

TAX EXEMPT REVIEW COMMITTEE  
Fargo, North Dakota

**Regular Meeting**

**Tuesday, December 27, 2016**

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, December 27, 2016.

The committee members present or absent are as shown following:

Present: Dave Piepkorn, Bruce Grubb, Kent Costin, Jim Buus, Jessica Ebeling, Jim Gilmour, Mark Lemer, Nancy Morris, & Ben Hushka.

Absent: Mayor Tim Mahoney, Chuck Hoge

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

Jim Buus moved to approve the minutes from the November meeting. Second by Bruce Grubb. Minutes from the November meeting were approved.

**Application for New/Expanding Industry Exemption submitted by Midcontinent Communications (From November Meeting).**

Commissioner Dave Piepkorn asked Ben Hushka, City Assessor, to give an update on what was learned since the last meeting. Mr. Hushka stated that additional information received since the last meeting was an email from Mark Vaux, FMEDC, regarding potential competitors.

Mark Vaux addressed the committee. He stated that Consolidated Communications manages a tier III data center for Cass County Electric. He said that it is not a certified tier III center because their facility does not meet the 16,000 square foot size requirement. DCN in Fargo has a tier I data center and would not be considered a direct competitor. Network Center does not own their own data center. Diversified Technologies did not return a call when he reached out to them. Mark stated that the State of ND has a sales tax incentive for data centers and the minimum requirement is that the facility be at least 16,000 square feet.

Justin Forde, representing Midcontinent, addressed the committee. Justin said that their facility will meet the state requirement to qualify and said he believes their facility is exactly the type the state was targeting with the incentive. He said that their facility is being built to eventually double in size to 32,000 square feet.

Jim Buus said he had reservations about this project at the last meeting and has done some research to become better educated about data centers. Jim said that he spoke with someone at the Department of Commerce and he said the state is supportive of this type of industry. Jim also stated that 27 states offer tax incentives for this industry including Minnesota. He said that we would probably want to remain competitive. Jim said that, given the new information we have received; he would lean in favor of the incentive.

Bruce Grubb asked Justin about the power providers in the area of where they intend to locate the facility. Justin said that they have contacted Excel Energy and Cass County Electric and if they could use both providers, that would be ideal. He said that requirements for tier III

are multiple sources of backup power to provide 99.9% up-time. He said there are multiple ways to achieve that with a power source, backup batteries, and generators. Bruce also asked if having any competition would change the total points on the evaluation calculator. Ben Hushka stated that any competition would change the points because the original points assigned used zero competition as stated on the application.

Commissioner Piepkorn said that the discussion about the lower number of jobs added at the facility does not consider the number of other businesses in the community that will be becoming more competitive by using their services. Justin agreed that this is a huge investment in cutting edge technology that is new to this region.

Kent Costin said that he initially didn't support this because of the low number of jobs. He said with the state having reached out with legislative authority to provide incentives to attract this type of business, he would be inclined to support it.

Bruce Grubb reiterated that it is primary sector and the competition could be argued as minimal with the tier III consideration. Bruce also said that he came in today as being against approving this mostly because of the low job count. He said that he wants to make the right decision in line with policy.

Mark Lemer said that there does appear to be at least some local competition that may draw revenues from others. He said that the committee has approved other applications that did not reach 100 points. But, said that he feels forwarding to the Commission with 0% competition would probably be inaccurate.

Kent Costin made a motion to approve the application as submitted. Jim Buus seconded the motion. Jim stated that MidCo could make the argument that, with no others having the tier III certification, they have no competition. Motion carried unanimously.

#### **Discussion of Revisions to the Tax Exempt Review Committee Policy.**

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

Mr. Hushka stated that the last item to complete on the policy is the New Residence Exemption and at the last meeting of the Tax Exempt Review Committee, the committee voted to recommend keeping the exemption in place as is. Mr. Hushka said the question now is whether the committee feels the policy is ready to go to the Commission for approval.

Commissioner Piepkorn asked if reviewing the New Residence Exemption every two years is in policy. Mr. Hushka stated that has not been done in recent years but, the existing policy that was last revised September 2012 does call for a review every two years. Mark Lemer said that in the past, Fargo and West Fargo reviewed it annually and that seemed too frequently. Kent Costin stated that historically the housing market undergoes changes but the changes don't tend to happen at moment's notice so he feels every two years seems a bit much. Kent suggested language that calls for a review in not less than five years or directed by the City Commission or legislation.

Commissioner Tony Grindberg addressed the committee. Mr. Grindberg reiterated points that he has previously brought to the committee. He said that he feels we should operate with three strategies regarding incentives; primary sector, Renaissance Zone, PILOTs and TIFs. Mr. Grindberg said that different language on page 3 of the policy regarding local competition should be considered. He said that we need to maintain competitive in the spirit of cooperation, especially with Moorhead and West Fargo. He said whatever language that could

be used to make our policy a little more palatable to cities across the state would be good. Also on the bottom of page 3, Commissioner Grindberg would like to see more focus on only primary sector, getting the letter from the Department of Commerce, and approval before start of construction. Mr. Grindberg referenced the part of the policy on page 4 for businesses typically not eligible for incentives. Specifically, retail & hospitality not in the downtown area. He stated that implies that those industries would be favored with incentives in the downtown only and he feels that gets into a competitive advantage that he doesn't agree with.

Mark Lemer asked Mr. Grindberg if he is asking that primary sector designation should be required prior to this committee acting in all cases. Discussion followed regarding the timing of projects and all of the factors that may not always make that possible. It was agreed that approvals prior to construction would always be the most favorable.

Jim Buus agreed with Commissioner Grindberg's comments regarding the issue of incentives targeted differently in the downtown than elsewhere. As it reads now, he said it looks like it could be to incent every bar or restaurant in the downtown and he didn't feel that was the intent of the committee. He felt the intention was more for the larger new or rehabilitation projects that provide speculation space that may have some of those uses. He suggested we look at tightening up that language a little bit.

Jim Gilmour said that we should look at the language on the top of page 11 to make sure it contains the wording we intend for significant downtown developments.

Commissioner said that the Policy Review Sub-Committee will meet one more time and forward the policy to the City Commission.

The meeting adjourned at 1:36 p.m., Tuesday, December 27, 2016.