

**ECONOMIC AND DEVELOPMENT INCENTIVE COMMITTEE
Fargo, North Dakota**

Regular Meeting

Tuesday, August 25, 2026

The August 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, August 25, 2026.

The committee members present or absent are:

Members Present: Commissioner Chad Peterson, Mayor Josh Boschee, Lucas Paper, Matt Schlenvogt, John Cosgriff

Others Present: Jackie Gapp, Robert Wilson, Michael Splonskowski, Joe Raso, Ryan Osseim, Nicole Crutchfield, Mark Williams

Commissioner Peterson called the meeting to order at 1:00 p.m. A roll call was conducted and a quorum was established.

Minutes Approved

A motion was made to approved July 28, 2026, meeting minutes. Mayor Boschee moved. The motion was seconded by Matt Schlenvogt. Motion carries.

Business Incentives Review Procedures

- Michael Splonskowski presented a memorandum outlining possible procedures for reviewing business incentive performance and determining when follow-up or corrective action may be necessary.
- Review options presented:
 - EDIC reviews survey results first, determines whether follow-up is needed and forwards a recommendation to the City Commission.
 - EDIC reviews the results and recommends which recipients require follow-up before the matter proceeds to the City Commission.
 - The City Commission reviews the results first and identifies projects requiring additional review by EDIC.
 - The City Commission conducts the review and determines any necessary follow-up.
 - A combination of the proposed approaches or another process developed by the committee.

- Questions for consideration included which body should make the initial determination, whether recipients should appear before both bodies and whether acceptable performance thresholds should be established.
- Sample scenarios compared promised and actual job creation and wage levels to illustrate when follow-up may be appropriate.
- Committee discussion:
 - Members discussed whether EDIC or the City Commission should conduct the initial review. Some members favored EDIC reviewing concerns first and making a recommendation to the City Commission.
 - Members supported developing a transparent matrix with defined performance thresholds to provide consistency and clear expectations for participating businesses.
 - The committee noted that job totals alone may not fully reflect a project's performance. Wage levels, total compensation, property value, changing economic conditions and technological changes may also be relevant.
 - Members discussed using corrective action or workout plans when a company is cooperating but has not fully met its projections, rather than automatically ending an incentive.
 - Non-reporting was identified as a serious compliance concern. Members discussed making continuation of an incentive contingent upon timely annual reporting.
 - Staff advised that an incentive may be ended prospectively if requirements are not met. Recovering taxes previously exempted may be legally and administratively difficult and could require court action.
 - Joe Raso stated the Greater Fargo Moorhead Economic Development Corporation could work with staff and participating companies before reporting deadlines to identify concerns early and improve communication.
 - Survey responses are expected over the next month. Staff noted that action affecting the upcoming tax year may need to occur before January 1.
- No formal action was taken. Staff and community partners will continue refining the review process, reporting requirements, performance thresholds and possible corrective-action procedures.

Land Development Code and Incentive Project Update

- Planning Director Nicole Crutchfield reported the latest public draft of the Land Development Code had been released and related public meetings were underway.
- Committee members asked when EDIC should become involved in incentive discussions connected to the Land Development Code and Growth Plan.
- Land Development Code discussion:
 - Crutchfield stated special assessments involve broader policy, finance, engineering and administrative considerations and traditionally fall outside EDIC's role.
 - Special assessment policy discussions may involve the City Commission, Finance Department, Engineering Department, City Administration and the Special Assessment Committee.

- Following former Planning Director Jim Gilmour's retirement, the Planning, Assessing and Finance departments are collaborating more closely on applications involving tax increment financing, payment-in-lieu-of-taxes, urban renewal and blight.
- The Growth Plan calls for examining how development incentives can support optimal development. EDIC and the Renaissance Zone Authority will be involved in that work.
- Staff and consultants are reviewing historical development patterns and incentive data. Data reconciliation issues remain under review.
- Staff estimated the base zoning and ordinance standards were approximately three months from completion, with a goal of building consensus by the end of the year.
- Members discussed the need for public education regarding special assessments, infrastructure costs and the fact that changing the assessment mechanism shifts rather than eliminates those costs.
- No formal action was taken.

Growth Plan Commercial Redevelopment Policy

- Crutchfield reintroduced the draft Commercial Redevelopment Policy, which was previously reviewed in November 2025 and paused while Land Development Code work continued.
- Staff stated a project at 45th Street and Main Avenue may seek redevelopment incentives. The project includes an existing phase and a possible new housing phase.
- Staff intends to finalize the policy before considering a related project application.
- Committee discussion:
 - Members requested clearer definitions and measurable criteria for terms such as high vacancy so applicants can understand eligibility requirements.
 - The committee discussed whether a proposed incentive of up to 10 years would align with Cass County and Fargo Public Schools policies.
 - Cass County and Fargo Public Schools representatives stated their current policies primarily focus on primary-sector projects and low-income housing.
 - The Fargo Public Schools representative agreed to provide the district's current policy to Crutchfield for distribution to the committee.
 - Members expressed support for redevelopment incentives that encourage reinvestment in established areas of Fargo and help limit unnecessary urban sprawl.
- No formal action was taken. Staff will continue refining the policy and return with an updated draft.

A motion was made and seconded to adjourn the meeting. Motion carries.

The meeting was adjourned at 1:59 p.m.

Memorandum

To: Economic Development Incentives Committee
From: Michael Splonskowski, City Assessor
Date: August, 7th 2026
Subject: Business Incentive Review Procedures

Background

The City of Fargo grants property tax incentives to private entities to enhance opportunities for economic growth for the city and its citizens. The City has a duty to its citizens to grant these with diligence and discretion, and to gauge the success of these decisions. Since recipients benefit from the City's policies, it is appropriate that they detail their progress to the city for that purpose.

For this purpose, a Business Incentive Agreement (BIA) is required to be signed by each applicant, indicating the number of jobs and hourly pay they expect to add with the project, and agreeing to report annually while the exemption is in place.

Over the last few years, members of the commission have been calling for enhanced tracking of the progress of granted incentives as a means of verifying that recipients are fulfilling their commitments and to track the success or failure of the endeavors in an effort at transparency to the citizens.

There is also a desire for a process by which incentives that are underperforming can be reviewed and removed if necessary. The power to remove an incentive is provided in NDCC 40-57.1-03, with conditions outlined for such action. This power is evident for going forward and legal counsel is researching the possibility and practicality of recouping for prior years. Ideally, any incentives to be rescinded should be determined before January 1.

Progress

We worked with the Greater Fargo Moorhead Economic Development Corporation (GFMEDC) to set up the tracking software, build and populate the database, formulate, vet and beta test the survey. Part of the process involved updating contact information and informing recipients that this would be happening going forward.

In May of 2025 the first full survey was sent out. Initial response was incomplete and additional time was needed to reach out to non-respondents. The results were conveyed to the EDIC and the City Commission later that year. We are about to start our next survey for the current year.

Action Items

A new BIA has been formulated for this purpose and should be reviewed for adoption. Additionally, procedures for review and rescindment of property tax incentives need to be created.

Enclosed are some proposed procedures for the reporting and verification of granted incentives in the event that the commission wants to follow up for more information about an underperforming project. Such a follow-up will help to decide if any steps need to be taken, and if so, what those steps would be.

