

FARGO TAX EXEMPT REVIEW COMMITTEE
Tuesday, September 25, 2018 – 1:00 p.m.
City Commission Chambers, Civic Center
AGENDA

1. **Approve Tax Exempt Review Committee meeting minutes of 8/28/2018 meeting**
 - a) August 28, 2018 minutes [Page 1-2]

2. **PILOT Application by The Edge 2, LLC for a for-profit Low Income Housing Tax Credit apartment project**
 - a) Staff Summary [Page 3]
 - b) Application for New or Expanding Business Payment In Lieu of Tax (PILOT) [Page 4-7]
 - c) Applicant's financial reports [Page 8-14]
 - d) Proposed PILOT payment schedule [Page 15]

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, August 28, 2018

The August 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 28, 2018.

The committee members present or absent are:

Present: Dave Piepkorn, Mayor Tim Mahoney, Bruce Grubb, Kent Costin, Jim Gilmour, Robert Wilson, Erik Johnson, Jackie Gapp, Mark Lemer

Absent: Chuck Hoge, Jessica Ebeling, Jim Buus

Others Present: Kati Wilcox, Mike Redlinger, Dan Madler

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

Commissioner Piepkorn began by thanking those who attended a special meeting with the Cass County Commissioners. He would like to see these meetings continue, with the school board in attendance as well, to increase the efficiency of the application process.

Mark Lemer suggested a standing meeting at the county with the option of cancelling if necessary. Robert Wilson stated he would move forward with the idea.

Commissioner Piepkorn asked for clarification as to whether this meeting was formal, and if those minutes require approval. Ben Hushka said this was an informal meeting; however, minutes are attached to today's agenda packet.

Kent Costin made a motion to approve the minutes from the meeting held July 24, 2018. Bruce Grubb seconded the motion, which carried.

PILOT application by James Pladson & Austin Morris, representing Dakota Beach Capital LLC, for a University mixed Use zoned apartment project

Jim Gilmour introduced the PILOT application submitted by Dakota Beach Capital LLC for a 16-unit apartment building that would replace two homes at 914 and 918 15th Street North. It is consistent with university mixed-use zoning. The requested tax exemption would be 100% for the first five years, and 50% for the following five years. The conditions of the "but-for" test were met. Mr. Gilmour invited James Pladson and Austin Morris forward for comments and questions.

Mr. Morris explained he agrees with the findings of the "but-for" test, however he does not believe this project would produce over a 10% return without a PILOT, while the "but-for" test showed 11.5% without it. Mr. Morris believes this exemption is necessary for completion of the project, which will produce affordable housing near NDSU.

At Commissioner Piepkorn's request, Austin Morris explained that rents would vary between \$850 for an efficiency apartment and \$1125 for a two bedroom, two-bathroom unit. This fits the guidelines for non-cost burdened housing. Without the PILOT, higher rents would be required.

Mark Lemer asked if there was an agreement between the city and developers that would ensure developers are upholding to standards of low-income or affordable housing after approval for an exemption. Jim Gilmour stated this is an issue handled by the market itself. The area in which this project is located will not allow for any higher rents.

Kent Costin inquired about the length of financing on the project. Austin Morris explained a 20-year mortgage is standard; however, a 25-year mortgage is necessary to make this project work. This is becoming more and more common.

Mayor Tim Mahoney asked about the assumed vacancy rate, which is about 6%. The average for the area is 9%.

After feedback from Austin Morris regarding his work with PFM on the “but-for” test, Mayor Tim Mahoney made a motion to approve the application, which Bruce Grubb seconded. The motion carried.

Update on recommended revisions to TIF policy

Jim Gilmour stated he completed some of the recommended changes to the policy, providing language clarifications as suggested by developers regarding downtown and lower income apartments. The application process and recommendations are now more streamlined with increased focus on the Tax Exempt Review Committee only, versus multiple meetings with various boards. Kent Costin agreed this was a positive change due to the reliance on “but-for” testing and the Tax Exempt Review Committee being more visible to the community than other boards. Mr. Gilmour also updated the policy to state application deposits are now calculated on a schedule, versus a flat \$5,000 fee.

Commission Piepkorn also thanked Jim Gilmour for presenting the Tax Exemptions Summary to the Cass County Commissioners, stating the information Ben Hushka provided him was beneficial and would like to see that utilized again. Mr. Gilmour offered to walk through those slides when bringing the full policy to the City Commission, as well as the school districts if there is an interest. Mr. Gilmour would like to have the new TIF and PILOT policies turned over for a 30-day public comment period, following up at the next meeting in September, then bringing the changes to all City Commissioners for approval in October.

