

FARGO TAX EXEMPT REVIEW COMMITTEE
Tuesday, August 27, 2019 – 1:00 p.m.
City Commission Chambers, Fargo City Hall

AGENDA

1. **Approve Tax Exempt Review Committee Meeting Minutes of 7/23/2019**
 - a. July 23, 2019 minutes [Page 1-4]
2. **New Industry Application by Computer Technology Innovations dba Voxtelesys**
 - a. Application for 5 year Exemption [Page 5-11]
3. **PILOT Application by City Flats, LLC for a Low Income Housing Project**
 - a. 15 year Payment in Lieu of Tax [Page 12-21]
4. **Presentation by Fargo Moorhead Economic Development Corporation**
 - a. New/Expanding Business Economic Impact Analysis [Page 22-23]

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, July 23, 2019

The July 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, July 23, 2019.

The committee members present or absent are:

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

Absent: Mark Lemer, Joseph Raso, Jessica Ebeling, Ben Hushka

Others Present: Mike Allmendinger and Mike Zimney representing Kilbourne Group, Brian Walters representing Aldevron, Dan Madler representing Beyond Shelter, Holly Hagen

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

A motion was made by Jim Buus to approve the minutes from the June meeting held on June 25, 2019. John Cosgriff seconded. Motion carried.

PILOT Application by DFI BJ (Kilbourne)

Jim Gilmour presented the application for a 15 year PILOT. The terms of the PILOT would be as follows: there would be a Renaissance Zone exemption for the first 5 years on the full project; for the years 6-15, there would be a \$0 PILOT payment on the south half of the project only; the north half of the project would begin to be fully taxed (based on the value and mill levy) for the years 6-15.

Jim Gilmour explained the memo attached to the application, which states that the PILOT would only be for the south half the building. This is due to a previous TIF district that was created in 2015 to help develop and finance a parking garage downtown; the city entered a public-private partnership with Kilbourne Group to construct the parking garage. The conditions of the public-private partnership agreement are that the north half of the DFI BJ project are only eligible for Renaissance Zone incentives; this is why this PILOT application would only apply to the south half (617/621 1 Ave. N parcels) of the project.

Jim Gilmour further explained how this renewal plan has worked in that they originally had hoped to build at least 400 parking spots and in reality built 454, and they were hoping for \$30 million in private investment but are now actually at \$44 million. The parameters of the original TIF district were 20 years, and they are currently 3 years in. He estimates that when the project and PILOT is complete the property taxes will be over \$600,000 a year. There will be 95 housing units, 85 parking spots, and 13,000 square feet of retail.

Mike Almendinger explained the physical parameters of the project, and highlighted that there will be over \$40 million of private development, more than the original estimate of \$30 million. He

explained there would be a 6 story building that extends from 1st avenue to 2nd avenue with retail and parking on the first floor and additional parking underground.

Commissioner Piepkorn pointed out that there have been intentions to redevelop this area for some time and asked Jim Gilmore to clarify the timeline of the project. Jim Gilmore explained that the project has taken more time than originally thought because of the acquisition of additional properties, making the project grow larger in scope.

Commissioner Piepkorn asked if the project has been reviewed similar to other projects by outside financial advisors. Jim Gilmore explained that it has been reviewed, and they recommended that the project would not be able to take place without the tax assistance. The rate of return is just below 10% and generally investors will not invest in a project unless the rate of return is between 10-15%, so he believes it meets the criteria that they have followed in the past for these projects.

Commissioner Piepkorn asked Mike Almendinger to explain more about rate of return from the investor's standpoint. Mike Almendinger explained that all projects require a significant amount of capital to move forward and to receive financing. Fargo competes regionally and nationally in real estate investments like any other city, which justifies the returns needed to compete for and receive financing.

A motion was made by Jim Buus to approve the application as submitted. John Cosgriff seconded. Motion carried.

PILOT Application by Aldevron

Jim Gilmore presented the application for a 10 year PILOT based on 100% for first 5 years and 50% for years 6-10. They are requesting the PILOT based on job creation. Jim Gilmore reviewed their last PILOT application from 2016, pointing out that, at that time, they anticipated gaining 85 employees and were granted the exemption; they actually created over 200 jobs in three years, surpassing expectations. Their current request is for assistance is based on the expectation that 100 jobs will be created over 3 years, with 50% of the jobs paying over \$58,000/year with the rest ranging between \$30,000-\$58,000, all told it would add \$7.5 million to the payroll. Capital investment is \$43 million, including 180,000 square foot new building and a 20,000 square foot addition to an existing building. When the PILOT expires, the anticipated property tax would be about \$600,000 a year.

Jim Buus requested clarification that Aldevron has previously requested a PILOT in 2016 and is currently on its program, but that this application will apply to new construction only. Jim Gilmore confirmed.

Brian Walters said this project is part of an expansion to build three more buildings, but this project is specifically to expand their clinical and commercial grade production services to manufacture biologic material for biotech and pharmaceutical companies globally.

Mayor Mahoney expressed his support for the project due to the type of work that is being done (in relation to curative medicine), and because they had the opportunity to look into other communities, but chose to expand in Fargo.

Commissioner Piepkorn said he was impressed with the potential addition of high-wage new jobs and asked for more information about this. Brian Walters said that he started with the company 6 years ago, when they only had 45 positions. He said the growth that they've had, specifically with having global headquarters located in Fargo, has allowed them to not only have good manufacturing jobs here, but also positions in quality assurance, quality control, validation, administration, etc. He explained that due to the high demand of their products and services, he expects continued growth for at least another decade based on demand. He said they took a conservative approach on the number of positions and wages expected on their application, but hopes to exceed both.

A motion was made by John Cosgriff to approve the application as submitted. Mayor Mahoney seconded. Motion carried.

Transfer of Existing PILOT to Tzadik Sioux Falls Portfolio III, LLC

Jim Gilmour presented the application to transfer an existing PILOT to a new owner. State law says if a business closes or has a major change in ownership, the PILOT must come back to the city for review and approval. Kilbourne is selling the Woodrow Wilson apartment building and daycare facility in order to make other investments. The terms of the PILOT would remain the same.

Commissioner Piepkorn asked for details regarding the existing terms of the PILOT if available. Jim Gilmore explained that they are currently about 2 years into their 20 year PILOT incentive, running through the tax year 2028. Commissioner Piepkorn clarified that this is just a technicality and requirement for the ownership change.

A motion was made by Jim Buus to approve the application as submitted. Kent Costin seconded. Motion carried.

Transfer of Existing PILOT to Block 9 SRO LLC, Block 9 RDO LLC, Block 9 Retail LLC, Block 9 Hotel LLC

Jim Gilmour presented the application to transfer an existing PILOT. He explained that the original PILOT for the Block 9 Project was approved for the Block 9 Partners and that, although the ownership is remaining the same, it is being split up into four different entities based on use. The terms of the original PILOT are 100% exemption for 20 years and will not change if the PILOT is transferred.

