previously obtained a PILOT within Fargo for our Edge Artist Flats development located at 1321 5th Ave North, Fargo, ND.~~

**Business Competition**

25. Is any similar business being conducted by other operators in the municipality?  Yes  No

If YES, give name and location of competing business or businesses  
~~City of Fargo has multiple affordable housing complexes within the city limits.~~

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Percentage of Gross Revenue Received Where Underlying Business Has ANY Local Competition \_\_\_\_\_ %

**Property Tax Liability Disclosure Statement**

26. Does the project operator own real property in North Dakota which has delinquent property tax levied against it?  Yes  No

27. Does the project operator own a greater than 50% interest in a business that has delinquent property tax levied against any of its North Dakota real property?  Yes  No

If the answer to 26 or 27 is Yes, list and explain  
 \_\_\_\_\_  
 \_\_\_\_\_

**Use Only When Reapplying**

28. The project operator is reapplying for property tax incentives for the following reason(s):

- To present additional facts or circumstances which were not presented at the time of the original application
- To request continuation of the present property tax incentives because the project has:
  - moved to a new location
  - had a change in project operation or additional capital investment of more than twenty percent
  - had a change in project operators
- To request an additional annual exemption for the year of \_\_\_\_\_ on structures owned by a governmental entity and leased to the project operator. (See N.D.C.C. § 40-57.1-04.1)

**Notice to Competitors of Hearing**

Prior to the hearing, the applicant must present to the governing body of the county or city a copy of the affidavit of publication giving notice to competitors unless the municipality has otherwise determined there are no competitors.

I, Kristi Morgan, do hereby certify that the answers to the above questions and all of the information contained in this application, including attachments hereto, are true and correct to the best of my knowledge and belief and that no relevant fact pertaining to the ownership or operation of the project has been omitted.

\_\_\_\_\_  
 Signature

\_\_\_\_\_  
 Authorized Member

\_\_\_\_\_  
 Title

\_\_\_\_\_  
 3/11/2024  
 Date

<b>NEX Senior</b>
<b>1728 42nd Street</b>
<b>Fargo, ND</b>

<b>SOURCES</b>	<b>Entity</b>	
Federal LIHTC Equity	Regions Bank	\$ 9,019,098
First Mortgage	Legacy Bank & Trust	1,975,000
Other: HTF		2,852,413.21
Other: HOME		1,558,248.01
GP/SLP Equity		100
Total Third Party Sources		\$ 15,404,859
Deferred Fee		208,997
<b>TOTAL</b>		<b>\$ 15,613,856</b>

<b>USES</b>	
Land	700,000.00
Hard Costs	11,101,440.00
Design & Engineering Fees	567,000.00
Professional Fees	133,500.00
Financing Costs	736,377.00
Soft Costs	2,083,177.00
Tax Credit Fees	111,000.00
Development Reserves	181,362.00
<b>TOTAL</b>	<b>\$ 15,613,856</b>



**Permanent Loan**

Rate:	5.00%
DCR:	1.15
Amort:	35
Constant:	6.06%
Annual Debt Service:	\$ 119,611
Mortgage Amount	\$ 1,975,000

