

FARGO TAX EXEMPT REVIEW COMMITTEE
Tuesday, October 22, 2019 – 1:00 p.m.
City Commission Chambers, Fargo City Hall

AGENDA

1. **Approve Tax Exempt Review Committee Meeting Minutes of 8/27/2019**
 - a. August 27, 2019 minutes [Page 1-5]
2. **Remodeling Exemption Application for Former Rosie's Laundromat Building**
 - a. Application For Exemption For Improvements To Building at 701 University Dr. N. [Page 6-9]
3. **Renaissance Zone Development Plan Update**
 - a. Proposed Boundary Changes To Renaissance Zone Plan [Page 10-11]

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, August 27, 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, August 27, 2019.

The committee members present or absent are:

Present: Dave Piepkorn, Mayor Tim Mahoney, Bruce Grubb, John Cosgriff, Jessica Ebeling, Jim Gilmour, Erik Johnson, Jackie Gapp, Ben Hushka, Joseph Raso, Mark Lemer

Absent: Kent Costin, Jim Buus,

Others Present: John Machacek representing Greater Fargo Moorhead EDC, Bruce Burke and Michael Jennings representing Voxtelesys, Erin Anderson representing Commonwealth Development Corporation, Holly Hagen

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

A motion was made by John Cosgriff to approve the minutes from the July meeting held on July 23, 2019. Bruce Grubb seconded. Motion carried.

New Industry Application by Computer Technology Innovations dba Voxtelesys

John Machacek of the Greater Fargo Moorhead EDC introduced the application project and presented information on the company, as he has been working with them to get their primary sector certification approved. They conduct most of their operations out of state (Nebraska), and have decided to expand in Fargo due to Fargo's business friendly environment. He introduced Bruce Burke and Michael Jennings from Voxtelesys.

Burke said they are a software development company that started in Nebraska, working with appointment reminders in the medical field. In 2015, they decided to move their headquarters and corporation to North Dakota and chose Fargo primarily because of access to NDSU graduates. They have partnered with NDSU and the North Dakota Center of Excellence on a research development project. He said they have outgrown their current space and have an opportunity to purchase a building that will give them a space to grow. They plan to increase their employees from 11 to 19, and the additional space will allow them to support this staff, so they don't have to move again.

Ben Hushka stated that they are a primary sector company, which is a requirement for the 5 year exemption and that with the number of jobs they have exceeded the 100 points (101.5) that makes them eligible for approval recommendation.

Commissioner Piepkorn pointed out that the tax exempt review committee promotes new job creation and that some of the positions at Voxtelesys are high-wage positions.

Mayor Mahoney expressed support based on their point valuation.

Piepkorn asked about future employment, as they have projected growth from 11 employees to 19 in year 1, and reaching 40 employees in year 5. He asked if the facility is bigger than their current needs with plans to grow into it.

Burke clarified that they have plans to grow their other location in Nebraska as well, so some of the growth will not be taking place in North Dakota. He said that about 1/3 of the growth will be support staff/accounting type work in Nebraska, with engineering staff growth in North Dakota.

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

PILOT Application by City Flats, LLC for a Low-income Housing Project

Jim Gilmour presented the PILOT application for City Flats, LLC requesting a payment of about 22% of normal tax payment. This building will have restricted rents, so income stream will be lower than a typical apartment building. There are two main reasons why the exemption is needed to make project feasible:

1. Without the exemption, they would be paying \$82,000 in property taxes instead of \$18,000 with the exemption, which would be difficult with lower rents.
2. They are applying for an extremely competitive low-income housing tax credit, of which part of the scoring criteria is local support for the project. They applied last year for this project, but were not approved; however they were encouraged to apply again this year, as they came close. Last year, Cass County opted to not participate, which may have contributed to them not receiving the credit.

Without local support, they're less likely to get the credit/state funding that's crucial to the development of the project, and if they don't get property taxes lowered, it will not be feasible to for them to operate.