Sincerely,

Michael Splonkowski
City Assessor

Enclosures:

Addenda A: Questions and Example Scenarios
Addenda B: Business Incentive Review Options
Addenda C: Example Letter to Recipient

Addenda A: Questions and Potential Scenarios

Questions for consideration:

- Which body – EDIC or City Commission - decides a follow-up is necessary, or do both decide separately?
- Can EDIC recommend no follow-up on an underperforming project?
- Do recipients have to go before both boards?
- Do we require a follow-up for every underperforming project or do we establish acceptable thresholds? Or is it case by case?

Example Scenarios

Example Case A:

Business A stated they would have 30 new jobs by year 3, paying \$30/hr. They report they have 25 jobs paying \$30/hour, with two years of incentive left. **Does this warrant an explanation to the committee/commission?**

Example Case B:

Business B stated they would have 30 new jobs by year 3, paying \$30/hr. They report they have 25 jobs paying \$33/hour, with two years of incentive left. **Is this close enough that the EDIC could say this is close enough to the mark, and no explanation is needed?**

Example Case C:

Business A stated they would have 30 new jobs by year 3, paying \$30/hr. They report they have 20 jobs paying \$25/hour, with two years of incentive left. **Is this an automatic follow-up?**

Addenda B: Business Incentive Review Options

Process Option 1 (Both Review, EDIC First):

1. Present the report to EDIC
2. EDIC determines if follow-up is necessary
3. Inform recipient of required follow-up
4. Recipient follow-up with EDIC
5. Recommendation to commission
6. Present report to commission
7. Commission determines if a follow-up is necessary
8. Inform recipient of required follow-up
9. Recipients follow up with Commission
10. Commission decision

Process Option 2 (EDIC Recommendation Only):

1. Present the report to EDIC
2. EDIC determines if follow-up is necessary
3. Inform recipient of required follow-up
4. Recipient follow-up with EDIC
5. Recommendation to commission, Commission only does follow-ups on EDIC recommendation
6. Inform recipient of required follow-up with commission
7. Present report to commission
8. Recipients follow up with Commission
9. Commission decision

Process Option 3 (Both Review, Commission First):

1. Present the report to commission
2. Commission determines if a follow-up is necessary
3. Inform recipient of required follow-up with EDIC and Commission
4. Recipient follow-up with EDIC
5. Recommendation to commission
6. Inform recipient of required follow-up with commission
7. Recipients follow up with Commission
8. Commission decision

Process Option 4 (City Commission Only):

1. Present the report to commission
2. Commission determines if a follow-up is necessary –
 - a. **Motion: Direct city staff to notify the recipient(s) that the Commission has reviewed information concerning performance under their incentive agreement and has identified an apparent shortfall in one or more incentive obligations. Direct staff to invite the recipient(s) to attend a future Commission meeting to provide information concerning their performance and respond to questions from the Commission.**
3. Inform recipient of required follow-up with Commission

4. Recipients follow up with Commission
5. Commission decision

Process Option 5 (Combination of above)

Addenda C: Example Letter to Recipient

Re: Notice Regarding Property Tax Incentive Agreement

Dear [Recipient Name]:

At its meeting on [Date], the [Committee/Commission Name] reviewed information regarding your property tax incentive agreement and the performance obligations associated with the incentive.

Following its review, the [Committee/Commission Name] determined that additional information is needed regarding an apparent shortfall in one or more of the obligations required under the incentive agreement. Accordingly, the Committee/Commission has directed city staff to invite you to appear before the [Commission Name] to provide additional information and respond to questions regarding your performance under the agreement.

The matter will be considered by the [Commission Name] at its meeting on [Date] at [Time], to be held at [Location]. You are encouraged to attend and present any information or documentation you believe is relevant to the Commission's review.

Following its consideration of the information presented, the Commission may take any action authorized under the terms of the incentive agreement and applicable city policies. **Possible actions may include allowing the incentive to continue without modification, requesting corrective actions or additional reporting, modifying the terms of the incentive where authorized, or terminating the incentive if the Commission determines that such action is warranted under the agreement and applicable law.** No final determination has been made regarding your incentive, and the purpose of the meeting is to provide the Commission with the information necessary to make an informed decision.

If you wish to submit supporting documentation before the meeting or have questions regarding the meeting procedures, please contact [Staff Contact] at [Phone Number] or [Email Address].

Thank you for your attention to this matter. We appreciate your cooperation and look forward to your participation in the Commission's review.

Business Incentive Agreement

[City of Fargo]

This agreement ["Agreement"] is made and entered into by and between the City of Fargo, a North Dakota municipal corporation, [the "City"] and the person, firm or company set forth below [the "Recipient"].

Recitals:

A. Name of Recipient: _____

Recipient's mailing address: _____

Contact Person: _____ Email address: _____

Telephone Number: _____

Recipient parent company (if applicable): _____

Location of Recipient prior to receiving incentive (if different): _____

B. Recipient currently employs _____ people (reported herein as full-time-equivalent positions),
located in _____.

C. Description and location of the project: _____

defined herein as the "Project."

D. The Project will be located at the following address: _____
_____.

E. The legal description of the Project location and the name of the fee owner of said property is
as follows: _____

Fee owner name(s) is: _____

Relationship between Recipient and fee owner of location, if the two are different is:

_____ (i.e. Recipient is tenant of fee owner).

F. Recipient has submitted to the City an application for an ad valorem tax exemption, to be applied to
the Project location, above-described. The application contains a description of the improvements

to real property to be undertaken as part of this Project as well as the installation of equipment, fixtures, furniture and equipment.

- G. Recipient estimates that the annual value of the business incentive, which is determined by estimating the value of the ad valorem property tax exemption is \$ _____ per year.
- H. Recipient represents that either it has not entered into any other business incentive agreement authorized by North Dakota statute or, if it has entered into one or more such agreements, it has remained in full compliance therewith throughout the term of such agreement or agreements.
- I. The Recipient wishes to receive from the City a business incentive in the form of a grant of an ad valorem property tax exemption or of payments in lieu of ad valorem taxes, as authorized by Chapter 40-57.1 of the North Dakota Century Code [N.D.C.C.], and upon the approval of such grant by the City, the City and Recipient wish to enter into an agreement establishing the terms and conditions by which such grant will be awarded.

NOW, THEREFORE, in consideration of the Recitals and the following mutual covenants and agreements, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

- 1. Recipient hereby represents that the Recitals, above, are true and correct.
- 2. The Recitals, above, are incorporated as part and parcel of this Agreement.
- 3. City hereby grants recipient a business incentive, pursuant to N.D.C.C. §40-57.1-03 as follows:
The business incentive is the grant by the City of an ad valorem property tax exemption, as authorized pursuant to N.D.C.C. §40-57.1-03, which exemption shall extend for a period of _____ (____) years, with the first year of said exemption commencing at such time as the Recipient takes occupancy of the business premises of the Project following any construction or fit-up thereof, as may be the case. The period of years of this exemption shall be referred to herein as the “Exemption Term.”
- 4. Recipient shall inform the City as to the date upon which such occupancy has commenced and the City shall undertake such action as necessary or appropriate to communicate with the County Auditor or County Finance Director to establish such exemption.
- 5. The parties understand and acknowledge that North Dakota ad valorem property taxes are calculated and assessed on a calendar year basis and that the property taxes for a particular calendar year (herein, a “tax year”) are payable in arrears with the taxes for said tax year being payable commencing the 1st of January of the following year and, therefore, the exemption for a particular tax year is also realized in the following calendar year.