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
<b>REVENUE</b>															
REV Growth %	2.00%														
<b>Gross Potential Revenue</b>	\$ 406,980	\$ 415,120	\$ 423,422	\$ 431,890	\$ 440,528	\$ 449,339	\$ 458,326	\$ 467,492	\$ 476,842	\$ 486,379	\$ 496,106	\$ 506,028	\$ 516,149	\$ 526,472	\$ 537,001
Other Income	4,800	4,896	4,994	5,094	5,196	5,300	5,406	5,514	5,624	5,736	5,851	5,968	6,088	6,209	6,333
Less: Vacancy	(28,825)	(29,401)	(29,989)	(30,589)	(31,201)	(31,825)	(32,461)	(33,110)	(33,773)	(34,448)	(35,137)	(35,840)	(36,557)	(37,288)	(38,033)
<b>Total Income</b>	\$ 382,955	\$ 390,615	\$ 398,427	\$ 406,395	\$ 414,523	\$ 422,814	\$ 431,270	\$ 439,895	\$ 448,693	\$ 457,667	\$ 466,820	\$ 476,157	\$ 485,680	\$ 495,394	\$ 505,302
<b>Operating Expenses</b>															
Annual % Expense Growth	3.00%														
Operating Expenses	206,135	212,319	218,689	225,250	232,007	238,967	246,136	253,521	261,126	268,960	277,029	285,340	293,900	302,717	311,798
Property Management Fee	22,977	23,667	24,377	25,108	25,861	26,637	27,436	28,259	29,107	29,980	30,880	31,806	32,760	33,743	34,755
Reserves for Replacement	\$ 350	14,000	14,420	14,853	15,298	15,757	16,230	16,717	17,218	17,735	18,267	18,815	19,379	19,961	20,559
<b>Total Operating Expenses</b>	\$ 243,113	\$ 250,406	\$ 257,918	\$ 265,656	\$ 273,626	\$ 281,834	\$ 290,289	\$ 298,998	\$ 307,968	\$ 317,207	\$ 326,723	\$ 336,525	\$ 346,621	\$ 357,019	\$ 367,730
<b>Net Operating Income</b>	\$ 139,843	\$ 140,208	\$ 140,509	\$ 140,739	\$ 140,898	\$ 140,979	\$ 140,981	\$ 140,897	\$ 140,725	\$ 140,460	\$ 140,097	\$ 139,632	\$ 139,059	\$ 138,374	\$ 137,572
<b>Temporary Income - TIF</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service: First Mortgage Loan	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611
MIP / Guarantee Fee (on declining loan balance)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service: Second Mortgage Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service: TIF Mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash Flow After Debt Service</b>	\$ 20,232	\$ 20,597	\$ 20,898	\$ 21,129	\$ 21,287	\$ 21,368	\$ 21,370	\$ 21,286	\$ 21,114	\$ 20,849	\$ 20,486	\$ 20,021	\$ 19,448	\$ 18,763	\$ 17,961
Accumulated Cash Flow	\$ 20,232	\$ 40,829	\$ 61,727	\$ 82,855	\$ 104,142	\$ 125,510	\$ 146,880	\$ 168,166	\$ 189,281	\$ 210,130	\$ 230,616	\$ 250,637	\$ 270,086	\$ 288,849	\$ 306,810
<b>DSCR - HARD</b>	1.17	1.17	1.17	1.18	1.18	1.18	1.18	1.18	1.18	1.17	1.17	1.17	1.16	1.16	1.15
Asset Management Fee	\$ 100	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 5,067	\$ 5,219	\$ 5,376	\$ 5,537	\$ 5,703	\$ 5,874
<b>Cash Flow Available to Pay Deferred Fee</b>	\$ 16,232	\$ 16,477	\$ 16,654	\$ 16,758	\$ 16,785	\$ 16,731	\$ 16,593	\$ 16,367	\$ 16,047	\$ 15,630	\$ 15,111	\$ 14,484	\$ 13,745	\$ 12,889	\$ 11,910
Cash Flow Loan Repayment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Flow Loan Repayment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Deferred Fee Payoff</b>															
Payment	\$ 208,997	\$ 16,232	\$ 16,477	\$ 16,654	\$ 16,758	\$ 16,785	\$ 16,731	\$ 16,593	\$ 16,367	\$ 16,047	\$ 15,630	\$ 15,111	\$ 14,484	\$ 13,745	\$ 1,382
Current Balance	\$ 192,765	\$ 176,288	\$ 159,634	\$ 142,876	\$ 126,092	\$ 109,360	\$ 92,767	\$ 76,400	\$ 60,353	\$ 44,723	\$ 29,612	\$ 15,128	\$ 1,382	\$ -	\$ -
<b>Cash Flow Available to Partnership</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,507

