

EDIC MEETING
Tuesday, May 24, 2022 – 1:00 p.m.
City Commission Chambers, Fargo City Hall

AGENDA

- 1. Approve Tax Exempt Review Committee Meeting Minutes of 4/26/2022**
 - a. April, 26 2022 [Page 1-2]
- 2. Amity Technology LLC**
 - a. **Application for Property Tax Incentives** [Page 3-8]
 - b. **Business Incentive Agreement** [Page 9-13]
 - c. **Primary Sector Certification Letter** [Page 13]
 - d. **New Industry 100 Point** [Page 14]
- 3. Weather Modification LLC**
 - a. **Application for Property Tax Incentives** [Page 15-23]
 - b. **New Industry 100 Point** [Page 24]
- 4. EDIC- University Mixed Use** [Page 25-32]
- 5. EDIC- Riverfront Apartments- Block 3** [Page 33-46]

ECONOMIC AND DEVELOPMENT INCENTIVE COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, April 26, 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, April 26, 2022.

The committee members present or absent are:

Present: Dave Piepkorn, John Cosgriff, Jim Gilmour, and Jim Buus.

Absent: Deb Mathern, Arlette Preston, Prakash Mathew, Michael Splonskowski, Steve Swiontek, Reid Middaugh, John Strand, Jessica Ebeling, Mayor Tim Mahoney, Levi Bachmeier, Bruce Grubb, Kent Costin, Erik Johnson, Jackie Gapp, Joe Raso, Robert Wilson, Dean Brescani, Chad Peterson, and Nancy Morris.

Commissioner Piepkorn called the meeting to order at 1:02 p.m.

Committee Members

Dave Piepkorn stated that there will be two more committee members joining the EDIC committee.

Minutes Approved

A motion was made by John Cosgriff to approve the minutes from March 22, 2022. Jim Buus seconded, motion carries.

PharmaMed

- Located in Hawley, MN
- Looking to do an expansion to move into a building PRX used to have
- Buy down program. Interest needs a local match.
- ND Opportunity Fund. Requires city support
- Dustin Hanson- President
- Produces automation equipment for pharmaceutical and medical companies
- Presence in the US and across the world.
- Wants to get into a larger facility for more employees and more production.

Motion to approve letter of support was made by Jim Buss. John Cosgriff seconded, motion carries.

Proposals for 401 3rd Ave N

- Will be placed on the City Commission agenda to make a decision.

The meeting was adjourned at 1:10 pm.

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 AMITY TECHNOLOGY
2. Address of project 401 27 ST N
City Fargo County Cass
3. Mailing address of project operator 2800 7th Ave N
City FARGO State ND Zip 58103
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. [REDACTED]
6. North Dakota Sales and Use Tax Permit No. [REDACTED]
7. If a corporation, specify the state and date of incorporation MN Dec 1995
8. Name and title of individual to contact HOWARD OR BRIAN DAHL
 Mailing address 2800 7th Ave N
 City, State, Zip Fargo ND 58102 Phone No. 701-232-4199

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 <u>5</u> Number of years <u>100</u> Percent of exemption	<input type="checkbox"/> Payments In Lieu of Taxes Beginning year _____ Ending year _____ 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

Lot 1: Block 1 COMPOSITE VENTURES ADDN LTI BLK1

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 N/A

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

c. Projected number of construction employees during the project construction N/A

14. Approximate date of commencement of this project's operations OCTOBER 31 2022

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

a. Land..... \$ 390,000

b. Existing buildings and structures for which an exemption is claimed..... \$ 1,873,500

c. Newly constructed buildings and structures when completed \$ 0

d. Total..... \$ 2,263,500

e. Machinery and equipment \$ 1,000,000

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..... \$ 93,675

c. Newly constructed buildings and structures when completed..... \$ 0

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 93,675

e. Enter the consolidated mill rate for the appropriate taxing district 296.01

f. Annual amount of the tax exemption (Line d multiplied by line e) \$ 27,728.74

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).

Building is needed to support a new product called
CROP CRASER THAT IS PRIMARILY FOR THE DAIRY FARMER
(SILAGE TRANSPORT) BUT ALSO CAN BE USED FOR OTHER
CROPS. ALSO THE BUILDING WILL SUPPORT LARGE POWDER COATED
PARTS.

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

POWDER COAT PAINT LINE, CRANES AND MONORAILS

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 Year 1	New/Expansion Project only Year 2	New/Expansion Project only Year 3	New/Expansion Project only Year 4	New/Expansion Project only Year 5
Annual revenue	\$3 million	\$5 million	\$7 million	\$8 million	\$9 million
Annual expense	\$2.7 million	\$4.5 million	\$6.3 million	\$7.2 million	\$8 million
Net income	\$300K	\$500K	\$700K	\$800K	\$1 million

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
67				5		

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) 65	70	75	80	82	85
	(2) 2	2	2	2	2	2
Estimated payroll	(1) 4M	4.5M	5.0M	5.5M	5.8M	6.2M
	(2) 50K	50K	50K	60K	60K	60K

(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).

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

TWO OTHER COMPANIES DO POWDER COATING, BUT PRIMARILY FOR THEIR OWN PRODUCT

Percentage of Gross Revenue Received Where Underlying Business Has ANY Local Competition < 1 %

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, Thomas D. Bell, 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.

Thomas D. Bell
Signature

CEO
Title

Date

PRIVACY ACT NOTIFICATION

In compliance with the Privacy Act of 1974, disclosure of a social security number or Federal Employer Identification Number (FEIN) on this form is required under N.D.C.C. §§ 40-57.1-03, 40-57.1-07, and 57-01-15, and will be used for tax reporting, identification, and administration of North Dakota tax laws. Disclosure is mandatory. Failure to provide the social security number or FEIN may delay or prevent the processing of this form.

Certification of Governing Body (To be completed by the Auditor of the City or County)

The municipality shall, after granting any property tax incentives, certify the findings to the State Tax Commissioner and Director of Tax Equalization by submitting a copy of the project operator's application with the attachments. The governing body, on the ____ day of _____, 20____, granted the following:

☐ **Property Tax Exemption**

☐ **Payments in lieu of taxes**

____ Number of years

____ Beginning year ____ Ending year

____ Percent of exemption

____ Amount of annual payments (Attach schedule if payments will vary)

Auditor

Notice To Competitors Of Hearing On Application For Property Tax Incentives

Notice is hereby given that the _____
(City or county governing body)

of _____, North Dakota, will meet at _____
(City or county) (Time)

on _____ at _____ to consider the application of
(Date) (Location)

(Project operator name and address)

for property tax relief on the project which the applicant will use in the operation of

(Type of business)

at _____
(Address)

(Legal description)

Any competitor of that applicant may appear and be heard by the _____
(City or county governing body)

at the time and place designated herein. A competitor may provide written comments to the governing body before the scheduled hearing.

