EDIC MEETING
Tuesday, July 26, 2022 – 1:00 p.m.
City Commission Chambers, Fargo City Hall

AGENDA

1. **Approve Tax Exempt Review Committee Meeting Minutes of 5/24/2022**
   a. May, 24 2022 [Page 1-3]

2. **Roosevelt Family Lofts PILOT Request** [Page 4-24]

ECONOMIC AND DEVELOPMENT INCENTIVE COMMITTEE
Fargo, North Dakota

Regular Meeting **Tuesday, May 24, 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, May 24, 2022.

The committee members present or absent are:

Present: Dave Piepkorn, John Cosgriff, Jim Gilmour, Jackie Gapp, Jim Buus, Jon Eisert and Jessica Ebelling.

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, Joe Raso, Robert Wilson, Dean Brescani, Chad Peterson, and Nancy Morris.

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

Minutes Approved

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

Amity Technology LLC

- Ryan Aasheim / Brian Dahl (Amity)
- Global Company
- Plan to create additional 5 jobs in year 1. Wages would be $20-$28 an hour.
- They have primary sector letter
- Developing new product line (powder coat)
    - Would allow onshore here in Fargo
- Current (Blanchard) owners are leaving building because of a murder that took place last fall. Amity would like to expand to this building
- Interested in this building because of location and would like to take on their current employees.
- 80% market share in sugar beet harvesting equipment.
- New product- a cart developed for River View Dairy in Morris, MN- crop chasers- chopping silage corn

- $1 million to build a chopper and takes 3 carts to keep up with the chopper.
- Cannot paint the mainframe on the cart. Main reason why they are interested in this building so they can.
- Property tax exemption would give Amity time in product development.

Questions:

- Dave Piepkorn- Scores? 249-748. Is that a good score?
    - Jim Gilmour- It is a good score for year 3 and year 1.
- Dave Piepkorn- Total amount for exemption?
    - Jim Gilmour- $27,000*5 years =$135,000

Motion to approve tax exemption was made by John Cosgriff. Jim Buus seconded, motion carries.

Weather Modification LLC

- Ryan Aasheim / Jim Sweeney
- 5 year tax exemption
- Received property tax in the past
- Located in Fargo at the Jet Center and would like to add another 100,000 sq. ft. facility.
- 8 jobs in the first year and would increase after that. $29.00 an hour average.
- They have primary sector letter
- 60 year old company. Moved here 29 years ago.
- Largest private aerospace enterprise in ND
- No competition in the state.
- Economically diversified

Questions:

None

Motion to approve property tax exemption was made by John Cosgriff. Jon Eisert seconded, motion carries.

EDIC- University Mix Use

- Jesse Craig
- 1600 block of South University Drive
- 8 single family homes
- 5 story building. Housing in the upper part and commercial on the lower.

- 127 units mix use project with underground heated parking. Everything besides Duane's Pizza but will be included in project.
- They will be donating current homes to Habitat for Humanity
- Everything will be taken down besides Duane's Pizza
- Looking for Tax incentive is to cover demo, soil correction, and relocation of current tenants. 4 of the current tenants will come back to the property.
-

Questions:

- Dave Piepkorn- How long would the exemption last?
    - Jim Gilmour- Not for sure until the financial review but more than likely will run the full 15 years.
- Dave Piepkorn- Renaissance Zone?
    - Jim Gilmour- not beneficial considering there are no condos. Request if for $5 million with TIFF assistant.
- Dave Piepkorn- Next step is rezoning (2-3 months). Will update with neighborhood meetings.

Motion to approve development of renewal plan and financial review was made by Jim Buss. Jessica Ebelling seconded, motion carries.

EDIC- Riverfront Apartments- Block 3

- Keith Leier- Kilbourne Group
- Has been recommended for Renaissance Zone approval for 5 years.
- Has been sent to financial advisor Matt Schnackenberg
- 114 units
- 135 parking spaces on the inside. Working on 20 outside. Street level.
- Public facilities

Motion to approve development of renewal plan and financial review was made by Jon Eisert. John Cosgriff seconded, motion carries.

The meeting was adjourned at 1:47pm.