16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
547741	558696	569870	581268	592893	604751	616846	629183	641766	654602	667694	681048	694669	708562	722733
6460.168024	6589.371384	6721.158812	6855.581988	6992.693628	7132.5475	7275.198451	7420.70242	7569.116468	7720.498797	7874.908773	8032.406949	8193.055088	8356.91619	8524.054513
-38794.1165	-39569.99883	-40361.39881	-41168.62679	-41991.99932	-42831.839	-43688.4761	-44562.24562	-45453.49053	-46362.56034	-47289.81155	-48235.60778	-49200.31993	-50184.32633	-51188.01286
\$ 515,408	\$ 525,716	\$ 536,230	\$ 546,955	\$ 557,894	\$ 569,052	\$ 580,433	\$ 592,041	\$ 603,882	\$ 615,960	\$ 628,279	\$ 640,845	\$ 653,661	\$ 666,735	\$ 680,069
321152.2366	330786.8037	340710.4078	350931.7201	361459.6717	372303.462	383472.5657	394976.7426	406826.0449	419030.8263	431601.751	444549.8036	457886.2977	471622.8866	485771.5732
35797.92211	36871.85978	37978.01557	39117.35604	40290.87672	41499.603	42744.59111	44026.92884	45347.73671	46708.16881	48109.41387	49552.69629	51039.27718	52570.45549	54147.56916
21811.54383	22465.89015	23139.86685	23834.06286	24549.08474	25285.5573	26044.124	26825.44772	27630.21116	28459.11749	29312.89102	30192.27775	31098.04608	32030.98746	32991.91708
\$ 378,762	\$ 390,125	\$ 401,828	\$ 413,883	\$ 426,300	\$ 439,089	\$ 452,261	\$ 465,829	\$ 479,804	\$ 494,198	\$ 509,024	\$ 524,295	\$ 540,024	\$ 556,224	\$ 572,911
\$ 136,646	\$ 135,591	\$ 134,402	\$ 133,071	\$ 131,594	\$ 129,963	\$ 128,171	\$ 126,212	\$ 124,078	\$ 121,762	\$ 119,255	\$ 116,550	\$ 113,638	\$ 110,510	\$ 107,158
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611	\$ 119,611
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$ 17,035	\$ 15,980	\$ 14,791	\$ 13,460	\$ 11,983	\$ 10,352	\$ 8,560	\$ 6,601	\$ 4,467	\$ 2,151	\$ (356)	\$ (3,061)	\$ (5,973)	\$ (9,101)	\$ (12,453)
\$ 323,845	\$ 339,825	\$ 354,616	\$ 368,076	\$ 380,059	\$ 390,411	\$ 398,972	\$ 405,573	\$ 410,040	\$ 412,191	\$ 411,835	\$ 408,773	\$ 402,800	\$ 393,699	\$ 381,247
1.14	1.13	1.12	1.11	1.10	1.09	1.07	1.06	1.04	1.02	1.00	0.97	0.95	0.92	0.90
\$ 6,232	\$ 6,419	\$ 6,611	\$ 6,810	\$ 7,014	\$ 7,224	\$ 7,441	\$ 7,664	\$ 7,894	\$ 8,131	\$ 8,375	\$ 8,626	\$ 8,885	\$ 9,152	\$ 9,426
\$ 10,803	\$ 9,561	\$ 8,179	\$ 6,651	\$ 4,969	\$ 3,128	\$ 1,119	\$ (1,063)	\$ (3,427)	\$ (5,981)	\$ (8,731)	\$ (11,688)	\$ (14,858)	\$ (18,252)	\$ (21,879)
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (1,063)	\$ (3,427)	\$ (5,981)	\$ (8,731)	\$ (11,688)	\$ (14,858)	\$ (18,252)	\$ (21,879)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 1,063	\$ 4,490	\$ 10,471	\$ 19,202	\$ 30,890	\$ 45,748	\$ 64,001	\$ 85,880
\$ 10,803	\$ 9,561	\$ 8,179	\$ 6,651	\$ 4,969	\$ 3,128	\$ 1,119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	Incentive %	Payments	Full Taxes Due	Benefit	Total Est Tax
IncntYr 1	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 2	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 3	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 4	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 5	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 6	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 7	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 8	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 9	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 10	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 11	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 12	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 13	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 14	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 15	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 16	100	\$0	\$54,400	\$54,400	\$7,589
IncntYr 17	100	\$0	\$54,400	\$54,400	\$7,589