Bruce Grubb made a motion to publicize the proposed policy changes for comment, as well as presenting the Tax Exemptions Summary to the school boards. Kent Costin seconded the motion, which then carried.

The meeting adjourned at 1:50p.m., Tuesday, August 28, 2018.



ASSESSMENT DEPARTMENT

TAX EXEMPT REVIEW COMMITTEE APPLICATION SUMMARY

Scheduled Meeting Date: 9/25/2018

APPLICATION #1

Applicant	The Edge 2, LLC
Address	1329 5 Ave. S.
Parcel Number	01-8680-00100-000
Project Type	For-profit Low Income Housing Tax Credit project.
Project Timing	Commencement of construction July 2019
Request	PILOT based on tax value at 5.5 times projected LIHTC rents
Comments	Receiving funds from ND State Housing & Finance through LIHTC
Policy Concerns	Meets existing policy for for-profit Low Income Housing Tax Credit

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>The Edge 2, LLC</u>	
2.	Address of project	<u>1329 5th Avenue North</u>	
	City	<u>Fargo</u> County <u>ND</u>	
3.	Mailing address of project operator	<u>24 S. Brooke St.</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>213 4th Street E., 4th Floor #421</u>	
	City, State, Zip	<u>St. Paul, MN 55101</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	<input checked="" type="checkbox"/> Payments In Lieu of Taxes
	<u> </u> Number of years	<u>2020</u> Beginning year <u>2035</u> Ending year
	<u> </u> Percent of exemption	<u> </u> Amount of annual payments (attach schedule if payments will vary)
10.	Which of the following would better describe the project for which this application is being made:	
	<input 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? 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 July 2019

b. Description of project to be constructed including size, type and quality of construction
The Edge 2 will be a five-story wood frame constructed apartment building with 48 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 80 percent area income and lower and will be financed through the low-income housing tax credit program. There will be 1, 2, and 3-bedroom units.

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

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

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

a. Land..... \$ 344,000

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

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

d. Total \$ 6,044,000

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 \$ _____

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 288.66

f. Annual amount of the tax exemption (Line d multiplied by line e) \$ 82,268.00

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).

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
	Year 1	Year 2	Year 3	Year 4	Year 5
Annual revenue	379,619	387,212	394,956	402,855	410,912
Annual expense	356,948	364,321	371,871	379,640	387,633
Net income	22,671	22,891	23,085	23,215	23,279

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	2
Estimated payroll	(1) _____	_____	_____	_____	_____	_____
	(2) 0	43,000	44,290	45,619	46,987	48,397

(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 developments 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, 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 President 9-18-18

Signature Title Date



New High-Quality Housing Proposed at University and 5th Avenue N in the Unicorn Neighborhood

The Edge 2, located a few blocks away from the heart of downtown, a second phase to The Edge Artist Flats, will be the new construction of a 48-unit housing community with an elevator, abundant community amenities, and covered and surface parking. The high-quality housing will meet the needs of the growing workforce in Fargo and provide additional options for low-maintenance housing with modern amenities and community space that expresses the creative culture that is growing in downtown Fargo.

When we were working on The Edge Artist Flats, our market analysis showed a clear need for affordable and workforce housing. The size of the initial phase of the project was limited to funding availability for that particular year. Due to these limitations, a phased approach had to be implemented in order to achieve the desired number of units. Site selection that is location efficient as well as makes good use of existing infrastructure and connectivity to community resources is important. The site is well situated in an up and coming neighborhood on the edge of Downtown Fargo.

The Edge Artist Flats was designed with a planned Phase 2 in mind, site layout and platting. The second phase will further capture the workforce housing needs with some units up to 80% of County Area Median Income (the initial phase only went up to 60% AMI). Additionally, we recognize the need for larger family housing, so have increased the number of 3-BR units.

The unit mix will be as follows:

9 – 1 Bedrooms
24 – 2 Bedrooms
15– 3 Bedrooms
48 Total Units

The proposed rents and income limits are as follows:

INCOME	Unit Type	# Units	Rent Rate
30% County Median Income	One-Bedroom - Permanent Supportive Housing Trust Fund	2	
	Two-Bedroom - Permanent Supportive Housing Trust Fund	5	
	Three-Bedroom - Permanent Supportive Housing Trust Fund	1	
	Two Bedroom	3	456
31.25%	Three Bedroom	4	530
40% County Median Income	One Bedroom	-	533
	Two Bedroom	2	643
	8.33%	Three Bedroom	2
50% County Median Income Limit	One Bedroom	3	689
	Two Bedroom	5	795
	20.83%	Three Bedroom	2
80% CMI	One Bedroom	4	875
	Two Bedroom	9	1,000
	39.6%	Three Bedroom	6
Gross Rental	Total/Average	48	703