This notice is given by the above-named applicant pursuant to the provisions of North Dakota Century Code § 40-57.1-03

Business Incentive Agreement

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1. In fulfillment of the requirements of N.D.C.C. § 54-60.1-03, Grantor and Recipient enter into this Business Incentive Agreement.

Grantor

Name	City of Fargo
Address	225 4th Street North Fargo, ND 58102

Recipient

Name	Amity Technology, LLC		
Address	2800 7th Ave North Fargo, ND 58102		
Contact Person	Brian Dahl	E-mail Address	bdahl@amitytech.com
Recipient Parent Company (If applicable)			
Business Type (NAICS Code)	333111		
Location of Recipient Prior to Receiving Incentive (If different)			

2. Description of project.

<p>Current facilities have been outgrown by the physical size and scale of products produced. Currently the business is relying on out-of-state manufacturers for powder coating and welding large frame assemblies. Newly developed product, CropChaser, shows real growth potential with our current plus new markets.</p>
--

3. Grantor(s) agrees to provide recipient with a business incentive described as follows:

3.a. Is this incentive tax increment financing? ☐ Yes ☐ No

If yes, describe the type of district:

4. The business incentive will be provided on _____.
This date is the benefit date.

5. The public purpose(s) of the business incentive are:

- | | |
|--|--|
| <input type="checkbox"/> Assisting community development | <input type="checkbox"/> Increase tax base |
| <input checked="" type="checkbox"/> Directly create employment opportunities | <input checked="" type="checkbox"/> Indirectly increase employment opportunities |
| <input checked="" type="checkbox"/> Job retention | <input type="checkbox"/> Other _____ |

6. Value of Business Incentive: \$ _____

7. Recipient currently employs 67 people, located in Fargo, ND.

8. In return for the business incentive, Recipient shall, within two years create: 10
Number of full-time equivalent jobs

<u>21.50</u>	+	<u>6.50</u>	=	<u>28.00</u>
Average hourly wage		Benefits per hour value		Average hourly compensation

9. The Recipient shall continue operations in the jurisdiction in which the business incentive was issued for five years or more after the benefit date.

10. Recipient shall file a recipient report with the Grantor, as described in N.D.C.C. § 54-60.1-05 annually on or before March 1st of each year for two years, beginning in 2007, following the benefit date or until the goals of paragraph 8 are met, whichever is later.

10.a. Grantor shall mail the recipient a warning letter if no report is received by March 8th. Recipient shall file the progress report within 14 days of the postmarked date of the warning letter.

10.b. If a recipient report is not received within 14 days of the warning letter, Recipient agrees to pay to Grantor a \$100 penalty for each subsequent day until the report is filed. The maximum penalty under this section may not exceed \$1,000.

11. Recipient shall pay back the value of the incentive to the Grantor, prorated to reflect any partial fulfillment of the job and compensation goals, if, after two years, the job and compensation goals listed in paragraph 8 are not met.

- 11.a. Paragraph 11 does not apply if the job and compensation goals were not met as a result of an act of God or terrorism.
12. This business incentive agreement shall only be modified or extended by the Grantor pursuant to N.D.C.C. § 54-60.1-04.
13. If the terms of this business incentive agreement are not met, Recipient shall not receive a business incentive from any grantor for five years from the date of failure or until a recipient satisfies the repayment obligation.
14. The Recipient has disclosed, in attachment "A" of this agreement, all additional financial assistance received from state or political subdivision Grantors for this project since inception.
15. By signing this agreement, Recipient verifies that it has not failed to meet the terms of any business incentive agreement in the last five years.

Dated this _____ day of _____, 20____.

Grantor: _____ on behalf of _____

Dated this 21st day of April, 2022.

Recipient: Harold G. Ward on behalf of Ability Technology

Recipient has received the following additional financial assistance from state or political subdivision Grantors for this project since inception.

Grantor	Description of Assistance	
Value of Assistance	Benefit Date	Pending Benefit Date

Grantor	Description of Assistance	
Value of Assistance	Benefit Date	Pending Benefit Date

Grantor	Description of Assistance	
Value of Assistance	Benefit Date	Pending Benefit Date

Grantor	Description of Assistance	
Value of Assistance	Benefit Date	Pending Benefit Date

Grantor	Description of Assistance	
Value of Assistance	Benefit Date	Pending Benefit Date



May 4, 2022

Brian Dahl
Amity Technology LLC
2800 7th Ave. N
Fargo, ND 58102

Dear Brian:

Thank you for your application for primary-sector certification by the North Dakota Department of Commerce, Economic Development & Finance Division. We have reviewed your application and determined that ED&F can recertify your company, **Amity Technology LLC**, as primary sector and a new wealth creator in the economy of North Dakota. This certification is valid for **four years** (5/3/2022 to 5/3/2026).

Most of North Dakota's economic development programs, tools and incentives are targeted toward primary-sector clients. You may be requested to provide a copy of this primary-sector certification letter when you apply for certain economic development incentive and funding programs.

This certification does not guarantee the receipt of any North Dakota business incentive. For example, there are additional qualification criteria for the Seed Capital Investment and Agricultural Business Investment personal income tax credits, and it is critical that investments **NOT** be made prior to the business receiving certification for these two credits. If you are pursuing certification for investment tax credits and need to know the criteria required for qualification, contact Joseph Mwagura at 701-328-5367.

This certification is not the application process for the North Dakota New Jobs Training Program administered by Job Service North Dakota. To apply for the North Dakota New Jobs Training Program, you must contact Job Service North Dakota for the required application forms. Application forms for other programs that require primary sector certification are available from the agency administering the program.

Also, companies and individuals pursuing the investment tax credit incentive are reminded there is a cap on available dollars. Please visit with the ND Office of the Tax Commissioner regarding the remaining balance for investment tax credits. The credits are available on a first-come-first-serve basis until the law-defined cap is met.

North Dakota appreciates your contribution to the citizens and economy of our state. If there is anything further we can do to assist your company, please contact us at 701-328-5300.

