



ASSESSMENT DEPARTMENT

**TAX EXEMPT REVIEW COMMITTEE APPLICATION SUMMARY**

**Scheduled Meeting Date: 8/22/2017**

**APPLICATION #1**

<b>Applicant</b>	The Edge Artist Flats, LLC
<b>Address</b>	1321 5 Ave. N.
<b>Parcel Number</b>	01-2340-00511-000
<b>Project Type</b>	Low Income Housing Tax Credit Apartments
<b>Project Timing</b>	Commencement of operations June 2019
<b>Request</b>	15 Year PILOT
<b>Comments</b>	PILOT & land tax equal to the tax on a project value arrived at using a 5.5 Gross Rent Multiplier in initial year. 2% annual inflation factor used in years 2-15.
<b>Policy Concerns</b>	Meets current policy for Low Income Housing Tax Credit apartment projects.

**Current Approved Policy:**

**Low Income Housing**

Qualifying projects under the federal Low Income Housing Tax Credit (LIHTC) program will be considered for a 15 year PILOT according to the following:

- City of Fargo must approve the LIHTC participation.
- PILOT payment schedule will be established based on a value of the project determined by using a gross rent multiplier (GRM) of 5.5–6.5 times the gross rents received from the project imposed by the low income credit program in the initial year.
- An annual inflation factor of 2% will be applied to the PILOT payment schedule.

**RECEIVED**

**AUG 11 2017**

**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

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 The Edge Artist Flats, LLC

2. Address of project 1321 5 Ave N  
City Fargo County Cass

3. Mailing address of project operator 9 Sheboygan Street  
City Fond Du Lac State WI Zip 54935

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. To be applied for - will update upon receipt

6. North Dakota Sales and Use Tax Permit No. Not applicable - no sales

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

8. Name and title of individual to contact Erin Anderson  
Mailing address 213 4th Street, 4th Floor #421  
City, State, Zip St. Paul, MN 55101 Phone No. 612-791-0496

**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                      2020 Beginning year    2035 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

The eastern portion of Parcel A and Parcel B as depicted in the attached preliminary site plan, to be more particularly described by survey at a later date.

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 \_\_\_\_\_

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

The Edge Artist Flats will be a four-story wood frame construction building of average quality with 42 apartment units, first floor covered parking, and surface parking. The site improvements will also include significant landscaping and a playground. The apartments will be affordable to residents at 50 percent area

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

14. Approximate date of commencement of this project's operations June 2019

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

a. Land..... \$ 270,000

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

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

d. Total..... \$ 5,270,000

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..... \$ 250,000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 250,000

e. Enter the consolidated mill rate for the appropriate taxing district ..... 287.51

f. Annual amount of the tax exemption (Line d multiplied by line e) ..... \$ 53,384.00

\*\$71,878 less \$18,484 PILOT payment

**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 a 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
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Annual revenue	<u>283,119</u>	<u>288,781</u>	<u>294,557</u>	<u>300,448</u>	<u>306,457</u>
Annual expense	<u>260,924</u>	<u>267,165</u>	<u>273,589</u>	<u>280,202</u>	<u>287,009</u>
Net income	<u>22,194</u>	<u>21,616</u>	<u>20,968</u>	<u>20,246</u>	<u>19,448</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
0				2		

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>0</u>					
	(2) <u>0</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Estimated payroll	(1) <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	(2) <u>0</u>	<u>48,720</u>	<u>50,182</u>	<u>51,687</u>	<u>53,238</u>	<u>54,835</u>

(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).  
PILOT has been approved by the City of Mandan for La Sagrada Familia Apartments, LLC, dba Historic Apartments on 4th. Property tax incentives have also been received on other properties in other states.

**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 developments in Fargo include Herald Square, Dakota Pioneer Center, and Graver Inn. None of these are operated by the applicant.