Jim Buus asked if there was a valuation breakout for the four entities done previously based on their projected use or if there is a valuation breakout being done now. Mike Zimney from Kilbourne Group explained that they prorated it based on square footages on their original application.

Jim Gilmour clarified that the Block 9 project also includes 6 condominium units that are not included in the PILOT program and that they will pay property taxes from the first year.

A motion was made by Jim Buus to approve the application as submitted. Kent Costin seconded. Motion carried.

Before adjourning Jim Gilmour pointed out that North Dakota Housing Finance Agency began accepting proposals for affordable housing projects through the low income housing tax credit this week, so he expects to see some applications for exemptions related to these housing proposals. He explained that one of the criteria for being selected for state funding is whether or not there is demonstrated local support for these projects. He explained that the process is competitive and local support is important, because only about 20% of these projects will be approved for state funding. He highlighted that last year, there weren't any approved in Fargo, and he expects three to reapply and one additional to apply for the first time.

Commissioner Piepkorn asked if there was a way the committee or the city could proactively send a letter or something to explain they didn't get any approved last year and would like to see them approved this year. Jim Gilmour explained that letters of support would be helpful. Commissioner Piepkorn expressed to Dan Madler from Beyond Shelter that they would be willing to write a letter or give some sort of city notification to show support.

Commissioner Piepkorn adjourned the meeting.

Application For Property Tax Incentives For New or Expanding Businesses

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

Project Operator's Application To Fargo
City or County

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

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

This application is a public record

Identification Of Project Operator

| | |
|----|--|
| 1. | Name of project operator of new or expanding business <u>Computer Telephony Innovations dba Voxtelesys</u> |
| 2. | Address of project <u>2601 N University Dr</u> City <u>Fargo</u> County <u>Cass</u> |
| 3. | Mailing address of project operator <u>1801 23rd Ave N</u> City <u>Fargo</u> State <u>ND</u> Zip <u>58102</u> |
| 4. | Type of ownership of project <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Subchapter S corporation <input type="checkbox"/> Individual proprietorship <input type="checkbox"/> Corporation <input type="checkbox"/> Cooperative <input type="checkbox"/> Limited liability company |
| 5. | Federal Identification No. or Social Security No. <u>47-0840510</u> |
| 6. | North Dakota Sales and Use Tax Permit No. <u>31062500</u> |
| 7. | If a corporation, specify the state and date of incorporation <u>North Dakota</u> |
| 8. | Name and title of individual to contact <u>Bruce Burke, Owner/Manager</u> Mailing address <u>1801 23rd Ave N</u> City, State, Zip <u>Fargo, ND 58102</u> Phone No. <u>7012648100</u> |

Project Operator's Application For Tax Incentives

| | |
|-----|---|
| 9. | Indicate the tax incentives applied for and terms. Be specific. |
| | <input checked="" type="checkbox"/> Property Tax Exemption <input type="checkbox"/> Payments In Lieu of Taxes <u>5</u> Number of years _____ Beginning year _____ Ending year <u>100%</u> 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: <input type="checkbox"/> New business project <input checked="" type="checkbox"/> Expansion of a existing business project |

Description of Project Property

11. Legal description of project real property
2601 N. University Drive, Fargo, ND 58102 (currently the NDGI building)

Lot:5, Block:1, Airport 1, 05/13/1975 B-J, P-64

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? 1977

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application 10/15/2019

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

~~Remodel 3000 sq ft of an existing grain testing lab and convert into a space suitable for software development engineers, server hosting and software testing. 2500 sq ft is readily available for existing staff to occupy upon purchasing the property.~~

c. Projected number of construction employees during the project construction 3-5

14. Approximate date of commencement of this project's operations 11/30/2019

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

a. Land..... \$ 140000

b. Existing buildings and structures for which an exemption is claimed..... \$ 455000

c. Newly constructed buildings and structures when completed \$ 80000

d. Total..... \$ 675000

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..... \$ 22750

c. Newly constructed buildings and structures when completed..... \$ 4000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 26750

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) \$ 7,720.00

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).

CTI is a telecommunications service and a software development company. In 2018 we partnered with the ND Center of Excellence and NDSU to work on a joint research project. ~~Voxtelesys & the ND Center of Excellence have hired, through NDSU, five software engineers and adding a sixth engineer this month (4 - full-time and 2 - part-time). The grant for this project runs out on May 31, 2020 at which time five of the six NDSU engineers will become employees of Voxtelesys. The project is to combine the current Voxtelesys custom services and make them available through mobile apps.~~

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

~~Computer networking servers and a software development lab. We have outgrown of current office and are in desperate need of additional space. We found a building to purchase that will fit our current and long term plans perfectly. The finished space will meet our current requirement with additional room to add more office space as needed.~~

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>2,450,000</u> | <u>2,700,000</u> | <u>3,000,000</u> | <u>3,500,000</u> | <u>4,000,000</u> |
| Annual expense | <u>2,175,000</u> | <u>2,376,000</u> | <u>2,610,000</u> | <u>3,010,000</u> | <u>3,360,000</u> |
| Net income | <u>275,000</u> | <u>324,000</u> | <u>390,000</u> | <u>490,000</u> | <u>640,000</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 |
|---------------------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|----------------------------|
| 11.5 | | | 1 | 1 | 1 | 5 |

| 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>11</u> | <u>19</u> | <u>22</u> | <u>27</u> | <u>32</u> | <u>40</u> |
| | (2) _____ | _____ | _____ | _____ | _____ | _____ |
| Estimated payroll | (1) <u>770,000</u> | <u>140000C</u> | <u>155000C</u> | <u>183000C</u> | <u>210500C</u> | <u>250000C</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).
We moved our office and State of corporation from Nebraska to North Dakota on 12/31/2015 under the the same name.

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
NO: In regards to software development, we are not aware of any companies in Fargo developing telecommunications switching and billing software.

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, Bruce Burke, 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.

Bruce Burke Owner/Manager 8/12/2019
 Signature Title Date

VoxtelSYS Software Development Services

Examples of custom designed telecommunications applications and services:

Product: Emergency Alert Notification Platform

Description: This started out as a custom design for a business in St. Louis, MO and has developed into a VoxtelSYS marketable API. The MO business provides emergency notification services for municipalities and counties across the country. We developed a multi-media platform with SMS messaging and voice notifications for weather alerts and disaster notifications.

Customer type and location: St. Louis, MO

Product: GEO-Routing Program

Description: Custom routing and reporting software for a media marketing company designed to route calls based on the originating caller location, as opposed to the dialed number. Our client manages inbound marketing campaigns for their customers across the nation. The application is configurable to route calls to multiple call centers based on geographical origination, time-of-day and capacity limitations. This design has proven to work well for insurance providers that have different policies for each State need to respond accordingly based on the callers location.