6. The public purpose or purposes of the business incentive are:
- ☐ Increase tax base
 - ☐ Directly create employment opportunities ☐ Indirectly increase employment opportunities
 - ☐ Job retention ☐ Other _____
7. In return for the business incentive, Recipient shall create: _____ jobs (number of full-time equivalent jobs), with the average hourly wage of such jobs, the average value of benefits per hours and the resulting average hourly compensation for said jobs as follows:
- $$\frac{\text{Average hourly wage}}{\text{Average hourly wage}} + \frac{\text{Benefits per hour value}}{\text{Benefits per hour value}} = \frac{\text{Average hourly compensation}}{\text{Average hourly compensation}}$$
- Said new jobs shall be created and filled by Recipient by the end of the second year of the Exemption Term and said new jobs shall remain in place throughout the Exemption Term.
8. The Recipient shall continue operations in the City of Fargo for at least the full length of the Exemption Term.
9. This Agreement, including the grant of the ad valorem property tax exemption contained herein, is subject to reduction or revocation by the City, as set forth in N.D.C.C. §40-57.1-03(6), for any reasons as set forth herein or as is determined by the findings and decision of the governing body of the City, as set forth in said statute.
10. Recipient shall file a report with the City of Fargo annually on or before December 31st of each year for five years commencing with the first tax year of the Exemption Term. Said report shall include the number of new jobs that have been created and filled by Recipient since the commencement of occupancy. Said report shall include the number of employees (in full-time-equivalent values) at the time of such commencement and as of the date of the annual report. To the extent the new jobs created are fewer than required by this Agreement, Recipient shall provide any relevant explanation for the deficiency, it being acknowledged that Recipient shall have until the end of the second year of the Exemption Term to come into compliance with the new-job requirements set forth herein. The City shall be entitled to request any additional information or report from the Recipient, in the City's reasonable discretion and the Recipient shall be obligated to comply with such request or requests.
11. If at any time from and after the first two tax years of the Exemption Term, the new job requirements set forth in this Agreement have not been met, the Recipient shall be obligated to remit to the City the value of the ad valorem property tax exemption received by the fee owner of the property upon which the Project is located prorated to reflect any partial fulfillment of the job

and compensation goals that were met. This remedy is for the benefit of the City, is in addition to the revocation or reduction of any tax exemption as set forth herein and is enforceable in a court of law.

12. Effective date. This Agreement shall be effective as of the date and year last signed below.

[Remainder of page blank – execution pages to follow]

RECIPIENT

Date: _____, 20 ____.

a North Dakota _____ (type of entity)

by: _____

Print: _____

Its: _____ (office/position)

Dated _____

CITY OF FARGO,
a North Dakota municipal corporation

(SEAL)

By _____
Mayor

ATTEST:

By _____
____ City Auditor, or
____ Deputy City Auditor on behalf of the City Auditor

July [DATE], 2026

[Contact First Name] [Contact Last Name]

[Title]

[Company Name]

[Street Address]

[City, State ZIP]

Dear [Contact First Name],

On behalf of the Greater Fargo Moorhead Economic Development Corporation (GFMEDC), I am writing regarding our annual Business Incentive Tracking process, conducted in partnership with the City of Fargo. Each year, GFMEDC assists the City of Fargo in evaluating the effectiveness and outcomes of its PILOT (Payment in Lieu of Taxes) / Property Tax Exemption incentive program. This program was designed to support primary sector companies — like yours — in growing jobs and wages in our community, and to ensure that the investments made by the City of Fargo are generating meaningful economic impact for the region.

Our outreach today is to collect your current 2026 employment headcount and wage information. Enclosed with this letter you will find a one-page response form pre-populated with your company's original agreement commitments and your responses from last year (if applicable). We ask that you simply fill in your current full-time employee count and average annual wage for 2026 and return the completed form or complete the survey online using the QR code provided at the bottom of the enclosed form.

Your participation in this process is important for two key reasons. First, annual reporting is a requirement of your Business Incentive Agreement with the City of Fargo. Providing your current employment and wage data ensures your organization remains in good standing with the terms of that agreement. Failure to provide this annual data could result in a termination of your property tax incentive by the City of Fargo. Second, maintaining an accurate and up-to-date record of your company's growth and progress is a valuable asset. Should your organization seek additional incentives or support from the City of Fargo in the future, having a documented track record of job creation and wage growth strengthens your position considerably.

If you have any questions about this process, your incentive agreement, or the information requested, please do not hesitate to reach out. A member of our team will be in touch directly in the coming weeks, and we are happy to assist in any way we can.

Thank you for your continued partnership and your commitment to growing jobs and wages in the Fargo community. We look forward to hearing from you.

Sincerely,

2026 ANNUAL INCENTIVE TRACKING — RESPONSE FORM

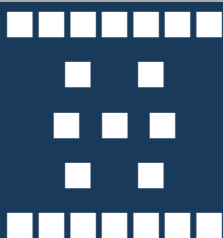
City of Fargo PILOT / Property Tax Exemption Program | Greater Fargo Moorhead Economic Development Corporation

Company Name: []	Primary Contact: []	Incentive Agreement Date: []
Reporting Year: 2026	Response Due Date: August 9, 2026	Submitted By: []

Instructions: Please review your original agreement commitments and your 2025 reported figures below. Complete the shaded 2026 response columns with your current full-time employee count and average annual wage. Return this form by August 9, 2026 or complete the survey online using the QR code at the bottom of this page.

	ORIGINAL AGREEMENT COMMITMENTS		2025 REPORTED FIGURES		2026 RESPONSE ← Please Complete	
Metric	Full-Time Jobs Committed	Avg. Annual Wage Committed	Full-Time Jobs Reported (2025)	Avg. Annual Wage Reported (2025)	Full-Time Jobs (2026)	Avg. Annual Wage (2026)
[Company Name]	[##]	[\$##,###]	[##]	[\$##,###]		

Additional Notes (optional): If your employee count or wage figures have been significantly impacted by factors such as workforce availability, automation, or other business conditions, please briefly note that context here:



[QR CODE
PLACEHOLDER]

Prefer to respond online? It only takes 2 minutes.

Scan the QR code to the left to access our secure online survey. You will be asked the same two questions: your current full-time employee count and average annual wage for 2026. Your responses are submitted directly and securely to GFMEDC.

Questions? Contact Sammi Rowe: srowe@fmedc.com | 701-364-1918

INCENTIVE PERFORMANCE REVIEW

ANNUAL PERFORMANCE MATRIX

Company: _____

Project / Property: _____

Incentive Program: _____

Original Incentive Term: _____

Review Year: _____ of _____

Review Period: _____ to _____

Reviewer: _____

Review Date: _____

1. WAGE PERFORMANCE

Measure	Commitment	Actual	Achievement %
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Required Wage	\$ _____	\$ _____	_____ %
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Wage Achievement: _____ %

2. JOB CREATION PERFORMANCE

Calculate the annual achievement percentage for each year reviewed.

