

**FARGO TAX EXEMPT REVIEW COMMITTEE**  
**Tuesday, July 23, 2019 – 1:00 p.m.**  
**City Commission Chambers, Fargo City Hall**

**AGENDA**

1. **Approve Tax Exempt Review Committee meeting minutes of 6/25/2019**
  - a. June 25, 2019 minutes [Page 1-4]
2. **Summary of PILOT Applications**
  - a. Application for 10 year Payment in Lieu of Tax [Page 5]
3. **PILOT Application by DFI BJ, LLC (Kilbourne)**
  - a. Application for 10 year Payment in Lieu of Tax [Page 6-12]
  - b. PILOT “But For” Financial Analysis [Page 13-20]
4. **PILOT Application by Aldevron**
  - a. 10 year Payment in Lieu of Tax [Page 21-27]
5. **Applications for PILOT Transfer to Tzadik Sioux Falls Portfolio III on Woodrow Wilson Apartments**
  - a. Application for Transfer of PILOT on 1222 4 Ave. N.[Page 28-32]
  - b. Application for Transfer of PILOT on 315 University Dr. N.[Page 33-37]
6. **Applications for PILOT Transfer on Block 9 Project**
  - a. Application for Transfer of PILOT to Block 9 SRO, LLC [Page 38-43]
  - b. Application for Transfer of PILOT to Block 9 RDO, LLC [Page 44-49]
  - c. Application for Transfer of PILOT to Block 9 Retail, LLC [Page 50-55]
  - d. Application for Transfer of PILOT to Block 9 Hotel, LLC [Page 56-61]

TAX EXEMPT REVIEW COMMITTEE  
Fargo, North Dakota

**Regular Meeting**

**Tuesday, June 25, 2019**

The June 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, June 25, 2019.

The committee members present or absent are:

Present: Dave Piepkorn, Mayor Tim Mahoney, , Bruce Grubb, Kent Costin, Jim Buus, Jessica Ebeling, John Cosgriff, Jim Gilmour, Ben Hushka, Erik Johnson, Jackie Gapp

Absent: Mark Lemer, Joseph Raso

Others Present: Commissioner Tony Grindberg, Representing the Renaissance Zone Authority were Deb Mathern, Bruce Furness, Cari Luchau, Steve Swiontek, Dean Bresciani, and Chad Peterson.

Larry Nygaard representing Roers Development, Mike Allmendinger representing Kilbourne Group, Holly Hagen

Commissioner Piepkorn called the meeting to order at 1:00 p.m.

A motion was made by Jim Buus to correct the date on and approve the minutes from the January meeting held on January 22, 2019. Bruce Grubb seconded. Motion carried.

**Tax Increment Financing Application by Roers Development**

Jim Gilmour introduced the application submitted by Roers Development, Inc. for tax increment financing. Mr. Gilmour began by summarizing the TIF policy, Payment In Lieu of Tax (PILOT), and Renaissance Zone program. Roers Development is requesting \$950,000 TIF assistance for project, beginning Fall of 2019 and completed in 2021, that consists of 85 rental units and 7 townhomes in connection with the Newman Center (faith-based housing project). The Newman Center project would not receive TIF assistance. The TIF would freeze the value of the block that Roers currently owns (\$1.55 million) for a maximum of 10 years. Mr. Gilmour requested direction from the committee on whether to create a TIF district on Roers property only with the TIF note returned to developer or to include entire block in TIF district (including faith-based housing), but return any tax increment above what would be paid to Roers and use that to support neighborhood housing projects in Roosevelt neighborhood.

Larry Nygaard with Roers Development clarified that Roers is requesting TIF assistance for only their portion in the development of lots 2 & 3 to consist of 85 apartment units and 7 townhomes to be sold in the \$275,000 price range. Mr. Nygaard explained that there has been much discussion to ensure that the neighborhood needs are being accommodated, and that this project has been deemed acceptable by all parties. He also wished to clarify that the Newman center has started their portion of the project, but Roers has not started their portion of the project. Mr. Nygaard noted that 100% of blighted houses will be removed and redeveloped. Mr. Nygaard explained the terms of financing, that although financing has not been finalized yet, they would like to get a 5 year term loan that is 2 years interest only with the balance amortized over 30 years.

Commissioner Grindberg asked for further explanation or additional information from Jim Gilmour for using a larger TIF district to find resources to remove blighted houses in Roosevelt neighborhood. Mr. Gilmour explained that TIF money is eligible for acquisition and demolition of properties and could be used to acquire and demolish dilapidated homes in the Roosevelt neighborhood and make the lots available for new homes to be built. He explained that this used to be a fairly regular practice with the Neighborhood Revitalization Initiative, but has not been active recently due to lack of funds; he hopes that this might be an opportunity to get some funds over the next 10-15 years to take on some of these projects to benefit the neighborhood. Mr. Gilmour said that there is also a possibility of acquiring the townhome lots with a land trust.

Commissioner Piepkorn reminded the committee, from the PFM evaluation, that the developer bears all risk involved with the project and that they've concluded that the project would not be feasible without public assistance.

Jim Buus asked Mr. Nygaard about the site plans for Lot 4. Mr. Nygaard explained that they have committed to building 7 townhomes on lot 3 to be sold and that they are unsure of the demand in that neighborhood in that price range. They left the option to build 4 more town homes on lot 4 if they are successful with the 7 that they have already committed to building.

Chad Peterson asked if this project is necessary based on his understanding of the current vacancy rate. Mr. Nygaard responded that they keep a close eye on and consider vacancy over 30 year period. They are confident that this model of faith-based housing will be successful. Mr. Peterson then asked if the project is successful and vacancy rate is 0%, do we really need to be giving away money to these kind of projects. Commissioner Piepkorn clarified that no money is being given away, but rather taxes are being deferred. Mayor Mahoney asked Dean Bresciani if there has been trouble filling student housing, specifically referencing an apartment building by the Shack. Mr. Bresciani responded that that project is an anomaly in that it wasn't completed on time, but other student housing options closer to campus have sold out before they were even completed.

Mr. Gilmour reviewed the TIF options for either the Roers owned property or to expand the TIF district and use TIF money above and beyond what is returned to the developer to be used for neighborhood improvement projects.

Jim Buus asked about how large the TIF district would be for option 2. Gilmore responded that it would encompass the Roosevelt neighborhood. Commissioner Piepkorn expressed his discomfort at including faith-based housing in TIF district and would prefer to limit the TIF area to the Roers development. Mayor Mahoney brought up that option 2 would be innovative in taking TIF money and improving neighborhood. Jessica Ebeling asked if there was any more information about option 2. Mr. Gilmour said that nothing has been written up but that it would include acquiring more properties. Commissioner Piepkorn stated that the discussion should be about TIF and nothing else. Jim Buus agrees with Mr. Piepkorn that the discussion should regard specific focus of the project and that option 2 is undefined.

Jim Buus moved to approve TIF on Roers property only. Jessica Ebeling seconded. Motion carried.

**PILOT Application by Great Plains Antique Holdings, LLC (Kilbourne)**

Jim Gilmour presented the application for a 15 year PILOT based on 100% for first 5 years, 90% for years 6 & 7, then dropping 10% every year through year 15. The project is 65 apartment units, 90 parking spaces, 4 story structure, \$12.1 million construction cost; project to start in the fall and be completed December of 2020. Mr. Gilmour stated that the financial analysis said the project will not happen without assistance. He said they will continue to pay existing property taxes and PILOT will only apply to any additional property taxes on the improvements.