Sincerely,

A handwritten signature in black ink, appearing to read "Josh Teigen", is written over a horizontal line.

Joshua Teigen, Director
Economic Development & Finance Division

| 600 E Century Avenue, Suite 6 | P.O. Box 2057 | Bismarck, ND 58502

PHONE: 701-328-5300 | TOLL FREE: 1-866-4DAKOTA | ND RELAY TTY: 1-800-366-6888 | VOICE: 1-800-366-6889 |
NDCommerce.com

Exemption Evaluation Calculator				123.0			138.0
Amity Technologies				Points			Points
Project Type Code	Year 1	1	38.0	Year 3	1	38.0	
Current Number Of Employees		67			67		
Hourly Salary Without Benefits	# Jobs			# Jobs			
Under \$13.00							
\$13.01-\$15.00							
\$15.01-\$20.00							
\$20.01-\$28.00	5	Pts. For # Jobs->	10.0	15	Pts. For # Jobs->	25.0	
\$28.01-\$35.00		Pts. For \$ Jobs->	30.0		Pts. For \$ Jobs->	30.0	
Over \$35.00							
TOTAL # OF JOBS CREATED	5			15			
Primary Sector?		y			y		
% GI w/ Local Competition (not downtown)		5%	25.0		5%	25.0	
Value of Proposed Buildings		\$ 1,873,500	20.0		\$ 1,873,500	20.0	
Downtown Location (Y/N)		N	0.0		N	0.0	
Startup Firm (Y/N)		N	0.0		N	0.0	
Has Const Started or Has Bldg Been Leased or Occupied If Existing (Y/N)		N	0.0		N	0.0	
Number of Years (Exemption)		5			5		
Company Safety Experience Rating			0.0			0.0	
RECOMMENDATION IS TO			APPROVE	APPROVE			
Description	Manufacturing			Description	Manufacturing		
Estimated New Annual Payroll	\$249,600			Estimated New Annual Payroll	\$748,800		
Estimated Annual Real Estate Tax	\$27,729			Estimated Annual Real Estate Tax	\$27,729		
Property Value / # of Jobs	\$ 374,700			Property Value / # of Jobs	\$ 124,900		
Total Value Of Benefit	\$ 138,644			Total Value Of Benefit	\$ 138,644		

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>Weather Modification LLC</u>
2.	Address of project <u>3802 20th St N</u>
	City <u>Fargo</u> County <u>Cass</u>
3.	Mailing address of project operator <u>3802 20th St 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 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. [REDACTED]
6.	North Dakota Sales and Use Tax Permit No. [REDACTED]
7.	If a corporation, specify the state and date of incorporation <u>1/1/2016</u>
8.	Name and title of individual to contact <u>James P. Sweeney</u>
	Mailing address <u>3802 20th St N</u>
	City, State, Zip <u>Fargo, ND 58102</u> Phone No. <u>701-371-4061</u>

Project Operator's Application For Tax Incentives

9.	Indicate the tax incentives applied for and terms. Be specific.
	<div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <input checked="" type="checkbox"/> Property Tax Exemption <u>5</u> Number of years <u>100</u> Percent of exemption </div> <div style="width: 48%;"> <input type="checkbox"/> Payments In Lieu of Taxes Beginning year _____ Ending year _____ Amount of annual payments (attach schedule if payments will vary) </div> </div>
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

Lots 1 & 2 located in the North Half of Section 24, Township 140 North, Range 49 West, Cass County, 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 1, 2022

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

Hangar space 50,351 SF; Tech space 19,790; Office space 31,036; Storage space 10,984

Total new SF 112,261. Construction is high quality steel structural and exterior.

c. Projected number of construction employees during the project construction 110

14. Approximate date of commencement of this project's operations 11/1/202315. Estimated market value of the property used for this project:

a. Land \$ 0

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

c. Newly constructed buildings and structures when completed \$ 22,000,000

d. Total \$ 22,000,000

e. Machinery and equipment \$ 350,000

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..... \$ 1,100,000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 1,100,000

e. Enter the consolidated mill rate for the appropriate taxing district 0.29601
~~0.50~~

f. Annual amount of the tax exemption (Line d multiplied by line e) \$ 325,611.00

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).
1. Provides aircraft modification services (i.e., VIP Transport, Photographic Equipment, Remote Sensing, Environmental Monitoring, Telemetry, Atmospheric Chemistry, Cloud Physics Measurements, Air Ambulance, Cloud Seeding) for cloud seeding and cloud physics with equipment built at our Fargo facility.
2. Provides installation services of flare racks and cloud physics research equipment on aircraft for customers around the
19. Indicate the type of machinery and equipment that will be installed
- Paint booth, overhead crane, aircraft jacks, tooling, aircraft tug, power cart, towbars
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 <u>Year 1</u>	New/Expansion Project only <u>Year 2</u>	New/Expansion Project only <u>Year 3</u>	New/Expansion Project only <u>Year 4</u>	New/Expansion Project only <u>Year 5</u>
Annual revenue	<u>8,200,000</u>	<u>8,600,000</u>	<u>9,100,000</u>	<u>9,700,000</u>	<u>10,500,000</u>
Annual expense	<u>7,700,000</u>	<u>8,050,000</u>	<u>8,500,000</u>	<u>9,050,000</u>	<u>9,800,000</u>
Net income	<u>500,000</u>	<u>550,000</u>	<u>600,000</u>	<u>650,000</u>	<u>700,000</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
54				3	3	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>54</u>	<u>62</u>	<u>68</u>	<u>72</u>	<u>76</u>	<u>80</u>
	(2) <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Estimated payroll	(1) <u>3356000</u>	<u>3789000</u>	<u>4138000</u>	<u>4388000</u>	<u>4654000</u>	<u>4937000</u>
	(2) <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</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).
~~Weather Modification Inc. received 5 year property tax exemption in 2014 for new hangar construction~~

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

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, James P. Sweeney, 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

Title

4-22-2022

Date

Business Incentive Agreement

1. In fulfillment of the requirements of N.D.C.C. § 54-60.1-03, Grantor and Recipient enter into this Business Incentive Agreement.

Grantor

Name	City of Fargo
Address	225 4th Street North Fargo, ND 58102

Recipient

Name Weather Modification LLC	
Address 3802 20th St N, Fargo, ND 58102	
Contact Person James P. Sweeney	E-mail Address jim@weathermod.com
Recipient Parent Company (If applicable) SFH, Inc	
Business Type (NAICS Code) 541990	
Location of Recipient Prior to Receiving Incentive (If different)	

2. Description of project.

Hangar space 50,351 SF; Tech space 19,790; Office space 31,036; Storage space 10,984
Total new SF 112,261. Construction is high quality steel structural and exterior.