Incentive Year	Required Jobs	Actual Jobs	Annual Achievement %
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Year 1	_____	_____	_____ %
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Year 2	_____	_____	_____ %
--------	-------	-------	---------

Year 3	_____	_____	_____ %
--------	-------	-------	---------

Year 4	_____	_____	_____ %
--------	-------	-------	---------

Year 5	_____	_____	_____ %
--------	-------	-------	---------

Year 6	_____	_____	_____ %
--------	-------	-------	---------

Year 7	_____	_____	_____ %
--------	-------	-------	---------

Year 8	_____	_____	_____ %
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Incentive Year Required Jobs Actual Jobs Annual Achievement %

Average _____ %

Average Annual Job Achievement: _____ %

3. CUMULATIVE PERFORMANCE SCORE

Performance Measure	Achievement
----------------------------	--------------------

Wage Achievement	_____ %
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Average Annual Job Achievement	_____ %
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Cumulative Performance Score	_____ %
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Calculation:

Cumulative Performance Score = (Wage Achievement % + Average Annual Job Achievement %) ÷ 2

4. ANNUAL REVIEW STATUS

Review Year: _____

☐ **Standard Annual Review — Years 1–2**

☐ **Heightened Annual Review — Year 3 and Later**

Review Notes

Follow-Up

☐ No additional information requested

☐ Additional employment documentation requested

☐ Additional wage documentation requested

☐ Other: _____

Performance Grade: _____

INCENTIVE PERFORMANCE REVIEW

INSTRUCTIONS, GRADING CRITERIA & POSSIBLE OUTCOMES

PURPOSE

The Annual Performance Matrix provides a consistent method for reviewing two primary incentive performance requirements:

1. **Wage Performance**
2. **Job Creation Performance**

The matrix provides an annual measurement of performance and a simple combined performance score.

1. WAGE PERFORMANCE

Calculate the Wage Achievement percentage by comparing the actual qualifying wage to the wage commitment.

$$\text{Wage Achievement \%} = \text{Actual Qualifying Wage} \div \text{Required Wage} \times 100$$

Example

Required wage: **\$25.00/hour**

Actual qualifying wage: **\$26.40/hour**

$$\text{\$26.40} \div \text{\$25.00} = \text{105.6\%}$$

The Wage Achievement is therefore **105.6%**.

Use the wage definition and calculation method established by the applicable incentive agreement or policy.

2. JOB CREATION PERFORMANCE

Calculate job achievement separately for each incentive year.

$$\text{Annual Job Achievement \%} = \text{Actual Jobs} \div \text{Required Jobs} \times 100$$

Example

Required jobs: **60**

Actual jobs: **54**

$$54 \div 60 = 90.0\%$$

The Annual Job Achievement is therefore **90.0%**.

Average Annual Job Achievement

After calculating the percentage for each year reviewed, calculate the arithmetic average of those annual percentages.

Average Annual Job Achievement % = Sum of Annual Achievement Percentages ÷ Number of Years Reviewed

The individual annual percentages should remain visible on the matrix. The average is the summary measure used in the Cumulative Performance Score.

3. CUMULATIVE PERFORMANCE SCORE

The Cumulative Performance Score combines the two performance measures equally.

Cumulative Performance Score = (Wage Achievement % + Average Annual Job Achievement %) ÷ 2

Example

Wage Achievement: **105.6%**

Average Annual Job Achievement: **89.2%**

(105.6 + 89.2) ÷ 2 = 97.4%

Cumulative Performance Score = 97.4%

4. REVIEW LEVEL

Years 1–2 — Standard Annual Review

Performance is reviewed annually to:

- Establish actual performance.
- Verify reported information.
- Identify early deviations from commitments.
- Maintain a documented performance history.

Year 3 and Later — Heightened Annual Review

Beginning in Year 3, the annual review receives heightened scrutiny.

The reviewer should give particular attention to:

- Current wage performance.
- Current employment performance.

- Annual job-achievement percentages.
- Supporting documentation.
- The Cumulative Performance Score.

Year 3 is **not a separate pass/fail test**. It is the point at which the annual review becomes more significant.

5. PERFORMANCE GRADING

The Cumulative Performance Score is used to assign a performance grade.

Performance Score Grade Performance Level

100% or greater	A	Commitment Met or Exceeded
90%–99.9%	B	Minor Deviation
80%–89.9%	C	Moderate Deviation
70%–79.9%	D	Significant Deviation
Below 70%	F	Substantial Deviation

The grade is based on the **Cumulative Performance Score**. The underlying wage and annual employment results should remain available to explain the score.

6. POSSIBLE OUTCOMES

Each performance grade corresponds to a potential outcome.

Grade Performance Level		Possible Outcome
A	Commitment Met or Exceeded	Continue Incentive as Provided
B	Minor Deviation	Continue Incentive with Routine Monitoring
C	Moderate Deviation	Continue Incentive with Increased Monitoring
D	Significant Deviation	Corrective Action Plan
F	Substantial Deviation	Consider Incentive Adjustment or Termination

A — Continue Incentive as Provided

Performance meets or exceeds the measured commitments. The incentive continues according to the existing agreement.

B — Continue Incentive with Routine Monitoring

Performance is slightly below the measured commitments. The incentive continues with normal annual monitoring.

C — Continue Incentive with Increased Monitoring

Performance shows a more substantial deviation from the commitments. The incentive may continue with additional documentation or monitoring during subsequent reviews.

D — Corrective Action Plan

Performance shows a significant deviation from the commitments. Where authorized by the applicable agreement or policy, the recipient may be required to establish a plan addressing the identified performance deficiencies.

F — Consider Incentive Adjustment or Termination

Performance shows a substantial deviation from the commitments. Where authorized by the applicable agreement and governing law, the City may consider an incentive adjustment, reduction, recapture, or termination.

7. REVIEW PRINCIPLE

The matrix is designed to answer three basic questions:

WAGES

Are the qualifying wages meeting the commitment?

JOBS

Are the promised jobs being created?

OVERALL PERFORMANCE

What do the two measured performance areas show when considered together?

The annual percentages remain visible so that the Cumulative Performance Score can be understood and supported by the underlying performance data.

MEMORANDUM

TO: Economic Development Incentives Committee

FROM: Nicole Crutchfield, Director of Planning & Development 

DATE: September 16, 2026

SUBJECT: Commercial Redevelopment PILOT Incentive

At last month's EDIC meeting staff presented an update regarding the draft commercial redevelopment policy that was developed by this committee in late 2025. At the meeting, staff sought feedback and requested suggested edits over the next 30 days. To date, feedback received relates to larger policy questions or format items corresponding to the Land Development Code drafting and corresponding incentive policy discussions. Therefore, staff is suggesting EDIC act on the draft policy as originally confirmed by EDIC in 2025 and included in this packet.