Customer type and location: Marketing company in CA. & Insurance companies in multiple States.

Product: Cell Number Scrubbing (CNI)

Description: The FCC has issued a TCPA compliance policy to businesses making it illegal to machine dial cell phones. VoxtelSYS developed an application for call centers to identify and block cell phone numbers from their list of numbers with a desktop application or we can block cell numbers on the fly while they are dialing.

Customer type and location: Call Centers across US and International

Product: Disaster Recovery/Advanced Fail-over Routing

Description: This feature is designed for those companies where it is mission critical that they do not miss a single phone call. We created an application that will allow multiple options to connect calls in the event of an Internet outage or disaster situation. If the normal connection path is broken, our app will attempt a second IP, route to another phone line or route to a cell phone. Customers can configure any or all of the options listed.

Customer type and location: Any businesses in US & International

Product: Custom Inbound Voice Response (IVR)

Description: This is a product we developed for another emergency alert company in CA that manages alerts for large utilities on both coasts and the Caribbean. We delivered a high-capacity IVR platform that will handle large spikes of inbound calls during these emergency events.

Customer type and location: Emergency Messaging business in CA

| Exemption Evaluation Calculator 2019 | | | 101.5 |
|---|---------------|--------------------|------------------------|
| CTI dba Voxtelesys | | | Points |
| Project Type Code (Ctrl-C to view) | | | 1 38.0 |
| Current Number Of Employees | | | 11.5 |
| Hourly Salary Without Benefits | # Jobs | | |
| Under \$13.00 | 0 | | |
| \$13.01-\$15.00 | 0 | | |
| \$15.01-\$20.00 | 1 | | |
| \$20.01-\$28.00 | 1 | Pts. For # Jobs-> | 20.0 |
| \$28.01-\$35.00 | 1 | Pts. For \$ Jobs-> | 8.5 |
| Over \$35.00 | 5 | | |
| TOTAL # OF JOBS CREATED | 8 | | |
| % GI w/ Local Competition (not downtown) | | | 0% 25.0 |
| Value of Proposed Buildings | | | \$ 535,000 10.0 |
| Downtown Location (Y/N) | | | N 0.0 |
| Exemption Needed (Y/N) | | | N |
| Startup Firm (Y/N) | | | N 0.0 |
| Has Const Started or Has Bldg Been Occupied If Existing (Y/N) | | | N 0.0 |
| Number of Years (Exemption) | | | 5 |
| Building Age (if substantial renovation) | | | 0 0.0 |
| RECOMMENDATION IS TO APPROVE | | | |
| Description | | | Manufacturing |
| Estimated New Annual Payroll | | | \$527,280 |
| Estimated Annual Real Estate Tax | | | \$12,499 |
| Estimated PV of Exemption | | | \$54,114 |
| Payroll / PV of Exemption | | | 9.7 |
| Property Value / # of Jobs | | | \$ 66,875 |

Code Description

- 1 Manufacturing, remanufacturing or processing of raw material or base product
- 2 Provide products or support services to local original equipment manufacturers
- 3 Primary sector packaging or distribution of a product not manufactured locally
- 4 Packaging or distribution of a product not manufactured locally
- 5 Service industry WITH NO LOCAL COMPETITION that serves a support function of which at least 70% of service is provided outside of a 250 mile radius
- 6 Housing Units under management of the FHRA built solely for low income residents
- 7 LIHTC projects built for low income residents and constructed to specific design specs
- 8 Housing Units built in the Downtown Area Plan
- 9 Projects engaging in new technology research
- 10 Common service (accountants, marketing, developers, legal, etc)
- 11 Facilities that consist of storage-only warehousing.

- 12 Retail projects
- 13 Hotels & motels
- 14 Health Care
- 15 Education

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 <u>City Flats LLC</u> |
| 2. | Address of project <u>1329 5th Avenue North</u> City <u>Fargo</u> County <u>Cass</u> |
| 3. | Mailing address of project operator <u>24 S. Brooke Street</u> City <u>Fond du Lac</u> State <u>WI</u> Zip <u>54935</u> |
| 4. | Type of ownership of project <input type="checkbox"/> Partnership <input type="checkbox"/> Subchapter S corporation <input type="checkbox"/> Individual proprietorship <input type="checkbox"/> Corporation <input type="checkbox"/> Cooperative <input checked="" type="checkbox"/> Limited liability company |
| 5. | Federal Identification No. or Social Security No. <u>application in process</u> |
| 6. | North Dakota Sales and Use Tax Permit No. <u>not applicable</u> |
| 7. | If a corporation, specify the state and date of incorporation <u>Not applicable</u> |
| 8. | Name and title of individual to contact <u>Erin Anderson</u> Mailing address <u>260 Wentworth Avenue E., Suite 130</u> City, State, Zip <u>West St. Paul, MN 55118</u> Phone No. <u>612.791.0496</u> |

Project Operator's Application For Tax Incentives

| | |
|-----|--|
| 9. | Indicate the tax incentives applied for and terms. Be specific. |
| | <input type="checkbox"/> Property Tax Exemption <u> </u> Number of years <u>2021</u> Beginning year <u>2036</u> Ending year <u> </u> Percent of exemption <u> </u> Amount of annual payments (attach schedule if payments will vary) |
| | <input checked="" type="checkbox"/> Payments In Lieu of Taxes |
| 10. | Which of the following would better describe the project for which this application is being made: <input checked="" type="checkbox"/> New business project <input type="checkbox"/> Expansion of a existing business project |

Description of Project Property

11. Legal description of project real property
Lot 1, Block 1, The Edge Addition, Fargo, ND

12. Will the project property be owned or leased by the project operator? [X] 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? [X] 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 September 2019

b. Description of project to be constructed including size, type and quality of construction
City Flats LLC will be a five-story, wood frame constructed apartment building with 42 units, first floor covered parking and surface parking. The site improvements will include significant landscaping and a playground. The apartments will be affordable to residents at 80 percent area income and lower and will be financed through the low-income housing tax credit program. The building will have a mix of 1, 2 and 3

c. Projected number of construction employees during the project construction 90

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

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

a. Land..... \$ 358,200

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

c. Newly constructed buildings and structures when completed \$ 5,700,000

d. Total..... \$ 5,700,000

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) [REDACTED]

b. Eligible existing buildings and structures \$

c. Newly constructed buildings and structures when completed..... \$ 285,000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 285,000

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) \$ 82,251.00

Continuation Sheet to PILOT Application as information is cut off:

Question 13.b. Project description:

City Flats will be a five-story, wood frame constructed apartment building with 42 units, first floor covered parking and surface parking. The site improvements will include significant landscaping and a playground. The apartments will be affordable to residents at 80 percent area income and lower and will be financed through the low-income housing tax credit program. The building will have a mix of 1, 2- and 3-bedroom units.