City Administration
225 4th Street North
Fargo, ND 58102

MEMORANDUM

TO: **Economic Development Incentive Committee**

FROM: **Jim Gilmour, Director of Strategic Planning and Research**

DATE: **July 19, 2022**

SUBJECT: **Roosevelt Family Lofts**

The City of Fargo received an application for a property tax incentive for a 13-unit housing development at 711 10th Avenue North. The request is for a 100% property tax exemption for five years followed by a 50% exemption for five years.

The request is consistent with Core Neighborhood Housing PILOT Guidelines. The review of the financial plan found that the project needs the property tax exemption.

Information on the project is attached which includes:

- Location maps
- Site plan
- Application
- Financial review
- Core Neighborhood Housing Guidelines

Recommended Motion

Recommend approval of the property tax exemption for the Roosevelt Family Lofts.

These data are provided on an "AS-IS" basis, without warranty of any type, expressed or implied, including but not limited to any warranty as to their performance, merchantability, or fitness for any particular purpose.

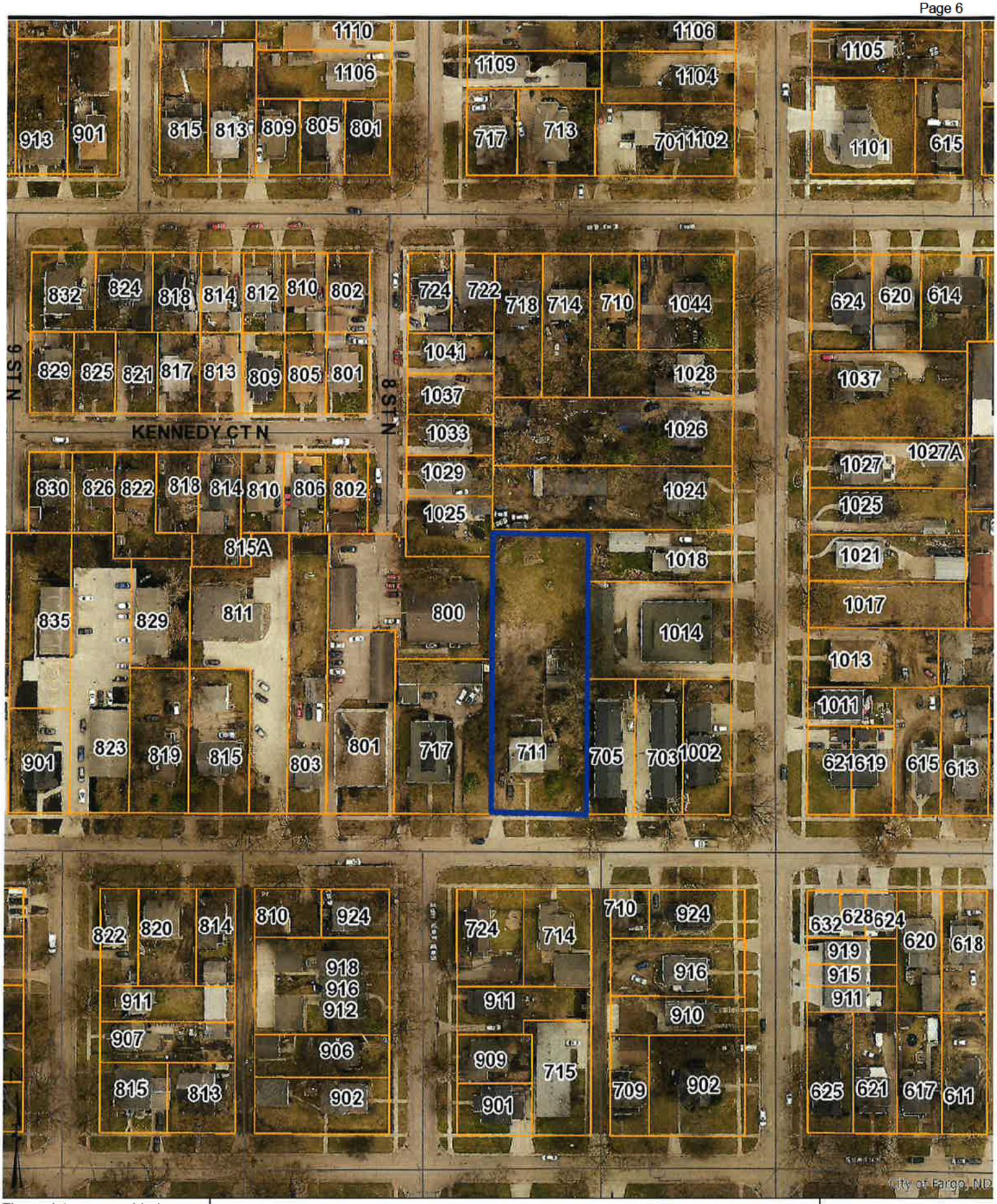
711 10th Site

1:9,028

2/28/2022 11:09 AM

This map is not a substitute for accurate field surveys or for locating actual property lines and any adjacent features.