Erin Anderson from Commonwealth Development Corporation presented project details. This is the second phase to The Edge Artist Flats, which has been open a month and has seen really strong interest in development. This phase will be a mirror image of the first phase. This is affordable housing for low and moderate income families, ranging from 30% to 80% of area median income, which is a little different from the first phase, which only reaches 60% of the area median income. Some changes were made from the low-income tax credit application they submitted last year in regards to the unit mix, with more three-bedroom units and fewer two-bedroom units; reducing the rent on 80% county median income units in response to feedback from phase 1 lease up; and reducing unit count from 48 to 42 units due to financial feasibility. This phase will have 15 one-bedroom units, 13 two-bedroom units, and 14 three-bedroom units, with rents ranging from \$463 up to \$1000 including utilities; facility is intended to be for mixed incomes. Property tax incentive is critical, as the project would not be able to support a first mortgage with the current income stream/rent levels. North Dakota Housing Finance Agency has noted that this tax incentive is a critical piece for financial feasibility.

Anderson commented that they have encountered soil issues during the first phase and site conditions that make this site unattractive to other developers. It has known contamination and bad soils, so the costs of developing are elevated.

Piepkorn asked if the changes to income levels offer more flexibility and asked Anderson to speak more about this. Anderson responded that this opens a larger market. She mentioned that there are nine units in the second phase dedicated to permanent supportive housing, and that they are working with SENDCAA to evaluate the primary need, whether it be for those with disabilities or those who are homeless. This piece is also critical in getting the application to the state approved; last year most developments funded were 100% supportive housing for seniors. She noted that 40% of the units are for up to 80% median income level instead of 60% median income in the first phase, so there is a larger market, but still at affordable rents.

Piepkorn mentioned that they had discussed at city commission meeting that there is an importance to have different types of housing available in the downtown area. He asked Gilmour that if this PILOT is approved at the city level, if there was something that could be done to help get it approved at the county level. Gilmour responded that it would be valuable to point out that it is a 15 year exemption, which is the same as the affordability period. He noted that last year, the county supported two 20 year exemptions for low-income housing in West Fargo, and suggested that Fargo request equal treatment.

Mayor Mahoney suggested that Cass County misunderstood the initial low-income housing application, and it was presented at a time when there was public discussion about taxes and the commission was not ready to approve a 15 or 20 year exemption at that time. He asked Robert Wilson if they might look at this project differently now that they have more information on this project and how low-income housing tax credits work.

Wilson said that the Cass County commission did not feel they had enough information to make the decision to approve the PILOT at the time. He has reviewed the new application and has specific feedback and questions to elicit more information and address some of the concerns of the commission.

Piepkorn reiterated that this is a low-income housing project and expressed the need for more low-income housing in Fargo.

Anderson requested to obtain the feedback and questions from the Cass County commission to better respond to them, and avoid any similar misunderstandings that may have jeopardized their initial application to the Cass County commission. She reiterated that the average rent is \$600 per unit, so it is unlike other market-rate properties.

Mark Lemer asked what will happen to the property and if the project will be abandoned if the low-income housing tax credit does not get approved. Anderson stated that they are under contract with the Kilbourne Group for the purchase of the land, so if they are not successful in getting the funding, what will happen is ultimately up to the Kilbourne Group. She is unsure if they would be willing to try again or move forward with some other kind of plans for the property.

Mayor Mahoney noted that there is not a lot of state funding available, and hopes that the county would consider this project. He is supportive of this project, because there is a need of three-bedroom units for low-income families as they are often large families.

Gilmour pointed out that without the exemption, property taxes per month per unit would be about \$162, making it difficult to offer low-income housing. He also pointed out that this would be bringing in families and students into the north Fargo schools.

Piepkorn encouraged Cass County commission to recognize Fargo's extensive resources in the form of economic development professionals to evaluate and recommend these projects.

Jessica Ebeling suggested that if Cass County is coming across repeated concerns and questions regarding applications, they should bring them forward as soon as possible to allow the applicants to prepare comprehensive responses.