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).

The proposed use will be an affordable multifamily apartment building which will be operated by the applicant.

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

Not applicable

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 | 284,942 | 290641 | 296454 | 302383 | 308430 |
| Annual expense | 251,980 | 258,540 | 265,239 | 272,177 | 279,299 |
| Net income | 32,962 | 32,101 | 31,194 | 30,205 | 29,131 |

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 |
|---------------------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|----------------------------|
| 0 | | | | 2 | | |

| Year | (Before project) | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-------------------|------------------|--------|--------|--------|--------|--------|
| No. of Employees | (1) | | | | | |
| | (2) | 0 | 2 | 2 | 2 | 2 |
| Estimated payroll | (1) | | | | | |
| | (2) | | 43,000 | 44,290 | 45,619 | 46,987 |

(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).
Payment in Lieu of Taxes for Historic Apartments on 4th in Mandan, ND and The Edge Artist Flats in Fargo, ND

Business Competition

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

If YES, give name and location of competing business or businesses
Other affordable housing LIHTC development in Fargo include Herald Square, Dakota Pioneer Center and Graver Inn.

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

Property Tax Liability Disclosure Statement

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

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

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

Use Only When Reapplying

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

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

Notice to Competitors of Hearing

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

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

 Signature Vice President 8/20/19
Title Date

| | |
|-----------------------------------|---------------------------|
| City Flats LIHTC | Initial Year GI \$379,619 |
| Parcel Number | 01-8680-00100-000 |
| Address | 1329 5 Ave S |
| Date Application Received | 9/14/2018 |
| 1st Publication Date | |
| 2nd Publication Date | |
| TRC Meeting Date | 9/25/2018 |
| Commission Hearing Date | |
| Notice Delivery To School/County | |
| School/County 30-Day Response | |
| Exemption Type | PILOT |
| Estimated Improvements Value | \$5,700,000 |
| Building Value to Remain Taxable | \$0 |
| Current Land Value | \$358,200 |
| Estimated Improvements Value | \$5,700,000 |
| Anticipated Tax Growth | 2.0% |
| Current Mill Levy | 288.60 |
| Number of Years Granted | 15 |
| Discount Rate (for Present Value) | 4.50% |
| Total Gross Estimated Benefit | \$1,112,517 |
| Present Value of Benefit | \$164,400 |

| City Flats LIHTC - With PILOT participation by all taxing entities | | | | | | |
|--|------|------------|------------------|-------------|---------------|-------------|
| Tax Year | % Ex | PILOT Pymt | Full Bldg Tax | Benefit | PV of Benefit | PILOT & Tax |
| 1 | 78% | \$17,919 | \$82,251 | \$64,332 | \$61,600 | \$23,088 |
| 2 | 78% | \$18,278 | \$83,896 | \$65,618 | \$60,100 | \$23,446 |
| 3 | 78% | \$18,643 | \$85,574 | \$66,931 | \$58,700 | \$23,812 |
| 4 | 78% | \$19,016 | \$87,285 | \$68,269 | \$57,200 | \$24,185 |
| 5 | 78% | \$19,396 | \$89,031 | \$69,635 | \$55,900 | \$24,565 |
| 6 | 78% | \$19,784 | \$90,812 | \$71,028 | \$54,500 | \$24,953 |
| 7 | 78% | \$20,180 | \$92,628 | \$72,448 | \$53,200 | \$25,349 |
| 8 | 78% | \$20,583 | \$94,481 | \$73,897 | \$52,000 | \$25,752 |
| 9 | 78% | \$20,995 | \$96,370 | \$75,375 | \$50,700 | \$26,164 |
| 10 | 78% | \$21,415 | \$98,298 | \$76,882 | \$49,500 | \$26,584 |
| 11 | 78% | \$21,843 | \$100,264 | \$78,420 | \$48,300 | \$27,012 |
| 12 | 78% | \$22,280 | \$102,269 | \$79,989 | \$47,200 | \$27,449 |
| 13 | 78% | \$22,726 | \$104,314 | \$81,588 | \$46,000 | \$27,895 |
| 14 | 78% | \$23,180 | \$106,400 | \$83,220 | \$44,900 | \$28,349 |
| 15 | 78% | \$23,644 | \$108,528 | \$84,884 | \$43,900 | \$28,813 |
| TOTALS | | \$309,884 | \$1,422,401 | \$1,112,517 | \$783,700 | \$387,416 |
| Building Tax To Remain | | \$0 | Current Land Tax | \$5,169 | | |

| If County opted out of this incentive, PILOT Pymt + County Addl Share will be the PILOT Payment in addition to Land Tax | | | | | | | | | |
|---|-------------------|-----------------------|-------------------|-----------|-------------|------|-----------|---------------|--|
| County Share PLT | County Addl PILOT | County Share Impr Tax | Full Impr Net Tax | Benefit | PILOT & Tax | % Ex | Benefit | PV of Benefit | |
| \$3,225 | \$10,996 | \$14,222 | \$82,251 | \$53,336 | \$34,084 | 65% | \$19,252 | \$18,400 | |
| \$3,290 | \$10,932 | \$14,222 | \$82,251 | \$53,042 | \$34,378 | 65% | \$18,664 | \$17,100 | |
| \$3,356 | \$10,866 | \$14,222 | \$82,251 | \$52,742 | \$34,678 | 66% | \$18,064 | \$15,800 | |
| \$3,423 | \$10,799 | \$14,222 | \$82,251 | \$52,436 | \$34,983 | 66% | \$17,453 | \$14,600 | |
| \$3,491 | \$10,730 | \$14,222 | \$82,251 | \$52,125 | \$35,295 | 66% | \$16,829 | \$13,500 | |
| \$3,561 | \$10,660 | \$14,222 | \$82,251 | \$51,806 | \$35,613 | 66% | \$16,193 | \$12,400 | |
| \$3,632 | \$10,589 | \$14,222 | \$82,251 | \$51,482 | \$35,938 | 67% | \$15,544 | \$11,400 | |
| \$3,705 | \$10,516 | \$14,222 | \$82,251 | \$51,151 | \$36,269 | 67% | \$14,882 | \$10,500 | |
| \$3,779 | \$10,442 | \$14,222 | \$82,251 | \$50,813 | \$36,606 | 67% | \$14,207 | \$9,600 | |
| \$3,855 | \$10,367 | \$14,222 | \$82,251 | \$50,469 | \$36,951 | 68% | \$13,518 | \$8,700 | |
| \$3,932 | \$10,290 | \$14,222 | \$82,251 | \$50,118 | \$37,302 | 68% | \$12,816 | \$7,900 | |
| \$4,010 | \$10,211 | \$14,222 | \$82,251 | \$49,760 | \$37,660 | 68% | \$12,100 | \$7,100 | |
| \$4,091 | \$10,131 | \$14,222 | \$82,251 | \$49,394 | \$38,026 | 69% | \$11,369 | \$6,400 | |
| \$4,172 | \$10,049 | \$14,222 | \$82,251 | \$49,022 | \$38,398 | 69% | \$10,623 | \$5,700 | |
| \$4,256 | \$9,966 | \$14,222 | \$82,251 | \$48,641 | \$38,778 | 69% | \$9,863 | \$5,100 | |
| TOTALS | \$157,543 | | | \$766,338 | \$544,960 | | \$221,378 | \$164,200 | |