Background for reference:

In Fall of 2025 and in Spring 2026, Jim Gilmour, as the Director of Strategic Planning brought forward a revision to an incentive policy that would encourage redevelopment of vacant and underutilized commercial buildings. EDIC supported this policy but the previous City Commission did not act on the policy and deferred action until after the June 2026 election so that the new City Commission could weigh in on the new policy. The previous commissioners were also cognizant that the LDC updates were still in the development stages.

As a reminder the Growth Plan encourages more infill development and rehabilitating buildings. Developing geographic growth centers for infill development is included in the Growth Plan as an implementation strategy. (Pages 94 and 99 of the 2024 Growth Plan). The Growth Plan also includes an implementation plan on how to target resources for greater impact in these Growth Centers (page 118).

At this time staff is suggesting EDIC confirm the draft policy as presented and bring forward the policy amendment to the City Commission for action at the September 28th meeting. For reference, the draft policy would be incorporated as an amendment into the Economic Development Incentives Policy as item 3.E. This document can be found on the City's website at: https://download.fargond.gov/1/economic_development_incentives_policies.pdf

Suggested Motion:

Accept the draft policy and recommend adoption by the City Commission.

3E. Commercial Redevelopment

The purpose of this policy is to establish the City's position relating to the use of the Payment in Lieu of Taxes (PILOT) for encouraging redevelopment of commercial areas with high vacancies and/or economically obsolete buildings. The fundamental purpose is to encourage developers to redevelop commercial or apartment buildings that are on previously developed sites. Projects should create new development that has some of the following characteristics.

- Higher value and higher density buildings – Evaluate the increase in value per square foot of the site and the increase in the floor area ratio of the site. The value of the per square foot of the city and the floor area ratio of the site should exceed the amounts in other commercial areas.
- Opportunities for economic development – Does the redeveloped site have the potential to attract primary sector businesses and startup businesses? Consider the availability of similar space and the provision of supportive services.
- Mixed use developments with shared parking – Does the site have multiple land uses that will allow for shared parking? Consider if the number of shared parking spaces to be provided allows the number of parking spaces to be below what is provided on other commercial sites.
- Desirable land uses – The proposed land use should be consistent with the Land Development Code and compatible with adjacent land uses.
- Consistent with City Plans – The land use must be consistent with plans approved by the City.
- Improved design and public amenities – The design and form of the building should be of a higher standard than required and/or include public amenities.

Applications should not provide an unfair competition to existing development and are subject to a “but for” test to evaluate the need for incentives. The maximum incentive is a 100% PILOT property tax incentive for up to 10 years.

MEMORANDUM

TO: Economic Development Incentives Committee

FROM: Nicole Crutchfield, Director of Planning & Development

DATE: September 17, 2026
UPDATE: September 21, 2026

SUBJECT: PILOT application Cove Living, LLC

The City of Fargo received a PILOT application for a mixed-use development project titled COVE Living LLC. The request is for 10 years at 100%. Staff proceeded with submitting this proposal to the City's financial consultant, PFM, to seek a "but for" analysis.

At the timing of this memo, the PFM report is not quite completed. In addition, staff is in preliminary introductions with the joint taxing agencies to obtain more information about their position. Upon initial review by PFM, the resulting taxing agency decisions will impact the "but for" analysis. An amendment of the packet will be forth coming.

Staff looks forward to a presentation and discussion with the committee as topics and considerations are introduced to the committee. PFM and the applicant will be present.

9/21/2026 Update:

Staff received the preliminary analysis from PFM. Please see the attached packet that now includes the draft report.

City of Fargo

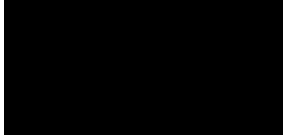
Application for Core Neighborhood Housing PILOT

Contact Information

James Roers

350 45th St S Suite 120

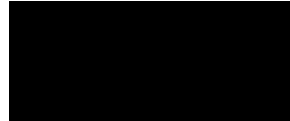
Fargo, ND 58103



Shannon Roers Jones

350 45th St S Suite 120

Fargo, ND 58103



General Information

- Name and description of Corporation/Partnership
 - COVE Living LLC
- Project Location
 - 300 45th Street South, Fargo, ND 58103
- Project Description with conceptual plans
 - The proposed COVE Living project is a comprehensive infill and redevelopment initiative that directly advances the City of Fargo's Core Neighborhood Housing PILOT policy objectives by transforming an underutilized, parking-dominated site into a vibrant, mixed-use destination that increases density, supports economic development, and enhances the surrounding neighborhood.

COVE Living will introduce 229 new residential apartment units and 15,507 rentable square feet of integrated commercial space on the west side of and adjacent to the existing commercial building located at 350 45th Street South (formerly addressed as 200/300/400 45th Street South). The project is part of a unified redevelopment strategy for the 13.75-acre site, which is currently characterized by excess surface parking—approximately 1,100 stalls—and underutilized land. This redevelopment replaces inefficiency with intentional density and activation.

The apartment building will consist of 6.5 stories of wood construction over a single-story precast concrete podium, and will include 96 enclosed, on-grade parking spaces. The building will be physically and functionally connected to the newly redesigned COVE (Center of Innovative Ventures & Entrepreneurs), which reimagines the existing commercial space as a dynamic hub for business growth, collaboration, and innovation.

Alignment with PILOT Policy Goals

- Higher Value and Increased Density: COVE Living significantly increases both the value per square foot and the floor area ratio of the site. By introducing a vertically integrated, multi-phase residential structure, the project transforms a low-intensity, parking-heavy site into a high-performing urban asset that will contribute meaningfully to the City's long-term tax base.
- Opportunities for Economic Development: The integration of 15,507 square feet of commercial space within COVE Living, coupled with its direct connection to the broader COVE ecosystem, creates a unique live-work environment that supports entrepreneurship, startup activity, and primary-sector business growth. This synergy enhances workforce attraction and retention while positioning the site as a regional center for innovation.
- Mixed-Use Development with Shared Parking: The project incorporates a thoughtful mixed-use design supported by shared parking strategies that reduce reliance on expansive surface parking. By utilizing 96 enclosed on-grade stalls and optimizing the broader site's parking resources, the development promotes efficient land use while supporting both residential and commercial needs.
- Desirable and Compatible Land Uses: The addition of residential density within an established commercial corridor introduces a complementary use that enhances activity levels throughout the day and evening. The project is consistent with the City's Land Development Code and supports a more balanced and activated neighborhood environment.
- Consistency with City Plans: COVE Living aligns with the City's planning priorities related to infill development, economic diversification, housing supply expansion, and efficient use of existing infrastructure. By focusing development within an already-serviced area, the project avoids the need for costly outward expansion of public services.
- Improved Design and Public Amenities: The project will deliver a high-quality architectural and site design that elevates the overall standard of development in the area. The connection to COVE introduces shared amenities, collaborative environments, and opportunities for community engagement that benefit both residents and the broader business community.
- Infill Development Considerations: As an infill redevelopment of this scale, COVE Living involves additional costs and complexities not typically encountered in greenfield development. These include site reconfiguration, integration with existing structures and infrastructure, structured construction over a podium system, and the transition from surface parking to higher-density use. These factors reflect the City's policy goal of encouraging redevelopment of previously developed sites while recognizing the additional investment required to achieve these outcomes.