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**

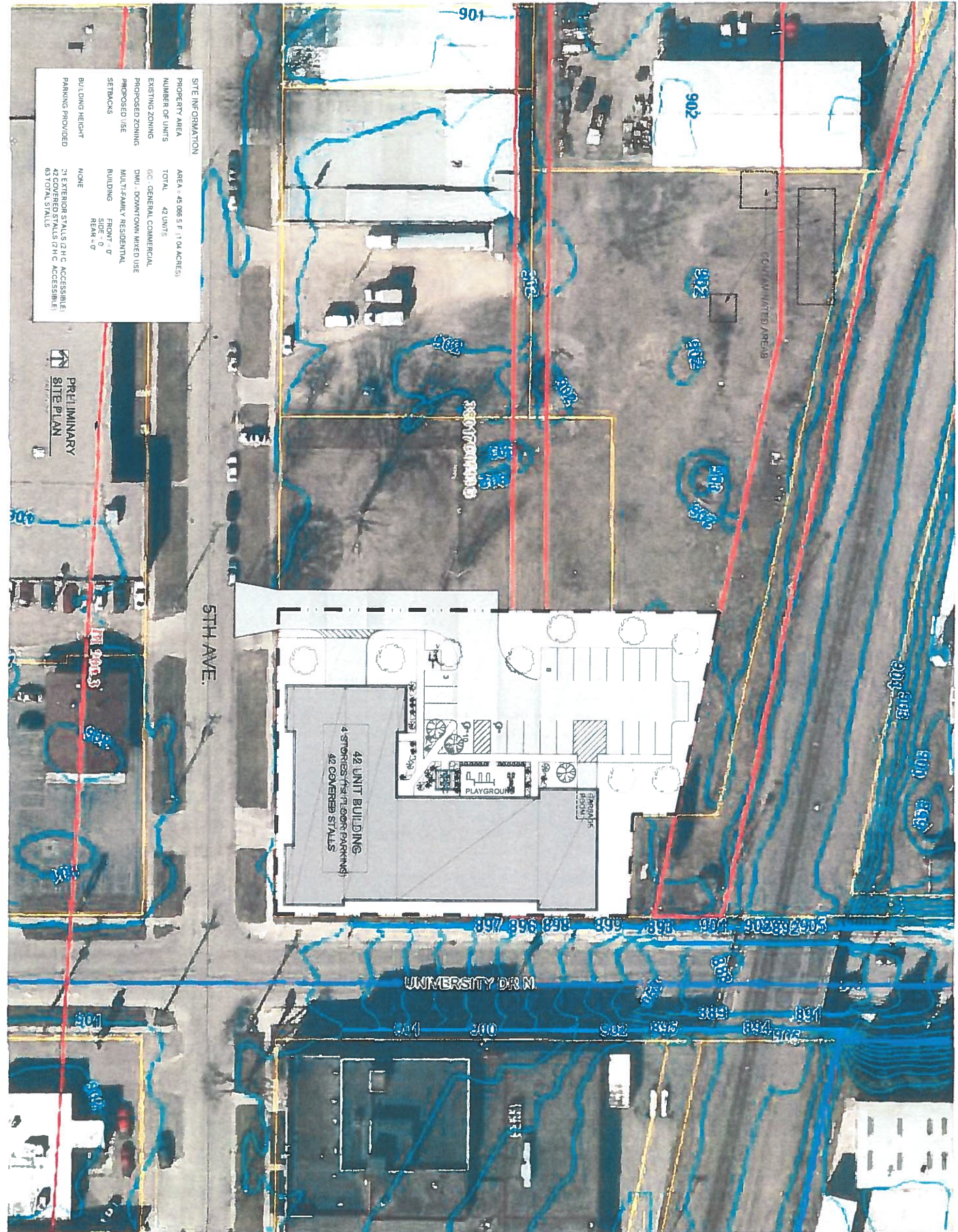
Prior to the hearing, the applicant must present to the governing body of the county or city a copy of the affidavit of publication giving notice to competitors unless the municipality has otherwise determined there are no competitors.

I, Louie A. Lange, III, 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.