Ben Hushka explained the amortization calculations; that there are different calculations/tables if county opts out of all or part of the PILOT. He stated that the land is fully taxable, PILOT would apply to improvement value only.

Mayor Mahoney asked about vacancy in downtown Fargo and if there are too many apartments. Mike Almendinger responded that they have not experienced high vacancies in their projects. Mr. Almendinger referred to the InFocus downtown study that said the downtown could sustain 300 more units per year.

Chad Peterson asked how the city judges when these programs have “worked” and if we still need to give more incentives to be downtown. He stated that he supports 5 year incentives, but questions the need for 10-15 year incentives. Jim Buus responded that the Tax Exempt Review Committee discussed that issue quite a bit. He said that the consensus is that we’re still not where we want to be yet. Mr. Buus said that the committee felt that we would continue the incentives in downtown for a few more years and then revisit the issue. Commissioner Piepkorn responded that we haven’t met our goals for downtown yet and that downtown is what makes Fargo unique.

Nicole Crutchfield stated that according to the Downtown InFocus Plan, we are 1/3 of the way in terms of downtown jobs and households being added and the InFocus plan encourages more growth.

Jim Gilmour responded that a recent Harvard study stated more people over \$75,000 income want to rent. Commissioner Piepkorn noted that the developer bears all the risk regarding the project and cannot complete this project without the assistance.

Mayor Mahoney moved to approve PILOT application as proposed. Jim Buus seconded. Motion carried.

**PILOT Application by Great Plains 1001 Holdings, LLC (Kilbourne)**

Jim Gilmour gave an overview of the project. It is the former Nestor site at 10th St. & NP. There will be 5,500sf of commercial space on main floor, 160 apartment units on upper levels, 230 parking spaces, 4 story structure. The project will begin in fall with the first phase completed in late 2020 and the 2<sup>nd</sup> phase to be completed in early 2021. Mr. Gilmour said that the request is for the first 5 years getting the Renaissance Zone Exemption and the next 10 years at 90% exemption for two years and a 10% reduction each year down to 10% exemption in the last year.

Nicole Crutchfield presented that the project meets Renaissance Zone requirements meeting 93 rating points out of 100 for Renaissance Zone approval.

Mike Almendinger explained that this is Kilbourne's largest project thus far with retail or restaurant space on the main floor with 160 units on upper floors and 230 parking spaces total – 55 surface spots and the remaining underground. He said that are working to get retail and a restaurant on the main floor. Mr. Almendinger said they will continue to pay the current tax. He said they submitted all of their financial information for the financial review to determine if the project is feasible without the incentive. He said they feel they need the incentive for the project to be possible. Mr. Almendinger said of the 24 projects Kilbourn has done downtown, there were only three previous ones they asked for a PILOT or a TIF. He said they only ask for them if it is critical to make them happen.

Jessica Ebeling made a motion to approve the application for PILOT subject to the Assessor coordinating with the applicant on the payment calculations prior to Commission action. Bruce Grubb seconded. Motion carried.

**PILOT Application by DFI Kesler, LLC (Kilbourne)**

Application has been continued to the July meeting.

Chad Peterson brought up the fact that he doesn't agree with the long term incentives granted for apartments causing others taxes to increase. He said there is going to be a void during that term because there will need to be additional police and fire protection.

Jessica Ebeling said that the Tax Exempt Review Committee is helping to be a tool to carry out the overall strategic plan of the City. Ms. Ebeling said that until that vision changes, she will continue to vote in support of the forward progress of the City' of Fargo. If that vision changes, that should be a top-down approach.

Bruce Grubb moved to adjourn. Jim Buus seconded. Motion carried.

**TAX EXEMPT REVIEW COMMITTEE APPLICATION SUMMARY**

Scheduled Meeting Date: 7/23/2019

**APPLICATION #1**

<b>Applicant</b>	DFI Kesler, LLC (Kilbourne)
<b>Address</b>	617 & 621 1 <sup>st</sup> Ave N.
<b>Parcel Number</b>	01-2382-00330-000 & 01-2382-00420-000
<b>Project Type</b>	Apartments, retail, and parking
<b>Project Timing</b>	Commencement of operations April 2021
<b>Request</b>	10 Year PILOT on increased value of project
<b>Comments</b>	PILOT Payment structured to retain tax amount currently being paid. Meets existing policy for downtown apartments & significant development

**APPLICATION #2**

<b>Applicant</b>	Aldevron
<b>Address</b>	4055 41 Ave S
<b>Parcel Number</b>	01-2382-02530-000 & 01-2382-02745-000
<b>Project Type</b>	Apartments and commercial development
<b>Project Timing</b>	Commencement of operations late 2020 – early 2021
<b>Request</b>	15 Year PILOT on increased value of project
<b>Comments</b>	Project meets the criteria for primary sector. Received 142.8 points out of required 100 for recommended approval. Standard term for primary sector is 5 years. Applicant is requesting a 10 year term.

**APPLICATION #3 & #4 (Transfer of existing PILOT to new owner group)**

<b>Applicant</b>	Tzadik Sioux Falls Portfolio III, LLC
<b>Address</b>	1222 12 Ave. N. & 315 University Dr. N.
<b>Parcel Number</b>	01-2382-04450-000
<b>Project Type</b>	Apartments, commercial, and parking
<b>Project Timing</b>	Original PILOT approved 8/17/2015
<b>Request</b>	Transfer existing PILOT to new owner.
<b>Comments</b>	20 year PILOT was granted to each building with varying payment schedules. PILOT schedule will begin after expiration of Renaissance Zone exemption.

**APPLICATION #5, #6, #7, & #8 (Transfer of existing PILOT to new owner groups)**

<b>Applicants</b>	Block 9 SRO LLC, Block 9 RDO LLC, Block 9 Retail LLC, Block 9 Hotel LLC
<b>Address</b>	215 Broadway
<b>Parcel Number</b>	01-1520-00823-001, 01-1520-00823-002, 01-1520-00823-003, 01-1520-00823-004, 01-1520-00823-005
<b>Project Type</b>	Commercial office, corporate headquarters, hotel, & retail
<b>Project Timing</b>	Original PILOT approved 5/23/2016
<b>Request</b>	Transfer existing PILOT to new owner.
<b>Comments</b>	20 year PILOT was granted.

RECEIVED

JUL 15 2019

**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

FARGO ASSESSOR

*BY EMAIL FROM JIM GILMORE*

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 DFI BJ LLC

2. Address of project 621 1 AVE N - 617 1 AVE N  
City Fargo County Cass

3. Mailing address of project operator 210 Broadway Suite 300  
City Fargo State ND Zip 58102

4. Type of ownership of project  
 Partnership                       Subchapter S corporation                       Individual proprietorship  
 Corporation                       Cooperative                       Limited liability company

5. Federal Identification No. or Social Security No. 81-3520268

6. North Dakota Sales and Use Tax Permit No. \_\_\_\_\_

7. If a corporation, specify the state and date of incorporation \_\_\_\_\_

8. Name and title of individual to contact Mike Allmendinger  
Mailing address 210 Broadway Suite 300  
City, State, Zip Fargo, ND 58102 Phone No. 701.237.2279

**Project Operator's Application For Tax Incentives**

9. Indicate the tax incentives applied for and terms. Be specific.

**Property Tax Exemption**  
\_\_\_\_ Number of years  
\_\_\_\_ Percent of exemption

**Payments In Lieu of Taxes**  
2027 Beginning year 2036 Ending year  
X 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:  
 New business project                       Expansion of a existing business project

Description of Project Property

11. Legal description of project real property

see attached

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 10/1/2019

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

A six-story mixed-use project with ground floor retail five floors of market-rate apartments and underground parking. This project will be built on three different parking lots, (617/621 1st Ave N & 624 2nd Ave N).