3. Grantor(s) agrees to provide recipient with a business incentive described as follows:

3.a. Is this incentive tax increment financing? ☐ Yes ☐ No

If yes, describe the type of district:

4. The business incentive will be provided on _____.
This date is the benefit date.

5. The public purpose(s) of the business incentive are:

☐ Assisting community development

☐ Increase tax base

☒ Directly create employment opportunities

☒ Indirectly increase employment opportunities

☒ Job retention

☐ Other _____

6. Value of Business Incentive: \$ _____

7. Recipient currently employs 54 people, located in Fargo, ND.

8. In return for the business incentive, Recipient shall, within two years create: 14
Number of full-time equivalent jobs

$$\begin{array}{rcccl} \$28 & + & \$8.40 & = & \$36.40 \\ \text{Average hourly wage} & & \text{Benefits per hour value} & & \text{Average hourly compensation} \end{array}$$

9. The Recipient shall continue operations in the jurisdiction in which the business incentive was issued for five years or more after the benefit date.

10. Recipient shall file a recipient report with the Grantor, as described in N.D.C.C. § 54-60.1-05 annually on or before March 1st of each year for two years, beginning in 2007, following the benefit date or until the goals of paragraph 8 are met, whichever is later.

10.a. Grantor shall mail the recipient a warning letter if no report is received by March 8th. Recipient shall file the progress report within 14 days of the postmarked date of the warning letter.

10.b. If a recipient report is not received within 14 days of the warning letter, Recipient agrees to pay to Grantor a \$100 penalty for each subsequent day until the report is filed. The maximum penalty under this section may not exceed \$1,000.

11. Recipient shall pay back the value of the incentive to the Grantor, prorated to reflect any partial fulfillment of the job and compensation goals, if, after two years, the job and compensation goals listed in paragraph 8 are not met.

- 11.a. Paragraph 11 does not apply if the job and compensation goals were not met as a result of an act of God or terrorism.
12. This business incentive agreement shall only be modified or extended by the Grantor pursuant to N.D.C.C. § 54-60.1-04.
13. If the terms of this business incentive agreement are not met, Recipient shall not receive a business incentive from any grantor for five years from the date of failure or until a recipient satisfies the repayment obligation.
14. The Recipient has disclosed, in attachment "A" of this agreement, all additional financial assistance received from state or political subdivision Grantors for this project since inception.
15. By signing this agreement, Recipient verifies that it has not failed to meet the terms of any business incentive agreement in the last five years.

Dated this _____ day of _____, 20____.

Grantor: _____ on behalf of _____

Dated this 22 day of APRIL, 2022.

Recipient: [Signature] on behalf of WEATHER Modification LLC



April 25, 2022

James Sweeney
Weather Modification LLC
3802 20th St. N
Fargo, ND 58102

Dear James:

Thank you for your application for primary-sector certification by the North Dakota Department of Commerce, Economic Development & Finance Division. We have reviewed your application and determined that ED&F can certify your company, **Weather Modification LLC**, as primary sector and a new wealth creator in the economy of North Dakota. This certification is valid for **four years** (4/25/2022 to 4/25/2026).

Most of North Dakota's economic development programs, tools and incentives are targeted toward primary-sector clients. You may be requested to provide a copy of this primary-sector certification letter when you apply for certain economic development incentive and funding programs.

This certification does not guarantee the receipt of any North Dakota business incentive. For example, there are additional qualification criteria for the Seed Capital Investment and Agricultural Business Investment personal income tax credits, and it is critical that investments **NOT** be made prior to the business receiving certification for these two credits. If you are pursuing certification for investment tax credits and need to know the criteria required for qualification, contact Joseph Mwagura at 701-328-5367.

This certification is not the application process for the North Dakota New Jobs Training Program administered by Job Service North Dakota. To apply for the North Dakota New Jobs Training Program, you must contact Job Service North Dakota for the required application forms. Application forms for other programs that require primary sector certification are available from the agency administering the program.

Also, companies and individuals pursuing the investment tax credit incentive are reminded there is a cap on available dollars. Please visit with the ND Office of the Tax Commissioner regarding the remaining balance for investment tax credits. The credits are available on a first-come-first-serve basis until the law-defined cap is met.

North Dakota appreciates your contribution to the citizens and economy of our state. If there is anything further we can do to assist your company, please contact us at 701-328-5300.

Sincerely,



Joshua Teigen, Director
Economic Development & Finance Division


1600 E Century Avenue, Suite 6 | P.O. Box 2057 | Bismarck, ND 58502

PHONE: 701-328-5300 | TOLL FREE: 1-866-4DAKOTA | ND RELAY TTY: 1-800-366-6888 | VOICE: 1-800-366-6889 |
NDCommerce.com

Exemption Evaluation Calculator				166.1			175.2
Weather Modification				Points			Points
Project Type Code	Year 1	1		38.0	Year 3	1	38.0
Current Number Of Employees		54				54	
Hourly Salary Without Benefits	# Jobs				# Jobs		
Under \$13.00							
\$13.01-\$15.00							
\$15.01-\$20.00							
\$20.01-\$28.00	3	Pts. For # Jobs->	10.0	8	Pts. For # Jobs->	25.0	
\$28.01-\$35.00	3	Pts. For \$ Jobs->	43.1	8	Pts. For \$ Jobs->	37.2	
Over \$35.00	2			2			
TOTAL # OF JOBS CREATED	8			18			
Primary Sector?		y			y		
% GI w/ Local Competition (not downtown)		0%	25.0			0%	25.0
Value of Proposed Buildings		\$ 22,000,000	50.0			\$ 22,000,000	50.0
Downtown Location (Y/N)		N	0.0			N	0.0
Startup Firm (Y/N)		N	0.0			N	0.0
Has Const Started or Has Bldg Been Leased or Occupied If Existing (Y/N)		N	0.0			N	0.0
Number of Years (Exemption)		5				5	
Company Safety Experience Rating			0.0				0.0
RECOMMENDATION IS TO APPROVE					APPROVE		
Description	Manufacturing				Description	Manufacturing	
Estimated New Annual Payroll	\$499,200				Estimated New Annual Payroll	\$1,081,600	
Estimated Annual Real Estate Tax	\$325,611				Estimated Annual Real Estate Tax	\$325,611	
Property Value / # of Jobs	\$ 2,750,000				Property Value / # of Jobs	\$ 1,222,222	
Total Value Of Benefit	\$ 1,628,055				Total Value Of Benefit	\$ 1,628,055	

MEMORANDUM

TO: Economic Development Incentives Committee

FROM: Jim Gilmour, Director of Strategic Planning and Research 

DATE: May 18, 2022

SUBJECT: Tax Increment Financing – University Mixed Use

The City received an application for Tax Increment Financing from Craig Development for redevelopment of a block on the west side of University Drive. The application is attached. Existing land uses are single family houses on the west side of the block and older commercial buildings on the east side of the block.