Louie A. Lange III  
Signature

President  
Title

8/9/17  
Date



**SITE INFORMATION**

PROPERTY AREA	AREA - 45,066 S.F. (1.04 ACRES)
NUMBER OF UNITS	TOTAL 42 UNITS
EXISTING ZONING	GC - GENERAL COMMERCIAL
PROPOSED ZONING	DMU - DOWNTOWN MIXED USE
PROPOSED USE	MULTI-FAMILY RESIDENTIAL
SETBACKS	BUILDING FRONT: 0' SIDE: 0' REAR: 5'-0'
BUILDING HEIGHT	NONE
PARKING PROVIDED	21 EXTERIOR STALLS (2 H.C. ACCESSIBLE) 42 COVERED STALLS (2 H.C. ACCESSIBLE) 63 TOTAL STALLS

**PRELIMINARY  
SITE PLAN**

PRELIMINARY DRAWING - NOT FOR CONSTRUCTION

2018 © MCA DESIGN, INC.  
JOB NUMBER  
2017.10  
SHEET  
**C10**

NEW DEVELOPMENT FOR  
**FARGO SITE DEVELOPMENT**  
5TH AVE AND UNIVERSITY DR  
FARGO ND



**COMMONWEALTH  
CONSTRUCTION CORPORATION**  
1 EBOYDAN STREET F. RD. DU LAC, WI 54107  
(920) 922-8170 FAX: 92-81-11

**MCA DESIGN, INC**  
25 SOUTH MAIN STREET  
FOND DU LAC, WISCONSIN 54935  
peine@mcaesigninc.net (920) 922-8170

PRELIMINARY SHEET DATES:	10/31/2017
	07/06/2011

Exhibit A

Roughly 50% of the area of Parcel A and B combined to be defined by survey al later date as depicted on the attached site plan

Parcel A:

**Lots Nineteen, Twenty, Twenty-one, Twenty-two, Twenty-three and Twenty-four, inclusive, and the Southerly 40.0 feet of Lots One, Two, Three, Four, Five and Six, in Block Six, of Reeve's Addition to the City of Fargo, Cass County, North Dakota, together with all of the 20 foot wide East-West alley in said Block Six lying contiguous to said Lots.**

Parcel B:

That part of Lots 1, 2, 3, 4, 5 and 6, all of Lots 7, 8 and 9 and that part of the vacated alley, all in Block 6, REEVE'S ADDITION to the City of Fargo, according to the recorded plat thereof on file and of record in the office of the Recorder, Cass County, North Dakota, and that part of vacated 6th Avenue North lying north of said Block 6, described as follows:

Commencing at an iron monument which designates the southeast corner of said Block 6; thence North 02 degrees 25 minutes 39 seconds West on an assumed bearing along the east line of said Block 6 for a distance of 200.00 feet to an iron monument at the northeast corner of a certain tract of land as described in Quit Claim Deed Document Number 964352, recorded September 6, 2000, on file and of record in the office of said Recorder, the point of beginning of the land to be described; thence continuing North 02 degrees 25 minutes 39 seconds West along the east line of said Block 6 for a distance of 11.85 feet to an iron monument; thence North 89 degrees 59 minutes 43 seconds West for a distance of 60.49 feet to an iron monument; thence North 02 degrees 26 minutes 57 seconds West for a distance of 50.40 feet to an iron monument on a line 50.00 feet southerly of the centerline of the railroad tracks of the Burlington Northern Santa Fe Railroad, as measured at a right angle to and parallel with said railroad tracks; thence North 80 degrees 17 minutes 53 seconds West along said line 50.00 feet southerly of and parallel with said railroad tracks for a distance of 262.72 feet to an iron monument; thence continuing northwesterly along said line 50.00 feet southerly of and parallel with said railroad tracks, on a tangential curve concave to the north having a radius of 2914.93 feet and a central angle of 02 degrees 41 minutes 28 seconds for an arc distance of 136.91 feet to an iron monument on the northerly extension of the west line of said Lot 9; thence South 02 degrees 21 minutes 15 seconds East along said northerly extension of the west line of said Lot 9, the west line of said Lot 9 and the southerly extension of the west line of said Lot 9 for a distance of 201.30 feet to an iron monument on the centerline of the vacated alley in said Block 6; thence North 87 degrees 39 minutes 03 seconds East along the centerline of said vacated alley for a distance of 150.23 feet to an iron monument on the west line of said tract of land as described in Quit Claim Deed Document Number 964352; thence North 02 degrees 22 minutes 43 seconds West along the west line of said tract of land for a distance of 50.00 feet to an iron monument at the northwest corner of said tract of land; thence North 87 degrees 39 minutes 03 seconds East along the north line of said tract of land for a distance of 300.42 feet to the point of beginning.