| FULL PARTICIPATION | |
|-------------------------------------|-------------|
| Initial year effective gross income | \$284,942 |
| Gross Income Multiplier | 5.5 |
| Implied Tax Value | \$1,600,000 |
| Projected tax | \$23,088 |
| Less estimated land tax | (\$5,169) |
| PILOT PAYMENT | \$17,919 |
| ESTIMATED LAND TAX | \$5,169 |
| INITIAL YEAR PILOT & RE Tax | \$23,088 |
| PROJECTED VALUE | \$5,700,000 |
| PROJECTED TOTAL TAX | \$82,251 |
| EQUIVILANT % EXEMPT | 78% |

| NO COUNTY PARTICIPATION | |
|-------------------------------------|-------------|
| Initial year effective gross income | \$284,942 |
| Gross Income Multiplier | 5.5 |
| Implied Tax Value | \$1,600,000 |
| Projected tax | \$23,088 |
| Less estimated land tax | (\$5,169) |
| PILOT PAYMENT | \$28,915 |
| ESTIMATED LAND TAX | \$5,169 |
| INITIAL YEAR PILOT & RE Tax | \$34,084 |
| PROJECTED VALUE | \$5,700,000 |
| PROJECTED TOTAL TAX | \$82,251 |
| EQUIVILANT % EXEMPT | 65% - 69% |

| CALCULATION OF ADDITIONAL TAX DUE TO COUNTY | | | | | | | |
|---|-------------------|------|-----------|---------|-------|-------------------|-------------------|
| Land Value | Improvement Value | Year | Mill Levy | CO Levy | % | Full Impr Net Tax | Co Share Impr Tax |
| \$358,200 | \$5,700,000 | 1 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 2 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 3 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 4 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 5 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 6 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 7 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 8 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 9 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 10 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 11 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 12 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 13 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 14 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |
| \$358,200 | \$5,700,000 | 15 | 288.60 | 49.90 | 17.3% | \$82,251 | \$14,222 |

The Edge 2

PROFORMA ANALYSIS
CITY, STATE

79.76

| INCOME | Unit Type | # Units | Rent Rate | 2018 Limit | Annual | Avail. for Utility | Weighted Unit |
|--------------------------------|--|---------|-----------|------------|----------|--------------------|---------------|
| 30% County Median Income | One-Bedroom - Permanent Supportive Housing Trust Fund | 3 | | 466 | - | 466 | 3.00 |
| | Two-Bedroom - Permanent Supportive Housing Trust Fund | 4 | | 560 | - | | |
| | Three- Bedroom - Permanent Supportive Housing Trust Fund | 2 | | 646 | | | |
| | Two Bedroom | 2 | 463 | 560 | 11,112 | 97 | 2.00 |
| 30.95% | Three Bedroom | 2 | 537 | 646 | 12,888 | 109 | 2.58 |
| | One Bedroom | - | 541 | 622 | - | 81 | 0.00 |
| | Two Bedroom | 1 | 650 | 747 | 7,800 | 97 | 1.00 |
| 9.52% | Three Bedroom | 3 | 753 | 862 | 27,108 | 109 | 3.90 |
| | One Bedroom | 4 | 697 | 778 | 33,456 | 81 | 4.00 |
| | Two Bedroom | 2 | 795 | 933 | 19,080 | 138 | 2.580 1BR |
| 50% County Median Income Limit | Three Bedroom | 3 | 875 | 1,078 | 31,500 | 203 | 3.87 2BR |
| | One Bedroom | 8 | 750 | 1,245 | 72,000 | 495 | 10 |
| | Two Bedroom | 4 | 850 | 1,494 | 40,800 | 644 | 5 1BR |
| 21.43% | Three Bedroom | 4 | 1,000 | 1,725 | 48,000 | 725 | Cr/Unit 2BR |
| | Total/Average | 42 | 603 | | 303,744 | | 33.25 3BR |
| Gross Rental | | | | | | | |
| | 100.00% Add: Misc | 5 | /unit | | 2,520 | | |
| | Add: | | /mo | | - | | |
| Net Rental income | | | | | 306,264 | | |
| | Less: Vacancy | 7.00% | | | (21,438) | | (12,992) |
| Effective Gross Income | | | | | 284,826 | | 205,074 |

| EXPENSES | | | | | Utility Allowance | 1BR | 2BR | 3BR |
|--|--------|-------|--|-----------|--------------------------|-----|-------|-----|
| Office/Advertising | 340 | /unit | | 14,280 | | | | |
| Personnel (Site Manager and Maintenance) | 1,024 | /unit | | 43,000 | Heat - Natural Gas | 49 | 55 | 59 |
| Utilities (Sewer/Water, Common Area, Trash) | 857 | /unit | | 39,000 | Cooking - Electric | 4 | 6 | 7 |
| Property Taxes | 1,958 | /unit | | 82,251 | Other Electric | 11 | 14 | 16 |
| Insurance | 349 | /unit | | 14,660 | Air Conditioning | | | |
| Other: Support Services | 571 | /unit | | 20,000 | Water Heating - Electric | 17 | 22 | 27 |
| Repairs & Maint. | 850 | /unit | | 31,500 | Range/Microwave | - | - | - |
| Property Mgmt. | 7% | | | 19,938 | Refrigerator | 0 | - | - |
| Accounting/Audit | 130.95 | | | 5,500 | Total | 81 | 97 | 109 |
| NDHFA Compliance | 35 | /unit | | 2,025 | | | | 616 |
| Replacement Reserve | 400 | /unit | | 16,800 | | | | 547 |
| Total Operating Expenses | 573.32 | /unit | | 288,954 | | | | |
| Expense Ratio | | | | 101% | | | | |
| Expense Per Unit | 573 | PUPM | | 6,880 | | | | |
| NET OPERATING INCOME | | | | (4,128) | | | | |
| Debt Service (Hard) | | | | 27,358 | | | | |
| Debt Coverage | | | | 1.20000 | | | (405) | |
| NOI Available for Debt Service | | | | 27,358.34 | | | | |

| First Mortgage: | |
|----------------------|---------|
| Rate: | 1.000% |
| DCR: | 1.2000 |
| Amort: | 25 |
| Constant | 4.5225% |
| Annual Debt Service: | 27,358 |
| Mortgage Amount | 604,943 |
| Loan to Cost: | 6% |

