

**EDIC MEETING
With Renaissance Zone Authority**

**Tuesday, March 22, 2022 – 1:00 p.m.
City Commission Chambers, Fargo City Hall**

AGENDA

- 1. Proposals for 419 3rd Street North**
- 2. Proposals for 401 3rd Ave North**

**AGENDA
Economic Development Incentive Committee**

- 1. Approve EDIC Meeting Minutes of 02/25/2022**
 - February 22, 2022 [Page 1-4]
- 2. Request for Tax Increment Financing [Page 5-7]**
- 3. Committee Membership**

ECONOMIC AND DEVELOPMENT INCENTIVE COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, February, 2022

The February meeting of the Economic and Development Incentive Committee of the City of Fargo, North Dakota was held in the City Commission Room at City Hall at 1:00 p.m., Tuesday, February 22, 2022.

The committee members present or absent are:

Present: Dave Piepkorn, Mayor Tim Mahoney, John Cosgriff, Jessica Ebeling, Jim Gilmour, Deb Mathern, Arlette Preston, Prakash Mathew, Michael Splonskowski

Absent: Jim Buus, Levi Bachmeier, Bruce Grubb, Kent Costin, Erik Johnson, Jackie Gapp, Joe Raso, Robert Wilson, Dean Brescani, Chad Peterson, Steve Swiontek, Reid Middaugh, and Nancy Morris.

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

Economic Incentive Program White Paper

- Collin McAweeney (TischlerBise)
- 4 Tasks
 - Task 1: Project Initiation
 - Task 2: Preparation of a White Paper on Economic Development Incentives
 - Task 3: Develop Economic Impact Model
 - Task 4: Implement Develop Economic Impact Model
- Focused on Task # 2
- Current Policies
 - Renaissance Zone
 - 5 1/2 % in property value
 - 28 future sites, potential over 1 million square feet of development
- Special Assessment Finance
 - Unique public strategy
 - Capital burdens shifted to city
 - Allows builders to not front load costs.
- Case Studies/Comparable Cities
 - Dubuque, Iowa- Waterfront Development
 - Paducah, Kentucky- Targeting Talent and Land Banking
 - Fargo has a more comprehensive incentive program
- Recommendations
 - Fargo has a robust and thoughtful incentive program
 - Continue Renaissance Zone and Special Infrastructure Financing programs
 - Target high multiplier, sales tax generators

- Time limitations for incentive programs
- Remove new construction residential housing exemption (2 year exemption)
- Explore new parking opportunities, land banking and waterfront development programs.
- Questions:
 - Mayor Tim Mahoney: Fargo drops 2 year exemption, can Fargo lose out on market share?
 - The market for Fargo drives these incentives and people want to be in Fargo.
 - Jessica Ebeling: How much of this project was done with prime vs. secondary research?
 - 50/50
- Steps going forward
 - Receive & file report
 - Train on how on the TischlerBise Economic Model
 - Implement
- Commission will receive and file at 5:00pm

No motion

419 3rd St North-

- 2 proposals for this site from Authentic Housing and Kilbourne Group
- Old Health Department Building
- Fred Eoff- from PFM
 - Multi-housing project constructed without dedicated parking
 - Low-income tax credit- element of 1986 Tax Act
 - 90% of the newly constructed lower income building nationwide
- Authentic Housing
 - What this did not give the city:
 - Did not produce a preliminary commitment from a lender
 - Companion preliminary letter from equity lender/investor
 - Market study that identifies how this property fits into market place.
- Questions:
 - Mayor Mahoney: if we were getting a housing study done this year would that answer the elements that they would have to request on the housing analysis?
 - Yes, it would fill that need.
 - Arlette Preston: In experience with other communities without dedicated parking, does it get to be a big issue?
 - A building like this without dedicating parking is unusual.
 - Other projects are done in an area with a major hub.
 - Readily available mixed transportation usually surrounds these projects. Mass transit is usually available too.

A motion was made by Mayor Mahoney to draft Authentic Housing Authority to work with the Housing Authority to work on the Barel Project to which both parties would be able to come forward. John Cosgriff seconded motion.

4 YES / 3 NO. Motion approved.

A motion was made by Mayor Mahoney moved to a 3 week delay for Authentic Housing Authority to respond to a request. Deb Mathern seconded, the motion.

5 YES / 1 NO. Motion passed. A meeting will be set in 3 weeks to discuss this.

A motion was made by Dave Piepkorn to approve the minutes from January 25, 2022. John Cosgriff seconded, motion carries.

