

EDIC MEETING
Tuesday, February, 25 – 1:00 p.m.
City Commission Chambers, Fargo City Hall

AGENDA

- 1. Approve EDIC Meeting Minutes of 7/23/2024**
 - a. July 23, 2024 [Page 1-3]
- 2. Lennon TIF Request [Page 4-33]**
- 3. Skyline TIF Request [Page 34-60]**
- 4. Convention Center Incentives**

ECONOMIC AND DEVELOPMENT INCENTIVE COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, July 23, 2024

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, July 23, 2024.

The committee members present or absent are:

Members Present: Dave Piepkorn, Mayor Mahoney, Jon Eisert, Erik Barner, Lucas Paper, Matt Schlenvogt, and John Cosgriff.

Others Present: Robert Wilson, Jim Gilmour, Jackie Gapp, Michael Splonskowski

Others Absent: Levi Bachmeier

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

Minutes Approved

A motion was made by John Cosgriff to approve the minutes from June 25, 2024. Matt Schlenvogt seconded. Motion carries.

Minneapolis Federal Reserve – Housing Presentation

- Fargo population is growing and is up 16%
- Homeowner rate is up 45% due to younger and retired people.
- Fargo housing cost are up 27%
- ND Housing:
 - Housing growth is keeping up with population growth. North Dakota has largely avoided underproduction.
 - Home values and rents are rising, but less than nationally and neighboring states.
 - Housing affordability is falling in North Dakota and homes are becoming more unaffordable in some metros.
- Homelessness is a housing problem. Prices of rent is more predicative of homelessness rates than poverty levels, weather, and the rate of drug addiction or other mental health issues.
- Fargo needs more housing for senior citizens and disabled people.
- Mayor Mahoney stated that Fargo needs to do 15,000 living units in the next year. This year there at about 500.
- Jim Gilmour stated that we need to work together which would mean that the city would need to support affordability, increase supply, and streamline processes and rules.

Inclusionary Housing Report

- Is there a way that the city can require developers, either with or without incentives to create some sort of inclusionary housing?
- In a hot housing market, they will look at the 60% of the medium income and want you to have at least 10% of your housing units below \$960 a month. Fargo median rent is \$1,000 compared to \$1,500 in the Twin Cities.
- People that have 60% median income can afford over 90% of the apartments in Fargo.
- Jim Gilmour stated that he does not think that Fargo need an inclusionary housing requirement to go with the city's incentives. Commissioner Piepkorn stated that this is something we need to monitor for the future.
- Is accessibility required for apartments if you have a certain number of units? Jim Gilmour will look into this.

Bison Block Report

- 1400 Block of 12th Avenue North
- 3-Story building
- Commercial businesses on the main floor
- 34 apartments of floors 2 and 3
- Design requirements and redevelopments were discussed
- TIF Financing
 - Without incentives, the rate of return would be less than 3%. With incentives, the rate of return was estimated at 11%.
 - TIF assistance was provided over 15 years and the city agreed to reimburse the developer with the cost of: land write-down, demolition of houses, and utility hook ups.
- Financial benefits were discussed.

Growth Plan and PILOT Program Change

- The PILOT program consists of four different ways to be used:
 - New jobs
 - Low income housing
 - Housing downtown
 - Housing in the core neighborhoods
- The proposed policy would add a fifth option. A redevelopment of an infill site.
- Should the city consider applications that would involve tearing down something with relatively low value, not blighted, and in return give back something more in the future?
- New Redevelopment Infill:

- Years 1-5: 100% exempt on the increased value of improvements
- Years 6-15: The percentage exempt will be based on a financial review and “but for” test. The amount exempt will be no more than 90% of the improved value.
- Financial plans will be reviewed by the City financial consultant.

Discussion:

Jim Gilmour discussed the current downtown housing guidelines. He also brought up that the PILOT term would be 17 years instead of 12 years. The committee will take a look at the new guidelines and will give feedback at the next meeting.

PILOT Application for an Affordable Housing Project


- Dan Madler- Beyond Shelter
 - Developed 580 affordable rental homes- 406 are affordable senior rental homes- 81 are ready for occupancy in 2024
 - Most recent development is the Plaza Apartments (Old K-Mart)- July 11th people can start moving in.
 - Current demand for affordable rental housing for seniors. 39 units are leased and 172 on waiting list.
- 65th Ave S
 - Two 39-unit apartment buildings
 - Multiyear 2 phase project
 - 20% of the 78 units will be fully handicap accessible
- Requesting a 17-year pilot \$0 payment

A motion to forward the recommendation to the city commission was made by Mayor Mahoney and seconded by Matt Schlenvogt. Motion carries.

The meeting was adjourned at 2:03 pm.

MEMORANDUM

TO: Economic Development Incentive Committee

FROM: Jim Gilmour, Director of Strategic Planning and Research 

DATE: February 18, 2025

SUBJECT: Lennon Lofts TIF Request

The City received a request for Tax Increment Financing (TIF) assistance for the redevelopment of a site at 220 6th Avenue North. Two building would be removed and replaced with a new apartment building.

The buildings to be removed are a 6-unit apartment building and a single-family house. Both buildings are vacant. The apartment building has been vacant since a fire in 2020.

The new development will be 22-unit apartment building. The development cost is estimated at \$3.4 million.

The developer is also requesting a 5-year Renaissance Zone property tax exemption. The Renaissance Zone exemption will be reviewed by the Renaissance Zone Authority next week.

The application and the financial review are attached. The TIF request is for \$487,304. However, the estimated present value of the 10-year property tax exemption is \$347,381, which includes the Renaissance Zone and TIF property tax exemptions.

The request has been reviewed by one of the city's financial advisors, PFM. PFM concludes that project would not be feasible without public financial assistance.

Recommended Motion

Recommend approval of the request for Tax Increment Financing to the Fargo City Commission.

City of Fargo

Application for Tax Increment Financing

Contact Information

Primary Contact Information: Andrew Hanson - 1630 1st Ave N Ste B PMB 7 Fargo ND 58102 –
701.238.7098 – Andrew.hanson@goldmark.com

General Information

Name: Lennon Lofts, LLC – Limited Liability Company

Project Location: 220 6th Ave N, Fargo ND 58102

Project Description: Re-development of two vacant buildings including a 6 plex and single-family home. A new three-story multi-family building including 22 residential units (16 1ba/1ba and 6 2bd/1ba) and 21 enclosed surface level parking spaces. See attached plans and renderings.

Proposed Schedule: Construction is estimated to start in Q2 of 2025. A proposed 12-month construction timeline is planned with a second 12 months estimated for full stabilization of the building.

Lennon Lofts LLC will be applying for the 5-year RZ incentive and a 5-year TIF (total of 10-years).

Project Financials and Financing

Name of Developer: Lennon Lofts, LLC

Owner of Development: Lennon Lofts, LLC

Type of Project: Downtown Multi-Family

Dollar Request of TIF Assistance: \$487,305 (see attached TIF eligible expenses)

Proforma: Stabilization is estimated in Q2 of 2027. See Attached

Total Project Costs: See Attached

Hard Capital Costs: See Attached

Contributed Equity: See Attached

Loan Amounts/Terms: See Attached

Number/Type of Housing Units: 16 – 1bd/1ba units with an average of 480 square feet. 6 – 2bd/1ba units with an average of 1,100 square feet. 21 enclosed surface level parking spaces.