Sources of Funds			
Equity			6,611,339
First Mortgage	Affordable Flexpace		2,522,378
Other: Soft debt	SOFT	0.0%	
Other: City (TIF)	SOFT		-
Other: Housing Trust Fund	SOFT- 30 year deferred	0.00%	1,350,000
Other:			
Total Third Party Sources			10,483,717
Deferred Developer Fee		33.83%	262,482
TOTAL			10,746,199

Amenities included will be a media room, elevator, office, outdoor playground, exercise room, tenant storage, and community rooms. Additional landscaping and greenspace will enhance the neighborhood. Seven of the units will be designated as supportive housing to provide permanent housing with services to the formerly homeless and will have Funding from the North Dakota Housing Finance Agency’s Housing Trust Fund.

The property will be owned by The Edge 2, LLC, of which Commonwealth will be the Managing Member. MetroPlains Management, LLC, North Dakota’s most experienced affordable housing property management company, will provide the property management. There will be Support Services for the 8 Permanent Supportive Housing Units through the a local support service provider.

Development Timeline:

- Sept 28, 2018 – Submit Application to NDHFA
- June 2019 – Start Construction
- June 2020 – Construction completion and occupancy.

78.13

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	2		442	-	442	2.00
	Two-Bedroom - Permanent Supportive Housing Trust Fund	5		531	-		
	Three-Bedroom - Permanent Supportive Housing Trust Fund	1		560			
	Two Bedroom	3	456	560	16,416	104	3.00
31.25%	Three Bedroom	4	530	646	25,440	116	5.16
	One Bedroom	-	533	622	-	89	0.00
	Two Bedroom	2	643	747	15,432	104	2.00
8.33%	Three Bedroom	2	746	862	17,904	116	2.60
	One Bedroom	3	689	778	24,804	89	3.00
	Two Bedroom	5	795	933	47,700	138	6.450
50% County Median Income Limit	Three Bedroom	2	875	1,078	21,000	203	2.58
	One Bedroom	4	875	1,043	42,000	168	5
80% CMI	Two Bedroom	9	1,000	1,252	108,000	252	12
	Three Bedroom	6	1,200	1,446	86,400	246	1BR
							2BR
Gross Rental	Total/Average	48	703		405,096		31.95
							3BR
Net Rental income	Add: Misc	5	/unit		2,880		
	Add:		/mo		-		
Effective Gross Income	Less: Vacancy	7.00%			407,976		(81,099)
					(28,558)		273,181
					379,418		

EXPENSES				Utility Allowance	1BR	2BR	3BR
Office/Advertising	298	/unit	14,280				
Personnel (Site Manager and Maintenance)	896	/unit	43,000	Heat - Natural Gas	48	53	57
Utilities (Sewer/Water, Common Area, Trash)	857	/unit	41,136	Cooking - Electric	4	6	7
Property Taxes	1,875	/unit	90,000	Other Electric	11	14	16
Insurance	305	/unit	14,660	Air Conditioning	9	9	9
Other: Support Services	571	/unit	20,000	Water Heating - Electri	17	22	27
Repairs & Maint.	850	/unit	31,500	Range/Microwave	-	-	-
Property Mgmt.	7%		26,559	Refrigerator	0	-	-
Accounting/Audit	114.58		5,500	Total	89	104	116
NDHFA Compliance	35	/unit	2,235				
Replacement Reserve	400	/unit	19,200				
Total Operating Expenses	534.84	/unit	308,070				
Expense Ratio			81%				
Expense Per Unit	535	PUPM	6,418				
NET OPERATING INCOME			71,347				
Debt Service (Hard)			102,180				
Debt Coverage			1,20000			(405)	
NOI Available for Debt Service			102,179.97				

First Mortgage:	
Rate:	1.000%
DCR:	1.1500
Amort:	30
Constant	3.8597%
Annual Debt Service:	102,180
Mortgage Amount	2,647,373
Loan to Cost:	25%

955,819

SOFT LOAN:	
Rate:	3.000%
DCR (Combined):	0.6983
Amort:	21
Constant	6.4241%
Annual Debt Service:	-
Mortgage Amount	-
Loan to Cost:	0%

SOURCES AND USES OF FUNDS

Sources of Funds

Equity			6,611,339
First Mortgage	Affordable Flexpace		2,647,373
Other: Soft debt	SOFT	0.0%	-
Other: City (TIF)	SOFT		-
Other: Housing Trust Fund	SOFT- 30 year deferred	0.00%	1,350,000
Other:			
Total Third Party Sources			10,608,712
Deferred Developer Fee		24.57%	190,659
TOTAL			10,799,371

	776,000
24.57%	(190,659)
	585,341
DFR	#DIV/0!