955,819

| SOFT LOAN: | |
|----------------------|----------|
| Rate: | 3.000% |
| DCR (Combined): | (0.1509) |
| Amort: | 21 |
| Constant | 6.4241% |
| Annual Debt Service: | - |
| Mortgage Amount | - |
| Loan to Cost: | 0% |

SOURCES AND USES OF FUNDS

Sources of Funds

| | | | |
|---------------------------|------------------------|---------------|------------------|
| Equity | | | 6,941,306 |
| First Mortgage | Affordable Flexpace | | 604,943 |
| Other: Soft debt | Housing Incentive Fund | 4.2% | 400,000 |
| Other: City (TIF) | SOFT | | - |
| Other: Housing Trust Fund | SOFT- 30 year deferred | 0.00% | 1,250,000 |
| Other: | | | |
| Total Third Party Sources | | | 9,196,248 |
| FUNDING GAP | | 33.56% | 260,391 |
| TOTAL | | | 9,456,639 |

| | |
|--------|-----------|
| | 776,000 |
| 33.56% | (260,391) |
| | 515,609 |
| DFR | #DIV/0! |

| | | | |
|-----------------|--|-----------|-------------|
| TOTAL USES | | 9,456,639 | 8,206,639 |
| SURPLUS/DEFICIT | | - | 0.867817732 |

Use of Funds

| | Amount | Unit | Cost | 9% Basis | 4% Basis | Fed Hist. | State Hist. |
|---|------------|------------|------------------|-----------|----------|-----------|-------------|
| A. Land & Buildings | | | | | | | |
| Land | - | /unit | 592,467 | - | - | - | - |
| House & Lot | 0% | /unit | - | - | - | - | - |
| Building | | /unit | - | - | - | - | - |
| Subtotal | | | 592,467 | - | - | - | - |
| B. Site Work | | | | | | | |
| Environmental Remediation- In soft costs | - | /unit | - | - | - | - | - |
| Off-site improvements | - | /unit | 50,000 | - | - | - | - |
| Landscaping | - | /unit | 100,000 | - | - | - | - |
| Subtotal | | | 150,000 | - | - | - | - |
| C. Rehab & New Construction | | | | | | | |
| Rehab Construction Costs | | /unit | - | - | - | - | - |
| New Construction | 132,000.00 | /unit | 5,544,000 | 5,544,000 | - | - | - |
| Contingency | | | - | - | - | - | - |
| General Requirements | 5.30% | 301,782 | 301,782 | 301,782 | - | - | - |
| Overhead | 2.00% | 113,880 | 113,880 | 113,880 | - | - | - |
| Contractor P & L | 5.50% | 313,170 | 313,170 | 313,170 | - | - | - |
| Subtotal | 728,832.00 | 149,353 | 6,272,832 | 6,272,832 | - | - | - |
| Construction Contract Amount including Contingency | | 152,924.57 | 6,422,832 | - | - | - | - |
| Land & Hard Cost Subtotal | | 167,031 | 7,015,299 | 6,272,832 | - | - | - |
| D. Architectural | | | | | | | |
| Architect - Design | 3.77% | 4,881 | 175,000 | 175,000 | - | - | 142,778.00 |
| Architect - Supervision | | | 30,000 | 30,000 | - | - | 152,925 |
| Surveying | | | 12,000 | 12,000 | - | - | 10,147 |
| Engineering | | | 25,000 | 25,000 | - | - | 5,95% |
| Geotech | | | 15,000 | 15,000 | - | - | |
| Plan Review | | | 2,500 | 2,500 | - | - | 65,818 |
| Third Party Fees | | | - | - | - | - | 77,480 |
| Subtotal | | | 259,500 | 259,500 | - | - | |

Keep Contingency

5,853,958
568,874
9.7%

142,778.00
152,925
10,147
5.95%

65,818
77,480

| | Amount | Unit | Cost | 9% Basis | 4% Basis | | |
|--|--------|---------|-----------|--------------|----------|-----------|-----------------|
| E. Interim Costs | | | | | | | |
| Contingency | | 5.0% | 321,142 | 321,142 | | | |
| Construction Insurance | | | 24,073 | 24,073 | | | |
| Construction Period Interest | | | 225,000 | 200,000 | | | |
| Construction Loan Fee | | | 60,000 | 60,000 | | | |
| Real Estate Taxes | | | 8,000 | 8,000 | | | |
| Special Inspections | | | 20,000 | 20,000 | | | |
| Subtotal | | | 658,215 | 633,215 | | | |
| | | | | | | | CDC pays Specia |
| F. Financing Fees & Exp. | | | | | | | |
| Permanent Loan Fee | | | 6,049 | - | | | |
| Construction Inspections | | | 10,000 | 10,000 | | | |
| Title & Recording | 0.0030 | | 17,000 | - | | | |
| Other: Syndication Fees | | | 25,000 | - | | | |
| Subtotal | | | 58,049 | 10,000 | | | |
| | | | | | | | |
| G. Soft Costs | | | | | | | |
| Appraisal | | | 8,000 | 8,000 | | | |
| Market Study | | | 6,500 | 6,500 | | | |
| Environmental Assessment & Mitigation | | | 60,000 | 60,000 | | | |
| NDHFA Fees | 1,869 | /unit | 78,500 | - | | | |
| Rent-up Marketing | | | 50,000 | - | | | |
| Cost Certification | | | 15,000 | 15,000 | | | |
| Misc- balancing with application | | | | - | | | |
| Furniture | | | 30,000 | 30,000 | | | |
| Green Communities | | | 23,420 | 23,420 | | | |
| Legal | | | 60,000 | 55,000 | | | |
| Subtotal | | | 331,420 | 197,920 | | | |
| | | | | | | | |
| H. 221(d)(4) Costs | | | | | | | |
| SJC Fees | | | - | - | | | |
| HUD MIP | | | - | - | | | |
| HUD Exam Fee | | | - | - | | | |
| HUD Inspection Fee | | | - | - | | | |
| Subtotal | | | - | - | | | |
| | | | | | | | |
| I. Developer's Fee | | | | | | | |
| Developer's Overhead | | | - | - | | | |
| Developer's Profit | | | 776,000 | 776,000 | | | |
| Other: Consultant - | | | - | - | | | |
| Subtotal | | | 776,000 | 776,000 | | | |
| | | | 0 | | | | |
| J. Development Reserves | | | | | | | |
| Operating Reserve | - | /unit | 158,156 | | | | |
| Housing Trust Fund Reserve | - | | 200,000 | | | | |
| Subtotal | | | 358,156 | - | | | |
| | | | | | | | (26,580) |
| Intermediary Cost Total | | | 2,441,340 | 1,876,635 | 0 | - | |
| TOTAL DEVELOPMENT COST | | 225,158 | 9,456,639 | 8,149,467 | 0 | (200,000) | - |
| Eligible Basis | | | | 8,149,467 | 0 | (200,000) | (200,000) |
| % Low-Income Units (Commercial Space Taken Out of Basis) | | | | 1.00 | | | |
| Minus Housing Trust Fund | | | | 8,149,466.60 | | | |
| Minus Developer Fee | | | | 7,373,467 | | | |
| State Designated Basis Boost (30% Units) | | | | 130.00% | 100.0% | 100.0% | 100.0% |
| Bonus Basis | | | | 9,585,507 | 0 | (200,000) | (200,000) |
| Add Back in Developer Fee | | | | 10,361,507 | | | |
| Rate | | | 932,536 | 9.000% | 3.190% | 20.000% | 0.000% |
| Annual Credit Amount | | 23,459 | 780,000 | \$ 780,000 | \$ 0 | \$ - | \$ - |
| Price | | | | \$ 0.8900 | \$ 0.870 | \$ 0.890 | \$ 0.920 |
| Equity Proceeds | | | 6,941,306 | 6,941,306 | 0 | - | - |