Commercial Space: N/A

Proposed Rent: \$1,100 for a 1bd/1ba and \$1,600 for a 2bd/1ba

Other Revenues: Pet rent of \$2,028 per year

Expenses by Category: See Attached

Extraordinary Cost Breakout: See Attached TIF eligible expenses

Lennon Lofts LLC - TIF Eligible Expenses

Site Acquisition

Purchase Price	300,000.00
Less assessed Value (land only)	(70,900.00)
	229,100.00

Demo & Site Clearing

Demolition	95,000.00	<i>Estimates</i>
Site Clearing / Asbestos Remediation & Earthwork	55,000.00	<i>Estimates</i>
	150,000.00	

Site Improvements

Right-of-way Improvements New curb, sidewalks, and new curb cut	15,000.00	<i>Estimates</i>
Utility Improvements / Right-of-way & street repairs at utility connects	70,000.00	<i>Estimates</i>
	85,000.00	

Total: 464,100.00

City Admin Fees (5%): 23,205.00

Total TIF Eligible Expenses: 487,305.00

LENNON LOFTS LLC										
Investment: \$849,533										
Years	1	2	3	4	5	6	7	8	9	10
Cash ROI	2.94%	3.46%	3.99%	4.53%	5.09%	5.79%	6.51%	7.25%	8.00%	8.77%
Net Cashflow	\$ 24,989.72	\$ 29,364.99	\$ 33,863.45	\$ 38,487.88	\$ 43,241.11	\$ 49,226.04	\$ 55,345.62	\$ 61,602.90	\$ 68,000.97	\$ 74,542.99

Years	1	2	3	4	5	6	7	8	9	10
Revenue (2.25% escalators)	\$ 310,248.00	\$ 317,228.58	\$ 324,366.22	\$ 331,664.46	\$ 339,126.91	\$ 346,757.27	\$ 354,559.31	\$ 362,536.89	\$ 370,693.97	\$ 379,034.59
Expenses (2.25% escalators)	\$ (66,902.68)	\$ (69,407.99)	\$ (69,947.17)	\$ (71,520.99)	\$ (73,130.21)	\$ (74,775.64)	\$ (76,458.09)	\$ (78,178.40)	\$ (79,937.41)	\$ (81,736.00)
NOI	\$ 243,345.32	\$ 248,820.59	\$ 254,419.05	\$ 260,143.48	\$ 265,996.71	\$ 271,981.63	\$ 278,101.22	\$ 284,358.50	\$ 290,756.56	\$ 297,298.58
Debt Service	\$ (216,155.59)	\$ (216,155.59)	\$ (216,155.59)	\$ (216,155.59)	\$ (216,155.59)	\$ (216,155.59)	\$ (216,155.59)	\$ (216,155.59)	\$ (216,155.59)	\$ (216,155.59)
CapEx Reserves	\$ (2,200.00)	\$ (3,300.00)	\$ (4,400.00)	\$ (5,500.00)	\$ (6,600.00)	\$ (6,600.00)	\$ (6,600.00)	\$ (6,600.00)	\$ (6,600.00)	\$ (6,600.00)
NET CASH FLOW	\$ 24,989.72	\$ 29,364.99	\$ 33,863.45	\$ 38,487.88	\$ 43,241.11	\$ 49,226.04	\$ 55,345.62	\$ 61,602.90	\$ 68,000.97	\$ 74,542.99
ROI	2.94%	3.46%	3.99%	4.53%	5.09%	5.79%	6.51%	7.25%	8.00%	8.77%
Combined DSCR	1.13	1.15	1.18	1.20	1.23	1.26	1.29	1.32	1.35	1.38

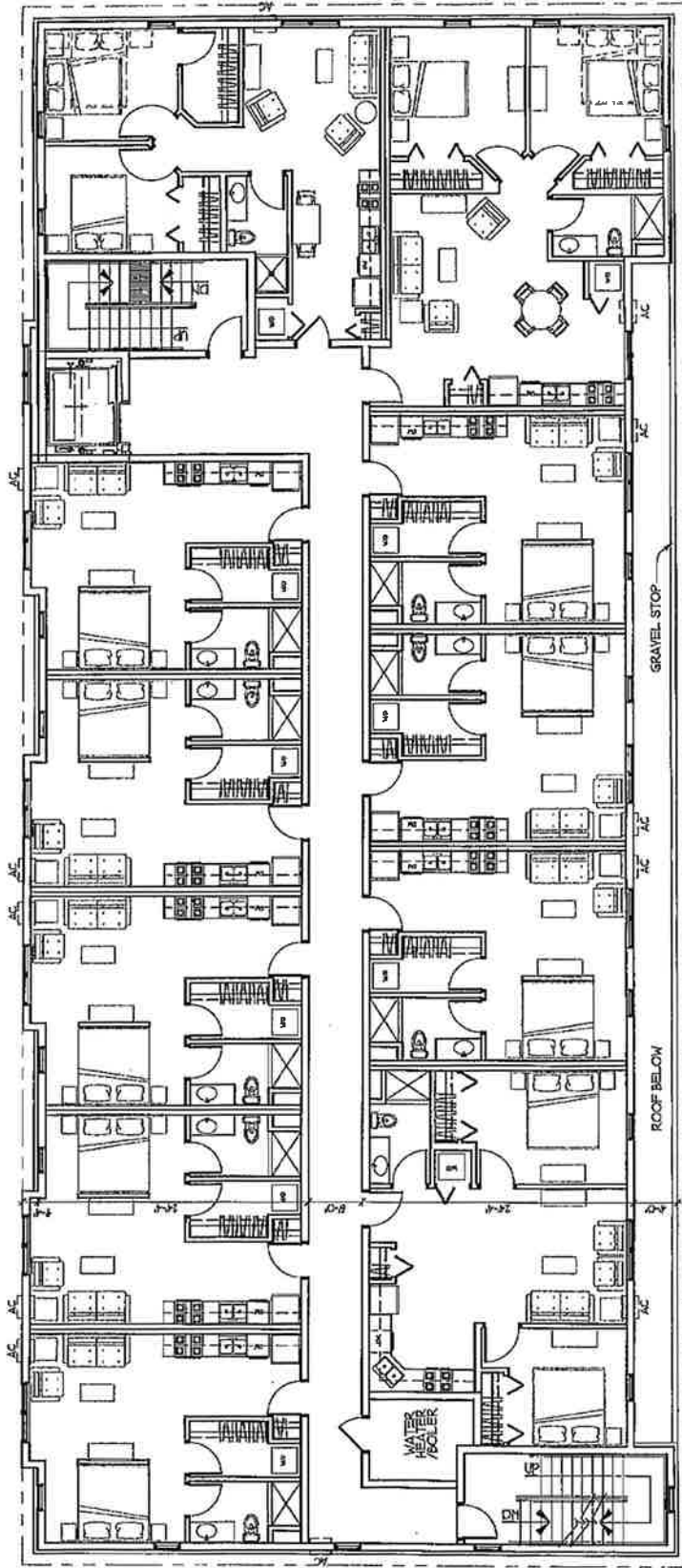
Appreciation (1.5%)	\$ 3,450,000.00	\$ 3,501,750.00	\$ 3,554,276.25	\$ 3,607,590.39	\$ 3,661,704.25	\$ 3,716,629.81	\$ 3,772,379.26	\$ 3,828,964.95	\$ 3,886,399.42	\$ 3,983,559.41
Net Sales Proceeds										\$ 3,704,710.25
Loan Balance										\$ (2,004,049.81)
Total Equity										\$ 1,700,660.44