The proposed redevelopment will require rezoning, which is now being reviewed by the Planning and Development Department.

The role of the Economic Development Incentives Committee is to review the request and determine if staff should draft a renewal plan and submit this proposed development's financial information to the City financial adviser for review.

Requested Motion

Direct staff to prepare a Renewal Plan for the block and request a financial review from the City financial adviser.

City of Fargo
Application for Tax Increment Financing

Contact Information

Primary Contact: **Name – Jesse Craig**

Address – 1405 1st Ave N. Fargo, ND 58102

Phone - (701) 232-1355

Email – jcraig@craigprop.com

General Information

Name and description of Corporation/Partnership: **Craig Development, LLC – a real estate development company**

Project Location: **1617 South University Block**

Conceptual plans: **See attached Exhibit 1**

Project Financials and Financing

Name of Developer: **Craig Development, LLC**

Ultimate owner of development: **Great Hall Properties, LLC; HJ Development, Inc.; and West Acres Adjacent Properties, LLP**

Type of Project (Commercial, Downtown, Mixed-Use): **Mixed Use**

Dollar request of TIF assistance: **Approximately \$5.1 MM**

Minimum of a 10-Year Proforma, showing the year in which the property is at full rent-up: **See attached Exhibit 3**

Total project cost: **\$30,612,832**

Hard Capital Costs: **\$24,490,266**

Contributed equity: **\$6,122,566**

Loan amount(s) with terms (anticipated rate, first maturity, final maturity)

Amount: \$24,490,266

Rate: 3.75%

First Maturity: 10 Years

Final Maturity: 25 Years

Number of housing units by type: **Studio – 32**

One Bedroom – 52

Two Bedroom – 43

Square footage of commercial space: **13,350**

Proposed rents by housing unit types and for commercial space:

Multifamily

- **Studio: \$945/mo.**
- **One Bedroom: \$1,075/mo.**
- **Two Bedroom: \$1,375/mo.**

Commercial

- **Anchor Tenant: \$24/square foot per year**
- **Tertiary Retail Space: \$22.50/square foot per year**

Detailed assumptions for any other revenues (e.g. \$100/month/garage space):

The following assumptions were made on the pro forma. Note that it is not assumed that these charges would apply to every unit, but that in aggregate, they would sum to these per unit amounts.

Pet Rent - \$6.00 per unit, per month

Pet Fees - \$3.00 per unit, per month

Admin Fees - \$0.75 per unit, per month

Late Fees / NSF Fees - \$0.75 per unit, per month

Application Charges - \$4.00 per unit, per month

Re-Rental Charges (Turnover) - \$1.00 per unit, per month

Miscellaneous Income - \$4.00 per unit, per month

Expenditures broken out by category:

Construction Cost Including Land - \$30,612,832

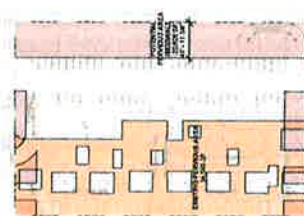
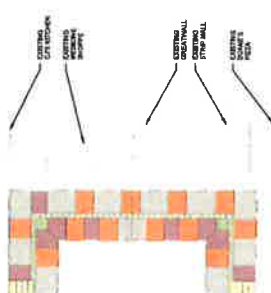
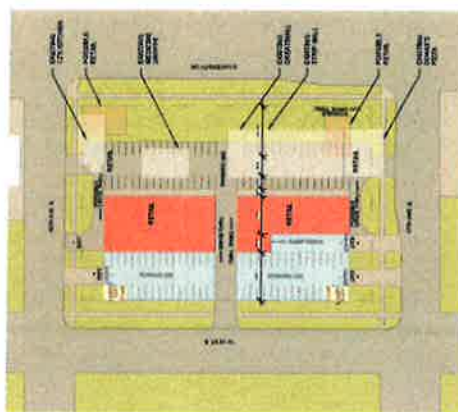
Financing Costs - \$589,596

Development Costs - \$2,275,660

Extraordinary Costs broken out by cost. (Land, demolition, public facilities)