THE CITY OF Fargo FAR MORE



These data are provided on an "AS-IS" basis, without warranty of any type, expressed or implied, including but not limited to any warranty as to their performance, merchantability, or fitness for any particular purpose.

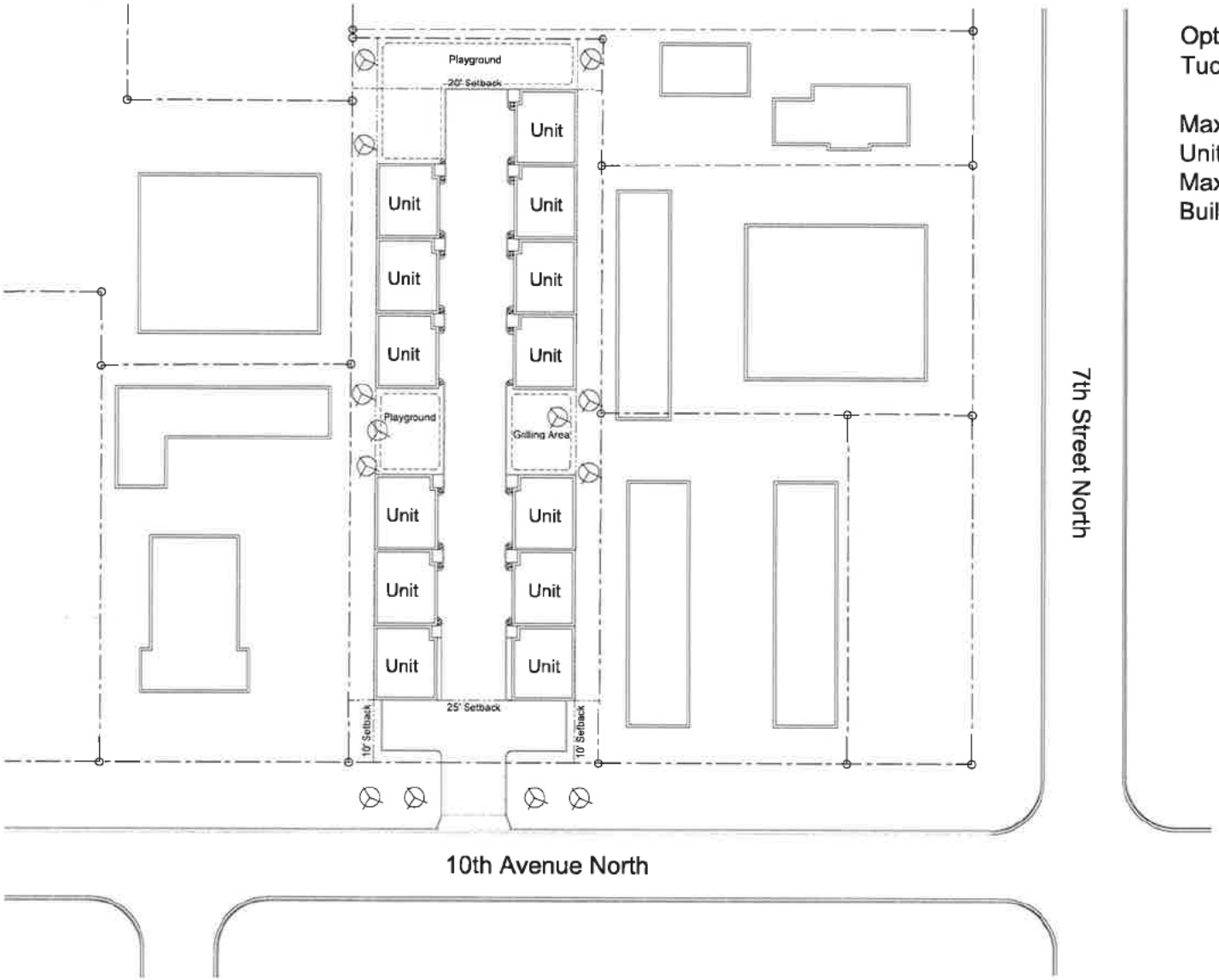
711 10th Ave N

1:2,257

1/11/2022 5:06 PM

This map is not a substitute for accurate field surveys or for locating actual property lines and any adjacent features.