10 Year IRR	11.06%
(849,533)	24,989.72
	29,364.99
	33,863.45
	38,487.88
	43,241.11
	49,226.04
	55,345.62
	61,602.90
	68,000.97
	1,775,203.43

Construction Loan Terms	
Interest Rate	7.50%
Term (Months)	12
Construction Loan	\$ 2,548,598.81
Total Dev. Costs	\$ 3,398,131.75
LTC	75.0%
Dev. Value	\$ 3,450,000.00
LTV	73.9%
Drawdown Factor	100%
Annual Debt Service	\$ 108,077.80

Perm Debt Overview	
	DSCR
Loan Amount	\$2,548,599
Int. Rate	7.00%
Amortization	25
Annual Pmts	\$ (216,155.59)



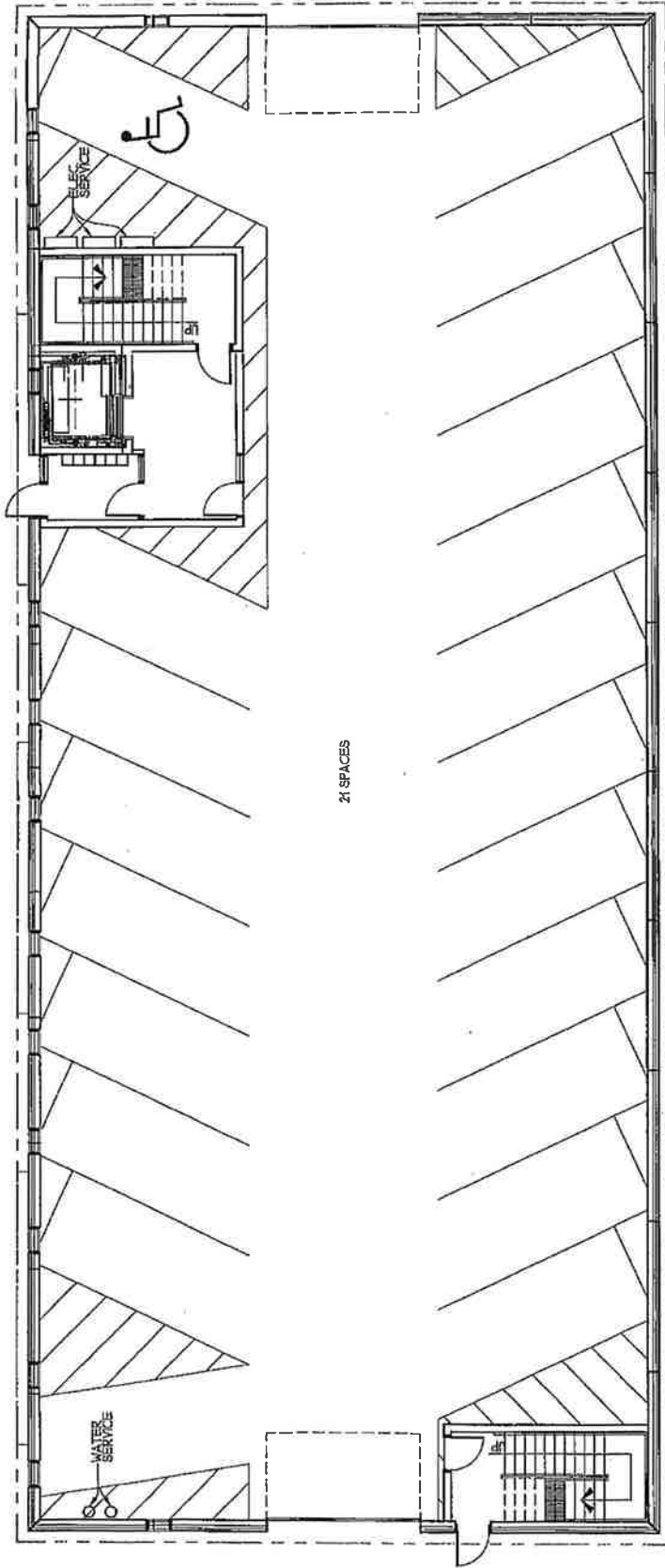


SECOND & THIRD FLOOR PLAN
 1" = 10'-0"

M B A
 APARTMENTS
 Exp. North Dakota
 September 2, 2014

A2

M | B | A
 ARCHITECTS
 201 N. Broadway, Suite 200, Fargo, ND 58102
 Phone: 701.785.1111 | Fax: 701.785.1112



21 SPACES

FIRST FLOOR PLAN
1" = 60'



M|B|A
MIDWESTERN BUILDING ARCHITECTS, P.C.
1000 1st Avenue North, Suite 200
Fargo, ND 58102-1000

21 0
APARTMENTS
Fargo, North Dakota

September 2, 2024

A1

City of Fargo, North Dakota

Tax Increment Financing Program

“But-For” Report

Lennon Lofts LLC



February 14, 2025



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Purpose

The purpose of this report is to establish and determine the allowable value of the Renaissance Zone (RZ) property tax exemption and tax increment financing (TIF) (together "Public Assistance") for Lennon Lofts, a development by Lennon Lofts, 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"). We also made sure the Developer followed the City of Fargo's (the "City") Economic Development Incentives Policies and Guidelines (the "Policy") including the allowable costs and the Developer's calculations for determining the amount of allowable subsidy financing. The following report details PFM's analysis and conclusions concerning the viability of the proposed project without the subsidy.



Project

The project being proposed by the Developer includes the development of a 22-unit apartment building with enclosed parking located at 220 6th Avenue North.

The Developer estimates the construction will be completed in early 2026 with occupancy immediately following. The Developer has requested Public Assistance in the amount of \$487,305 to complete the project.



Public Assistance Request

The Developer is requesting Public Assistance in the form of Renaissance Zone property tax exemption and tax increment financing under the City's Tax Increment Financing Policy. The Policy provides Public Assistance to a development through tax increment financing for private development. The Developer is asking for 5 years of RZ exemption, followed by 5 years of TIF exemption. The Policy states a 100% exemption on the increased value of the improvements for the ten years.

Eligible TIF Expenditures

Site Acquisition	229,100
Demolition & Site Clearing	150,000
Site Improvements	<u>85,000</u>
Total	<u>\$464,100</u>
City Administrative Fees (5%)	<u>23,205</u>
Total TIF Eligible Expenses	<u>\$487,305</u>

The Policy limits the Public Assistance to 15% of hard construction costs, including the costs of acquisition. Based on total hard construction costs of \$2,761,581, plus the costs of acquisition of \$300,000, the Developer can receive up to \$459,237. The Developer is requesting \$487,305, which is above the maximum allowed.