PROJECT FINANCIAL ANALYSIS
15 YEAR PRO FORMA

FOR:

Permanent Loan

| | |
|----------------------|---------|
| Rate: | 1.000% |
| DCR: | 1.200 |
| Amort: | 25 |
| Constant | 4.5225% |
| Annual Debt Service: | 27,358 |
| Mortgage Amount | 604,943 |

| | | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 |
|--|---------|-----------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Rental Income from Units | # Units | Variables | Annual Total | | | | | | | | | | | | | | |
| Average Annual % Inflation | | | 2% | | | | | | | | | | | | | | |
| Average Monthly Rental Rates | | | | | | | | | | | | | | | | | |
| Housing Trust Fund | 8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Two Bedroom | 2 | 463 | 11,112 | 11,334.24 | 11,560.92 | 11,792.14 | 12,027.99 | 12,268.55 | 12,513.92 | 12,764.20 | 13,019.48 | 13,279.87 | 13,545.47 | 13,816.38 | 14,092.70 | 14,374.56 | 14,662.05 |
| Three Bedroom | 2 | 537 | 12,888 | 13,145.76 | 13,408.68 | 13,676.85 | 13,950.39 | 14,229.39 | 14,513.98 | 14,804.26 | 15,100.35 | 15,402.35 | 15,710.40 | 16,024.61 | 16,345.10 | 16,672.00 | 17,005.44 |
| One Bedroom | 4 | 697 | 33,456 | 34,125.12 | 34,807.62 | 35,503.77 | 36,213.85 | 36,938.13 | 37,676.89 | 38,430.43 | 39,199.04 | 39,983.02 | 40,782.68 | 41,598.33 | 42,430.30 | 43,278.90 | 44,144.48 |
| Two Bedroom | 2 | 795 | 19,080 | 19,461.60 | 19,850.83 | 20,247.85 | 20,652.81 | 21,065.86 | 21,487.18 | 21,916.92 | 22,355.26 | 22,802.37 | 23,258.41 | 23,723.58 | 24,198.05 | 24,682.01 | 25,175.65 |
| Three Bedroom | 3 | 875 | 31,500 | 32,130.00 | 32,773 | 33,428 | 34,097 | 34,779 | 35,474 | 36,184 | 36,907 | 37,645 | 38,398 | 39,166 | 39,950 | 40,749 | 41,564 |
| One Bedroom | - | 782 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Two Bedroom | - | 850 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Three Bedroom | - | 975 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| One Bedroom | 8 | 750 | 72,000 | 73,440 | 74,909 | 76,407 | 77,935 | 79,494 | 81,084 | 82,705 | 84,359 | 86,047 | 87,768 | 89,523 | 91,313 | 93,140 | 95,002 |
| Two Bedroom | 4 | 850 | 40,800 | 41,616 | 42,448 | 43,297 | 44,163 | 45,046 | 45,947 | 46,866 | 47,804 | 48,760 | 49,735 | 50,730 | 51,744 | 52,779 | 53,835 |
| Three Bedroom | 4 | 1,000 | 48,000 | 48,960 | 49,939 | 50,938 | 51,957 | 52,996 | 54,056 | 55,137 | 56,240 | 57,364 | 58,512 | 59,682 | 60,876 | 62,093 | 63,335 |
| | 41 | | | | | | | | | | | | | | | | |
| Total Gross Rent Revenue | | | 303,744 | 309,819 | 316,015 | 322,336 | 328,782 | 335,358 | 342,065 | 348,906 | 355,885 | 363,002 | 370,262 | 377,667 | 385,221 | 392,925 | 400,784 |
| Commercial Space- Daycare | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Laundry & Garage Income | 5 | | 2,460 | 2,509 | 2,559 | 2,611 | 2,663 | 2,716 | 2,770 | 2,826 | 2,882 | 2,940 | 2,999 | 3,059 | 3,120 | 3,182 | 3,246 |
| Less Vacancy | 7% | | (21,262) | (21,687) | (22,121) | (22,563) | (23,015) | (23,475) | (23,945) | (24,423) | (24,912) | (25,410) | (25,918) | (26,437) | (26,965) | (27,505) | (28,055) |
| Total Income | | | 284,942 | 290,641 | 296,454 | 302,383 | 308,430 | 314,599 | 320,891 | 327,309 | 333,855 | 340,532 | 347,343 | 354,289 | 361,375 | 368,603 | 375,975 |
| Operating Expenses and Real Estate Taxes | | Per Unit | | | | | | | | | | | | | | | |
| Annual % escalation | | 3% | | | | | | | | | | | | | | | |
| Office/Advertising | | 340 | 14,280 | 14,708 | 15,150 | 15,604 | 16,072 | 16,554 | 17,051 | 17,563 | 18,089 | 18,632 | 19,191 | 19,767 | 20,360 | 20,971 | 21,600 |
| Personnel (Site Manager and Maintenance) | | 1,024 | 43,000 | 44,290 | 45,619 | 46,987 | 48,397 | 49,849 | 51,344 | 52,885 | 54,471 | 56,105 | 57,788 | 59,522 | 61,308 | 63,147 | 65,041 |
| Utilities (Sewer/Water, Common Area, Trash) | | 857 | 39,000 | 40,170 | 41,375 | 42,616 | 43,895 | 45,212 | 46,568 | 47,965 | 49,404 | 50,886 | 52,413 | 53,985 | 55,605 | 57,273 | 58,991 |
| Property Taxes | | 1,958 | 82,251 | 83,896 | 85,541 | 87,219 | 88,930 | 90,674 | 92,453 | 94,266 | 96,115 | 98,001 | 99,923 | 101,883 | 103,881 | 105,919 | 115,373 |
| Property Tax Exemption | | | (64,332) | (65,618.64) | (66,931.01) | (68,269.63) | (69,635.03) | (71,027.73) | (72,448.28) | (73,897.25) | (75,375.19) | (76,882.70) | (78,420.35) | (79,988.76) | (81,588.53) | (83,220.30) | (84,884.71) |
| Insurance | | 349 | 14,660 | 15,100 | 15,553 | 16,019 | 16,500 | 16,995 | 17,505 | 18,030 | 18,571 | 19,128 | 19,702 | 20,293 | 20,902 | 21,529 | 22,175 |
| Other: Support Services | | 571 | 20,000 | 20,600 | 21,218 | 21,855 | 22,510 | 23,185 | 23,881 | 24,597 | 25,335 | 26,095 | 26,878 | 27,685 | 28,515 | 29,371 | 30,252 |
| Repairs & Maint. | | 850 | 31,500 | 32,445 | 33,418 | 34,421 | 35,454 | 36,517 | 37,613 | 38,741 | 39,903 | 41,100 | 42,333 | 43,603 | 44,911 | 46,259 | 47,647 |
| Property Mgmt. | | 0 | 19,938 | 20,536 | 21,152 | 21,787 | 22,440 | 23,113 | 23,807 | 24,521 | 25,257 | 26,014 | 26,795 | 27,599 | 28,427 | 29,279 | 30,158 |
| Accounting/Audit | | 131 | 5,500 | 5,665 | 5,835 | 6,010 | 6,190 | 6,376 | 6,567 | 6,764 | 6,967 | 7,176 | 7,392 | 7,613 | 7,842 | 8,077 | 8,319 |
| NDHFA Compliance | | 35 | 2,025 | 2,086 | 2,148 | 2,213 | 2,279 | 2,348 | 2,418 | 2,490 | 2,565 | 2,642 | 2,721 | 2,803 | 2,887 | 2,974 | 3,063 |
| Replacement Reserve | | 400 | 16,800 | 17,304 | 17,823 | 18,358 | 18,909 | 19,476 | 20,060 | 20,662 | 21,282 | 21,920 | 22,578 | 23,255 | 23,953 | 24,671 | 25,412 |
| Total Operating Expenses | | 6,516 | 224,622 | 231,181 | 237,901 | 244,819 | 251,941 | 259,272 | 266,818 | 274,587 | 282,585 | 290,818 | 299,294 | 308,019 | 317,002 | 326,249 | 334,145 |
| Net Operating Income | | | 60,320 | 59,460 | 58,553 | 57,564 | 56,490 | 55,327 | 54,072 | 52,721 | 51,270 | 49,714 | 48,049 | 46,270 | 44,374 | 42,354 | 32,830 |
| Total Debt Service Payment by Partnership | | | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 | 27,358 |
| Cash Flow | | | 32,962 | 32,101 | 31,194 | 30,205 | 29,131 | 27,969 | 26,714 | 25,363 | 23,912 | 22,355 | 20,690 | 18,912 | 17,015 | 14,996 | 5,472 |
| Accumulated Cash Flow | | | 32,962 | 65,063 | 96,257 | 126,462 | 155,594 | 183,563 | 210,277 | 235,640 | 259,551 | 281,907 | 302,597 | 321,509 | 338,525 | 353,520 | 358,992 |
| Debt Service Coverage - Hard Only | | | 2.20 | 2.17 | 2.14 | 2.10 | 2.06 | 2.02 | 1.98 | 1.93 | 1.87 | 1.82 | 1.76 | 1.69 | 1.62 | 1.55 | 1.20 |