\*\*PILOT application would only apply to the 617/621 1st Ave N parcels.\*\*

c. Projected number of construction employees during the project construction 20

14. Approximate date of commencement of this project's operations April 2021

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

a. Land ..... \$ 176,000

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

c. Newly constructed buildings and structures when completed ..... \$ 7,975,350

d. Total ..... \$ 8,151,350

e. Machinery and equipment ..... \$ 0

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 ..... \$ 7,975,350

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 7,975,350

e. Enter the consolidated mill rate for the appropriate taxing district ..... 288.60

f. Annual amount of the tax exemption (Line d multiplied by line e) ..... \$ 117,623.00



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).

Leasing of residential apartments and commercial space  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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

n/a  
 \_\_\_\_\_  
 \_\_\_\_\_

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
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Annual revenue	<u>1,398,100</u>	<u>1,991,300</u>	<u>2,031,100</u>	<u>2,071,700</u>	<u>2,113,114</u>
Annual expense	<u>471,600</u>	<u>481,000</u>	<u>490,600</u>	<u>500,400</u>	<u>510,408</u>
Net income	<u>926,500</u>	<u>1,510,300</u>	<u>1,540,500</u>	<u>1,571,300</u>	<u>1,602,706</u>

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)	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
No. of Employees	(1) <u>n/a</u>	_____	_____	_____	_____	_____
	(2) _____	_____	_____	_____	_____	_____
Estimated payroll	(1) <u>n/a</u>	_____	_____	_____	_____	_____
	(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).  
 RZ: DFI Loudon 2015; DFI St Marks 2015; DFI 1213 2016; DFI BE (123 Broadway) 2016; DFI Roberts 2017; ; DFI \_\_\_\_\_  
 BA (113 BW) 2020; DFI BC (119 BW) 2020  
 DFI RZ/PILOT: DFI Woodrow 2016; DFI Black 2020; Block 9 Partners 2021

**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  
~~Other mixed use projects located in Fargo~~

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Percentage of Gross Revenue Received Where Underlying Business Has ANY Local Competition 100%

**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

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**Use Only When Reapplying**

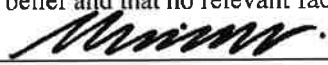
28. The project operator is reapplying for property tax incentives for the following reason(s):

- 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, Michael Allmendinger, 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.

 President 7.9.19  
 Signature Title Date

<b>KESLER PROJECT - SOUTH PARCEL</b>				
<b>Project</b>	<b>DFI BJ LLC</b>		<b>Units</b>	<b>Parking</b>
Project Value	\$7,975,350		41	30
Land Value	\$176,000		<b>Commercial</b>	
Mills	0.2886		5,620	
	<b>Land Taxes</b>	<b>New Taxes</b>	<b>Incentive</b>	<b>Proposed Schedule</b>
Year 1	\$2,414	\$0	PILOT	\$2,908
Year 2	\$2,414	\$0	PILOT	\$2,908
Year 3	\$2,414	\$0	PILOT	\$2,908
Year 4	\$2,414	\$0	PILOT	\$2,908
Year 5	\$2,414	\$0	PILOT	\$2,908
Year 6	\$2,414	\$0	PILOT	\$2,908
Year 7	\$2,414	\$0	PILOT	\$2,908
Year 8	\$2,414	\$0	PILOT	\$2,908
Year 9	\$2,414	\$0	PILOT	\$2,908
Year 10	\$2,414	\$0	PILOT	\$2,908



Parcel #: 01-2381-00420-000

Address: 621 1 AVE N

Lot: T Block: 2 ROBERTS - HAGAMANS SUB LOTS T & U BLK 2 EXC E 8" OF S 100' OF LOT U TOGETHER WITH A STRIP OF LAND 3' WIDE IMMEDIATELY ADJ & RUNNING A LG ENTIRE W SIDE LOT T & STRIP OF LAND 10' WIDE IM MEDIATELY ADJ & RUNNING ACCROSS ENTIRE N END LOTS T & U

Parcel #: 01-2381-00330-000

Address: 617 1 AVE N

Lot: 10 Block: 2 ROBERTS W50' LOTS 10-12 BLK 2 A ND ROBERTS - HAGAMANS SUB E 8" OF S 100' LOT U BLK 2

# City of Fargo, North Dakota

Payment in Lieu of Taxes Program

“But-For” Report

624 2<sup>nd</sup> Avenue North

617/621 1<sup>st</sup> Avenue North

Downtown District

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June 4, 2019



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## Purpose

The purpose of this report is to establish and determine the allowable value of the payment in lieu of taxes (PILOT) tax exemption for DFI Kesler, LLC (the "Developer") (Kilbourne Group).

PFM first reviewed the application/proforma to ensure that appropriate assumptions regarding property value, rent, vacancy, and expenses were used by the Developer. Based on those assumptions, PFM projected a 15-year cash flow, calculating an internal rate of return. The following report details PFM's analysis and conclusions concerning the viability of the proposed project without the subsidy. The proposed project will be an investment of the Developer so PFM also calculated an internal rate of return for the project.





## Project

The project being proposed by DFI Kesler, LLC includes constructing 95 market rate apartment units, retail space, and structured parking at 624 2<sup>nd</sup> Ave N and 617/621 1<sup>st</sup> Ave N. The apartments will range from studio units at approximately 575 square feet to three bedroom units at approximately 1,340 square feet. There will also be structured parking available, as well as retail space. As noted in the previous section, the proposed project is to be an investment property for the Developer.

The Developer has stated that the construction will be completed by April 2021 with occupancy immediately following. The Developer has requested PILOT financing assistance in an amount in excess of \$2.23 million on a present value basis to complete the project. This amount is based on projections of the future tax payments less the projected PILOT payments. Both the estimated tax payments and estimated PILOT payments assume a property value increase of 1.70% per year. This amount assumes five years of 100% exemption, followed by 10 years of 64% exemption.



## Project Financing

The Developer is investing 26% equity, or \$5,570,985, and will be privately financing \$15,750,936. The Developer is additionally requesting PILOT assistance through annual property tax savings. The private financing is estimated to be a 25-year loan at a 5.85% interest rate resulting in an annual principal and interest payment of \$1,243,785.



## Return Analysis

In calculating the internal rate of return, PFM first analyzed the Developer's assumptions including expected monthly rent, vacancy rate, and the operating expenses. The Developer is proposing a rent of \$970 per month for studio units, \$1,300 per month for one bedroom units, \$1,850 per month for two bedroom units, and \$2,100 per month for three bedroom units. The Developer provided estimates of annual operating expenses, as follows; General and Administrative - \$14,396, Marketing - \$71,981, Repairs/Maintenance - \$122,368, Utilities - \$187,151, Property Tax - \$279,835, Insurance - \$4,319, and Management Fee - \$71,384. The total expenses, assuming the Developer pays full real estate taxes, are approximately 38% of gross operating income. PFM used the given assumptions for Year 1 and, using a 2% inflationary factor for expenses and 1.70% for revenues, developed a 15-year cash flow. PFM assumed Year 1 vacancy rate would be 35% for 10 months of the year assuming an April 1 occupancy and 5% beyond Year 1.

The second step in determining the internal rate of return is to determine the earned incremental value of the property over the 15-year period. That value, along with the net operating income cash flows, was used to calculate the internal rate of return. PFM determined that without PILOT assistance the Developer would have about a 7.33% internal rate of return. The Developer would have about a 9.99% internal rate of return if it received the public assistance for the full 15 years. A reasonable rate of return for the proposed project is 10% - 15%.