Land Cost

The Developer states the purchase price to acquire the property for the project is \$300,000. Land acquisition is reimbursable under the Policy. The Developer is requesting to be reimbursed \$229,100 for the land acquisition which complies with the Policy.



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

- 1.) **The total acquisition cost for the property, provided that the acquisition cost is no more than 150% of the assessor's market value of the property.** The Developer's cost to acquire the property is \$300,000. The assessor's market value for the property totals \$159,700. The eligible amount for reimbursement is 150% of \$159,700 which totals \$239,550.
- 2.) **The difference between what was paid by the Developer for the property less the assessor's market value for the land (as opposed to land and buildings).** The current assessor's land value is \$70,900. Based on an acquisition price of \$300,000 the maximum reimbursement is \$229,100.

The lesser of the two tests detailed above is \$229,100. The requested reimbursement amount for land acquisition of \$229,100 is equal to the amount allowed under the Policy.

Term

The Policy states the length of the term will be limited to 15 years or less. The Developer is requesting a total of a 10-year term.

Public Assistance Estimate

PFM estimates that \$524,054 of Public Assistance will be generated over the 10 years, assuming a 2.00% market growth rate. Based on a discount rate of 5.25%, the present value of the estimated tax benefits is \$347,381 for the 10 years of the project when the RZ and TIF would be in effect. This is less than the total eligible Public Assistance expenditures.



Project Financing

The Developer is investing 25% equity, or \$849,533, and will be privately financing \$2,548,599. The Developer is additionally requesting annual Public Assistance in the total amount of \$487,305. The private financing is estimated to be a 25-year loan with an estimated interest rate of 7% resulting in an annual principal and interest payment of \$216,156.



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 \$1,100 for a one-bedroom unit and \$1,600 for a two-bedroom unit. The Developer has proposed a reasonable amount for rent for the current market and location. Annual estimates of operating expenses for the 22-unit rental development were provided, as follows; Insurance - \$7,136, Maintenance and Utilities - \$30,628, Administration - \$5,240, Property Management - \$19,584, and Real Estate Taxes - \$53,211 (without Public Assistance). The total expenses are approximately 37% 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 6.49% internal rate of return based on a 10-year internal rate of return. The Developer would have about a 10.96% 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 1.11x without assistance, with a Year 6 coverage of 1.01x. If the City provided assistance to the project the maximum debt coverage is projected to be 1.37x in Year 10, with a Year 6 coverage of 1.25x.

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 5.

Sensitivity Scenario 1 – Project Costs

The project would have to be reduced by \$405,025 or 15.9% in order for the project to become viable without assistance. This reduces the amount to be financed from \$2,548,599 to \$2,143,573 and reduces the annual payment from \$216,156 to \$181,804 for the loan. It is unlikely that a reduction in project costs of this magnitude would occur at this stage in the development.

Sensitivity Scenario 2 – Rental Rates

In order for the project to be viable without Public Assistance, the apartment rental rates would have to increase by 12.9%. PFM believes this is a high increase to the Developer's proposed rents. This increases annual rental revenue from \$326,400 to \$368,447. PFM believes the current proposed rents are reasonable rental rates and does not believe an increase this large would occur.

Sensitivity Scenario 3 – Combination of Project Costs and Rental Rates

The final scenario looks at both a reduction of project costs and an increase in apartment rental rates. The analysis showed that project costs would have to be reduced by \$203,888 or 8.0% and rental rates would have to increase by about 6.4%. Either of these events could occur but may be unlikely to occur together.

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



Conclusion


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

PFM has calculated that with Public Assistance, and based on the assumptions outlined in this report, a 10-year internal rate of return is estimated to be 10.96%. In addition, the coverage ratio in Year 10 is estimated to be 1.37x. The estimated internal rate of return is appropriate given the risk level for this type of project. Based on the information provided to PFM, the calculated internal rate of return and the coverage requirements, PFM concludes the project would not be feasible without Public Assistance.



MEMORANDUM

TO: Economic Development Incentive Committee

FROM: Jim Gilmour, Director of Strategic Planning and Research 

DATE: February 19, 2025

SUBJECT: Skyline TIF Request

The City received a request for Tax Increment Financing (TIF) assistance for the redevelopment of a site in the 1100 block of 18th Street North. Seven residential buildings have been demolished and will be replaced with a new apartment building.

Redevelopment started following City Commission approval of a Renewal Plan in 2018. That plan encouraged the developer to immediately remove two dilapidated houses and remove others as appropriate. Last year, the developer removed the remaining five houses. Section 1.7 of the 2018 Renewal Plan stated that the City may consider TIF assistance in the future, so property acquisition and demolition costs can be eligible for TIF assistance. I have included the Renewal Plan for your information.

The new development will be 88-unit apartment building. The development cost is estimated at \$21.6 million. Construction is to begin in April of this year and be completed in June 2026.

The developer is also requesting a 15-year property tax exemption. The request is for a 100% exemption or 5 years, a 75% exemption or 5 years and a 50% exemption for 5 years.

The application and the financial review are attached. The TIF request is for \$2,157,750. However, the estimated present value of the property tax exemption is \$1,149,248.

The request has been reviewed by one of the city's financial advisors, PFM. PFM concludes that project would not be feasible without public financial assistance.

Recommended Motion

Recommend approval of the request for Tax Increment Financing to the Fargo City Commission.

City of Fargo
Application for Tax Increment Financing

Contact Information

James Roers
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Fargo, ND 58103
701-356-5050
Jim@roers.com

Shannon Roers Jones
200 45th St S Suite 200
Fargo, ND 58103
701-356-6418
shannon@roers.com

General Information

- Name and description of Corporation/Partnership:
 - Skyline LLC
- Project Location:
 - Southeast block of 18th St N and 12th Ave N Fargo ND 58102
- Project Description with conceptual plans:
 - 88 unit, 5 story apartment building with enclosed parking for 60 vehicles, 48 surface parking stalls, and associated handicap accessible improvements. Project will include improvements to sidewalks along 18th St N and 12th Ave N.
 - Conceptual Plans are attached.
- Propose Schedule:
 - Demolition of the existing structures completed Fall of 2024. Construction to begin April of 2025 with completion in June of 2026.