CITY OF FARGO ASSESSMENT DEPARTMENT

<b>Edge Artist Flats LIHTC</b>	
<b>Parcel Number</b>	01-2340-00511-000
<b>Address</b>	1321 5 Ave N
<b>Date Application Received</b>	
<b>1st Publication Date</b>	
<b>2nd Publication Date</b>	
<b>TRC Meeting Date</b>	8/22/2017
<b>Commission Hearing Date</b>	
<b>Exemption Type</b>	PILOT
<b>Estimated Improvements Value</b>	\$5,000,000
<b>Anticipated Tax Growth</b>	2.0%
<b>Current Mill Levy</b>	287.51
<b>Number of Years Granted</b>	15
<b>Discount Rate (for Present Value)</b>	4.50%
<b>Total Gross Estimated Benefit</b>	\$923,182
<b>Present Value of Benefit</b>	\$650,300

	PILOT Pymt	Pot. Taxes Due	Benefit	PV of Benefit	PILOT & Tax
2020	\$18,494	\$71,878	\$53,383	\$51,100	\$22,383
2021	\$18,864	\$73,315	\$54,451	\$49,900	\$22,753
2022	\$19,241	\$74,781	\$55,540	\$48,700	\$23,130
2023	\$19,626	\$76,277	\$56,651	\$47,500	\$23,515
2024	\$20,019	\$77,803	\$57,784	\$46,400	\$23,907
2025	\$20,419	\$79,359	\$58,940	\$45,300	\$24,308
2026	\$20,827	\$80,946	\$60,118	\$44,200	\$24,716
2027	\$21,244	\$82,565	\$61,321	\$43,100	\$25,132
2028	\$21,669	\$84,216	\$62,547	\$42,100	\$25,557
2029	\$22,102	\$85,900	\$63,798	\$41,100	\$25,991
2030	\$22,544	\$87,618	\$65,074	\$40,100	\$26,433
2031	\$22,995	\$89,371	\$66,376	\$39,100	\$26,884
2032	\$23,455	\$91,158	\$67,703	\$38,200	\$27,344
2033	\$23,924	\$92,981	\$69,057	\$37,300	\$27,813
2034	\$24,403	\$94,841	\$70,438	\$36,400	\$28,291
TOTALS	\$823,252	\$1,746,434	\$923,182	\$650,500	
Annual Land Tax	\$3,889	(\$270,500 Estimated Land Value - 45,086SF @ 6.00/SF)			



PROJECT FINANCIAL ANALYSIS  
15 YEAR PRO FORMA

FOR:

<b>Permanent Loan</b>	
Rate:	5.750%
DCR:	1.000
Amort:	30
Constant	7.0029%
Annual Debt Service:	42,850
Mortgage Amount	611,892