- COVE Living represents a forward-thinking redevelopment that converts an underutilized site into a high-density, mixed-use innovation district. By combining residential living with a next-generation entrepreneurial hub, the project advances the City's goals of economic development, efficient land use, and neighborhood revitalization, and stands as a strong example of the type of transformative investment envisioned under the Core Neighborhood Housing PILOT policy.
- Conceptual Plans are attached.
- Proposed Schedule
 - Construction of Phase 1 to begin Fall of 2026 with an 18-month construction period. Estimated completion of Phase 1 Spring of 2028
 - Construction of Phase 2 will begin following completion of Phase 1 with a 14-month construction period. Estimated to start construction Spring of 2028 and be completed Fall of 2029.

Project Financials and Financing

- Name of Developer
 - RDG2 LLC, 350 45th Street South, Fargo, ND 58103
- Ultimate owner of development
 - COVE Living LLC, 300 45th Street South, Fargo, ND 58103
- PILOT period request
 - 10-Year PILOT requested
- Minimum of a 10-Year Proforma, showing the year in which the property is at full rent-up
 - 10-Year Proforma attached
- Total project cost
 - \$61,609,000
- Hard Capital Costs
 - \$52,744,000
- Contributed equity
 - \$16,802,000
- Loan amount(s) with terms (anticipated rate, first maturity, final maturity)
 - Finalized loan package, subject to Pilot approval. Phase 1 loan \$25,162,000, 6.15% interest rate with a 5-year maturity and a 25-year amortization. Phase 2 financing to be delayed closing with timeframe closer to construction start date, with anticipation of financing to be same/similar to Phase 1 totaling \$19,645,000. Total financing to be \$44,807,000.

- Number of housing units by type
 - Combined Phase 1& 2 Units in total
 - 78 - 1-BR units – Various layouts and square footage
 - 139 - 2-BR units – Various layouts and square footage
 - 12- 3-BR units – Various layouts and square footage
 - Units by Phase:
 - Phase 1 129 units in total
 - 42 - 1-BR units
 - 77 - 2-BR units
 - 10 - 3-BR units
 - Phase 2 100 units in total
 - 36 - 1-BR units
 - 62 - 2-BR units
 - 3 - 1-BR units
- Proposed rents by housing unit types and for commercial space
 - 1-BR units – \$1.77/SF
 - 2-BR units – \$1.51 - \$1.70 /SF
 - 3-BR units – \$1.52 - \$1.63/SF
 - Commercial - \$20/SF
- Detailed assumptions for any other revenues (e.g. \$100/month/garage space)
 - 1st floor (covered parking) - \$100 stall/month
 - Pet rent - \$35/month
- Expenditures broken out by category

Land Cost	\$	3,705,000
Construction Cost		48,589,000
Architecture & Engineering		1,751,000
Real Estate Taxes		252,000
Financing & Construction Period Interest		1,554,000
Financing Fees		268,000
Developer Fee (Contributed as Equity)		4,191,000
Furnishings & Amenities		450,000
Marketing		100,000
Contingency		<u>750,000</u>
Total Costs	\$	61,609,000

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

Land Cost	\$	3,705,000
Building Demolition		254,000
Public Works and Utilities		<u>327,000</u>
Total Extraordinary Expenses	\$	4,286,000

Living at COVE - Phase 1 & 2
Budget for Period Ended XX - 10 Year Roll-out
8/20/2026