Project Financials and Financing

- Name of Developer:
 - RDG2 LLC
- Ultimate owner of development:
 - Skyline LLC
- Type of Project (Commercial, Downtown, Mixed-Use):
 - Multi-Family/Student Housing in the UMU zoning area
- Dollar request of TIF assistance:
 - Approximately \$2,033,000 – See attached ‘*TIF Exemption-Estimated Tax Generation*’
- Minimum of a 10-Year Proforma, showing the year in which the property is at full rent
 - Preliminary Proforma attached
- Total project cost:
 - \$21.6M
- Hard Capital Costs
 - \$18.3M
- Contributed equity:
 - \$5.4M
- Loan amount(s) with terms (anticipated rate, first maturity, final maturity):
 - Final loan package currently being finalized. \$16.2M, 6.5% interest rate with 5 year maturity with a 25 year amortization

- Number of housing units by type:
 - 88 units in total
 - 17 - Efficiency Units – Various layouts
 - 24 - 1-BR units – Various layouts
 - 35 – 2-BR units – Various layouts
 - 12 – 3-BR units – Various layouts

- Proposed rents by housing unit types:
 - Efficiency Units – \$1,200-\$1,250/month
 - 1-BR units – \$1,300 - \$1,450/month
 - 2-BR units – \$1,650 - \$1,725/month
 - 3-BR units – \$2,150 - \$2,250/month

- Detailed assumptions for any other revenues:
 - 1st floor (covered parking) - \$125 stall/month
 - On-grade parking - \$75/month

- Expenditures broken out by category:

Land Cost	\$	1,330,000
Construction Cost		18,539,000
Architecture/Engineering		502,000
Financing/construction period interest		83,000
Developer Fee		900,000
Contingency		251,000
Total Expenditures	\$	21,605,000

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

Land	\$	1,330,000
Building Demolition		375,000
Environmental		250,000
Public Works/Utilities		100,000
Total Extraordinary Costs	\$	2,055,000

Skyline LLC
TIF Exemption - Estimated tax generation
1.28.25

Note: Below is Roers' calculation of the estimated TIF Exemption credit that can be generated from the redevelopment of Renewal Area 2018-03. Roers expects TIF exemption to change based on Assessor's valuation of project once completed.

1 Estimated valuation for Skyline LLC is based off of the 2024 per unit valuation of the View Apartments located at 1113 University Dr N, parcel #01-8726-00200-000

Skyline LLC (Estimated Valuation 1)		2023 Valuation		2024 tax		Net Taxable		Taxes		Taxes Less		Assumed
Existing Property Value and Property Taxes		Building	Land	Total	Includes Specials	Value	to Valuation	Taxes	Specials	Specials	Specials	Tax Rate
Parcel #	House #	11,393,657	265,800	11,659,457		524,676	4.50%	160,286.08	-	160,286.08	160,286.08	31%
01-0100-00340-000	1141	67,600	41,800	109,400	1,550	4,923	4.50%	1,550.03	45.09	1,504.94	1,504.94	31%
01-0100-00330-000	1137	77,400	35,100	112,500	1,805	5,063	4.50%	1,804.61	258.03	1,546.58	1,546.58	31%
01-0100-00320-000	1133	-	35,100	35,100	771	1,580	4.50%	771.49	283.65	487.84	487.84	31%
01-0100-00310-000	1129	165,900	35,100	201,000	3,038	9,045	4.50%	3,038.01	283.65	2,754.36	2,754.36	30%
01-0100-00300-000	1125	165,000	41,800	206,800	2,840	9,306	4.50%	2,840.46	2.31	2,838.15	2,838.15	30%
01-0100-00290-000	1121	144,500	41,800	186,300	2,566	8,384	4.50%	2,566.07	2.31	2,563.76	2,563.76	31%
01-0100-00280-000	1117	-	35,100	35,100	771	1,580	4.50%	771.49	283.65	487.84	487.84	31%
		620,400	265,800	886,200	13,342	39,881	4.50%	13,342.16	1,158.69	12,183.47	12,183.47	30.55%

X 2025 and 2026 taxes based on land only value of existing 7 parcels as houses were demoed fall of 2024, and completion of the project is scheduled for June of 2026. Exemption subject to change based on assessors valuation.

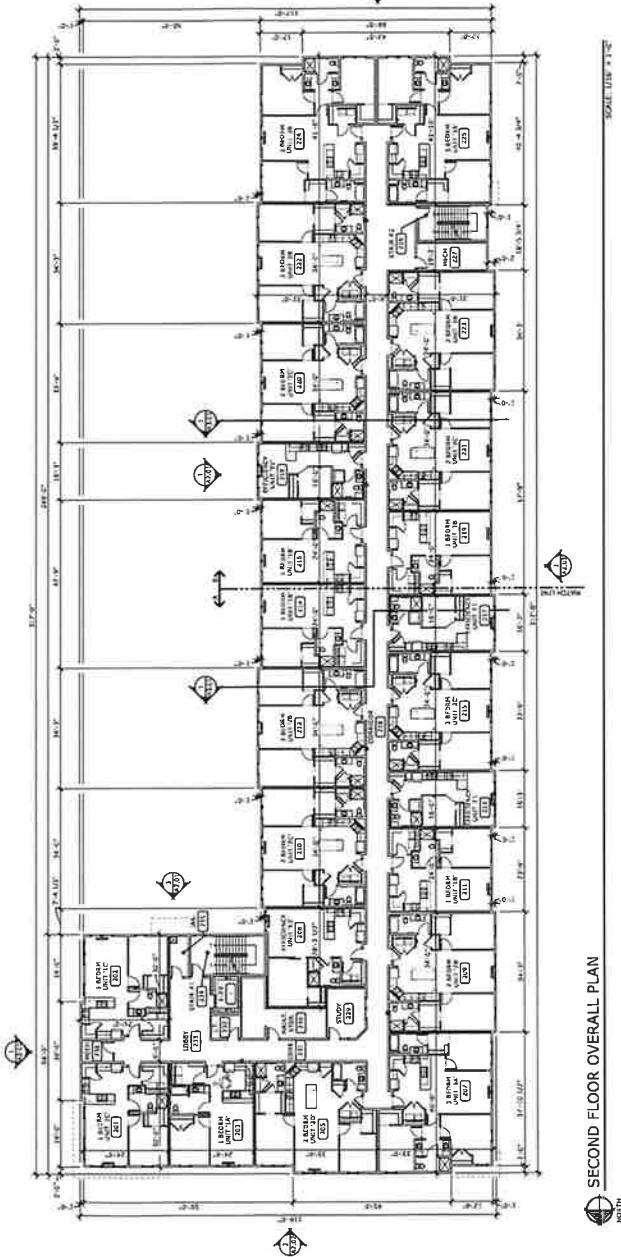
Note: 2% Increase year over year factored into the below

Period	Year	Existing Properties	TIF		Tax Payments	Tax Relief
			New Project Tax	Exemption		
2024	12,183.47					
0	2025	12,427.14	X 3,663.11		3,663.11	-
1	2026	12,675.68	X 3,736.37		3,736.37	-
2	2027	12,929.20	160,286.08	100%	-	160,286.08
3	2028	13,187.78	163,491.80	100%	-	163,491.80
4	2029	13,451.54	166,761.63	100%	-	166,761.63
5	2030	13,720.57	170,096.87	100%	-	170,096.87
6	2031	13,994.98	173,498.80	100%	-	173,498.80
7	2032	14,274.88	176,968.78	75%	44,242.19	132,726.58
8	2033	14,560.37	180,508.16	75%	45,127.04	135,381.12
9	2034	14,851.58	184,118.32	75%	46,029.58	138,088.74
10	2035	15,148.61	187,800.68	75%	46,950.17	140,850.51
11	2036	15,451.59	191,556.70	75%	47,889.17	143,667.52
12	2037	15,760.62	195,387.83	50%	97,693.92	97,693.92
13	2038	16,075.83	199,295.59	50%	99,647.79	99,647.79
14	2039	16,397.35	203,281.50	50%	101,640.75	101,640.75
15	2040	16,725.29	207,347.13	50%	103,673.57	103,673.57
15 year tax revenue	260,876.27		211,494.07	50%	105,747.04	105,747.04
			2,775,630.31		536,620.10	2,039,252.72