TOTAL USES	10,799,371
SURPLUS/DEFICIT	-

Use of Funds

Amount	Unit	Cost	9% Basis	4% Basis	Fed Hist.	State Hist.
A. Land & Buildings						
-	/unit	592,467	-	-	-	-
House & Lot	0%	-	-	-	-	-
Building	/unit	-	-	-	-	-
Subtotal		592,467	-	-	-	-
B. Site Work						
-	/unit	-	-	-	-	-
Environmental Remediation	/unit	50,000	-	-	-	-
Off-site improvements	/unit	100,000	-	-	-	-
Landscaping	/unit	-	-	-	-	-
Subtotal		150,000	-	-	-	-
C. Rehab & New Construction						
-	/unit	-	-	-	-	-
Rehab Construction Costs	/unit	-	-	-	-	-
New Construction	134,000.00	6,432,000	6,432,000	-	-	-
Contingency		-	-	-	-	-
General Requirements	5.30%	348,846	272,158	272,158	-	-
Overhead	2.00%	131,640	102,701	102,701	-	-
Contractor P & L	5.50%	362,010	357,697	357,697	-	-
Subtotal	732,556.10	149,262	7,164,556	7,164,556	-	-
Construction Contract Amount excluding Contingency		152,386.59	7,314,556	-	-	-
Land & Hard Cost Subtotal		164,730	7,907,023	7,164,556	-	-
D. Architectural						
Architect - Design	4.06%	5,417	230,000	230,000	-	-
Architect - Supervision			30,000	30,000	-	-
Surveying			12,000	12,000	-	-
Engineering			25,000	25,000	-	-
Geotech			15,000	15,000	-	-
Plan Review			2,500	2,500	-	-
Third Party Fees			-	-	-	-
Subtotal			314,500	314,500	-	-

Keep Contingenc

5,853,958

1,460,598

25.0%

142,778.00

152,387

9,609

6.68%

	Amount	Unit	Cost	9% Basis	4% Basis		
E. Interim Costs							
Contingency		5.0%	365,728	365,728			
Construction Insurance			24,073	24,073			
Construction Period Interest			470,000	200,000			
Construction Loan Fee			30,000	30,000			
Real Estate Taxes			10,000	10,000			
Special Inspections			20,000	20,000			
Subtotal			919,801	649,801			
F. Financing Fees & Exp.							
Permanent Loan Fee			1,700	-			
Title & Recording	0.0030		17,000	-			
Other: Syndication Fees			35,000	-			
Subtotal			53,700	-			
G. Soft Costs							
Appraisal			8,000	8,000			
Market Study			6,500	6,500			
Environmental Assessment & Mitigation			60,000	60,000			
NDHFA Fees	1,594	/unit	76,500	-			
Rent-up Marketing			50,000	-			
Cost Certification			15,000	15,000			
Misc- balancing with application				-			
Furniture			50,000	50,000			
Green Communities			23,420	23,420			
Legal			60,000	55,000			
Subtotal			349,420	217,920			
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			
J. Development Reserves							
Housing Trust Fund Operating Assistance Escrow	-	/unit	205,125				
Operating Reserve	-		273,802				
Subtotal			478,927	-			
Intermediary Cost Total			2,892,348	1,958,221	0	-	
TOTAL DEVELOPMENT COST		224,987	10,799,371	9,122,777	0	(200,000)	-
Eligible Basis				7,222,198	0	(200,000)	(200,000)
% Low-Income Units (Commercial Space Taken Out of Basis)				1.00			
Minus Housing Trust Fund				7,222,198.38			
Minus Developer Fee				6,446,198			
State Designated Basis Boost (30% Units)				130.00%	100.0%	100.0%	100.0%
Bonus Basis				8,380,058	0	(200,000)	(200,000)
Add Back in Developer Fee				9,156,058			
Rate			824,045	9.000%	3.190%	20.000%	0.000%
Annual Credit Amount		23,787	760,000	\$ 760,000	\$ 0	\$ -	\$ -
Price				\$ 0.8700	\$ 0.870	\$ 0.890	\$ 0.920
Equity Proceeds			6,611,339	6,611,339	0	-	-

CDC pays Specic

CDC pays first \$f

(26,580)