TOTALS

\$0
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\$924,800
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## MEMORANDUM

**TO:** Economic Development Incentive Committee

**FROM:** Jim Gilmour, Director of Strategic Planning and Research 

**DATE:** March 19, 2024

**SUBJECT:** TIF Policy Amendment

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The City of Fargo TIF (Tax Increment Financing) policy has effectively removed blighted structures and supported new, high quality development. The new development relies on existing infrastructure and provides increased property tax revenue, so it adds little to the cost of providing City services to the property.

Under current policy, the removal of blighted properties begins when a developer is ready to immediately start on the new development. The details of the new buildings are known and the financial review is done to determine the amount of public assistance. There is no incentive to maintain deteriorated and or vacant buildings. In some ways, it encourages developers to leave properties in the current condition to qualify for TIF incentives.

### Policy Change

At the February meeting of the Economic Development Incentives Committee, there was a recommendation to draft an amendment to the TIF policy to encourage developers to remove blighted buildings in the first phase of redevelopment. The second phase would be a review of the details of the proposed development and a financial review to determine if additional incentives are needed.

The first phase would be the preparation of a Renewal Plan, creation of a TIF District and approval of a first phase development agreement. The terms of the development agreement would be the City agreeing to reimburse the developer for the cost of demolition and the value of the existing buildings. TIF payment would be made in the future from TIF income from future buildings. The developer would be given some period of time such as 5 years to begin construction on new buildings. If development does not start in the required time, the developer would not receive TIF income.

Prior to the second phase, the developer would apply for any plat or zoning changes needed for the project. The developer could apply for and may receive additional incentives such as the Renaissance Zone property tax exemptions.

### Recommended Motion

Recommend approval of the changes to TIF policy (changes are the new language as presented in the boxes).

## **Tax Increment Financing (TIF) Policy (N.D.C.C. 40-58)**

The purpose of this policy is to establish the City's position relating to the use of TIF for encouraging redevelopment of brownfield sites, slum areas or a blighted areas. The intent is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance provided through TIF.

### **TIF POLICY DEFINITIONS:**

**Brownfield:** The Environmental Protection Agency defines a brownfield as "a property in which the expansion, redevelopment or reuse may be complicated by the presence or potential presence of a hazardous substance, pollutant or contaminant."

**Slum:** ND Urban Renewal Law defines a slum as "an area in which there is a predominance of buildings or improvements, whether residential or nonresidential, which by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for ventilation, light, air, sanitation or open spaces, high density of population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes, or any combination of these factors is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime, and is detrimental to the public health, safety, morals or welfare."

**Blight:** ND Urban Renewal Law defines a blighted area as "an area other than a slum area which by reason of the presence of a substantial number of slums, deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of these factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is a menace to the public health, safety, morals or welfare in its present condition and use. 'Blighted area' does not include any land that has been assessed as agricultural property within the last 10 years unless it was located within the interior boundaries of a city for at least 10 years."