Another measure of feasibility and project viability is the debt coverage ratio. PFM has projected a maximum debt coverage ratio of 1.29x without assistance in the first 15 years with a Year 4 coverage of 1.00x. If the City provided assistance to the project the maximum debt coverage is projected to be 1.36x with a Year 4 coverage of 1.23x. The minimum coverage of 0.69x occurs in Year 1 when the project is still assumed to be in the rent-up period. Debt coverage is important to developers when securing financing for their projects. Many times banks will require a minimum coverage in the range of 1.10x – 1.50x.

Using PFM's "without assistance" cash flow as the base scenario, PFM ran sensitivity analyses in order to determine if the project would be likely to occur without public assistance. For the first sensitivity analysis, PFM analyzed how much project funds would have to decrease in order to produce a reasonable internal rate of return. We also looked at how much the rental rates would have to fluctuate in order to achieve a reasonable internal rate of return. Lastly, we looked at a combination of the two scenarios. For the sensitivity analyses, we assumed a minimum debt coverage of 1.20x and a minimum internal rate of return of 10.00%.

### Sensitivity Scenario 1 – Project Costs

The project would have to be reduced by \$2,201,921 or 10.3% in order for the project to become viable without assistance. This reduces the amount to be financed from \$15,750,936 to \$14,124,332 and reduces the annual debt service payment from \$1,243,876 to \$1,115,421. It is somewhat unlikely that a reduction in project costs of this magnitude would occur at this stage in the process.

### Sensitivity Scenario 2 – Rental Rates

In order for the project to be viable without public assistance, the rental rate would have to increase by more than 14.6%. This increases annual revenue from \$2,868,887 to \$2,342,694 in Year 5. PFM believes this is a large increase to rents and is unlikely to occur.

### Sensitivity Scenario 3 – Combination of Project Costs and Rental Rates

The final scenario looks at both a reduction of project costs and an increase in rental rates. The analysis showed that project costs would have to be reduced by \$1,121,921 or 5.3% and rental rates would have to increase by 7.2%. Both of these options occurring is unlikely, but it is possible so it should be considered.



The above scenarios show the circumstances in which the project would become viable without public assistance. Based on the information provided PFM's analysis demonstrates that the project as currently anticipated is unlikely to occur "but-for" the public assistance.



## Conclusion

The Developer will bear all the risk involved with the project. The Developer is dependent on a number of factors before and after the project is completed, including project costs, occupancy of the units, the rental market, and monthly expenses. Both the internal rate of return without assistance and the debt service coverages are low. The base scenario without assistance along with the sensitivity analyses demonstrate that the project would likely not be feasible without assistance.

PFM determines that with public assistance, based on 5 years of 100% property tax exemption followed by 10 years of 36% exemption, the Developer's internal rate of return, based on the assumptions outlined in this report, would be 9.99%. Furthermore, the Year 4 debt coverage ratio increases from 1.00x to 1.23x when assistance is provided. Based upon the information provided, the project would not be feasible "but-for" public assistance as it is currently shown by the Developer.



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Application For Property Tax Incentives For New or Expanding Businesses

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

Project Operator's Application To City of 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 Aldevron
2. Address of project Lot 3, Block 1, Woodhaven Plaza Addition
City Fargo County Cass
3. Mailing address of project operator 4055 41st Ave S
City Fargo State ND Zip 58104
4. Type of ownership of project
[ ] Partnership [ ] Subchapter S corporation [ ] Individual proprietorship
[ ] Corporation [ ] Cooperative [x] Limited liability company
5. Federal Identification No. or Social Security No. 45-0451327
6. North Dakota Sales and Use Tax Permit No. 166066
7. If a corporation, specify the state and date of incorporation
8. Name and title of individual to contact Brian Walters
Mailing address 4055 41st Ave S
City, State, Zip Fargo, ND 58104 Phone No. 701-499-7314

Project Operator's Application For Tax Incentives

9. Indicate the tax incentives applied for and terms. Be specific. PILOT based on 5 years at 100%, 5 years at 50%
[ ] Property Tax Exemption [x] Payments In Lieu of Taxes
Number of years 2021 Beginning year 2030 Ending year
Percent of exemption 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:
[x] New business project [x] Expansion of a existing business project

**Description of Project Property**

11. Legal description of project real property

Lot 3, Block 1, Woodhaven Plaza Addition, a Replat of Block 2 of Prairie Tech Addition to the City of Fargo, Cass County, North Dakota

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? 2018

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application 08/15/2019

b. Description of project to be constructed including size, type and quality of construction  
Aldevron will construct a 180,000 square foot, state of the art, clinical and commercial biologics manufacturing facility. The facility will be a concrete tilt-up construction. The project will also include a 20,000 square foot expansion to our current GMP production facility located at the same site.

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

14. Approximate date of commencement of this project's operations Estimated Q1 of 2021

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

a. Land..... \$ 3,000,000

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

c. Newly constructed buildings and structures when completed ..... \$ 43,000,000

d. Total..... \$ 46,000,000

e. Machinery and equipment ..... \$ 26,000,000

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..... \$ 2,150,000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 2,150,000

e. Enter the consolidated mill rate for the appropriate taxing district ..... 288.60

f. Annual amount of the tax exemption (Line d multiplied by line e) ..... \$ 620,490

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).

Aldevron will construct a state of the art biologics manufacturing facility to produce therapeutic products and reagents for biotechnology and pharmaceutical companies worldwide. Products to be manufactured will include plasmid-DNA, mRNA and proteins for a variety of clinical and commercial applications.

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

Aldevron will install biologics manufacturing and analytical equipment including bioreactors, chromatography equipment, analytical instruments and genetic sequencers.

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	13,478,702	14,826,572	16,309,229	17,940,152	19,734,167
Annual expense	10,917,749	12,009,523	13,210,475	14,531,523	15,984,675
Net income	2,560,952	2,817,049	3,098,754	3,408,629	3,749,492

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
315	1	3	22	25	48	6

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) 298	348	378	403		
	(2) 17					
Estimated payroll	(1) 17.8mm	21.2mm	23.4mm	25.4mm		
	(2) 480,000					

(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).  
Presently operating at 3233 15th St S, 3239 15th St S, 3301 S University, 4837 Amber Valley Parkway and 4055 41st Ave S in Fargo as Aldevron. Tax exemption for 4055 41st Ave S received in 2016.