THE CITY OF Fargo FAR MORE



Option #1
Tuck Under Garages w/2 Stories above.

Max Units:	13 Units
Unit Size:	Apx. 1,615 s.f.
Max Coverage:	10,138 s.f.
Building Footprint:	740 s.f.

1 **Conceptual Site Plan - Option #1**
NTS

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 Roosevelt Family Lofts, LLC
2. Address of project 711 10th Ave N
   City Fargo County Cass
3. Mailing address of project operator 509 Oak Ridge Way
   City West Fargo State ND Zip 58078
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. _____
7. If a corporation, specify the state and date of incorporation _____
8. Name and title of individual to contact Ryan Downs
   Mailing address 509 Oak Ridge Way
   City, State, Zip West Fargo, ND 58078 Phone No. 218-556-9759

Project Operator's Application For Tax Incentives

9. Indicate the tax incentives applied for and terms. Be specific.

☐ **Property Tax Exemption**		☑ **Payments In Lieu of Taxes**		
_____	Number of years	2024	Beginning year	2034 Ending year
_____	Percent of exemption	44,500	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

24734
(Rev. 2/14)

Description of Project Property

11. Legal description of project real property
Lot: A, Block:16 Chapins-Auditors Sub Lot A Blk 16

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 9/1/22

b. Description of project to be constructed including size, type and quality of construction
Thirteen townhomes, consisting of three bedrooms and two bathrooms per unit. High to ~~mid-grade finishes. Common area outdoor space for playground equipment and entertainment.~~

c. Projected number of construction employees during the project construction 10-15

14. Approximate date of commencement of this project's operations 9/1/23

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

a. Land ..... $ 250,000

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

c. Newly constructed buildings and structures when completed ..... $ 3,015,000

d. Total ..... $ _____

e. Machinery and equipment ..... $ 3,265,000

16. Estimate taxable valuation of the property eligible for exemption by multiplying the market values by 5 percent:

a. Land (not eligible) ..... [redacted]

b. Eligible existing buildings and structures ..... $ 0

c. Newly constructed buildings and structures when completed ..... $ 150,750

d. Total taxable valuation of property eligible for exemption (Add lines b and c) ..... $ 150,750

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) ..... $ 44,623

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).
Market rate multifamily housing and property management services.

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

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	251,188	253,700	256,237	258,799	261,387
Annual expense	268,778	270,169	271,581	273,014	274,468
Net income	(17,590)	(16,469)	(15,344)	(14,215)	(13,081)

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

Year		(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1)						
	(2)	0	1	1	1	1	1
Estimated payroll	(1)						
	(2)	0	6,000	6,100	6,200	6,300	6,400

(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

    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, Ryan Downs, 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	Title	Date
	Member/Manager	6/18/22

Uptown Lofts 2.0
711 10th Ave N.
Information for PILOT Application

INVESTOR ROSTER

Brandon Raboin	brandon@raboinrealty.com
Jacob Henderson	jacob@raboinrealty.com
Tyler Leverington	tleverington@ohnstadlaw.com
Ryan Downs	ryandowns07@gmail.com

INVESTMENT SUMMARY

12 Market Rate Townhomes
Unit Mix: 12 3BD/2BA
2 stall garage included with rent

TOTAL PROJECT COST	$ 2,582,948
HARD CAPITAL COSTS	$ 2,582,948
CONTRIBUTED EQUITY	$ 645,737
ANTICIPATED LOAN TERMS	10-Year Term; 25-Year Amortization; 4.125% APR
UNIT MIX	12 3 Bedroom/2 Bathroom Townhouse Style Units
PROPOSED RENT	$1,625 per unit per month