Demolition - \$705,900

Sitework/Utilities – \$691,000

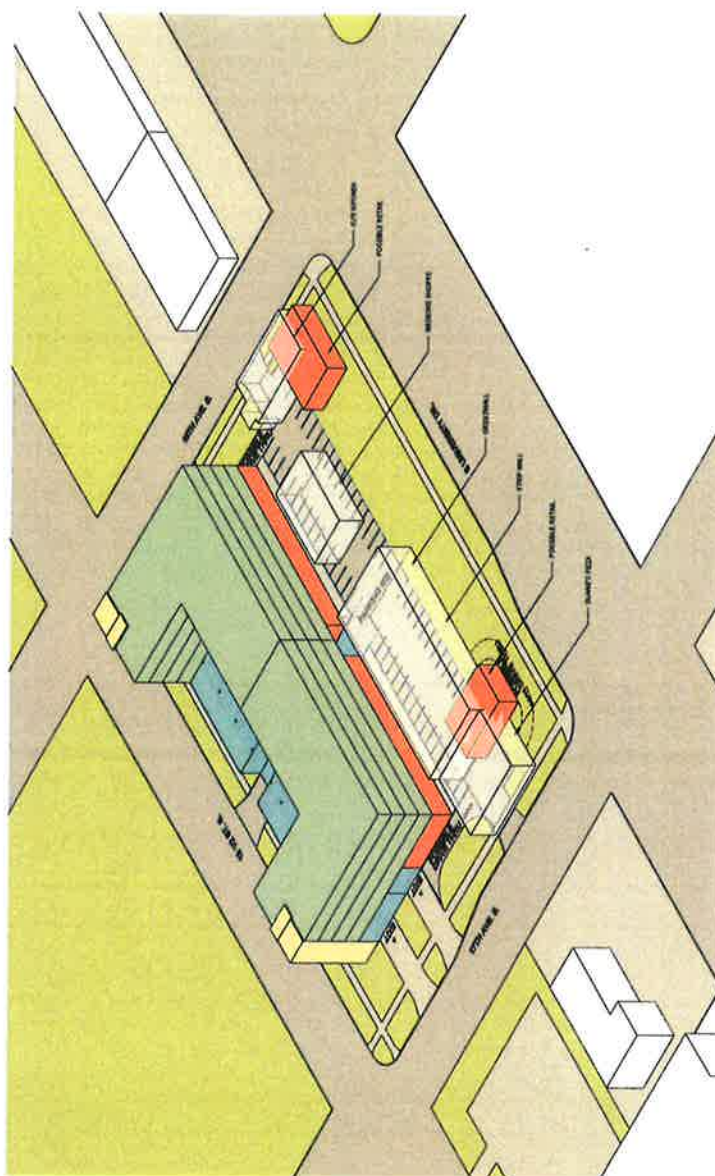


① OPTION A - LEVEL P1
 $\frac{1}{1.64} = 1.07$

Ⓒ $\frac{1}{12}x^2 + 1.27$

OPTION A - LEVEL 24
1662 + 127

④ OPTION A - PERVIOUS AREA
1/54" = 1'-0"

[illegible]

OPTION C

South Plaza

Capital Costs	
Purchase of Land	\$2,900,000
Closing Costs for Land	\$55,000
Demolition	\$705,000
Site Survey / Soil Borings	\$86,000
Site Clearing / Grading	\$605,000
Total Other Capital Costs	\$4,351,000
Public Works Improvements	
New Public Sidewalks	\$149,000
Site Utilities (Sewer, Water, Electric, Gas, Stormwater, Communications)	\$450,000
Streetscaping and Landscaping	\$105,000
Total Public Improvements	\$704,000
Total	\$5,055,000

SOURCES AND USES (PROJECTED)

Sources:	<u>Amount</u>	<u>%</u>
Loan	\$ 24,490,266	80.0%
Land Equity	\$ -	0.0%
Development Fee Equity	\$ 643,357	2.1%
Construction Fee Equity	\$ 1,286,715	4.2%
Investor Cash	\$ 4,192,495	13.7%
Total Sources	\$ 30,612,832	100.0%

Uses:	<u>Amount</u>
Construction Cost	24,447,576
Land Cost	2,900,000
Municipal/City Fees	400,000
Financing-Closing Expenses	589,596
Development Cost	2,275,660
Total Uses	30,612,832

Assistance Request

The Developer Is requesting assistance in the form of tax Increment financing under the City's Tax Increment Financing Policy. The Policy provides public assistance to a development through tax increment financing for private development. According to Policy #3, the maximum TIF assistance is 15 years and the Developer Is asking for a 15-year exemption.

Requested Reimbursement

Below is the detailed requested cost of the proposed project to be reimbursed.

Public Infrastructure	704,000
Land Acquisition/Write Down	2,900,000
Site Survey/Soil Borings	86,000
Building Demo, Clearing, Tree Removal	705,900
Closing Costs for Land	55,000
Site Clearing/Grading	605,000
Total Requested Cost to be Reimbursed	\$5,055,900


The Developer is requesting a total of approximately \$5,055,900 of costs to be reimbursed.

Policy #8

Policy #8 limits the TIF assistance to 15% of hard construction costs, including the costs of acquisition. Based on total hard construction costs of \$30,612,832 the Developer can receive up to \$4,591,924. The Developer is requesting \$5,055,900 which is above the maximum allowed. Policy #8 also states that the Developer must provide at least 10% of total capital costs as Developer's equity in the project. It is estimated the Developer will contribute \$6,162,566 as equity which is 20% of the total capital costs.

MEMORANDUM

TO: Economic Development Incentives Committee

FROM: Jim Gilmour, Director of Strategic Planning and Research 

DATE: May 18, 2022

SUBJECT: Tax Increment Financing – Riverfront Housing – Block 3

The City Commission selected a proposal from Kilbourne Group to redevelop a city owned property at 419 3rd Street North. The development will be a housing project that includes both the city site and an adjacent privately owned property.

The proposal included a request for Renaissance Zone incentives and Tax Increment Financing (TIF). The Renaissance Zone Authority has recommended approval of incentives. The Economic Development Incentives Committee needs to review the TIF request, which is attached.

The TIF request is ~\$1.4 million. The city financial advisor, PFM, has reviewed the request and found that the project will not be feasible without TIF assistance. The report is attached.

Recommended Motion

Recommend approval of a development agreement that provides the requested TIF assistance for the Riverfront Housing project on Block 3.



Kilbourne Group
210 Broadway, Suite 300
Fargo, ND 58102
p: (701) 237-2279
e: info@kilbournegroup.com
www.kilbournegroup.com

April 14, 2022

Jim Gilmour
Director of Strategic Planning & Research
City of Fargo
225 4th Street North
Fargo, North Dakota 58102

Dear Mr. Gilmour:

Please find this application for Tax Increment Financing for the Riverfront infill project located at 225 4th Ave N and 419 3rd St N.

1. PROJECT SUMMARY

Option 2 increases the number of units to +/-114 and adds an additional +/- \$12 MM in private investment on this site, bringing the total project cost to \$28.8MM. This is accomplished by constructing a first-floor podium across the entire site for parking (one stall per bed). This more complex and costly project achieves greater density for the site and a higher tax base for the City of Fargo. This option requires a larger TIF incentive to make the project feasible, but nearly doubles the property taxes generated when compared to Option 1.

Location – 225 4th Ave N and 419 3rd St N

Schedule – 24-month construction with planned start in Fall of 2022 and opening Fall of 2024

2. CONTACT INFORMATION

Mike Allmendinger
210 Broadway, Suite 300
Fargo, ND 58102
701.237.2279
mike@kilbournegroup.com

Owner – Great Plains Block 3 Venture, LLC
Developer – Kilbourne Group

3. PROJECT PROGRAM

Apartments – Option 2 +/- 114 apartments
Unit Mix – 1B 35% | 2B 52% | 3B 13%

4. PROJECT FINANCIALS

Option 2

Total Project Cost – \$28.8MM

RZ – \$1,607,534

TIF – \$1,397,266

Eligible Costs – *Estimated Costs - Phase II and Geotech Borings in Process*

Site Preparation/Environmental – \$600,000

Public Improvements – \$350,000

Demo - \$449,775

We are excited at the opportunity to partner with the City on this project and continue the City's effort for riverfront redevelopment. Please let me know if there is additional information needed.