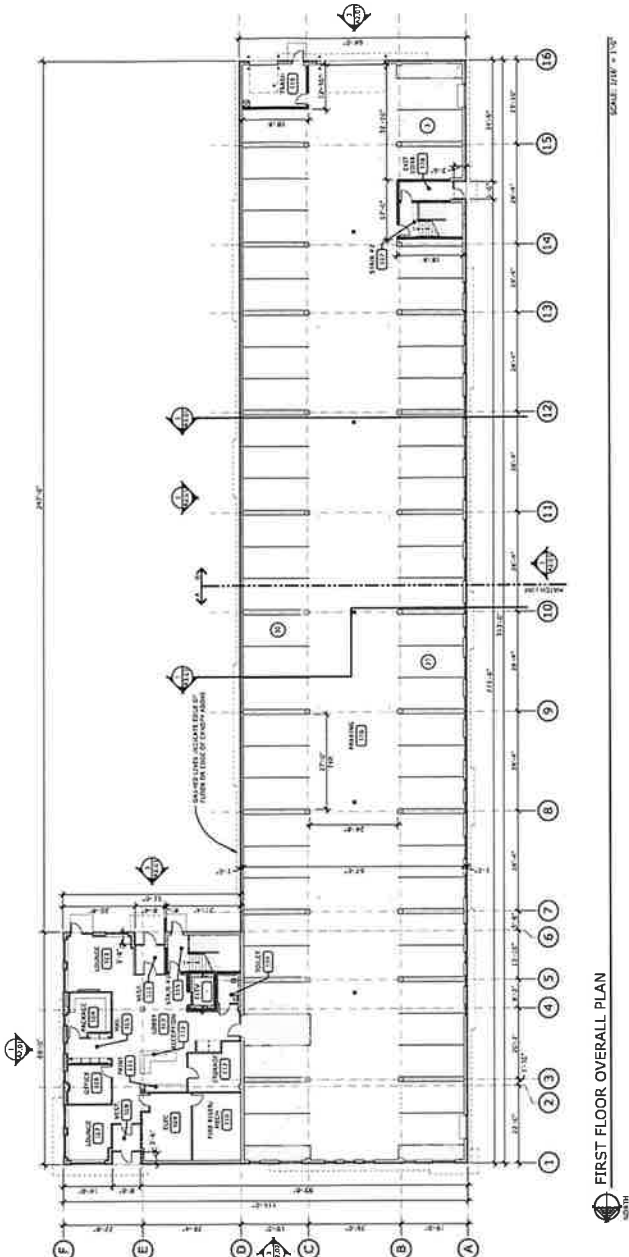
Skyline LLC
Budget for Period Ended XX34 - 16 Year Roll-out
1/29/2025
With TIF Exemption

Year	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Inflation	3.5%									
% vacant	15%									
Average Rent \$	1,579	1,603	1,659	1,717	1,777	1,839	1,903	1,970	2,039	2,110
Income:										
Apartment Rent	684,958	1,692,246	1,751,475	1,812,776	1,876,224	1,941,891	2,009,858	2,080,203	2,153,010	2,228,365
Garage Rent	37,500	90,000	92,700	95,481	98,345	101,296	104,335	107,465	110,688	114,009
On Grade Parking	17,625	42,300	43,569	44,876	46,222	47,609	49,037	50,508	52,024	53,584
Vacancy	(104,245)	(84,612)	(87,574)	(90,639)	(93,811)	(97,095)	(100,493)	(104,010)	(107,650)	(111,418)
Net Apartment Rent	645,848	1,739,934	1,800,170	1,862,495	1,926,980	1,993,702	2,062,737	2,134,166	2,208,072	2,284,541
Promotions	(8,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Pet Fees	2,500	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601
Misc/NSP/Late	1,250	3,000	3,090	3,183	3,277	3,372	3,478	3,582	3,690	3,800
Amenity Space Rentals	500	1,200	1,236	1,273	1,311	1,351	1,391	1,433	1,476	1,520
App Fee Revenue	6,500	6,300	6,591	6,891	7,202	7,524	7,858	8,203	8,560	8,930
Turnover Revenue	-	21,250	21,463	21,677	21,894	22,113	22,334	22,557	22,783	20,304
Total Revenues:	648,598	1,777,684	1,838,729	1,901,884	1,967,222	2,034,819	2,104,753	2,177,105	2,251,959	2,326,895
Expenses:										
Administration										
Mgmt fees	25,834	69,597	72,007	74,500	77,079	79,748	82,509	85,367	88,323	91,382
Office wages-other	6,250	15,000	15,150	15,302	15,455	15,609	15,765	15,923	16,082	16,243
Advertising	4,200	10,080	10,181	10,283	10,385	10,489	10,594	10,700	10,807	10,915
Misc exp	2,625	6,300	6,363	6,427	6,491	6,556	6,621	6,688	6,754	6,822
Technology	2,875	6,500	6,969	7,039	7,109	7,180	7,252	7,324	7,398	7,472
sub-total	41,784	107,877	110,670	113,549	116,519	119,582	122,742	126,002	129,364	132,833
Maintenance										
General R&M	5,000	12,000	12,120	12,241	12,364	12,487	12,612	12,738	12,866	12,994
Plumbing	625	1,500	1,515	1,530	1,545	1,561	1,577	1,592	1,608	1,624
Electrical	750	1,800	1,818	1,836	1,855	1,873	1,892	1,911	1,930	1,949
HVAC	2,500	6,000	6,060	6,121	6,182	6,244	6,306	6,369	6,433	6,497
Maintenance Wages	10,000	24,000	24,240	24,482	24,727	24,974	25,224	25,476	25,731	25,989
Interior-common	2,500	6,000	6,060	6,121	6,182	6,244	6,306	6,369	6,433	6,497
Interior Turnover	-	25,000	25,250	25,503	25,758	26,015	26,275	26,538	26,803	27,071
Grounds/landscaping	6,000	15,000	15,150	15,302	15,455	15,609	15,765	15,923	16,082	16,243
sub-total	27,375	91,300	92,213	93,135	94,066	95,007	95,957	96,917	97,886	98,865
Utilities										
Electric/Gas	26,000	65,000	65,650	66,307	66,970	67,639	68,316	68,999	69,689	70,386
Garbage	4,000	9,600	9,696	9,793	9,891	9,990	10,090	10,191	10,292	10,395
Internet	6,250	15,000	15,150	15,302	15,455	15,609	15,765	15,923	16,082	16,243
Water & Sewer	8,750	21,900	21,210	21,422	21,636	21,853	22,071	22,292	22,515	22,740
sub-total	45,000	110,500	111,706	112,823	113,951	115,091	116,242	117,404	118,578	119,764
Other Income/(Expense)										
TIF Revenue	-	160,286	163,492	166,762	170,097	173,499	176,959	180,476	184,051	187,684
Insurance	(29,850)	(78,120)	(79,682)	(81,276)	(82,902)	(84,560)	(86,251)	(87,976)	(89,735)	(91,530)
Real Estate tax	3,736	(160,286)	(163,492)	(166,762)	(170,097)	(173,499)	(176,959)	(180,476)	(184,051)	(187,684)
sub-total	(26,114)	(78,120)	(79,682)	(81,276)	(82,902)	(84,560)	(86,251)	(87,976)	(89,735)	(91,530)
Total Operating Expenses	140,273	387,897	394,271	400,784	407,439	414,240	421,123	428,179	435,399	442,742
Operating Income	508,325	1,389,786	1,444,458	1,501,101	1,559,784	1,620,579	1,683,319	1,748,080	1,814,560	1,883,153