Total Development Costs	10,799,371	Developer Fee	776,000	Construction Loan Proceeds	6,184,102
Less: Developer Fee		Deferred	(190,659)	Permanent Loan Portion	0
Developer Fee	776,000	Net Fee	585,341	Construction Loan Portions	6,184,102
Less: Amount During Const	(543,200)				
Net Fee Deferred During Construction	232,800	Net Fee	585,341		
Less: Long Term Reserve	(232,800)	During Const	(543,200)		
Total Construction Amount	10,292,769	Amt at QO	(234,136)		
Less: Equity Payin	15.0%	Amt at Stab.	(191,996)	construction contract amount	7,164,556
Less: Soft Funds	(1,350,000)				
Less:	0				
Balance = Total Construction Loan Proceeds	<u>7,951,068</u>				

CLOSING

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Totals		
Construction by Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25					
% drawn for current month		4.0%	7.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	7.0%	7.0%	6.0%	7.8%																	
% complete	0.0%	11.9%	19.3%	28.5%	36.8%	45.1%	53.4%	61.7%	70.0%	75.8%	81.6%	86.6%	93.1%																	
Equity Payin	15.0%						0.0%	0%							3%							0%	0%		80%	0%	0%	3%	100%	
Draw Amount																														
Land and Predevelopment Costs	592,467	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	592,467	
Construction and Soft Costs	8,637,102	426,582	641,519	796,456	716,456	716,456	716,456	716,456	716,456	501,519	501,519	429,873	588,961	598,795	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,637,102	
Rent-up and Operating Reserves	323,802	0	0	0	0	0	0	0	0	0	0	0	0	50,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	202,305	
Interest	470,000	1,895	2,121	2,515	4,956	8,413	11,886	15,376	18,883	22,406	24,917	27,439	29,631	29,632	29,632	29,632	29,632	29,632	29,632	29,632	29,632	29,774	29,895	30,017	0	(6,366)	0	497,183		
Developer Fee	776,000	0	0	0	0	0	0	0	0	0	0	0	0	0	129,870	0	0	0	0	0	0	0	0	0	0	0	0	0	452,898	
Total Construction Amount	10,799,371	1,387,271	428,478	643,640	798,971	721,412	724,868	728,342	731,832	735,338	523,925	526,436	457,313	588,191	678,428	159,502	29,632	29,632	29,632	29,632	29,632	29,632	29,774	29,895	310,546	0	196,450	10,381,955		
Draw Source																														
Equity	6,611,339	(991,701)	0	0	0	0	0	0	0	0	0	0	0	0	(159,502)	0	0	0	0	0	0	0	0	0	0	0	0	0	(1,151,203)	
Soft Funds	1,350,000	(381,417)	(561,316)	(289,604)	0	0	0	0	0	0	0	0	0	(1,350,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Construction Loan A	395,570	47,061	82,324	509,367	721,412	724,868	728,342	731,832	735,338	523,925	526,436	457,313	588,191	543,428	0	29,632	29,632	29,632	29,632	29,632	29,632	29,774	29,895	0	0	0	0	9,230,752		
Balance	395,570	47,061	82,324	509,367	721,412	724,868	728,342	731,832	735,338	523,925	526,436	457,313	588,191	543,428	0	29,632	29,632	29,632	29,632	29,632	29,632	29,774	29,895	0	0	0	0	9,230,752		
Construction Loan B	(395,570)	(47,061)	(82,324)	(509,367)	(721,412)	(724,868)	(728,342)	(731,832)	(735,338)	(523,925)	(526,436)	(457,313)	(314)	0	0	0	0	0	0	0	0	(29,632)	(25,264)	(25,369)	0	0	0	0	(6,184,102)	
Balance	0	0	0	0	0	0	0	0	0	0	0	0	587,877	543,428	0	29,632	29,632	29,632	29,632	29,632	29,632	29,774	29,895	310,546	0	0	0	3,046,650		