Dakota Specialty Milling

- Bryan Hendricks
- \$8 million investment. \$4 million building. \$4 million equipment (Large oven equipment)
- 5 year exemption request at 100% on the extra 40,000 square feet expansion
- Approved for PILOT exemption in 2016
 - Exemption expired and is now reapplying
 - Still the same project but would add value.

A motion was made by Jessica Ebeling to approve the Dakota Milling Property Tax Incentive for Dakota Specialty Milling. John Cosgriff seconded, motion carries.

J Street Properties

- Matt- PFM Recommendation
- 1418 1st Ave & 19 14 ½ St N
- 90 units, 4-story unit multi-family project with enclosed parking for 92 vehicles plus additional parking for 21 vehicles
- \$1.25 million TIFF over 10 years
- Developer investing 20% about \$3 million
- Internally Rate of Return with TIFF is 9%. Without TIFF is 5.58%
- For a project of this size a reasonable rate of return is 10-15%
- Project to begin in Spring of this year
- Mark Bjornstad- now owns property as of 12/3/2021 stated clean up with start when TIFF is approved and when the weather warms up.

A motion was made by Mayor Mahoney to approve. John Cosgriff seconded, motion carries.

The meeting was adjourned at 2:52 pm.

March 16th, 2022

Jim Gilmour, Director of Strategic Planning & Research

City of Fargo

225 4th St N

Fargo, ND 58102

RE: TIF Application

West End Development

Fargo, ND

Mr. Gilmour,

West Acres Development, LLC, HJ Development Inc., and Alliance Management Group, LLC are excited to present this letter of application for Tax Increment Financing for the proposed mixed-use project, West End. The project is located on the former site of Herberger's at the West Acres mall, a structure that has sat vacant and is encumbered with asbestos. The subject property is located at 3940 13th Ave, South.

Agent Information

Jon Casper

Alliance Management Group, LLC

1700 42nd St. S, Suite #2000

Fargo, ND, 58103

(701) 893-8005

jonathan@berggroupnd.com

Project Overview

- Project Location
 - 3940 13th Avenue South. Fargo, North Dakota 58103.
- Ownership Group
 - Alliance Management Group, LLC
 - West Acres Development, LLC
 - HJ Development Inc

- Project Description
 - Mixed use property with approximately 160 multifamily units, 51,500 square feet of retail space, 9,300 square feet of amenity space, 225 enclosed residential parking stalls, and the potential to include up to 40,000 square feet of either office and/or hospitality space. Project is also likely to reconfigure traffic flow from the mall's entrance off of 13th Ave, South.
 - Multifamily Unit Matrix (number of each unit type):
 - Studio: 7
 - Alcove: 23
 - One Bedroom: 65
 - One Bedroom + Den: 19
 - Two Bedroom: 40
 - Two Bedroom + Den: 6
- Projected Schedule
 - Expected to begin construction in the spring of 2023. Construction will be complete by the summer of 2025. Asbestos removal and subsequent demolition of the existing structure will begin in the summer of 2022.

Summary Financial Information

- Estimated Project Cost
 - \$56,621,057
- Project Bank Financing
 - Formal proposals are currently being acquired by development team.
 - Assumed 75% loan-to-value with a 5–10 year term, interest rate in the 4.00-4.50% range.
- Pro Forma
 - Complete pro forma is being finalized by development team.
- TIF Request
 - Approximately \$6.5MM
- Proposed Rents/Unit Type:
 - Studio: \$875/mo.
 - Alcove: \$925/mo.
 - One Bedroom: \$1,150/mo.
 - One Bedroom + Den: \$1,175/mo.
 - Two Bedroom: \$1,650/mo.
 - Two Bedroom + Den: \$1,750/mo.

- Project Cost:

| | |
|-------------------------|--------------------|
| Construction Costs | \$42,137,500 |
| Contractor's Fee | \$2,879,625 |
| Contingency | \$1,439,813 |
| Land Cost | \$1,000,000 |
| Financing/Closing Costs | \$1,008,500 |
| Development Expenses | \$5,368,204 |
| Development Fee | <u>\$2,787,415</u> |
| | \$56,621,057 |

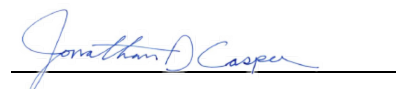
- Extraordinary Costs:

| | |
|--------------------------------|--------------------|
| Soil Remediation/Environmental | \$500,000 |
| Demolition | \$1,500,000 |
| Asbestos Mitigation | \$2,500,000 |
| HVAC | <u>\$2,000,000</u> |
| | \$6,500,000 |

- All of these expenses are preliminary and subject to change due to design elements, the market for construction materials, and any unforeseen issues.

Please reach out if there are any questions with respect to the material presented, or if any additional information is necessary.

Sincerely,



Jonathan Casper