NOT FOR CONSTRUCTION



SECOND FLOOR OVERALL PLAN



FIRST FLOOR OVERALL PLAN

UNIT MATRIX						
UNITS	1ST	2ND	3RD	4TH	5TH	TOTAL
EFF.	0	4	4	5	4	17
1 BED	0	7	7	5	5	24
2 BED	0	9	9	8	8	35
3 BED	0	3	3	3	3	12
TOTAL APT. UNITS						88

- GENERAL NOTES**
1. ALL WALLS TO BE CONCRETE. FACE OF PRECAST CONCRETE OR CENTER OF STRUCTURAL WALLS TO ALIGN.
 2. AT UPPER FLOORS, OUTSIDE FACE OF EXTERIOR WOOD STUDS TO ALIGN WITH OUTSIDE FACE OF PRECAST CONCRETE FOUNDATION.
 3. 4" APA 3100S, 314, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.
 4. AT UPPER FLOORS, ALL EXTERIOR WALLS TO BE 2x4, 2x6, 2x8, 2x10, 2x12, 2x14, 2x16, 2x18, 2x20, 2x22, 2x24, 2x26, 2x28, 2x30, 2x32, 2x34, 2x36, 2x38, 2x40, 2x42, 2x44, 2x46, 2x48, 2x50, 2x52, 2x54, 2x56, 2x58, 2x60, 2x62, 2x64, 2x66, 2x68, 2x70, 2x72, 2x74, 2x76, 2x78, 2x80, 2x82, 2x84, 2x86, 2x88, 2x90, 2x92, 2x94, 2x96, 2x98, 2x100.
 5. AT UPPER FLOORS, ALL INTERIOR WALLS TO BE 2x4, 2x6, 2x8, 2x10, 2x12, 2x14, 2x16, 2x18, 2x20, 2x22, 2x24, 2x26, 2x28, 2x30, 2x32, 2x34, 2x36, 2x38, 2x40, 2x42, 2x44, 2x46, 2x48, 2x50, 2x52, 2x54, 2x56, 2x58, 2x60, 2x62, 2x64, 2x66, 2x68, 2x70, 2x72, 2x74, 2x76, 2x78, 2x80, 2x82, 2x84, 2x86, 2x88, 2x90, 2x92, 2x94, 2x96, 2x98, 2x100.
 6. SEE CODES SHEETS FOR WOOD JOIST SIZES.
 7. ALL WOOD JOISTS TO BE SPACED AT 16" ON CENTER.
 8. ALL WOOD JOISTS TO BE SPACED AT 16" ON CENTER.
 9. ALL WOOD JOISTS TO BE SPACED AT 16" ON CENTER.
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 18. ALL WOOD JOISTS TO BE SPACED AT 16" ON CENTER.
 19. ALL WOOD JOISTS TO BE SPACED AT 16" ON CENTER.
 20. ALL WOOD JOISTS TO BE SPACED AT 16" ON CENTER.

PARKING STALLS
FIRST FLOOR PARKING STALLS
SEE CIVIL PLANS FOR ALL SITE PARKING COUNTS

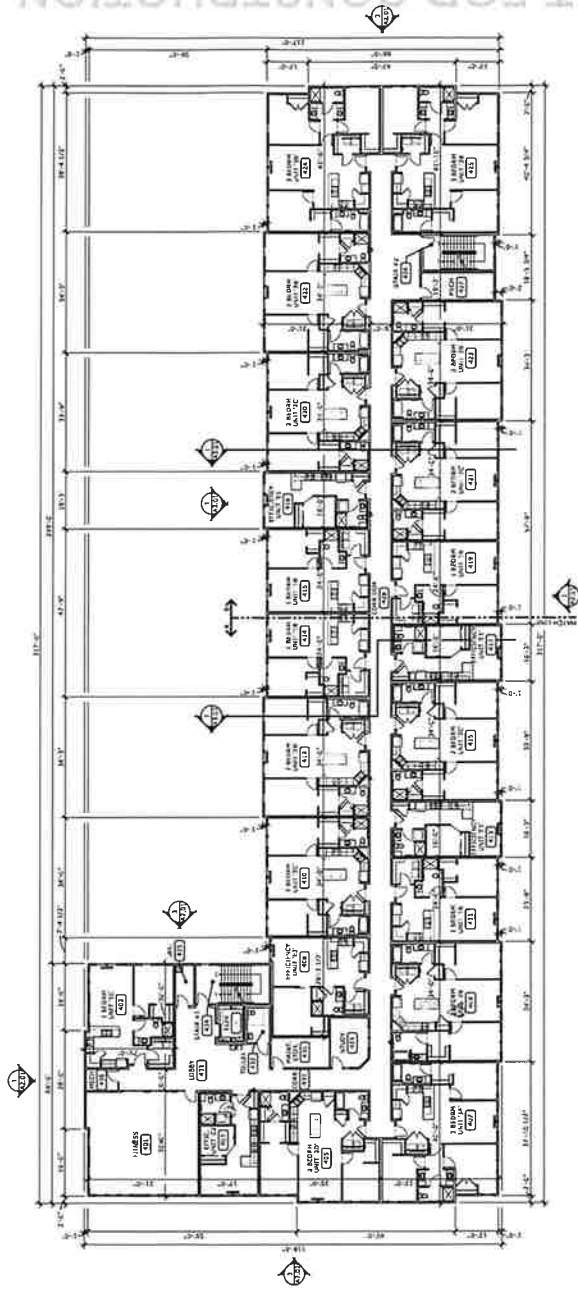
SKYLINE APARTMENTS - NDSU
 CORNER OF 12TH AVE N & 18TH ST N
 FARGO, NORTH DAKOTA