Draws - Running Total	1,387,271	1,815,749	2,459,389	3,258,360	3,979,771	4,704,640	5,432,982	6,164,813	6,900,152	7,424,077	7,950,513	8,407,826	8,996,017	9,674,445	9,833,947	9,863,579	9,893,211	9,922,843	9,952,475	9,982,107	10,011,740	10,041,514	10,071,409	10,381,955	10,381,955	10,381,955	10,381,955	10,381,955		
Loans - Running Total	1,387,271	1,815,749	2,459,389	3,258,360	3,979,771	4,704,640	5,432,982	6,164,813	6,900,152	7,424,077	7,950,513	8,407,826	8,408,140	8,543,140	8,702,642	8,702,642	8,702,642	8,702,642	8,702,642	8,702,642	8,702,642	8,732,274	8,757,538	8,782,907	9,093,453	9,093,453	9,093,453	9,093,453		
Construction Loan A (perm portion)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Draws	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Remaining Bal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Construction Loan A (Perm Portion)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Outstanding - Begin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Add	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Pay Down	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Outstanding - End	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Interest - Construction Loan A	5.75%	5.75%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	1st 12 mos	perm																												
Construction Loan B	6,184,102	5,788,532	5,741,471	5,659,147	5,149,780	4,428,369	3,703,500	2,975,158	2,243,326	1,507,988	984,063	457,627	314	0	0	0	0	0	0	0	0	487,388	25,264	25,369	0	0	0	0	6,184,102	
Draws	(395,570)	(47,061)	(82,324)	(509,367)	(721,412)	(724,868)	(728,342)	(731,832)	(735,338)	(523,925)	(526,436)	(457,313)	(314)	0	0	0	0	0	0	0	0	(29,632)	(25,264)	(25,369)	0	0	0	0	(6,184,102)	
Remaining Bal	5,788,532	5,741,471	5,659,147	5,149,780	4,428,369	3,703,500	2,975,158	2,243,326	1,507,988	984,063	457,627	314	0	0	0	0	0	0	0	0	457,756	0	0	0	0	0	0	0	0	
Construction Loan B	6,184,102	5,788,532	5,741,471	5,659,147	5,149,780	4,428,369	3,703,500	2,975,158	2,243,326	1,507,988	984,063	457,627	314	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Outstanding - Begin	0	395,570	442,631	524,955	1,034,322	1,755,733	2,480,602	3,208,944	3,940,776	4,676,114	5,200,039	5,726,475	6,183,788	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,213,734	6,238,998	6,264,367	0	(1,328,474)	0	6,184,102	
Add	395,570	47,061	82,324	509,367	721,412	724,868	728,342	731,832	735,338	523,925	526,436	457,313	314	0	0	0	0	0	0	0	0	29,632	25,264	25,369	0	0	0	0	6,184,102	
Paydown	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outstanding - End	395,570	442,631	524,955	1,034,322	1,755,733	2,480,602	3,208,944	3,940,776	4,676,114	5,200,039	5,726,475	6,183,788	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,213,734	6,238,998	6,264,367	0	(1,328,474)	1,328,474	0	6,184,102	
Interest - Construction Loan B	5.75%	1,895	2,121	2,515	4,956	8,413	11,886	15,376	18,883	22,406	24,917	27,439	29,631	29,632	29,632	29,632	29,632	29,632	29,632	29,632	29,632	29,774	29,895	30,017	0	(6,366)	0	490,817		
Construction Loan A	395,570	442,631	524,955	1,034,322	1,755,733	2,480,602	3,208,944	3,940,776	4,676,114	5,200,039	5,726,475	6,183,788	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,184,102	6,213,734	6,238,998	6,264,367	0	(1,328,474)	0	6,184,102		
Construction Loan B	(395,570)	(47,061)</																												