Regarding the economic impact numbers for the Aldevron project, we had Dean Bangsund (research scientist at NDSU in the Dept. of Agribusiness and Applied Economics) prepare economic impact data for the City of Fargo

ECONOMIC IMPACT NARRATIVES

Jobs

Spurred by Aldevron's growth of 105 direct jobs, the FM MSA is projected to grow by 130 indirect and induced jobs.

Payroll

From our model of Aldevron's 105 direct job growth, the 130 indirect and induced jobs constitute a payroll of \$6.4 million. Cumulative payroll of these indirect and induced employees over five years is projected to be \$27.2 million.

Sales

Based on a projection of sales, Aldevron's new building and expansion will spur an increase in annual sales of \$88.9 million for businesses in the FM MSA over the three year project. Cumulative Sales over the next five years will total \$380.8 million.

Tax

From Aldevron's successful new building and expansion the cities and townships in the MSA would see an increase tax revenue of about \$247,000, excluding an approximate value for Aldevron's exempted property taxes. Cumulative tax revenue over the five projected years is \$1,055,000. A cumulative increase in taxes to the cities and townships due to construction, would be about \$468,000 over three years (excluding an approximate value for Aldevron's exempted property taxes).

Construction-Specific (3 Year Construction Impacts)

The impact of the construction projects in the first three years would be generate an additional 100 direct construction jobs and 95 indirect/induced jobs during the construction. In terms of payroll, there would be \$9.2 million each year in payroll during the construction. Increased sales to the regional economy, due to construction, would be \$29.4 million annually during those three years.

METHODOLOGY

Impact from Operations

The 3 year project will add 105 employees and we will be separating these employees into three NAICS codes:

- 621511 Medical Laboratories: 27 jobs*
- 325414 - Biological Product (except Diagnostic) Manufacturing: 50 Jobs*
- 541714 – Research and Development in Biotechnology (except Nanobiotechnology): 28 jobs*

Here's the breakout:

| | Year 1 | Year 2 | Year 3 |
|--|--------|--------|--------|
| 621511 Medical Laboratories | 12 | 7 | 8 |
| 325414 Biological Product (except Diagnostic) Manufacturing | 25 | 15 | 10 |
| 541714 Research and Development in Biotechnology (except Nanobiotechnology) | 13 | 8 | 7 |
| Total | 50 | 30 | 25 |

Impact from Construction

From their application, we can see they are planning for 100 construction employees. We are assuming 100 employees for each of the three years of activity.

Impact from Capital Expenditures

Newly constructed buildings and structures when completed: \$43,000,000 (Divided among years 1-3)

Machinery and equipment: \$26,000,000 (Divided among years 1-3)

Taxes

Since Aldevron will be requesting an exemption from their property taxes, the new building is not included in the analysis. If there is indirect and induced development

Ryan Aasheim

Chief Business Development Officer
Greater Fargo Moorhead EDC