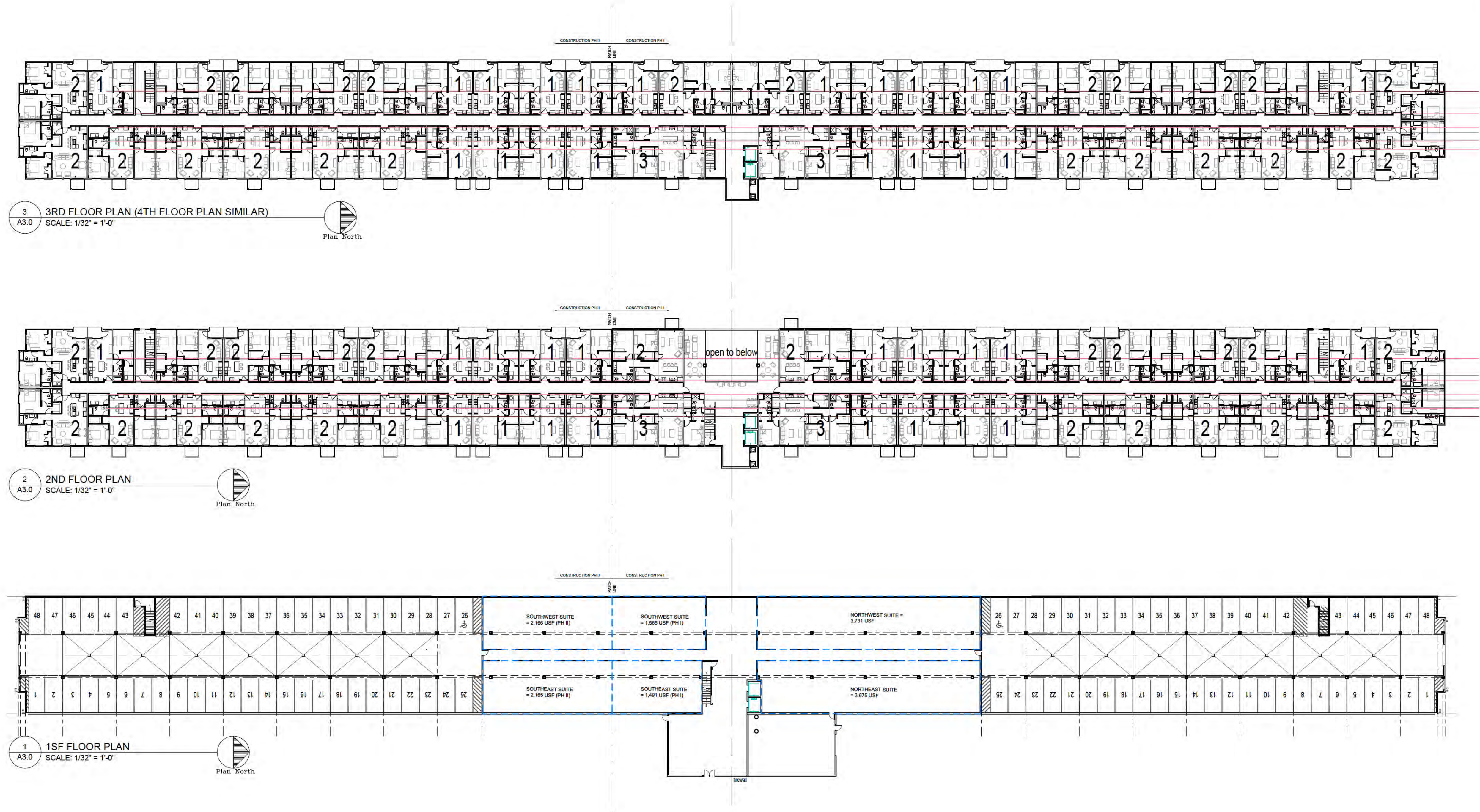
Assumptions:		Units	229	Rent Increase	2%						
		Commercial Rentable SF:	12,947	Inflation	2%						
		Vacancy	5%								
Year	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	
% vacant	20%	5%	12%	5%	5%	5%	5%	5%	5%	5%	
Average Rent \$	1,705	1,739	1,768	1,804	1,840	1,876	1,914	1,952	1,991	2,031	
Income:											
Apartment Rent	2,639,940	2,662,739	4,859,014	4,956,194	5,055,318	5,156,424	5,256,553	5,364,744	5,472,038	5,581,479	
Commercial - New Construction	256,947	264,855	378,964	390,333	402,043	414,104	426,527	439,323	452,503	466,078	
CAM Rent - New Construction	77,084	79,397	113,689	117,100	120,813	124,231	127,958	131,797	135,751	139,823	
Garage Rent - Apartments	57,800	59,328	118,708	122,269	125,937	129,715	133,607	137,615	141,743	145,998	
Operating Revenue subtotal	3,031,571	3,096,118	5,470,375	5,585,896	5,703,911	5,824,475	5,947,645	6,073,479	6,202,038	6,333,376	
Vacancy - Apartments	(550,748)	(138,923)	(586,137)	(259,140)	(268,914)	(274,921)	(283,169)	(291,864)	(300,414)	(309,426)	
Vacancy - Commercial New Construction	(41,754)	(17,203)	(45,951)	(19,894)	(20,490)	(21,105)	(21,738)	(22,390)	(23,062)	(23,754)	
	(592,502)	(156,126)	(632,088)	(279,033)	(287,404)	(296,027)	(304,907)	(314,055)	(323,476)	(333,180)	
Operating Revenues less Vacancy	2,439,069	2,939,993	4,838,287	5,306,863	5,416,506	5,528,448	5,642,738	5,759,424	5,878,560	6,000,196	
Other Revenues/Expenses - Apartments											
Misc/NSF/Late	8,000	8,180	13,565	13,972	14,392	14,823	15,268	15,726	16,198	16,684	
Turnover Revenue	-	26,800	25,628	63,580	62,465	63,714	64,988	66,288	67,614	68,966	
Pet Fees	14,700	15,141	30,295	31,204	32,140	33,104	34,098	35,120	36,174	37,259	
Gym Membership	34,070	35,062	51,997	51,762	53,315	54,914	56,562	58,259	60,006	61,806	
Promotions	(8,000)	(8,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	
App Fee Revenue	2,700	2,781	8,624	8,883	9,150	9,424	9,707	9,998	10,298	10,607	
Total Revenues:	2,490,539	3,019,988	4,956,396	5,464,264	5,575,968	5,692,429	5,811,360	5,932,816	6,056,850	6,183,519	
Expenses:											
Administration											
Mgmt fees - Apartments	104,460	116,110	216,350	229,749	236,642	243,741	251,053	258,585	266,342	274,332	
Mgmt fees - Commercial	10,760	11,135	16,651	18,522	19,078	19,850	20,239	20,847	21,472	22,118	
Office wages-other	40,060	40,861	72,732	74,187	75,670	77,184	78,727	80,302	81,908	83,546	
Gym Lease - W45th BC	34,070	35,062	51,997	51,762	53,315	54,914	56,562	58,259	60,006	61,806	
Legal and Accounting	35,500	3,000	28,060	8,121	8,284	8,449	8,618	8,791	8,966	9,146	
Advertising	15,082	15,383	27,382	27,930	28,488	29,058	29,639	30,232	30,837	31,453	
Misc exp	15,591	12,307	23,953	24,432	24,921	25,419	25,928	26,446	26,975	27,515	
Technology	13,591	6,546	15,319	15,625	15,938	16,257	16,582	16,913	17,252	17,597	
sub-total	269,112	240,436	452,444	450,328	462,335	474,672	487,348	500,374	513,758	527,512	
Maintenance											
General R&M	21,942	23,000	43,860	44,737	45,632	46,545	47,475	48,425	49,393	50,381	
Plumbing	3,768	3,978	7,418	7,566	7,717	7,872	8,029	8,190	8,353	8,520	
Electrical	1,388	1,530	2,761	2,816	2,872	2,930	2,988	3,048	3,109	3,171	
HVAC	4,027	4,590	8,986	9,165	9,349	9,536	9,726	9,921	10,119	10,322	
Maintenance Wages	42,642	30,600	62,952	64,211	65,495	66,805	68,141	69,504	70,894	72,312	
Interior-common	16,525	9,425	21,914	22,352	22,799	23,255	23,720	24,194	24,678	25,172	
Interior Turnover	-	33,500	34,170	81,653	83,286	84,952	86,651	88,384	90,152	91,955	
Grounds/Landscaping/Snow Removal - Apts	21,000	20,910	37,708	38,462	39,232	40,016	40,817	41,633	42,466	43,315	
sub-total	111,891	127,533	219,767	270,963	276,382	281,910	287,548	293,299	299,165	305,148	
Utilities							89993				
Electric /Gas - Apts	42,975	50,235	83,140	84,803	86,499	88,229	89,994	91,793	93,629	95,502	
Garbage Owner - Apts	13,200	13,464	23,333	23,800	24,276	24,761	25,256	25,762	26,277	26,802	
Internet - Apts	38,700	39,474	70,263	71,668	73,102	74,564	76,055	77,576	79,128	80,710	
Water & Sewer - Owner	45,363	33,660	67,773	69,128	70,511	71,921	73,360	74,827	76,323	77,850	
sub-total	140,238	136,833	244,509	249,399	254,387	259,475	264,665	269,958	275,357	280,864	
Other											
Insurance - Residential	45,498	46,408	82,606	84,258	85,943	87,662	89,416	91,204	93,028	94,888	
Real Estate tax	298,820	304,796	542,536	553,387	564,454	575,743	587,258	599,003	610,983	623,203	
Pilot	(220,061)	(289,557)	(515,409)	(525,717)	(536,232)	(468,800)	(477,972)	(426,790)	(435,326)	(444,032)	
sub-total	124,257	61,648	109,733	111,928	114,166	194,806	198,702	263,417	268,686	274,059	
Total Operating Revenue	2,490,539	3,046,386	4,956,396	5,464,264	5,575,968	5,692,429	5,811,360	5,932,816	6,056,850	6,183,519	
Total Operating Expenses	645,498	566,450	1,026,453	1,082,618	1,107,270	1,210,863	1,238,263	1,327,048	1,356,966	1,387,583	
Operating Income	1,845,041	2,479,936	3,929,942	4,381,646	4,468,697	4,481,566	4,573,097	4,605,768	4,699,884	4,795,935	



DOVETAIL
DEVELOPMENT

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COVE LIVING
45th Street W
Fargo, North Dakota