**Industrial and Commercial:** The City may use the tax increment financing assist a project developer in the development of industrial or commercial property. The City may enter into the agreement only if it determines that the agreement will not result in unfair competition and that the agreement is in the best interests of the municipality as a whole. For the purpose of determining costs of development of industrial or commercial property to be reimbursed by tax increments, only the following public costs necessarily incurred, by either the municipality or the project developer, for the purpose of preparing the property for private development by the project developer may be included in the agreement as reimbursable public costs of development:

- The cost of acquiring, or the market value, of all or a part of the industrial or commercial property;
- Costs of demolition, removal, or alteration of buildings and improvements on the industrial or commercial property, including the cost of clearing and grading land;

- Costs of installation, construction, or reconstruction of streets, utilities, parks, and other public works or improvements necessary for carrying out the development or renewal plan;
- All interest and redemption premiums paid on bonds, notes, or other obligations issued by the municipality to provide funds for the payment of eligible public costs of development.

This policy shall be used as a guide in the processing and review of applications requesting tax increment assistance. The fundamental purpose of TIF in Fargo is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance provided through TIF. These policies provide information for developers considering making a request for TIF Brownfield funding.

### **Types of Redevelopment Plans and Developer Agreements**

The City may partner with a developer for the implementation of a renewal plan. Developers may or may not have a detailed redevelopment plan. Most often, a detailed plan has been designed along with financial projections. In other cases, the developer may have full or majority control of area but still be in the process designing the new redevelopment. The next two sections outline different renewal policies. There is a policy for developers that are ready to immediately proceed with development. The other policy is providing future assistance to a developer so that the removal of blighted properties would begin soon, allow more time to design and financing of the new development consider additional financial incentives in the future.

#### **Ready Project Redevelopment**

**TERM:**

When undertaking a redevelopment or development project using a TIF exemption or TIF revenue note, the length of the term of this note is limited to 15 years. It is the intent of the City to provide the minimum amount of TIF at the shortest term required for the project to proceed.

However; the length of a TIF may extend beyond 15 years when used for City infrastructure, public parking or community development efforts such as affordable housing, replacement housing, public space and public art.

**RELOCATION REQUIREMENTS:**

To the extent required by state, federal or local law or regulations, a relocation plan should be provided in the development or renewal plan. Relocation payments to tenants of businesses or residential uses must be given. These relocation payments must follow state and federal guidelines.

**PROPERTY ACQUISITION (OR WRITE-DOWN) REQUIREMENTS:**

- The eligible costs paid to the developer shall be evaluated on a case-by-case basis, but the maximum should be the lesser of:
  - The total acquisition cost for the property, provided the acquisition cost is no more than 150% of the assessor’s market value for the property;
    - This 150% limit applies to the collective sum of all properties acquired.
  - The difference between what was paid by the developer for the property less the assessor’s market value for the land (as opposed to land and buildings).

**LIMIT ON PROJECT COST**

TIF assistance to the developer should be limited to a percentage of up to 15% of hard capital costs of development (including the costs of property acquisition) and public infrastructure.

The limit of 15% may be exceeded if the project will include a community development purpose, for example:

- Direct investment in community gathering spaces;
- Direct and ongoing investment in public art;
- Development of affordable or replacement housing.

**TIF REVIEW DUE DILIGENCE PROCESS:**

The Fargo City Commission will establish fees for City staff time, legal counsel and City financial advisors. City staff and financial advisors will utilize due diligence procedures to determine the feasibility and the appropriate level of TIF assistance.

On large scale projects, the City may require a review of the financial performance of the project in the future and if the project has a significantly higher than expected return on investment, the amount of the TIF assistance may be reduced.

Renewal plans may include terms that allow the City to use a portion of the TIF revenue for preservation or replacement of lower density housing in neighborhoods adjacent to higher density housing projects. The housing plan would be outlined in the TIF District renewal plan.

**TIF EVALUATION CRITERIA:**

The City has established multiple objectives that should be met to qualify for TIF. Since there are different types of developments, the objectives for each of the development types are different. The four types of anticipated projects include:

- Housing;
- Commercial or industrial;
- Downtown;
- Mixed use (commercial + housing in same development).