**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  
 \_\_\_\_\_  
 \_\_\_\_\_

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, Brian Walters, 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 CBO Title 6/10/09 Date

<b>Aldewon 2019</b>	
Parcel Number	01-7910-00303-000
Address	4055 41 Ave S
Date Application Received	7/18/2019
1st Publication Date	7/19/2019
2nd Publication Date	7/22/2019
TRC Meeting Date	7/23/2019
Commission Hearing Date	8/12/2019
Notice Delivery To School/Co	7/18/2019
School/County 30-Day Resp	8/15/2019
Exemption Type	PILOT
Estimated Improvements Val	\$43,000,000
Building Value to Remain Tax	\$0
Estimated Land Value	\$3,000,000
County Share of Levy (%)	17.3%
Anticipated Tax Growth	0.0%
Current Mill Levy	288.6
Number of Years Granted	10
Discount Rate (for Present Val	4.50%
Total Gross Estimated Benefit	\$4,653,675
Present Value of Benefit	\$3,157,900

Year	% Bd Ex	PILOT Pymt	Full Bid Tax	Benefit	PV of Benefit	PILOT & Land Tax
2022	100%	\$0	\$620,490	\$620,490	\$693,800	\$43,290
2023	100%	\$0	\$620,490	\$620,490	\$669,200	\$43,290
2024	100%	\$0	\$620,490	\$620,490	\$643,700	\$43,290
2025	100%	\$0	\$620,490	\$620,490	\$620,300	\$43,290
2026	100%	\$0	\$620,490	\$620,490	\$497,900	\$43,290
2027	50%	\$310,245	\$620,490	\$310,245	\$238,200	\$353,535
2028	50%	\$310,245	\$620,490	\$310,245	\$228,000	\$353,535
2029	50%	\$310,245	\$620,490	\$310,245	\$218,200	\$353,535
2030	50%	\$310,245	\$620,490	\$310,245	\$208,800	\$353,535
2031	50%	\$310,245	\$620,490	\$310,245	\$199,800	\$353,535
TOTALS		\$1,551,225	\$6,204,900	\$4,653,675	\$3,816,900	\$1,594,515
Building Tax To Rem		\$0	Current Land Tax	\$43,290		

**CALCULATION OF ADDITIONAL TAX DUE TO COUNTY**

Land Value	Improvment Value	Year	Mill Levy	CO Levy	%	Full Impr. Net Tax to Share Impr Tax
\$3,000,000	\$43,000,000	2022	288.66	49.90	17.3%	\$620,619
\$3,000,000	\$43,000,000	2023	288.66	49.90	17.3%	\$620,619
\$3,000,000	\$43,000,000	2024	288.66	49.90	17.3%	\$620,619
\$3,000,000	\$43,000,000	2025	288.66	49.90	17.3%	\$620,619
\$3,000,000	\$43,000,000	2026	288.66	49.90	17.3%	\$620,619
\$3,000,000	\$43,000,000	2027	288.66	49.90	17.3%	\$620,619
\$3,000,000	\$43,000,000	2028	288.66	49.90	17.3%	\$620,619
\$3,000,000	\$43,000,000	2029	288.66	49.90	17.3%	\$620,619
\$3,000,000	\$43,000,000	2030	288.66	49.90	17.3%	\$620,619
\$3,000,000	\$43,000,000	2031	288.66	49.90	17.3%	\$620,619

County % P.L.T	County Addl P.L.T Co Share Impr Tax	Full Impr. Net Tax to Share Impr Tax	Benefit	PILOT & Tax
\$0	\$107,285	\$107,285	\$513,334	\$150,575
\$0	\$107,285	\$107,285	\$513,334	\$150,575
\$0	\$107,285	\$107,285	\$513,334	\$150,575
\$0	\$107,285	\$107,285	\$513,334	\$150,575
\$0	\$107,285	\$107,285	\$513,334	\$150,575
\$53,631	\$53,654	\$107,285	\$256,720	\$407,189
\$53,631	\$53,654	\$107,285	\$256,720	\$407,189
\$53,631	\$53,654	\$107,285	\$256,720	\$407,189
\$53,631	\$53,654	\$107,285	\$256,720	\$407,189
\$53,631	\$53,654	\$107,285	\$256,720	\$407,189

If County Completely Opted Out









**Application For Property Tax Incentives For  
New or Expanding Businesses**

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

Project Operator's Application To Fargo  
City or County

FARGO ASSESSOR  
BY EMAIL FROM JIM GILWARD

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 Tzadik Sioux Falls Portfolio III, LLC

2. Address of project 1222 4th Ave N  
City Fargo County Cass

3. Mailing address of project operator 11098 Biscayne Boulevard, Suite 203  
City Miami State FL Zip 33161

4. Type of ownership of project  
 Partnership                       Subchapter S corporation                       Individual proprietorship  
 Corporation                       Cooperative                       Limited liability company

5. Federal Identification No. or Social Security No. [REDACTED]

6. North Dakota Sales and Use Tax Permit No. N/A

7. If a corporation, specify the state and date of incorporation DE, 3/12/2019

8. Name and title of individual to contact YueLing Lee, General Counsel  
Mailing address 11098 Biscayne Boulevard, Suite 203  
City, State, Zip Miami, FL 33161 Phone No. (813)957-2394

**Project Operator's Application For Tax Incentives**

9. Indicate the tax incentives applied for and terms. Be specific.

**Property Tax Exemption**                       **Payments In Lieu of Taxes**

\_\_\_\_\_ Number of years                      2018 Beginning year    2038 Ending year  
\_\_\_\_\_ Percent of exemption                      \_\_\_\_\_ 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:  
 New business project                       Expansion of a existing business project

**Description of Project Property**

11. Legal description of project real property

PIN 01-2382-04450-000

Block 45, Roberts 2nd 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? 2017

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application July 2017

b. Description of project to be constructed including size, type and quality of construction  
Recently constructed (2017) apartment building adjacent to the original Woodrow Wilson school.

c. Projected number of construction employees during the project construction n/a - already constructed

14. Approximate date of commencement of this project's operations July 2017

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

a. Land..... \$ 737,360

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

c. Newly constructed buildings and structures when completed ..... \$ 9,125,298

d. Total..... \$ 9,862,658

e. Machinery and equipment ..... \$ 378,000

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..... \$ 456,265

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 456,265

e. Enter the consolidated mill rate for the appropriate taxing district ..... 280.60

f. Annual amount of the tax exemption (Line d multiplied by line e) ..... \$ 130,661.58



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).

Leasing of residential partments and commercial space; completion of parking lot

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

n/a

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
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Annual revenue	<u>714,600</u>	<u>769,200</u>	<u>784,600</u>	<u>800,200</u>	<u>816,200</u>
Annual expense	<u>188,200</u>	<u>191,900</u>	<u>195,800</u>	<u>199,800</u>	<u>203,700</u>
Net income	<u>526,400</u>	<u>577,300</u>	<u>588,800</u>	<u>600,500</u>	<u>612,500</u>

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)	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
No. of Employees	(1) <u>n/a</u>					
	(2) _____					
Estimated payroll	(1) <u>n/a</u>					
	(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).
- ~~#22 This is a transfer of an existing PILOT from DFI Woodrow Wilson LLC~~

**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
- ~~Residential apartments and leased commercial space in the metro area~~
- Percentage of Gross Revenue Received Where Underlying Business Has ANY Local Competition 100 %

**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, Adam Hendry, 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.

Adam Hendry Signature Manager Title 7/8/2019 Date



<b>Value</b>	\$	3,115,000.00	\$	6,499,000.00	\$	9,614,000.00
<b>Taxes</b>	\$	43,610.000	\$	90,986.000	\$	134,596.00

<u>Year</u>		<u>Existing Building</u>		<u>New Buiding</u>		<u>TOTAL</u>
1	\$	-	\$	-	\$	-
2	\$	-	\$	-	\$	-
3	\$	-	\$	-	\$	-
4	\$	-	\$	-	\$	-
5	\$	-	\$	-	\$	-
6	\$	-	\$	-	\$	-
7	\$	-	\$	-	\$	-
8	\$	-	\$	-	\$	-
9	\$	-	\$	-	\$	-
10	\$	-	\$	-	\$	-
11	\$	4,361.00	\$	9,098.60	\$	13,459.60
12	\$	4,361.00	\$	9,098.60	\$	13,459.60
13	\$	4,361.00	\$	9,098.60	\$	13,459.60
14	\$	4,361.00	\$	9,098.60	\$	13,459.60
15	\$	4,361.00	\$	9,098.60	\$	13,459.60
16	\$	4,361.00	\$	9,098.60	\$	13,459.60
17	\$	6,541.50	\$	16,377.48	\$	22,918.98
18	\$	9,594.20	\$	24,566.22	\$	34,160.42
19	\$	13,083.00	\$	31,845.10	\$	44,928.10
20	\$	16,135.70	\$	38,214.12	\$	54,349.82
21	\$	43,610.00	\$	90,986.00	\$	134,596.00
22	\$	43,610.00	\$	90,986.00	\$	134,596.00
23	\$	43,610.00	\$	90,986.00	\$	134,596.00
24	\$	43,610.00	\$	90,986.00	\$	134,596.00
25	\$	43,610.00	\$	90,986.00	\$	134,596.00