PROJECT STATS	
Project Value	2,582,948
Price Per Unit	215,246
YR 1 Total Operating Income	212,307
YR 1 Total Operating Exp.	85,806
YR 1 Net Operating Income	126,501
YR 1 Debt Service	127,303
YR 1 Annual Cash Flow	(802)
Stabilized Cap Rate	4.90%
First Mortgage (75% Non-recours	1,937,211
PMT (P&I)	127,303
DSCR	0.99

Cash Flow	
Equity Invested	645,737
Cash on Equity Return	
Est. Sale Value at Year 10	2,700,000
Development Cost Basis	2,582,948
Proceeds From Sale	117,052

CAPITAL STRUCTURE	
Total Development Cost	2,582,948
1st Mortgage (75%)	1,937,211
2nd Mortgage (20%)	-
Equity	645,737

INVSESTMENT STATS	
EQUITY INVESTMENT	645,737
10-YEAR IRR	8.18%
10-YR AVG CASH-ON-CASH	-0.1%
10-YR ROI	8.26%

EXIT SCENARIO	
Sale at Year 10	2,700,000
1st Mortgage	1,372,354
2nd Mortgage	-
Partner Equity Return	645,737
	681,909
Year 5	
Cash Return	(1,047)
Principle Reduction	54,354
Taxable Loss (28%)	
	53,307
ROI	8.26%

Construction & Development Cost
711 10th Ave.

	Original Budget	Changes	Revised Budget		
Construction Costs					
Hard Direct Costs	2,052,000			171,000	Per unit
Clubhouse	-			-	Per unit **FFE included above**
Contingency	71,820			3.50%	% of Hard Construction Cost
General Contractors Fee	106.191			5.00%	% of Hard Construction Cost + Cont.
Allocated OH Fee	-			0.00%	" "
Total Construction Cost	2,230,011			185,834	Per unit
Land Costs					
Land Cost Per Recap	250,000			20,833	Per unit
Specials Buy Down	-			-	Per unit
Total Land Cost	250,000			1,316	Per unit
City Costs					
SAC	-			-	Per Unit
WAC	-			-	Per Unit
PAC - Res High	-			-	Per Unit
PAC - Res Med	-			-	Per Unit
PAC - Res Low	-			-	Per Unit
Trunk Sewer/Trunk Water/Storm	-			-	Per Acre
City Fee Contingency	-			-	Added SAC/WAC Units
TIF	-			-	Per Unit
Total City Fees	-			-	Per unit
Consultant Costs					
Architecture	14,000			778	Per Unit
Civil	3,500			194	Per Unit
Structural	3,500			194	Per Unit
Geotechnical	1,000			56	Per Unit
Interiors	1,000			56	Per Unit
Landscape	-			-	Per Unit
Brand	-			-	Per Unit
Rendering	500			28	Per Unit
Feasability	-			-	Per Unit
Traffic Study	-			-	Per Unit
Pre-Con Fee	-			-	Per Unit
Contingency	1,000			56	Per Unit
Total Consultant Costs	24,500			2,042	Per Unit
Financing Costs					
Interest Expense (1st)	26,837				
Interest Expense (Mezz)	-				1 Year of I/0
Origination Mortgage	10,000				0.5% of Mortgage
Accounting Finance Fee	2,500				0.125% of Mortgage
Legal	-				
Registraton/Placement Fee	20,000				1% of Mortgage
Appraisal	1,000				
Settlement Fee	250				
Title Search	1,000				
Title Exam	500				
Doc Prep	150				
Title Insurance	2,000				0.1% of Mortgage
Other Closing Fees	200				
Total Financing Costs	64,437			5,369.79	Per Unit
Other Soft Costs					
Real estate taxes	5,000				50% (due X/X & X/X)
Property Insurance	5,000				Full Year
Marketing - Lease Up	3,000				
Management - Lease Up	1,000				
Total Other Soft Costs	14,000			73.68	Per unit
Developer's Fee	-			0.00%	% on all costs
DISCOUNTED FEE	-			**Fixed Cost Per Agreement**	
Total Development Cost	2,582,948			215,245.70	Per unit

City of Fargo, North Dakota

Payment in Lieu of Taxes Program
"But-For" Report

711 10th Avenue North

Downtown District

DRAFT

July 14, 2022

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Purpose

The purpose of this report is to establish and determine the allowable value of the payment in lieu of taxes (PILOT) tax exemption for Roosevelt Family Lofts, LLC (the "Developer").