A motion was made by John Cosgriff to approve the application as submitted with a request to the Cass County commission to reconsider their previous denial. Jessica Ebeling seconded. Motion carried.

Presentation by Fargo Moorhead Economic Development Corporation

Jim Gilmour introduced Joseph Raso of the Greater Fargo Moorhead EDC to present a new expanding business economic impact analysis and provide information on the positive impact of primary sector businesses in Fargo, many of which utilize the tax-exemptions provided and approved by the tax-exempt review committee.

Raso wants to provide insight on the impact to the regional and industry sectors of the primary sector company projects that they bring to the city and county. He explained that there are about 13,000-14,000 businesses in our area, of which 3-5% are trying to distribute their products and services on a national and global level – meaning their revenue is not generated locally, but brings money into our area, so is important to bring in and keep primary sector businesses here. These businesses create tax revenue, but also impact local businesses that “churn the money within the economy.”

To provide an example, Raso explained that from 2014-2018, there was over \$100 million dollars of impact on the construction industry and \$176 million to real estate industry. He stated that the decisions the tax-exempt review committee makes to bring in and keep primary sector businesses in Fargo, do not only support city and government operations, but have induced impact on other sectors.

Mayor Mahoney highlighted the fact that the tax exemptions granted may mean less tax revenue, but still have economic impacts beyond property taxes, as the jobs created bring people in who need places to live, resources, etc. If tax exemptions are granted, property tax revenue may be exempt temporarily, there is still tax revenue and economic growth being created in other ways. He noted that Fargo is growing when a lot of other communities are not, and it would be helpful to see the economic impact of the growth due to bringing in new primary sector businesses.

Raso pointed out the growth is valuable, but also retaining these businesses is also important, because the revenue generated from them continuing business here provides economic stability. Raso used the recent exemption granted to Aldevron as an example, noting that payroll impact, sales tax, general taxes, new construction on their facility and other new construction related to

bringing new jobs cumulatively will bring in about \$5 billion over the course of five years. Continuing to support these primary sector businesses is continuing to support the regional economy.

Piepkorn asked how many of these businesses are organic versus recruited and what the retention rate is for each. Raso responded that about seven out of ten are going to originate here and the remaining 30% is going to be new company development or attraction to the area. He explained that retention is more pertinent than having an attraction strategy and that companies who have their origins here are more likely to continue here. However, if we focus our attraction strategy and target certain businesses based on the assets that our area can provide, we are more likely to have those companies come and stay over time.

Cosgriff stated that the tax-exempt review committee needs to be good partners with new businesses and existing businesses, and they should view property tax exemption as an investment, not as something that is being missed out on. Cosgriff referred to Gilmour on Renaissance Zone value increases since the mid 1990's. Gilmour noted that property values in downtown Fargo have increased from \$200 million to over \$600 million.

Raso reiterated that having conversations and analysis about return on investments is valuable and should continue, as it reflects the city's willingness to work with primary sector businesses and has the potential to attract new business to the city. Jessica Ebeling voiced her support of bringing analysis and models forward to reflect the impact of the tax-exemptions and hopes to revisit this again in the future to continue to show the benefits of the decisions of the tax-exempt review committee. Mark Lemer requested more information on how the economic modeler and analysis works to help substantiate the claims in the analysis.

Commissioner Piepkorn adjourned the meeting.

Application For Property Tax Exemption For Improvements
To Commercial And Residential Buildings

North Dakota Century Code ch. 57-02.2
(File with the local city or township assessor)

Property Identification

1. Name of Property Owner 701 Brews Phone No. 701-793-1975
2. Address of Property 701 North University
City FARGO State ND Zip Code 58103
3. Legal description of the property for which the exemption is being claimed. The West Half of Lot One in Block Seven, of Harwood's Addition to the City of Fargo, Situated in Cass County in ND.
4. Parcel Number 01-1120-0700-000 Residential Commercial Central Business District
5. Mailing Address of Property Owner 824 8th St South
City Fargo State ND Zip Code 58103