PROJECT FINANCIAL ANALYSIS
15 YEAR PRO FORMA

FOR:

Permanent Loan	
Rate:	1.000%
DCR:	1.150
Amort:	30
Constant	3.8597%
Annual Debt Service:	102,180
Mortgage Amount	2,647,373

			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	3	456	16,416	16,744.32	17,079.21	17,420.79	17,769.21	18,124.59	18,487.08	18,856.82	19,233.96	19,618.64	20,011.01	20,411.23	20,819.46	21,235.85	21,660.56
Three Bedroom	4	530	25,440	25,948.80	26,467.78	26,997.13	27,537.07	28,087.82	28,649.57	29,222.56	29,807.01	30,403.15	31,011.22	31,631.44	32,264.07	32,909.35	33,567.54
One Bedroom	3	689	24,804	25,300.08	25,806.08	26,322.20	26,848.65	27,385.62	27,933.33	28,492.00	29,061.84	29,643.08	30,235.94	30,840.66	31,457.47	32,086.62	32,728.35
Two Bedroom	5	795	47,700	48,654.00	49,627.08	50,619.62	51,632.01	52,664.65	53,717.95	54,792.31	55,888.15	57,005.92	58,146.03	59,308.95	60,495.13	61,705.04	62,939.14
Three Bedroom	2	875	21,000	21,420.00	21,848	22,285	22,731	23,186	23,649	24,122	24,605	25,097	25,599	26,111	26,633	27,166	27,709
One Bedroom	-	782	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Two Bedroom	-	850	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Three Bedroom	-	975	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
One Bedroom	4	875	42,000	42,840	43,697	44,571	45,462	46,371	47,299	48,245	49,210	50,194	51,198	52,222	53,266	54,331	55,418
Two Bedroom	9	1,000	108,000	110,160	112,363	114,610	116,903	119,241	121,626	124,058	126,539	129,070	131,651	134,284	136,970	139,710	142,504
Three Bedroom	6	1,200	86,400	88,128	89,891	91,688	93,522	95,393	97,300	99,246	101,231	103,256	105,321	107,428	109,576	111,768	114,003
	48																
Total Gross Rent Revenue			405,096	413,198	421,462	429,891	438,489	447,259	456,204	465,328	474,635	484,127	493,810	503,686	513,760	524,035	534,516
Commercial Space- Daycare			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry & Garage Income	5		2,880	2,938	2,996	3,056	3,117	3,180	3,243	3,308	3,374	3,442	3,511	3,581	3,653	3,726	3,800
Less Vacancy	7%		(28,357)	(28,924)	(29,502)	(30,092)	(30,694)	(31,308)	(31,934)	(32,573)	(33,224)	(33,889)	(34,567)	(35,258)	(35,963)	(36,682)	(37,416)
Total Income			379,619	387,212	394,956	402,855	410,912	419,130	427,513	436,063	444,784	453,680	462,754	472,009	481,449	491,078	500,900
Operating Expenses and Real Estate Taxes		Per Unit															
Annual % escalation		3%															
Office/Advertising		298	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)		896	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	41,136	42,370	43,641	44,950	46,299	47,688	49,119	50,592	52,110	53,673	55,283	56,942	58,650	60,410	62,222
Property Taxes		1,875	90,000	91,800	93,600	95,436	97,308	99,217	101,163	103,147	105,170	107,233	109,337	111,481	113,668	115,898	118,171
Property Tax Exemption			(52,853)	(53,910.06)	(54,988.26)	(56,088.03)	(57,209.79)	(58,353.98)	(59,521.06)	(60,711.48)	(61,925.71)	(63,164.23)	(64,427.51)	(65,716.06)	(67,030.38)	(68,370.99)	(69,738.41)
Insurance		305	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	26,559	27,356	28,177	29,022	29,893	30,789	31,713	32,665	33,644	34,654	35,693	36,764	37,867	39,003	40,173
Accounting/Audit		115	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	2,235	2,302	2,371	2,442	2,516	2,591	2,669	2,749	2,831	2,916	3,004	3,094	3,187	3,282	3,381
Replacement Reserve		400	19,200	19,776	20,369	20,980	21,610	22,258	22,926	23,614	24,322	25,052	25,803	26,577	27,375	28,196	29,042
Total Operating Expenses		6,202	255,217	262,502	269,962	277,639	285,538	293,666	302,029	310,635	319,490	328,601	337,977	347,626	357,554	367,770	378,284
Net Operating Income			124,402	124,709	124,993	125,216	125,374	125,464	125,484	125,429	125,295	125,079	124,776	124,383	123,895	123,308	122,616
Total Debt Service Payment by Partnership			102,180	111,245	111,245	111,245	111,245	111,245	111,245	111,245	111,245	111,245	111,245	111,245	111,245	111,245	111,245
Cash Flow			22,222	13,464	13,748	13,971	14,129	14,219	14,239	14,184	14,050	13,834	13,531	13,138	12,650	12,063	11,371
Accumulated Cash Flow			22,222	35,686	49,435	63,406	77,535	91,754	105,993	120,177	134,226	148,060	161,592	174,730	187,380	199,443	210,814
Debt Service Coverage - Hard Only			1.22	1.12	1.12	1.13	1.13	1.13	1.13	1.13	1.13	1.12	1.12	1.12	1.11	1.11	1.10

CITY OF FARGO ASSESSMENT DEPARTMENT

Edge #2 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	
Exemption Type	PILOT
Estimated Improvements Value	\$5,700,000
Anticipated Tax Growth	2.0%
Current Mill Levy	288.66
Number of Years Granted	15
Discount Rate (for Present Value)	4.50%
Total Gross Estimated Benefit	\$1,077,389
Present Value of Benefit	\$566,800

FULL PARTICIPATION

Initial year effective gross income	\$379,619
Gross Income Multiplier	5.5
Implied Tax Value	\$2,100,000
Projected tax (288.66 mills)	\$30,309
Less estimated land tax	(\$5,170)
PILOT PAYMENT	\$25,139
ESTIMATED LAND TAX	\$5,170
INITIAL YEAR PILOT & RE Tax	\$30,309
PROJECTED VALUE \$6,058,000	
PROJECTED TOTAL TAX	\$87,435
EQUILANT % EXEMPT	71%