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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

FARGO ASSESSOR BY EMAIL FROM JIM GILMOUR

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 Tzadik Sioux Falls Portfolio III, LLC
2. Address of project 315 University Dr N
City Fargo County Cass
3. Mailing address of project operator 11098 Biscayne Boulevard, Suite 203
City Miami State FL Zip 33161
4. Type of ownership of project
[ ] Partnership [ ] Subchapter S corporation [ ] Individual proprietorship
[ ] Corporation [ ] Cooperative [x] Limited liability company
5. Federal Identification No. or Social Security No.
6. North Dakota Sales and Use Tax Permit No. N/A
7. If a corporation, specify the state and date of incorporation DE, 3/12/2019
8. Name and title of individual to contact YueLing Lee, General Cousnel
Mailing address 11098 Biscayne Boulevard, Suite 203
City, State, Zip Miami, FL 33161 Phone No. (813)957-2394

Project Operator's Application For Tax Incentives

9. Indicate the tax incentives applied for and terms. Be specific.
[ ] Property Tax Exemption [x] Payments In Lieu of Taxes
Number of years 2018 Beginning year 2038 Ending year
Percent of exemption 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:
[x] New business project [ ] Expansion of a existing business project

**Description of Project Property**

11. Legal description of project real property

PIN 01-2382-04450-000

Block 45, Roberts 2nd 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? 1917

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application July 2017

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

Renovation of existing Woodrow Wilson building into residential apartments

c. Projected number of construction employees during the project construction n/a - already constructed

14. Approximate date of commencement of this project's operations July 2017

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

a. Land ..... \$ 480,760

b. Existing buildings and structures for which an exemption is claimed..... \$ 4,899,963

c. Newly constructed buildings and structures when completed ..... \$ \_\_\_\_\_

d. Total ..... \$ 5,380,723

e. Machinery and equipment ..... \$ 150,000

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 ..... \$ 244,998

c. Newly constructed buildings and structures when completed ..... \$ \_\_\_\_\_

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 244,998

e. Enter the consolidated mill rate for the appropriate taxing district ..... 280.60

f. Annual amount of the tax exemption (Line d multiplied by line e) ..... \$ 70,160.13

**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).

Leasing of residential apartments and commercial space; completion of parking lot

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

n/a

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	<u>388,600</u>	<u>396,400</u>	<u>404,400</u>	<u>412,500</u>	<u>420,800</u>
Annual expense	<u>94,000</u>	<u>95,900</u>	<u>97,800</u>	<u>99,800</u>	<u>101,800</u>
Net income	<u>274,600</u>	<u>300,500</u>	<u>306,600</u>	<u>312,700</u>	<u>319,000</u>

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) <u>n/a</u>					
	(2) _____					
Estimated payroll	(1) <u>n/a</u>					
	(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).  
~~#22 This is a transfer of an existing PILOT from DFI Woodrow Wilson LLC~~

**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  
~~Residential apartments and leased commercial space in the metro area~~

Percentage of Gross Revenue Received Where Underlying Business Has ANY Local Competition 100 %

**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, Adam Hendry, 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.

Adam Hendry Signature Manager Title 7/8/2019 Date

<u>Value</u>	\$	3,115,000.00	\$	6,499,000.00	\$	9,614,000.00
<u>Taxes</u>	\$	43,610.000	\$	90,986.000	\$	134,596.00

<u>Year</u>		<u>Existing Building</u>		<u>New Buiding</u>		<u>TOTAL</u>
1	\$	-	\$	-	\$	-
2	\$	-	\$	-	\$	-
3	\$	-	\$	-	\$	-
4	\$	-	\$	-	\$	-
5	\$	-	\$	-	\$	-
6	\$	-	\$	-	\$	-
7	\$	-	\$	-	\$	-
8	\$	-	\$	-	\$	-
9	\$	-	\$	-	\$	-
10	\$	-	\$	-	\$	-
11	\$	4,361.00	\$	9,098.60	\$	13,459.60
12	\$	4,361.00	\$	9,098.60	\$	13,459.60
13	\$	4,361.00	\$	9,098.60	\$	13,459.60
14	\$	4,361.00	\$	9,098.60	\$	13,459.60
15	\$	4,361.00	\$	9,098.60	\$	13,459.60
16	\$	4,361.00	\$	9,098.60	\$	13,459.60
17	\$	6,541.50	\$	16,377.48	\$	22,918.98
18	\$	9,594.20	\$	24,566.22	\$	34,160.42
19	\$	13,083.00	\$	31,845.10	\$	44,928.10
20	\$	16,135.70	\$	38,214.12	\$	54,349.82
21	\$	43,610.00	\$	90,986.00	\$	134,596.00
22	\$	43,610.00	\$	90,986.00	\$	134,596.00
23	\$	43,610.00	\$	90,986.00	\$	134,596.00
24	\$	43,610.00	\$	90,986.00	\$	134,596.00
25	\$	43,610.00	\$	90,986.00	\$	134,596.00

June 28, 2019

Jim Gilmour  
Director of Strategic Planning & Research  
City of Fargo  
225 4th Street North  
Fargo, North Dakota 58102

Dear Mr. Gilmour:

Block 9 Partners, LLC has established new entities which will ultimately own the different units (retail, hotel, office, etc.) located in the overall project. In preparation for the eventual transfer of ownership from Block 9 Partners, LLC to these new entities we are requesting the transfer of the PILOT incentive originally approved by the City Commission on March 23, 2016.

Block 9 SOR, LLC will be the new entity owning the spec office portion of the project. We are requesting to transfer and assume the remainder of the already approved PILOT tax payment schedule as is allowed under section 40-57.1.06 of the ND Century Code: "option to make payments in lieu of taxes for the remainder of the exemption or payments in lieu of taxes period."

Please find the attached application, original tax schedule, and business incentive agreement requesting the remainder of the PILOT tax schedule transfer to Block 9 SOR, LLC the new operator of the spec office portion of this project.

Please let me know if there is any additional information needed.