**HOUSING PROJECTS SHOULD MEET AT LEAST FIVE (5) OF THE FOLLOWING EIGHT (8) OBJECTIVES:**

1. Served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development;
2. Compatible with the adjacent area or the future land use in the area;
3. Sidewalks, bike trails or a transit stop within 4 blocks;
4. High quality design, exceeding the requirements of the Land Development Code;
5. Includes affordable housing, workforce housing or includes a plan to replace some of the housing eliminated by the development;
6. Eliminates blighted conditions or substandard buildings;
7. Remediates brownfield conditions;
8. Creates significant growth in the tax base on the site.

**COMMERCIAL OR INDUSTRIAL PROJECTS SHOULD MEET AT LEAST FIVE (5) OF THE FOLLOWING EIGHT (8) OBJECTIVES:**

1. Served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development;
2. Sidewalks, bike trails or a transit stop within 4 blocks;
3. Contain primary sector business or jobs;
4. Include public spaces or public art;
5. Cleans up brownfield conditions, eliminates blighted conditions or substandard buildings
6. Create significant growth in the tax base on the site;
7. Encourages additional development on adjacent sites;
8. High quality design.

**DOWNTOWN PROJECTS SHOULD MEET AT LEAST 6 OF THE FOLLOWING 10 OBJECTIVES:**

1. Served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development;
2. Compatible with the adjacent area or the future land use in the area;
3. Sidewalks, bike trails or a transit stop within 4 blocks;
4. Adequate parking and access plan, preferably with shared parking by the different land uses;
5. Contain primary sector business or jobs;
6. Include public spaces or public art;
7. Cleans up brownfield conditions, eliminates blighted conditions or substandard buildings, or replaces surface parking;
8. Create significant growth in the tax base on the site;
9. Encourages additional development on adjacent sites;
10. Contains businesses that will provide needed services or goods used by adjacent land uses.

**MIXED-USE PROJECTS SHOULD MEET AT LEAST 6 OF THE FOLLOWING 10 OBJECTIVES:**

1. Served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development;
2. Compatible with the adjacent area or the future land use in the area;
3. Sidewalks, bike trails or a transit stop within 4 blocks;
4. Adequate parking and access plan, preferably with shared parking by the different land uses;
5. Contain primary sector business or jobs;
6. Include public spaces or public art;
7. Cleans up brownfield conditions, eliminates blighted conditions or substandard buildings, or replaces surface parking;
8. Create significant growth in the tax base on the site;
9. Encourages additional development on adjacent sites;
10. Contains businesses that will provide needed services or goods used by adjacent land uses.

**First Phase Redevelopment**

**Term**

When undertaking a phase one redevelopment project using a TIF revenue note, the length of this note is limited to 5 years. The five year term is for the first 5 tax year years after completion of the project.

**Relocation**

To the extent required by state, federal or local law or regulations, a relocation plan should be provided in the renewal plan. Relocation payments to tenants of commercial properties or residential users must be provided to those involuntarily displaced. These relocation payments must follow state and federal guidelines.

**Limit on Project Cost**

The assistance to the developer is limited to the value of the improvements determined by the City Assessor at the most recent tax year and the cost of demolition.

**TIF Review Process and Renewal Plans**

The Fargo City Commission will establish fees for City staff time and legal counsel.

Renewal Plans may include terms that allow the City to use a portion of the TIF Revenue in future years adjacent infrastructure and other public facilities.