PFM first reviewed the application/proforma to ensure that appropriate assumptions regarding property value, rent, vacancy, and expenses were used by the Developer. Based on those assumptions, PFM projected a 10-year cash flow, calculating an internal rate of return. The following report details PFM's analysis and conclusions concerning the viability of the proposed project without the subsidy. The proposed project will be an investment of the Developer so PFM also calculated an internal rate of return for the project.

DRAFT

Project

The project being proposed by Roosevelt Family Lofts, LLC (the "Developer") includes constructing 13 townhome units at 711 10th Avenue North. The townhomes will all be three-bedroom, two-bathroom units. As noted in the previous section, the proposed project is to be an investment property for the Developer.

The Developer has stated that the construction will be completed by September 2023 with occupancy immediately following. The Developer has requested PILOT financing assistance in an amount of $233,418 on a present value basis to complete the project. This amount is based on projections of the future tax payments less the projected PILOT payments. Both the estimated tax payments and estimated PILOT payments assume a property value increase of 1.00% per year. This amount assumes five years of 100% exemption, followed by five years of 50% exemption.

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Project Financing

The Developer is investing 25% equity, or $808,750, and will be privately financing $2,426,249. The Developer is additionally requesting PILOT assistance through annual property tax savings. The private financing is estimated to be a 25-year loan at a 5.00% interest rate resulting in an annual principal and interest payment of $172,148.

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Return Analysis

In calculating the internal rate of return, PFM first analyzed the Developer's assumptions including expected monthly rent, vacancy rate, and the operating expenses. The Developer is proposing a rent of $1,175 per month for each unit. The Developer provided estimates of annual operating expenses, as follows; Maintenance - $12,000, Administration - $25,168, Property Tax (PFM adjusted estimate) - $40,450, Utilities - $10,062. The total expenses, assuming the Developer pays full real estate taxes, are approximately 35% of gross operating income. PFM used the given assumptions for Year 1 and, using a 1.5% inflationary factor for expenses and 1.00% for revenues, developed a 10-year cash flow. PFM assumed a vacancy rate of 8% for each year the project is operating.

The second step in determining the internal rate of return is to determine the earned incremental value of the property over the 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 PILOT assistance the Developer would have about a 3.90% internal rate of return. The Developer would have about a 7.15% internal rate of return if it received the public assistance for the full 10years. 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 of 1.01x without assistance in the first 10 years with a Year 4 coverage of 0.97x. If the City provided assistance to the project the maximum debt coverage is projected to be 1.20x with a Year 4 coverage of 1.19x. The minimum coverage of 1.08x occurs in Year 6 when the exemption drops from 100% to 50%. Debt coverage is important to developers when securing financing for their projects. Many times banks will require a minimum coverage in the range of 1.10x – 1.50x. The debt service coverage is low for this project due to the minimum, upfront equity contribution which results in more debt.

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 minimum internal rate of return of 7.15%.

Sensitivity Scenario 1 – Project Costs

The project would have to be reduced by $224,999 or 6.96% in order for the project to become viable without assistance. This reduces the amount to be financed from $2,426,249 to $2,257,500 and reduces the annual debt service payment from $172,148 to $160,175. In order to obtain a higher IRR of 10% without assistance, project costs would have to be reduced by $416,999 or 12.89%. This scenario would reduce the amount to be financed from $2,426,249 to $2,113,500 and reduce the annual debt service payment from $172,148 to $149,958. It is somewhat unlikely that a reduction in project costs of this magnitude would occur at this stage in the process, especially in the current inflationary market.

Sensitivity Scenario 2 – Rental Rates

In order for the project to be viable without public assistance, the rental rate would have to increase by 11.00%. This increases annual revenue from $261,386 to $289,992 in Year 5. In order to obtain a higher IRR of 10% without assistance, the rental rate would have to increase by 20.25%. This increases annual revenue from $261,386 to $314,046 in Year 5. PFM believes this is a large increase to rents and is unlikely to 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 $138,499 or 4.28% and rental rates would have to increase by 4.20%. In order to obtain a higher IRR of 10% without assistance, project costs would have to be reduced by $255,999 or 7.91% and rental rates would have to increase by 7.80%. Both of these options occurring is unlikely, but it is possible so it should be considered.