Sincerely,



Bill Nielsen  
Director of Tax  
R.D. Offutt Company

BY EMAIL FROM  
Page 39  
Jim Gilmore

# Application For Property Tax Incentives For New or Expanding Businesses

RECEIVED

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

JUL 15 2019

Project Operator's Application To City of Fargo  
City or County

FARGO ASSESSOR

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 Block 9 SRO, LLC

2. Address of project 215 Broadway N  
City Fargo County Cass

3. Mailing address of project operator 210 Broadway, Suite 300  
City Fargo State ND Zip 58102

4. Type of ownership of project  
 Partnership                       Subchapter S corporation                       Individual proprietorship  
 Corporation                       Cooperative                       Limited liability company

5. Federal Identification No. or Social Security No. 83-1708716

6. North Dakota Sales and Use Tax Permit No. n/a

7. If a corporation, specify the state and date of incorporation \_\_\_\_\_

8. Name and title of individual to contact Bill Nielsen - Director of Tax  
Mailing address P.O. Box 7160  
City, State, Zip Fargo, ND 58106-7160 Phone No. 701-551-5422

## 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>
_____ Number of years	<u>2022</u> Beginning year <u>2042</u> Ending year
_____ Percent of exemption	_____ 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:  
 New business project                       Expansion of a existing business project



Description of Project Property

11. Legal description of project real property

~~Lots 14-21, Block 9, Keeney & Devitts 1st 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 Fall 2018

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

Speculative Office Space within Block 9 Project

Overall Project: Hotel 47,320 SF (125 keys); Amenity - 19,820SF; Office - 103,025SF; Retail; 27,610SF

c. Projected number of construction employees during the project construction 300

14. Approximate date of commencement of this project's operations Fall 2020

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

a. Land..... \$ 675,000

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

c. Newly constructed buildings and structures when completed ..... \$ 39,500,000

d. Total..... \$ 40,175,000

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..... \$ 39,500,000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 39,500,000

e. Enter the consolidated mill rate for the appropriate taxing district ..... 317.32

f. Annual amount of the tax exemption (Line d multiplied by line e) ..... \$ 626,707.00

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).

Speculative Office Space within Block 9 Project

Overall project - Corporate headquarters for R.D. Offutt Company and RDO Equipment Co., hotel with 125 rooms, 27,000 SF ground floor retail. In addition to this application, the project will also construction seven condos, a parking garage, and redesign the existing plaza into a year round public gathering space.

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

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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	see PFM	"but for"	report	_____	_____
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).  
~~Renaissance Zone - R.D. Offutt Company 2003 - 2008; Fort Noks, Inc. 2005 - 2010; Christi Offutt 2005 - 2010; McGovern 2013 - 2014;~~

**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

\_\_\_\_\_

\_\_\_\_\_

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, \_\_\_\_\_, 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 Title Date

**Block Nine, LLC PILOT Tax  
Schedule**

**Value**     \$41,175,000  
**Taxes**     \$626,707

<b><u>Year</u></b>	<b><u>Payment Schedule</u></b>
1	\$ -
2	\$ -
3	\$ -
4	\$ -
5	\$ -
6	\$ -
7	\$ -
8	\$ -
9	\$ -
10	\$ -
11	\$ -
12	\$ -
13	\$ -
14	\$ -
15	\$ -
16	\$ -
17	\$ -
18	\$ -
19	\$ -
20	\$ -

June 28, 2019

Jim Gilmour  
Director of Strategic Planning & Research  
City of Fargo  
225 4th Street North  
Fargo, North Dakota 58102

Dear Mr. Gilmour:

Block 9 Partners, LLC has established new entities which will ultimately own the different units (retail, hotel, office, etc.) located in the overall project. In preparation for the eventual transfer of ownership from Block 9 Partners, LLC to these new entities we are requesting the transfer of the PILOT incentive originally approved by the City Commission on March 23, 2016.

Block 9 RDO, LLC will be the new entity owning the office portion of the project. We are requesting to transfer and assume the remainder of the already approved PILOT tax payment schedule as is allowed under section 40-57.1.06 of the ND Century Code: "option to make payments in lieu of taxes for the remainder of the exemption or payments in lieu of taxes period."

Please find the attached application, original tax schedule, and business incentive agreement requesting the remainder of the PILOT tax schedule transfer to Block 9 RDO, LLC the new operator of the office portion of this project.

Please let me know if there is any additional information needed.

Sincerely,



Bill Nielsen  
Director of Tax  
R.D. Offutt Company

# Application For Property Tax Incentives For New or Expanding Businesses

RECEIVED

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

JUL 18 2019

Project Operator's Application To City of Fargo  
City or County

FARGO ASSESSOR

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 Block 9 RDO, LLC

2. Address of project 215 Broadway N  
City Fargo County Cass

3. Mailing address of project operator 210 Broadway, Suite 300  
City Fargo State ND Zip 58102

4. Type of ownership of project  
 Partnership                       Subchapter S corporation                       Individual proprietorship  
 Corporation                       Cooperative                       Limited liability company

5. Federal Identification No. or Social Security No. 83-1693855

6. North Dakota Sales and Use Tax Permit No. n/a

7. If a corporation, specify the state and date of incorporation \_\_\_\_\_

8. Name and title of individual to contact Bill Nielsen - Director of Tax  
Mailing address P.O. Box 7160  
City, State, Zip Fargo, ND 58106-7160 Phone No. 701-551-5422

## Project Operator's Application For Tax Incentives

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<input type="checkbox"/> <b>Property Tax Exemption</b>	<input checked="" type="checkbox"/> <b>Payments In Lieu of Taxes</b>
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11. Legal description of project real property

~~Lots 14-21, Block 9, Keeney & Devitts 1st Addition~~

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

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

Corporate headquarters for R.D. Offutt Company and RDO Equipment Co.

Overall Project: Hotel 47,320 SF (125 keys); Amenity - 19,820SF; Office - 103,025SF; Retail; 27,610SF

c. Projected number of construction employees during the project construction 300

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

c. Newly constructed buildings and structures when completed ..... \$ 39,500,000

d. Total ..... \$ 40,175,000

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

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e. Enter the consolidated mill rate for the appropriate taxing district ..... 317.32

f. Annual amount of the tax exemption (Line d multiplied by line e) ..... \$ 626,707.00

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17. Type of business to be engaged in:  Ag processing  Manufacturing  Retailing  
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Overall project - Corporate headquarters for R.D. Offutt Company and RDO Equipment Co., hotel with 125 rooms, 27,000 SF ground floor retail. In addition to this application, the project will also construction seven condos, a parking garage, and redesign the existing plaza into a year round public gathering space.

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

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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.

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Current positions & positions added the initial year of project

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No. of Employees	(1) _____	_____	_____	_____	_____	_____
	(2) _____	_____	_____	_____	_____	_____
Estimated payroll	(1) _____	_____	_____	_____	_____	_____
	(2) _____	_____	_____	_____	_____	_____

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



**Previous Business Activity**

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23. Has the project operator conducted this business at this or any other location either in or outside of the state?  
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24. Has the project operator or any officers of the project received any prior property tax incentives?  Yes  No  
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~~Renaissance Zone - R.D. Offutt Company 2003 - 2008; Fort Noks, Inc. 2005 - 2010; Christi Offutt 2005 - 2010; McGovern 2013 - 2014;~~

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

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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:  
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 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, \_\_\_\_\_, 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

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

Block Nine, LLC PILOT Tax  
Schedule

Value      \$41,175,000

Taxes      \$626,707

<u>Year</u>	<u>Payment Schedule</u>
1	\$ -
2	\$ -
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4	\$ -
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6	\$ -
7	\$ -
8	\$ -
9	\$ -
10	\$ -
11	\$ -
12	\$ -
13	\$ -
14	\$ -
15	\$ -
16	\$ -
17	\$ -
18	\$ -
19	\$ -
20	\$ -



Kilbourne Group  
210 Broadway, Suite 300  
Fargo, ND 58102  
p: (701) 237-2279  
e: info@kilbournegroup.com  
www.kilbournegroup.com

July 1, 2019

Jim Gilmour  
Director of Strategic Planning & Research  
City of Fargo  
225 4th Street North  
Fargo, North Dakota 58102

Dear Mr. Gilmour:

Block 9, LLC has established new entities which will ultimately own the different condo units (retail, hotel, office, etc.) located in the overall project. In preparation for the eventual transfer of ownership from Block 9, LLC to these new entities we are requesting the transfer of the PILOT incentive originally approved by the City Commission on March 23, 2016.