Description Of Improvements For Exemption

6. Describe the type of renovating, remodeling or alteration made to the building for which the exemption is being claimed (attach additional sheets if necessary). Restoring original Reston's laundromat building, and adding addition to create a family friendly restaurant
7. Building Permit No. _____ 8. Year Built _____
9. Date of Commencement of making the improvement 9/10/2019
10. Estimated market value of property before improvement \$ 1,450,000
11. Cost of making the improvement (all labor, material and overhead) \$ 4 million
12. Estimated market value of property after improvement \$ 3 million

Applicant's Certification and Signature

13. I certify that the above information is correct to the best of my knowledge and I apply for this exemption.
Applicant's Signature _____ Date 9/27/19

Assessor's Determination

14. The local assessor finds that the improvements in this application has has not met the qualifications for exemption for the following reason(s): _____
Assessor's Signature _____ Date _____

Action of Governing Body

15. Action taken on this application by local governing board of the county or city: Denied Approved
Approval subject to the following conditions:

Remodeling Exemption Guidelines

This exemption provides an incentive to property owners to invest private capital in order to remodel and rehabilitate buildings and structures to prevent the properties from decay. It is at the discretion of the City whether or not to grant this exemption to properties.

This exemption encourages the investment of private capital to improve properties, subsequently encouraging the production of wealth, improving the volume of employment, enhancing living conditions, and preserving and increasing the property tax base.

The standard policy utilized by the City of Fargo in granting the exemption allowed for improvements to property, according to N.D.C.C. Chapter 57-02.2, will be as follows:

Residential & Apartment Property

3 year exemption for value added due to remodeling and additions to buildings 25 years old to 39 years old.

5 year exemption for value added due to remodeling and additions to buildings 40 years old and older.

Commercial Property

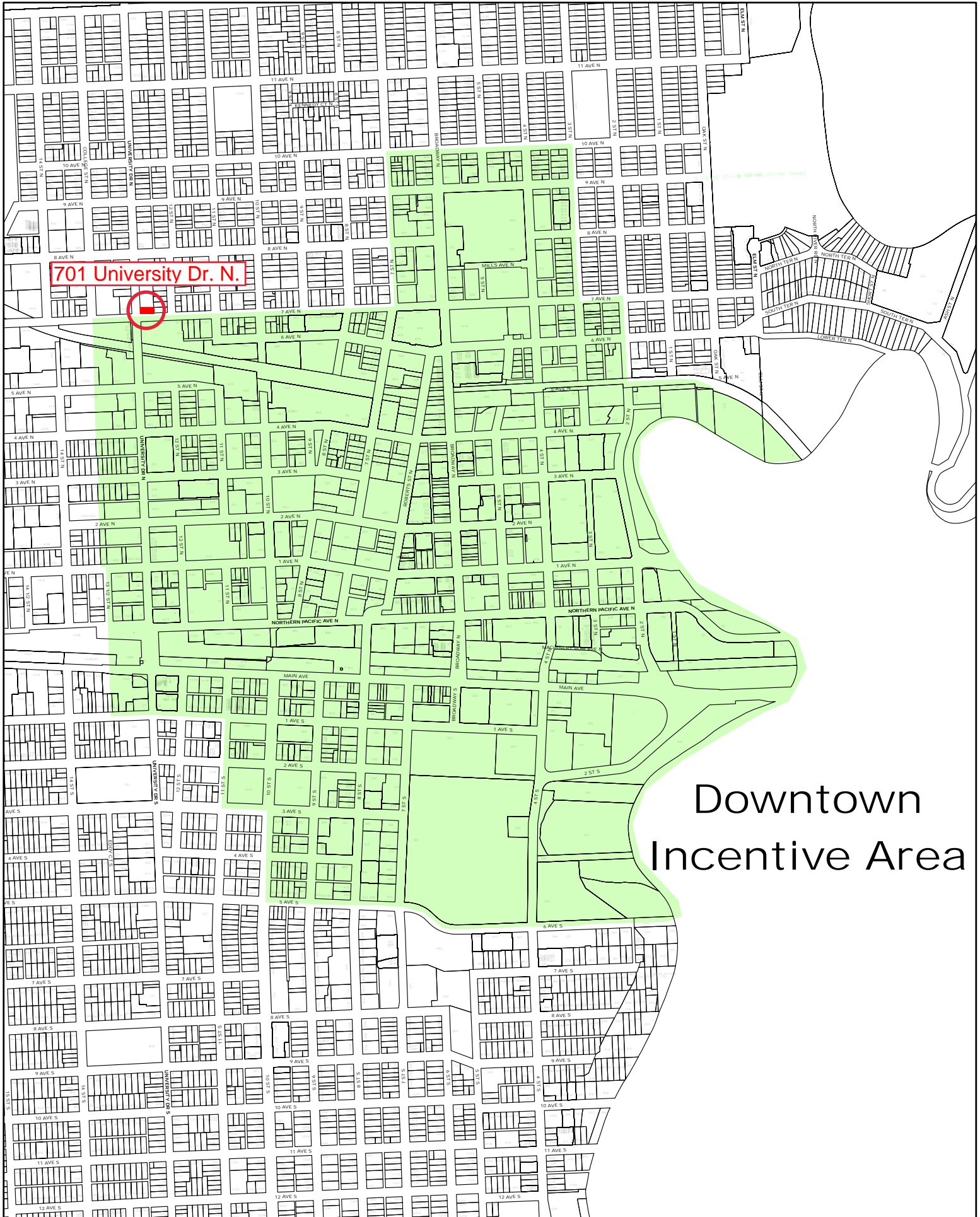
3 year exemption for value added due to remodeling only for all properties outside of the Central Business District and for buildings under 25 years old within the Central Business District.*