			<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>
<b>Rental Income from Units</b>	# Units	Variables	Annual Total														
Average Annual % Inflation		2%															
Average Monthly Rental Rates																	
One-Bedroom	7	100	8,400	8,568.00	8,739.36	8,914.15	9,092.43	9,274.28	9,459.76	9,648.96	9,841.94	10,038.78	10,239.55	10,444.34	10,653.23	10,866.30	11,083.62
Two Bedroom	2	441	10,584	10,795.68	11,011.59	11,231.83	11,456.46	11,685.59	11,919.30	12,157.69	12,400.84	12,648.86	12,901.84	13,159.87	13,423.07	13,691.53	13,965.36
Three Bedroom	2	514	12,336	12,582.72	12,834.37	13,091.06	13,352.88	13,619.94	13,892.34	14,170.19	14,453.59	14,742.66	15,037.52	15,338.27	15,645.03	15,957.93	16,277.09
One Bedroom	7	595	49,980	50,979.60	51,999.19	53,039.18	54,099.96	55,181.96	56,285.60	57,411.31	58,559.54	59,730.73	60,925.34	62,143.85	63,386.72	64,654.46	65,947.55
Two Bedroom	15	795	143,100	145,962.00	148,881.24	151,858.86	154,896.04	157,993.96	161,153.84	164,376.92	167,664.46	171,017.75	174,438.10	177,926.86	181,485.40	185,115.11	188,817.41
Three Bedroom	7	922	77,448	78,996.96	80,577	82,188	83,832	85,509	87,219	88,963	90,743	92,558	94,409	96,297	98,223	100,187	102,191
<b>Total Gross Rent Revenue</b>			301,848	307,885	314,043	320,324	326,730	333,265	339,930	346,728	353,663	360,736	367,951	375,310	382,816	390,473	398,282
Commercial Space- Daycare			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry & Garage Income	5		2,400	2,448	2,497	2,547	2,598	2,650	2,703	2,757	2,812	2,868	2,926	2,984	3,044	3,105	3,167
Less Vacancy	7%		(21,129)	(21,552)	(21,983)	(22,423)	(22,871)	(23,329)	(23,795)	(24,271)	(24,756)	(25,252)	(25,757)	(26,272)	(26,797)	(27,333)	(27,880)
<b>Total Income</b>			283,119	288,781	294,557	300,448	306,457	312,586	318,838	325,214	331,719	338,353	345,120	352,022	359,063	366,244	373,569
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)		1,160	48,720	50,182	51,687	53,238	54,835	56,480	58,174	59,919	61,717	63,569	65,476	67,440	69,463	71,547	73,693
Utilities (Sewer/Water & Common Area )		833	35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667	47,037	48,448	49,902	51,399	52,941
Property Taxes		600	22,383	22,753	23,130	23,515	23,907	24,308	24,716	25,132	25,557	25,991	26,433	26,884	27,344	27,813	28,291
Insurance		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
Other: Support Services		-	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563
Repairs & Maint.		850	35,700	36,771	37,874	39,010	40,181	41,386	42,628	43,906	45,224	46,580	47,978	49,417	50,900	52,427	53,999
Property Mgmt.		0	17,471	17,995	18,535	19,091	19,664	20,254	20,862	21,487	22,132	22,796	23,480	24,184	24,910	25,657	26,427
Accounting/Audit		-	6,500	6,695	6,896	7,103	7,316	7,535	7,761	7,994	8,234	8,481	8,735	8,998	9,267	9,545	9,832
NDHFA Compliance		35	1,520	1,566	1,613	1,661	1,711	1,762	1,815	1,869	1,925	1,983	2,043	2,104	2,167	2,232	2,299
Replacement Reserve		350	14,700	15,141	15,595	16,063	16,545	17,041	17,553	18,079	18,622	19,180	19,756	20,348	20,959	21,587	22,235
<b>Total Operating Expenses</b>		4,568	218,074	224,315	230,739	237,352	244,159	251,168	258,382	265,807	273,453	281,324	289,426	297,766	306,353	315,192	324,292
<b>Net Operating Income</b>			<b>65,044</b>	<b>64,466</b>	<b>63,818</b>	<b>63,096</b>	<b>62,298</b>	<b>61,418</b>	<b>60,456</b>	<b>59,407</b>	<b>58,266</b>	<b>57,029</b>	<b>55,694</b>	<b>54,256</b>	<b>52,710</b>	<b>51,052</b>	<b>49,278</b>
Debt Service on First Mortgage Loan			42,850	42,850	42,850	42,850	42,850	42,850	42,850	42,850	42,850	42,850	42,850	42,850	42,850	42,850	42,850
Cash Flow			22,194	21,616	20,968	20,246	19,448	18,568	17,606	16,557	15,416	14,179	12,844	11,406	9,860	8,202	6,428
Accumulated Cash Flow			22,194	43,810	64,778	85,024	104,471	123,040	140,646	157,202	172,618	186,798	199,642	211,048	220,908	229,110	235,537
<b>Debt Service Coverage - Hard Only</b>			1.52	1.50	1.49	1.47	1.45	1.43	1.41	1.39	1.36	1.33	1.30	1.27	1.23	1.19	1.15