DFI Block 9 Retail, LLC will be the new entity owning the retail portion of the project. We are requesting to transfer and assume the remainder of the already approved PILOT tax payment schedule as is allowed under section 40-57.1.06 of the ND Century Code: "option to make payments in lieu of taxes for the remainder of the exemption or payments in lieu of taxes period."

Please find the attached application, original tax schedule, and business incentive agreement requesting the remainder of the PILOT tax schedule transfer to DFI Block 9 Retail, LLC the new operator of the plaza portion of this project.

Please let me know if there is any additional information needed.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Allmendinger'.

Mike Allmendinger  
President

### Application For Property Tax Incentives For New or Expanding Businesses

JUL 15 2019

FARGO ASSESSOR

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

Project Operator's Application To City of 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 DFI Block 9 Retail LLC

2. Address of project 215 Broadway N  
City Fargo County Cass

3. Mailing address of project operator 210 Broadway, Suite 300  
City Fargo State ND Zip 58102

4. Type of ownership of project  
 Partnership                       Subchapter S corporation                       Individual proprietorship  
 Corporation                       Cooperative                       Limited liability company

5. Federal Identification No. or Social Security No. 83-0984554

6. North Dakota Sales and Use Tax Permit No. n/a

7. If a corporation, specify the state and date of incorporation North Dakota - March 29, 2018

8. Name and title of individual to contact Michael Allmendinger  
Mailing address 210 Broadway, Suite 300  
City, State, Zip Fargo, ND 58103 Phone No. 701.237.2279

#### 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>2022</u> Beginning year <u>2042</u> Ending year
<u>          </u> Percent of exemption	<u>          </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:  
 New business project                       Expansion of a existing business project

**Description of Project Property**

11. Legal description of project real property

Lots 14-21, Block 9, Keeney & Devitts 1st 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 Fall 2018

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

27,610SF of ground floor retail located within the Block 9 Project

Overall Project: Hotel 47,320 SF (125 keys); Amenity - 19,820SF; Office - 103,025SF; Retail; 27,610SF

c. Projected number of construction employees during the project construction 300

14. Approximate date of commencement of this project's operations Fall 2020

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

a. Land ..... \$ 675,000

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

c. Newly constructed buildings and structures when completed ..... \$ 39,500,000

d. Total..... \$ 40,175,000

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..... \$ 39,500,000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 39,500,000

e. Enter the consolidated mill rate for the appropriate taxing district ..... 317.32

f. Annual amount of the tax exemption (Line d multiplied by line e) ..... \$ 626,707.00

**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).

Ground floor will house 27,000 SF of new retail

Overall project - Corporate headquarters for RDO Equipment, hotel with 125 rooms. In addition to this application, the project will also construction seven condos, a parking garage, and redesign the existing plaza into a year round public gathering space.

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

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
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Annual revenue	<u>see PFM</u>	<u>"but for"</u>	<u>report</u>		
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)	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
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).  
 RZ: DFI Loudon 2015; DFI St Marks 2015; DFI 1213 2016; DFI BE (123 Broadway) 2016; DFI Roberts 2017; ; \_\_\_\_\_  
 DFI BA (113 BW) 2020; DFI BC (119 BW) 2020 \_\_\_\_\_  
 DFI RZ/PILOT: DFI Woodrow 2016; DFI Black 2020; Block 9 Partners 2021 \_\_\_\_\_

**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  
~~Leased retail space in the City of Fargo and Renaissance Zone~~ \_\_\_\_\_  
 \_\_\_\_\_  
 Percentage of Gross Revenue Received Where Underlying Business Has ANY Local Competition 100 %

**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  
 \_\_\_\_\_  
 \_\_\_\_\_

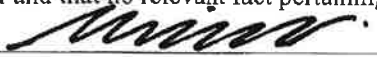
**Use Only When Reapplying**

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, Michael Allmendinger, 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.

 President \_\_\_\_\_ Date \_\_\_\_\_  
 Signature Title

**Block Nine, LLC PILOT Tax  
Schedule**

**Value**      \$41,175,000

**Taxes**        \$626,707

<b><u>Year</u></b>	<b><u>Payment Schedule</u></b>
1	\$ -
2	\$ -
3	\$ -
4	\$ -
5	\$ -
6	\$ -
7	\$ -
8	\$ -
9	\$ -
10	\$ -
11	\$ -
12	\$ -
13	\$ -
14	\$ -
15	\$ -
16	\$ -
17	\$ -
18	\$ -
19	\$ -
20	\$ -





**Kilbourne Group**  
210 Broadway, Suite 300  
Fargo, ND 58102  
p: (701) 237-2279  
e: info@kilbournegroup.com  
www.kilbournegroup.com

July 1, 2019

Jim Gilmour  
Director of Strategic Planning & Research  
City of Fargo  
225 4th Street North  
Fargo, North Dakota 58102

Dear Mr. Gilmour:

Block 9, LLC has established new entities which will ultimately own the different condo units (retail, hotel, office, etc.) located in the overall project. In preparation for the eventual transfer of ownership from Block 9, LLC to these new entities we are requesting the transfer of the PILOT incentive originally approved by the City Commission on March 23, 2016.

Block 9 Hotel, LLC will be the new entity owning the hotel condo of the project. We are requesting to transfer and assume the remainder of the already approved PILOT tax payment schedule as is allowed under section 40-57.1.06 of the ND Century Code: "option to make payments in lieu of taxes for the remainder of the exemption or payments in lieu of taxes period."

Please find the attached application, original tax schedule, and business incentive agreement requesting the remainder of the PILOT tax schedule transfer to Block 9 Hotel, LLC the new operator of the hotel portion of this project.

Please let me know if there is any additional information needed.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Mike Allmendinger'.

Mike Allmendinger  
President

BY EMAIL FROM  
Page 57  
Jim Gilmour

RECEIVED

JUL 15 2019

FARGO ASSESSOR

### Application For Property Tax Incentives For New or Expanding Businesses

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

Project Operator's Application To City of Fargo  
City or County

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City Fargo County Cass

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 Partnership                       Subchapter S corporation                       Individual proprietorship  
 Corporation                       Cooperative                       Limited liability company

5. Federal Identification No. or Social Security No. 83-0754142

6. North Dakota Sales and Use Tax Permit No. n/a

7. If a corporation, specify the state and date of incorporation Delaware / May 10, 2018

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Mailing address 210 Broadway, Suite 300  
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b. Description of project to be constructed including size, type and quality of construction

125 Room Hotel Part of Block 9 Project

Overall Project: Hotel 47,320 SF (125 keys); Amenity - 19,820SF; Office - 103,025SF; Retail; 27,610SF

c. Projected number of construction employees during the project construction 300

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Annual revenue	<u>see PFM</u>	<u>"but for"</u>	<u>report</u>	<u>                    </u>	<u>                    </u>
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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**

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Year	<u>(Before project)</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
No. of Employees	(1) <u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	(2) <u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Estimated payroll	(1) <u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	(2) <u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

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(2) - part time

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I, Michael Allmendinger, 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.

 President \_\_\_\_\_ Date \_\_\_\_\_  
 Signature Title

**Block Nine, LLC PILOT Tax  
Schedule**

Value      \$41,175,000

Taxes        \$626,707

<u>Year</u>	<u>Payment Schedule</u>
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12	\$ -
13	\$ -
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15	\$ -
16	\$ -
17	\$ -
18	\$ -
19	\$ -
20	\$ -