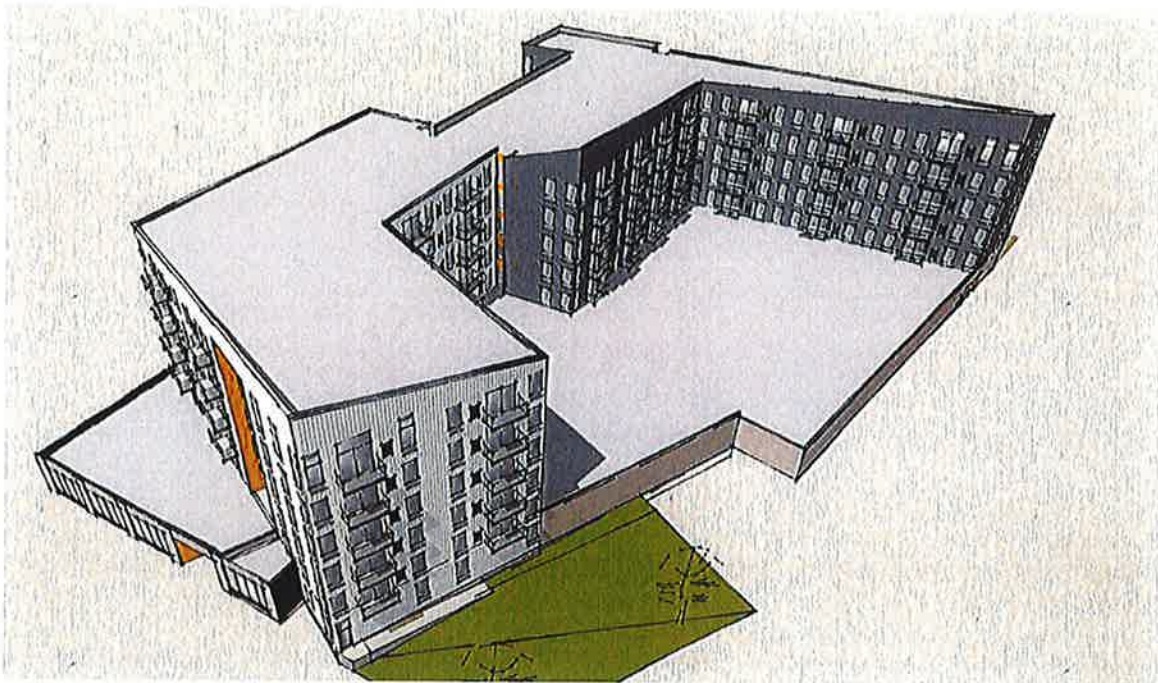
Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Allmendinger", is written over a horizontal line.

Mike Allmendinger

President

Enclosures

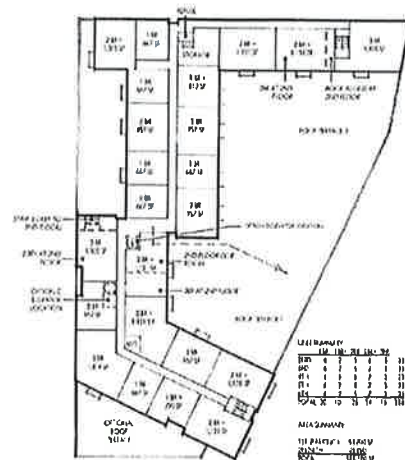
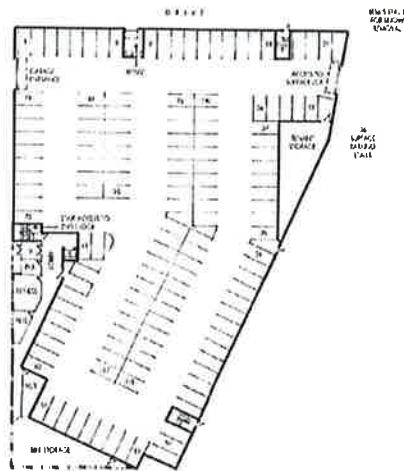


BLOCK 3 APARTMENTS
AERIAL VIEW FROM SOUTHEAST
MARCH 11, 2022 | JULY 2021 | © 2022 JLG ARCHITECTS



BLOCK 3 - PRELIMINARY MASSING & MATERIALS STUDY
MARCH 2022 | © 2022 JLG ARCHITECTS





BLOCK 3 APARTMENTS
OPTION D (CENTRAL LOBBY, WEST ENTRANCE)

MANUSCRIPT ID: 11621341 | © 2022 JG APO-H15C15



City of Fargo, North Dakota

Tax Increment Financing Program

“But-For” Report

Riverfront



May 13, 2022



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3. Assistance Request	3
4. Project Financing	5
5. Return Analysis	6
6. Conclusion	7

Purpose

The purpose of this report is to establish and determine the allowable value of the tax increment financing (TIF) for 225 4th Ave N and 419 3rd St N., a development by Kilbourne Group (the "Developer").

PFM first reviewed the application to ensure that appropriate assumptions regarding property value, rent, vacancy, expenses, and debt were used by the Developer. Based on those assumptions, PFM projected a 10-year cash flow, calculating an internal rate of return ("IRR"). We also made sure the Developer followed the City of Fargo's (the "City") Tax Increment Financing Policy (the "Policy") including the allowable costs and the Developer's calculations for determining the amount of allowable subsidy financing. The following report details PFM's analysis and conclusions concerning the viability of the proposed project without the subsidy.



Project

The project being proposed by the Developer includes the development of a 114-unit rental apartment building located at 225 4th Ave N and 419 3rd St N.

The Developer estimates the construction will be completed in the Fall of 2024 with occupancy immediately following. The Developer has requested TIF assistance in the amount of \$1,397,266 to complete the project.



Assistance Request

The Developer is requesting assistance in the form of tax increment financing under the City's Tax Increment Financing Policy. The Policy provides public assistance to a development through tax increment financing for private development. According to the Policy, the maximum TIF assistance is 15 years. Since this project falls within the City's Renaissance Zone, the Developer will only pay property tax on the land value of the property for the first five years.