5 year exemption for value added due to remodeling and additions to buildings 25 years old and older within the Central Business District.

**Central Business District boundaries are defined in the "Downtown Area Plan".*

TYPE	YRS EMEMPT	BLDG AGE	ELIGIBLE IMPROVEMENT	MISC
Residential & Apartments	3	25-39 Yrs	Remodel & Additions	
Residential & Apartments	5	40 Yrs & Up	Remodel & Additions	
Commercial	3	All	Remodel Only	Outside Central Bus. District
Commercial	3	Thru 24 Yrs	Remodel Only	In Central Business District
Commercial	5	25 Yrs & Up	Remodel & Additions	In Central Business District

- No exemption, under this policy, will be granted for assessment value replaced after a reduction in appraised value has been made by the Assessment Department for value lost due to fire, flood, tornado, or other natural disaster.



701 University Dr. N.


Downtown
Incentive Area

701 Brew



04/30/2018

MEMORANDUM

TO: Tax Exempt Review Committee
FROM: Nicole Crutchfield, Planning Director 
DATE: October 14, 2019
RE: Renaissance Zone Development Plan Update

The Renaissance Zone Authority (RZA) and Planning Department staff is completing the final stages of the Renaissance Zone (RZ) Development Plan update. The first Renaissance Zone Development Plan was approved in 1999 for a 15-year period, with updates required every 5 years. The plan update will provide the development framework of the Renaissance Zone for the next five years, through 2024.

The RZA and staff are currently finalizing components of the plan, including a block-by-block boundary analysis, framework of the plan, and policies and procedures. The proposed update keeps most of the plan intact, with most of the changes connecting the plan with the goals of Downtown InFocus. Attached is the anticipated boundary, which removes removed a completed block (Woodrow Wilson; north of block 44) and adds Block 57, along Main Avenue. Once the plan is completed, a final version will be sent to your Committee.

Below is the anticipated timeline for completion of the plan:

- October 23 – Action on Plan by RZA
- November 4 – Present plan to Cass County Commission
- November 15 – Present plan to School District
- November 18 – Action on Plan by City Commission
- December 2019 – MOU signed by City and state

