

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, January 24, 2017

The Regular Meeting of the Tax Exempt Review Committee of the City of Fargo, North Dakota, was held in the City Commission Room at City Hall at 1:00 p.m., Tuesday, January 24, 2017.

The committee members present or absent are as shown following:

Present: Dave Piepkorn, Jim Buus, Jessica Ebeling, Jim Gilmour, Mark Lemer, Chuck Hoge, & Ben Hushka.

Absent: Mayor Tim Mahoney, Kent Costin, Bruce Grubb

Committee Chairman Dave Piepkorn called the meeting to order at 1:00 p.m.

Application for New/Expanding Industry Exemption submitted by 1023 Flats

Commissioner Dave Piepkorn asked Ben Hushka, City Assessor, to introduce the item. Mr. Hushka stated this is a downtown apartment project and, according to policy, is eligible for a 10 year payment in lieu of tax (PILOT) at 5 years, 100% and 5 years, 75%. The applicant was not present.

Commissioner Piepkorn asked if this fits with the scoring system. Mr. Hushka stated that, under policy, these are not subject to the scoring system. He said that downtown housing is in the policy as eligible for the PILOT requested.

Mark Lemer asked if there are any restrictions regarding maximum site utilization. Jim Gilmour stated that this would have to comply with Downtown Mixed Use (DMU) zoning and that there is no site coverage or parking requirement. He said there are certain building material requirements. He said that this project, as presented, does provide parking on the main level.

Commissioner Piepkorn asked if this is a Renaissance Zone block. Jim Gilmour stated that it is not. He said that the PILOT is more beneficial for downtown housing projects because the Renaissance Zone is limited to 5 years, where the PILOT has a 75% exemption for years 5-10. He said this policy was in place ahead of the Renaissance Zone as a way to encourage housing downtown.

Commissioner Piepkorn asked if this project as proposed meets all City guidelines by taking up the entire lot. Jim Gilmour said that in the DMU zoning, you can build up to the lot lines.

Commissioner Piepkorn also asked if the neighboring property owners have been contacted about this project. Jim Gilmour said that there are not many owner-occupied properties in this neighborhood and, because it meets zoning already in place, there would typically be no notification other than legal ads for the hearing on the incentive. Commissioner Piepkorn stated that he would like to see notification to the immediate neighboring properties. Jim Gilmour said that we could get a letter to them prior to the City Commission hearing.

Jesse Craig, the applicant, arrived at the meeting and was called on to answer some of the questions that have been brought up. Mr. Craig said that the adjoining property was just

purchased and the new owner is aware of the project. He said he has an offer to purchase the property across the alley.

Chuck Hoge said that there were questions earlier about the affordability of the apartments. Mr. Craig stated that this is kind of on the fringes of the downtown and is a little outside of what he would normally do. He said they are trying to get the rents a little lower but, that land acquisition costs make that difficult. He said one-bedroom will be around \$925 and two-bedroom around \$1,275, which are \$200-\$300 lower than his downtown projects. But, he said, there will be washer/dryer in every unit, elevator, and other amenities.

Commissioner Piepkorn asked, with costs going up, what can be done about affordability. Mr. Craig said that the legislature would probably have to allow eminent domain to enforce sale of properties that are sitting, deteriorating, and creating blight. Jim Gilmour said that in downtown, with the high cost, you probably have to use some federal low income housing programs because property tax incentives alone don't allow the rents to get low enough.

Commissioner Piepkorn asked Mr. Craig that, by granting this incentive, would he be able to keep rents at least a little lower. Mr. Craig said that it absolutely would.

Jim Buus made a motion to approve the application as submitted. Jessica Ebeling seconded the motion. Motion carried unanimously.

Discussion of Recommended Revisions to the Tax Exempt Review Committee Policy.

Commissioner Dave Piepkorn asked Ben Hushka, City Assessor, to introduce the item.

Mr. Hushka stated that in the eyes of the policy review committee, their work is completed. The revised policy draft and a two-page summary was presented to the committee. Mr. Hushka briefly highlighted the following changes:

- Descriptions of TIF and other incentives not reviewed by the Tax Exempt Review Committee eliminated.
- A mission statement added to replace the previous "General Position".
- Wording added to place an emphasis on primary sector businesses targeted for possible incentives.
- Point evaluation system used as a guide by the committee in evaluating primary sector applications, significant downtown commercial (non-housing) projects will use a feasibility analysis.
- Point evaluation system modified to reflect changes in the number of jobs created, hourly salary of the new jobs, local competition, and size of the project.
- Wording changed for the New Residence Exemption. The ultimate recommendation is no change from existing policy except calling for a periodic review of the option of renewing or altering the resolution allowing this exemption.
- Additions to the New Industry / PILOT Exemption:
 - Significant commercial development of non-housing or mixed-use projects in downtown may receive up to 100% for 5 years and 75% for 5 years with conditions.
 - Significant commercial development outside of downtown, meeting certain criteria may receive up to a 100% for 5 years.
 - A financial review at 5 and 10 years to evaluate the continued need for assistance.
 - Audits of employee counts with provisions to alter the terms of the agreement.

- The policy for low-income housing modified to coincide with recently enacted state legislation.

Commissioner Piepkorn suggested that the final draft policy approved by this committee be posted online and to receive public comment before forwarding to the City Commission. Commissioner Piepkorn thanked everyone who worked on the policy revisions.

Jim Buus made a motion to forward the current Tax Exempt Review Committee Policy & Guidelines as submitted to the City Commission for review and adoption. Jessica Ebeling seconded the motion. Motion carried unanimously.

The meeting adjourned at 1:33 p.m., Tuesday, December 27, 2016.