The above scenarios show the circumstances in which the project would become viable without public assistance. Based on the information provided PFM's analysis demonstrates that the project as currently anticipated is unlikely to occur "but-for" the public assistance.

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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 units, the rental market, and monthly expenses. Both the internal rate of return without assistance and the debt service coverage are very low. The base scenario without assistance along with the sensitivity analyses demonstrate that the project would likely not be feasible without assistance.

PFM determines that with public assistance, based on 5 years of 100% property tax exemption followed by 5 years of 50% exemption, the Developer's internal rate of return, based on the assumptions outlined in this report, would be 7.15%. Furthermore, the Year 4 debt coverage ratio increases from 0.97x to 1.19x when assistance is provided. Based upon the information provided, the project would not be feasible "but-for" public assistance as it is currently shown by the Developer.

DRAFT

3C. CORE NEIGHBORHOOD HOUSING PILOT GUIDELINES

The purpose of this policy is to establish the City's position relating to the use of Payment in Lieu of Taxes (PILOT) for private market rate housing development in core neighborhoods. The fundamental purpose is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance.

It is the intent of the City to provide the minimum amount of tax exemptions, at the shortest term required, for the project to proceed.

As a matter of policy, the City will consider using PILOT to assist private housing development projects to achieve one or more of the following objectives:

- To create opportunities for affordable housing;
- To encourage additional unsubsidized private development in the area, either directly or indirectly through "spin off" development;
- To assist developers enough to achieve development on sites which would not be developed without PILOT assistance;
- To remove blight and/or encourage the development of new housing that provides housing in areas of core neighborhoods consistent with the Core Neighborhood Plan.
- To offset increased costs of redevelopment (i.e. contaminated site cleanup, infrastructure needs and higher land costs) over and above the costs normally incurred in development;
- To contribute to the implementation of other public policies, as adopted by the City, such as the promotion of quality urban or architectural design, energy conservation and decreasing capital and/or operating costs of local government;
- The maximum term of the exemption is for the two taxable years after the taxable year construction is completed and the residence is occupied for the first time by the owner.

MAXIMUM TERM:

- For projects without affordable housing, the maximum PILOT incentive will be a 100% exemption for the first five (5) years and a 50% exemption for an additional five (5) years;
- For projects with affordable housing, the maximum PILOT incentive will be a 100% exemption for a maximum of 20 years.

EXTRAORDINARY COSTS:

The amount or value of the PILOT tax exemption will be limited to the extraordinary costs of development and are limited to:

- The costs of land acquisition, subject to the limits outlined in the next policy.
- Relocation of existing tenants;
- The costs of demolition, including the removal of building foundations, parking lots and the removal and replacement of unsuitable soil;
- Public improvements in the public right-of-way such as sidewalks, driveway approaches, lighting and connections to the water, sanitary sewer and storm water systems;
- Onsite storm water retention including the cost of excavation, underground storm water lines or underground storage facilities. It does not include water collection systems such as parking lots, sidewalks or curb/gutters;
- Architectural and engineering costs are limited to those necessary services to implement other activities allowed by this policy. Developer fees and legal costs are not permitted.

LAND ACQUISITION COSTS:

The eligible costs recouped to the developer shall be evaluated on a case-by-case basis; however, the maximum should be the lesser of:

- The total acquisition cost for the property, provided the acquisition cost is no more than 150% of the Assessor's market value for the property. This 150% limit applies to the total of all properties acquired, not a property-by-property limit;
- 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).

OTHER CONDITIONS AND LIMITS:

- The value of the PILOT assistance should be limited to a percentage up to 15% of hard capital costs of development including the costs of acquisition. Developer must provide at least 10% of total capital costs as developer's equity in the project;
- Financial plans of the project will be reviewed by the City financial consultant to determine the feasibility and level of public assistance that is appropriate;
- The project must be consistent with the City's Comprehensive Plan, the Core Neighborhood Land Use Plan and the Land Development Code. The developer's agreement should include design standards to ensure the development will be compatible with the long-term plans for the area;
- To the extent required by state, federal, local law or regulations, a relocation plan should be provided by the developer. Relocation payments to tenants of businesses or residential uses must be made. These relocation payments should follow state/federal guidelines.