DATE: 2.5.2026

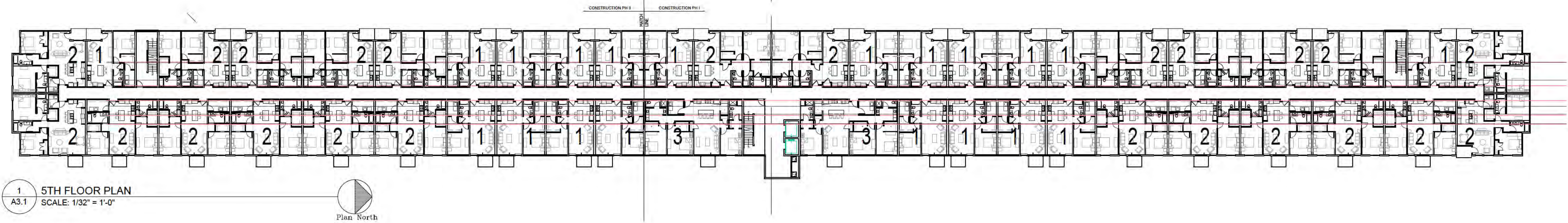
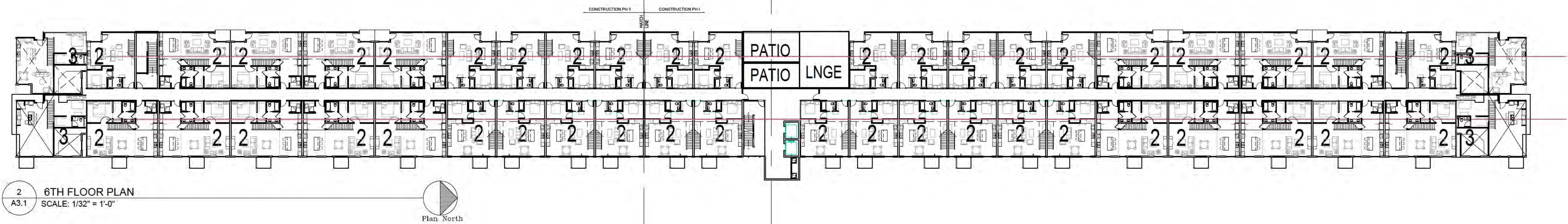
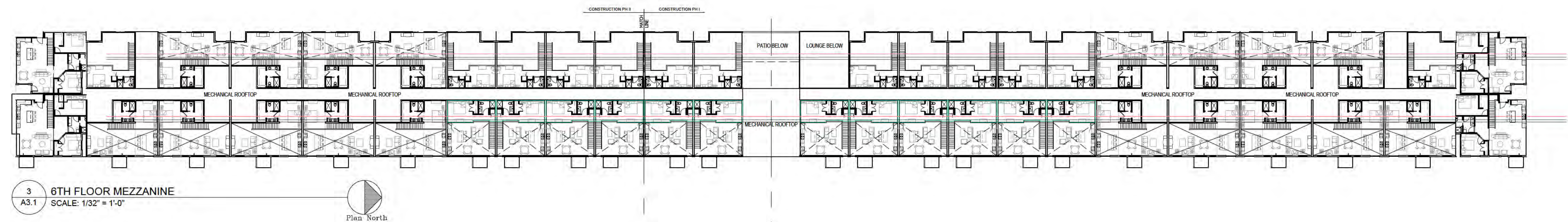
PROJECT NO.
DD# 26-001

A3.0
OVERALL FLOOR PLANS



DOVETAIL
DEVELOPMENT

PO Box 335
Fargo, North Dakota 58107
Ph. 701-866-3506



COVE LIVING
45th Street W
Fargo, North Dakota

DATE: 2.5.2026

PROJECT NO.
DD# 26-001

A3.1
OVERALL PLANS









City of Fargo, North Dakota

PILOT Program
“But-For” Report

COVE Living LLC



September 18, 2026



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Purpose

The purpose of this report is to establish and determine the allowable value of payments in lieu of taxes (PILOT) for COVE Living LLC, a development by RDG2, LLC (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”) 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 229-unit apartment building with commercial space and parking located at 300 45th Street South. The project will be completed in two phases over three years. The first phase will include the first 129 apartment units and 12,847 sq. ft. commercial space and the second phase will include the remaining 100 apartment units and commercial space.

The Developer estimates the construction of Phase 1 will be completed in Spring 2028 and of Phase 2 in Fall 2029, with occupancy immediately following.



PILOT Assistance Request

The Developer is requesting assistance in the form of payment in lieu of taxes under the City's proposed Commercial Redevelopment PILOT Incentive Policy. The Policy provides public assistance to a development through PILOT for private development. The Developer is asking for 10 years of PILOT exemption. The Policy states a 100% exemption on the increased value of the improvements for up to 10 years. However, PFM has evaluated the PILOT at 100% for the first five years and approximately 35% for the last five years which do not include participation in the PILOT from Cass County or the West Fargo Public Schools.



Project Financing

The Developer is investing approximately 27% equity, or \$16,802,000, and will be privately financing about \$44,807,000, split between the two phases. The private financings are estimated to be 25-year loans with an estimated interest rate of 6.15% resulting in a total annual principal and interest payment of \$3,555,219.



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 \$1,300-\$1,375 for a one-bedroom unit, \$1,650-\$2,375 for a two-bedroom unit, and \$2,350-\$2,600 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 229-unit rental development were provided, as follows; Insurance - \$84,258, Management - \$248,271, Administration - \$125,863, Maintenance - \$270,963, Utilities - \$249,399, Miscellaneous - \$76,194, and Real Estate Taxes - \$499,196 (without public assistance). The total expenses are approximately 30% of gross operating income after stabilization.

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 public assistance the Developer would have about a 7.69% internal rate of return based on a 10-year internal rate of return. The Developer would have about a 9.74% 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 1.13x. If the City provided assistance to the project the maximum debt coverage is projected to be 1.29x in Year 10, with a Year 6 coverage of 1.20x.

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 debt coverage ratio. We also looked at how much the rental rates would have to fluctuate in order to achieve a reasonable debt coverage. Lastly, we looked at a combination of the two scenarios. For the sensitivity analyses, we assumed a reasonable debt coverage ratio of 1.20x by year 6.

Sensitivity Scenario 1 – Project Costs

The project would have to be reduced by \$4,928,800 or 8% in order for the project to become viable without assistance. This reduces the amount to be financed from \$44,807,000 to \$41,223,360 and reduces the annual payment from \$3,555,219 to \$3,270,874 for the loans. It is possible, but not likely that a reduction in project costs of this magnitude would occur. The Developer stated that they use an experienced, in-house construction team to determine the construction estimate and have historically been tight to the budget.

Sensitivity Scenario 2 – Rental Rates

In order for the project to be viable without public assistance, the apartment and commercial rental rates would have to increase by 6.5%. This increases annual rental revenue from \$5,168,121 to \$5,504,049. PFM believes the current proposed rents are reasonable rental rates. The Developer stated they used current rental rates from an existing property they own and used a 3.0% annual escalator to determine the 2028 rental rates and further increases may not be feasible and would likely result in increased vacancy.

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 apartment rental rates. The analysis showed that project costs would have to be reduced by \$2,587,620 or 4.2% and rental rates would have to increase by about 3.4%.



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 with the provided assumptions, but if project costs decrease, rental rates increase, or both occur then the project may become viable without 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. However, it's possible that with reasonable increased rents and decreased project costs, the project could become viable 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 9.74%. In addition, the coverage ratio in Year 10 is estimated to be 1.29x. 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 likely not be feasible without public assistance at the current projection.