Eligible TIF Expenditures

Site Preparation/Environmental	\$ 600,000
Public Improvements	350,000
Demolition	<u>449,775</u>
Total Eligible TIF Expenditures	\$ 1,399,775

The Policy limits the TIF assistance to 15% of hard construction costs, including the costs of acquisition. Based on total hard construction costs of \$24,792,424 the Developer can receive up to \$3,718,864. The Developer is requesting \$1,397,266 which is below the maximum allowed.

Land Cost

The Developer states the purchase price to acquire the property for the project is \$1,395,984. Land acquisition is reimbursable under the Policy. The Developer is not requesting to be reimbursed for the land acquisition.



The Policy states that the maximum eligible land costs to be recouped by the Developer should be limited to the lesser of:

- 1.) **The total acquisition cost for the property, provided that the acquisition cost is no more than 150% of the assessor's market value of the property.** The Developer's cost to acquire the property is \$1,395,984. The assessor's market value for the property totals \$4,062,300. The eligible amount for reimbursement is 150% of \$4,062,300 which totals \$6,093,450.
- 2.) **The difference between what was paid by the Developer for the property less the assessor's market value for the land (as opposed to land and buildings).** The current assessor's land value is \$751,000. Based on an acquisition price of \$1,395,984 the maximum reimbursement is \$644,984.

The lesser of the two tests detailed above is \$644,984. The Developer is not requesting reimbursement for land acquisition, which is allowable under the Policy.

Term

The Policy states the length of the term will be limited to 15 years or less. It is estimated the term will be 9 years starting in year 6 following a 5-year Renaissance Zone period.

TIF Estimate

PFM estimates that \$2,843,991 of TIF will be generated over the 9 years following the 5-year renaissance period assuming a 2.00% market growth rate. The TIF request plus the accrued interest during the 5-year Renaissance Zone period totals \$1,729,283. Based on a discount rate of 4.75%, the present value of the estimated TIF cash flow reaches \$1,729,283 in year 14 or in the ninth year after the 5-year Renaissance Zone period.



Project Financing

The Developer is investing 35% equity, or \$10,085,818, and will be privately financing \$18,730,243. The Developer is additionally requesting annual TIF assistance in the total amount of \$1,397,266. The private financing is estimated to be a 25-year loan with an estimated interest rate of 4.00% resulting in an annual principal and interest payment of \$1,185,144. Following stabilization of the project, the developer will add an additional \$4,322,364 to the financing in order to repay equity investment. The new annual loan payment amount would be \$1,453,621. The application states the project will be completed by the Fall of 2024.



Return Analysis

In calculating the internal rate of return, PFM first analyzed the Developer's assumptions including expected monthly rent, vacancy rate, and operating expenses. The Developer is proposing rents of \$1,375 for a one-bedroom unit, \$1,592 for a one-bedroom unit plus, \$1,750 for a two-bedroom unit, \$2,050 for a two-bedroom unit plus, and \$2,100 for a three-bedroom unit. The Developer has proposed a reasonable amount for rent for the current market and location. Annual estimates of operating expenses for the 114-unit rental development were provided, as follows; General and Administrative - \$265,712, Marketing - \$33,818, Repairs and Maintenance - \$86,477, Utilities - \$53,142, Insurance Costs - \$38,649, Centric Management Fee - \$108,701, and Property Taxes - \$304,667. The total expenses are approximately 35% of gross operating income.

The second step in determining the internal rate of return is to determine the earned incremental value of the property over a 10-year period. That value, along with the net operating income cash flows, was used to calculate the internal rate of return. PFM determined that without TIF assistance the Developer would have about a 6.90% internal rate of return based on a 10-year internal rate of return. The Developer would have about a 13.82% internal rate for 10 years if it received the public assistance. A reasonable rate of return for the proposed project is 10% - 15%.

Another measure of feasibility and project viability is the debt coverage ratio. PFM has projected a maximum debt coverage ratio in Year 10 of 1.23x without assistance, with a Year 6 coverage of 1.19x. If the City provided assistance to the project the maximum debt coverage is projected to be 1.45x in Year 10, with a Year 6 coverage of 1.39x.

Using PFM's "without assistance" cash flow as the base scenario, PFM ran sensitivity analyses in order to determine if the project would be likely to occur without public assistance. For the first sensitivity analysis, PFM analyzed how much project funds would have to decrease in order to produce a reasonable internal rate of return. We also looked at how much the rental rates would have to fluctuate in order to achieve a reasonable internal rate of return. Lastly, we looked at a combination of the two scenarios. For the sensitivity analyses, we assumed a reasonable internal rate of return of 13.82%.

Sensitivity Scenario 1 – Project Costs

The project would have to be reduced by \$5,330,915 or 18.50% in order for the project to become viable without assistance. This reduces the amount to be financed from \$18,730,243 to \$15,265,148 and reduces the annual payment from \$1,185,144 to \$965,892 for the loan. It is unlikely that a reduction in project costs of this magnitude would occur at this stage in the development but could still occur.

Sensitivity Scenario 2 – Rental Rates

In order for the project to be viable without public assistance, the rental rates would have to increase by 16.25%. PFM believes this is a high increase to the Developer's proposed rents. This increases annual rental revenue from \$1,613,558 to \$1,851,570. PFM believes the proposed rents are reasonable rental rates and does not believe an increase this large would occur.

Sensitivity Scenario 3 – Combination of Project Costs and Rental Rates

The final scenario looks at both a reduction of project costs and an increase in rental rates. The analysis showed that project costs would have to be reduced by \$2,449,339 or 8.50% and rental rates would have to increase by about 8.75%. Either of these events could occur but may be unlikely to occur together.

The above scenarios show the circumstances in which the project would become viable without public assistance. PFM has determined that the project is unlikely to occur "but-for" the public assistance.



Conclusion

The Developer will bear all the risk involved with the project. The Developer is dependent on a number of factors before and after the project is completed, including project costs, occupancy of the buildings, the rental market, and monthly expenses. The base scenario without assistance along with the sensitivity analyses demonstrates that the project would be unlikely to be feasible without assistance.

PFM has calculated that with public assistance, and based on the assumptions outlined in this report, a 10-year internal rate of return is estimated to be 13.82%. In addition, the coverage ratio in Year 6 is estimated to be 1.39x. The estimated internal rate of return is appropriate given the risk level for this type of project. Based on the information provided to PFM, the calculated internal rate of return and the coverage requirements, PFM concludes the project would not be feasible without public assistance.