NO COUNTY PARTICIPATION

Initial year effective gross income	\$379,619
Gross Income Multiplier	5.5
Implied Tax Value	\$2,100,000
Projected tax (288.66 mills)	\$30,309
Less estimated land tax	(\$5,170)
PILOT PAYMENT	\$36,353
ESTIMATED LAND TAX	\$5,170
INITIAL YEAR PILOT & RE Tax	\$41,523
PROJECTED VALUE \$6,058,000	
PROJECTED TOTAL TAX	\$87,435
EQUILANT % EXEMPT	58%

Edge #2 LIHTC - With PILOT participation by all taxing entities

Tax Year	% Ex	PILOT Pymt	Full Tax	Benefit	PV of Benefit	PILOT & Tax
2020	71%	\$25,138	\$87,438	\$62,301	\$59,600	\$30,308
2021	71%	\$25,640	\$89,187	\$63,547	\$58,200	\$30,810
2022	71%	\$26,153	\$90,971	\$64,817	\$56,800	\$31,323
2023	71%	\$26,676	\$92,790	\$66,114	\$55,400	\$31,846
2024	71%	\$27,210	\$94,646	\$67,436	\$54,100	\$32,380
2025	71%	\$27,754	\$96,539	\$68,785	\$52,800	\$32,924
2026	71%	\$28,309	\$98,470	\$70,161	\$51,600	\$33,479
2027	71%	\$28,875	\$100,439	\$71,564	\$50,300	\$34,045
2028	71%	\$29,453	\$102,448	\$72,995	\$49,100	\$34,623
2029	71%	\$30,042	\$104,497	\$74,455	\$47,900	\$35,212
2030	71%	\$30,643	\$106,587	\$75,944	\$46,800	\$35,813
2031	71%	\$31,255	\$108,718	\$77,463	\$45,700	\$36,425
2032	71%	\$31,881	\$110,893	\$79,012	\$44,600	\$37,051
2033	71%	\$32,518	\$113,111	\$80,592	\$43,500	\$37,688
2034	71%	\$33,169	\$115,373	\$82,204	\$42,500	\$38,339
TOTALS		\$434,715	\$1,512,104	\$1,077,389	\$758,900	\$512,265
Annual Land Tax		\$5,170	(\$358,200 Estimated Land Value - 59.695SF @ 6.00/SF)			

If County opted out of this incentive. PILOT Pymt + County Addl Share will be the PILOT Payment in addition to Land Tax

County Share	County Addl Share	Total County Share	Total PILOT Pymt	Potential Full Tax	PILOT & Tax	% Ex	Benefit	PV of Benefit
\$4,524.76	\$11,214	\$15,739	\$36,352	\$87,438	\$41,522	58%	\$45,916	\$43,900
\$4,615.26	\$11,438	\$16,054	\$37,079	\$89,187	\$42,249	58%	\$46,938	\$43,000
\$4,707.56	\$11,667	\$16,375	\$37,820	\$90,971	\$42,990	58%	\$47,980	\$42,000
\$4,801.72	\$11,900	\$16,702	\$38,577	\$92,790	\$43,747	58%	\$49,043	\$41,100
\$4,897.75	\$12,138	\$17,036	\$39,348	\$94,646	\$44,518	58%	\$50,128	\$40,200
\$4,995.71	\$12,381	\$17,377	\$40,135	\$96,539	\$45,305	58%	\$51,234	\$39,300
\$5,095.62	\$12,629	\$17,725	\$40,938	\$98,470	\$46,108	58%	\$52,362	\$38,500
\$5,197.53	\$12,881	\$18,079	\$41,757	\$100,439	\$46,927	58%	\$53,512	\$37,600
\$5,301.48	\$13,139	\$18,441	\$42,592	\$102,448	\$47,762	58%	\$54,686	\$36,800
\$5,407.51	\$13,402	\$18,809	\$43,444	\$104,497	\$48,614	58%	\$55,883	\$36,000
\$5,515.66	\$13,670	\$19,186	\$44,312	\$106,587	\$49,482	58%	\$57,104	\$35,200
\$5,625.98	\$13,943	\$19,569	\$45,199	\$108,718	\$50,369	58%	\$58,350	\$34,400
\$5,738.50	\$14,222	\$19,961	\$46,103	\$110,893	\$51,273	58%	\$59,620	\$33,600
\$5,853.27	\$14,507	\$20,360	\$47,025	\$113,111	\$52,195	58%	\$60,916	\$32,900
\$5,970.33	\$14,797	\$20,767	\$47,965	\$115,373	\$53,135	58%	\$62,237	\$32,200
TOTALS		\$272,179		\$1,512,104	\$706,195		\$805,909	\$566,700