**Future Incentives**

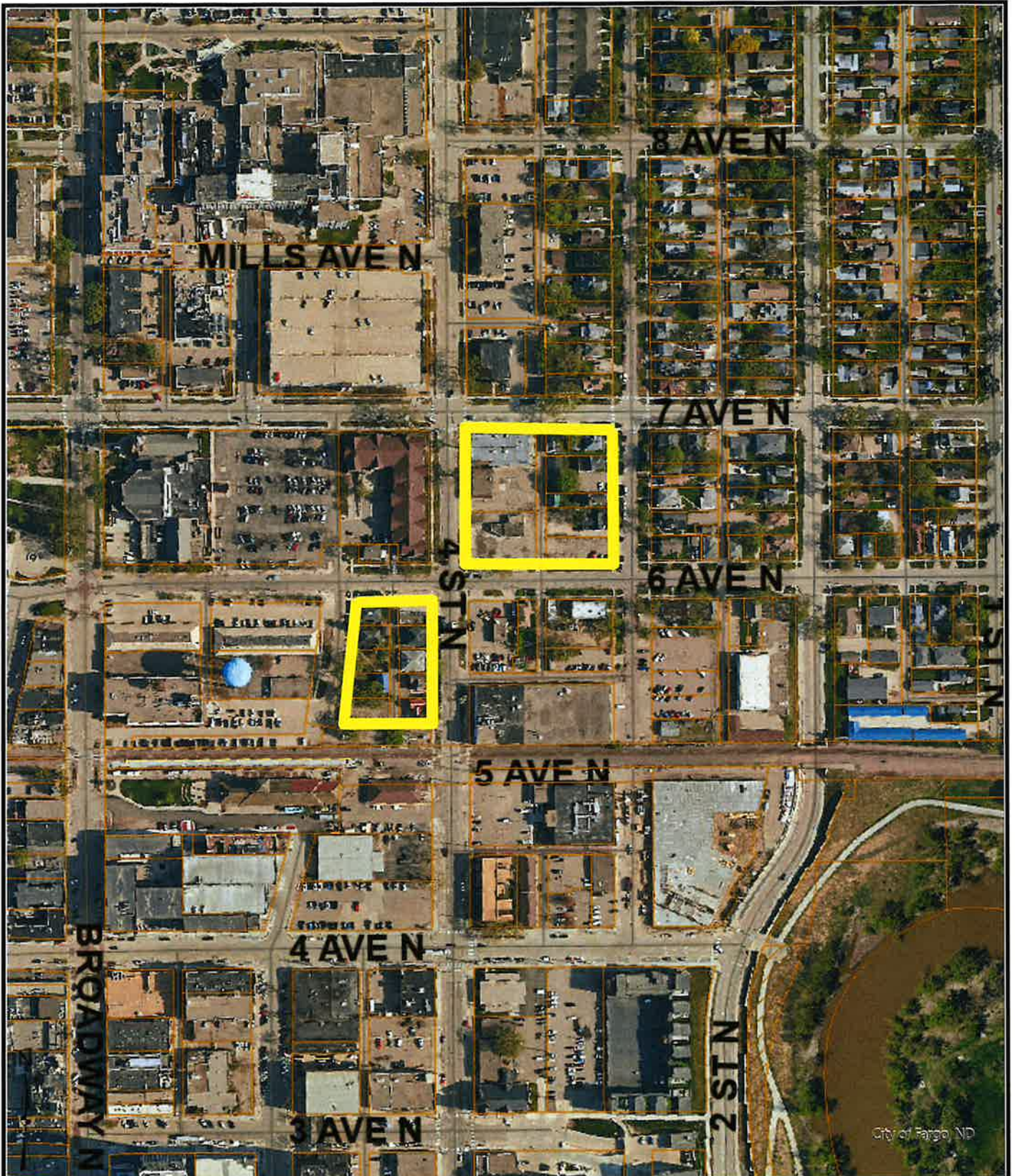
The developer may apply for additional incentives such as the Renaissance Zone, PILOT or additional TIF assistance. Those applications will be considered according to the criteria for those programs.

**Evaluation Criteria**

Projects review will consider:

- The conditions of the existing buildings
- Short term benefit of building removal to prevent nuisance properties
- The amount of relocation required
- Potential for higher density and high-quality development
- Factors that prevent an immediate project start
- The estimated time needed prior to project start





These data are provided on an "AS-IS" basis, without warranty of any type, expressed or implied, including but not limited to any warranty as to their performance, merchantability, or fitness for any particular purpose.

## Future Redevelopment

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This map is not a substitute for accurate field surveys or for locating actual property lines and any adjacent features.