PROJECT NO: 22-008
 DATE: FEB 15, 2025
 DRAWN BY: MEM
 CHECKED BY: NGV
 DOCUMENT PHASE: FIG. FINISH & SITE SET

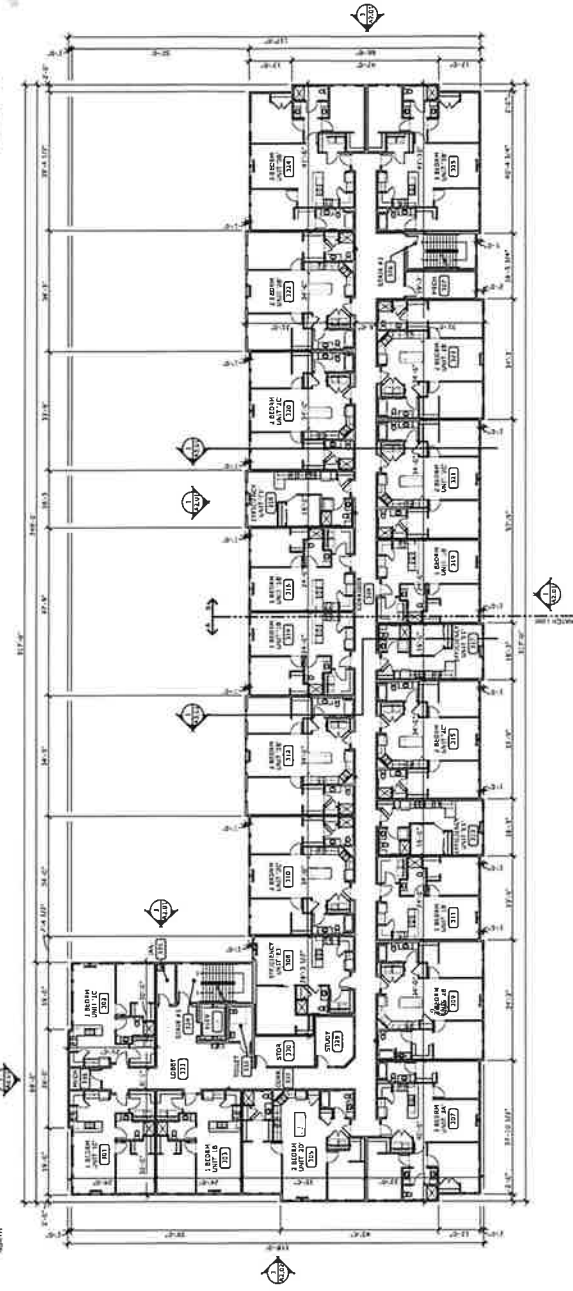
SHEET CONTENTS:
 THIRD & FOURTH
 FLOOR OVERALL
 PLANS

SHEET: **A1.02**

NOT FOR CONSTRUCTION



FOURTH FLOOR OVERALL PLAN

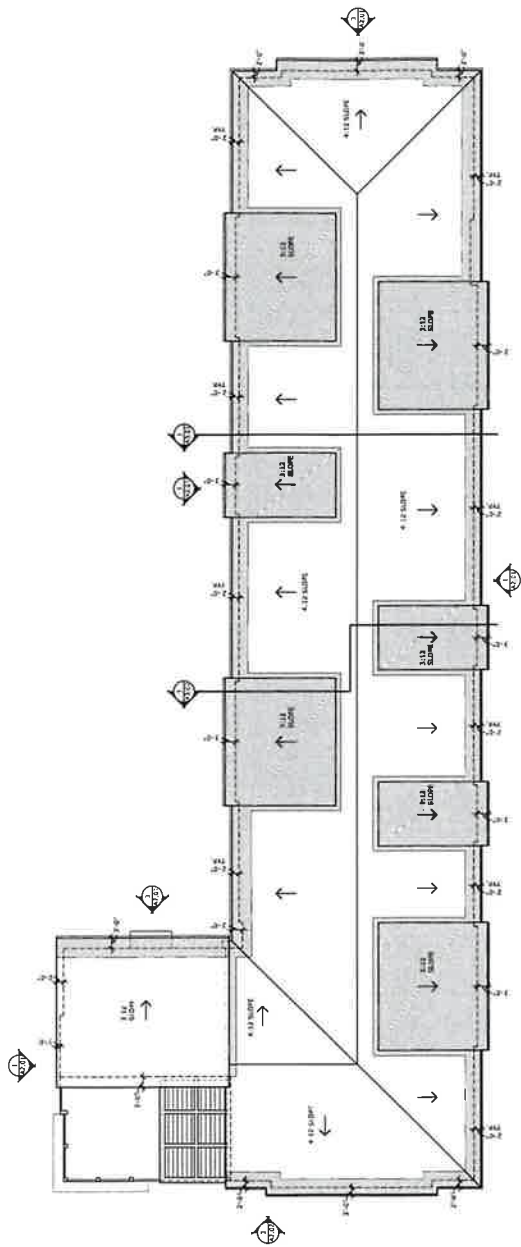


THIRD FLOOR OVERALL PLAN

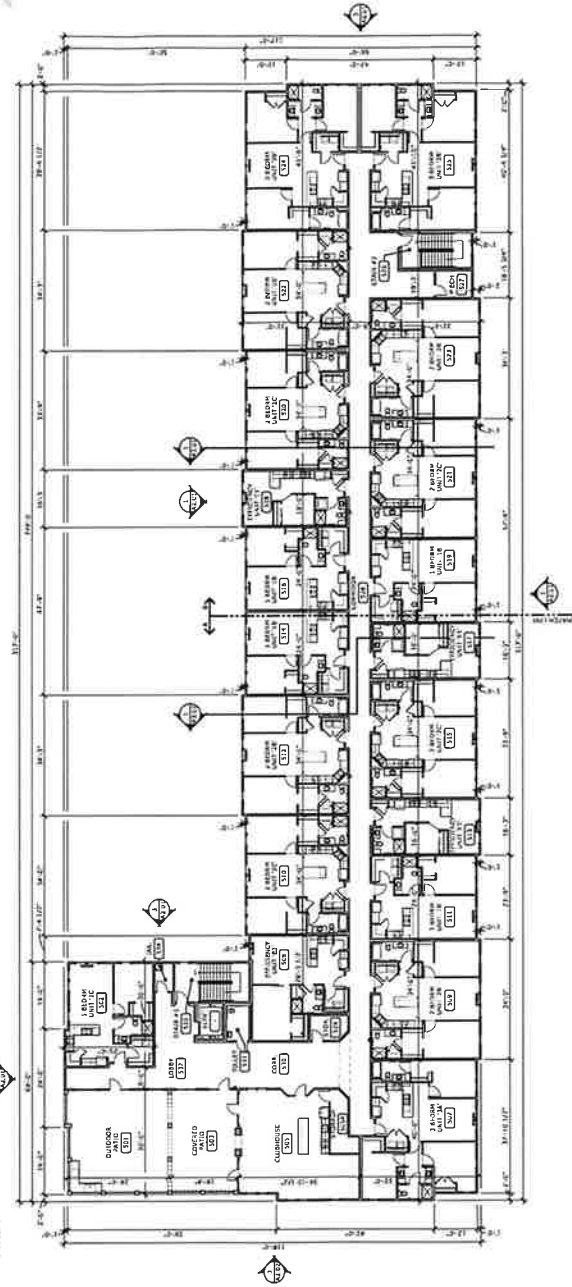
UNIT MATRIX						
UNIT	1ST	2ND	3RD	4TH	5TH	TOTAL
EFF.	0	4	4	5	4	17
1 BED	0	7	7	5	5	24
2 BED	0	9	9	9	8	35
3 BED	0	3	3	3	3	12
TOTAL APT UNITS						88

- GENERAL NOTES**
1. ALL DIMENSIONS UNLESS OTHERWISE NOTED ARE TO THE FACE OF PRECAST CONCRETE OR CURBS OF EXTERIOR WALLS UNLESS NOTED OTHERWISE.
 2. AT EXTERIOR WALLS, OUTSIDE FACE OF EXTERIOR WALL STUDS TO ALIGN WITH INSIDE FACE OF PRECAST CONCRETE FRAME UNLESS NOTED OTHERWISE.
 3. ALL WALL STUDS TO BE SPACED AT 16" ON CENTER UNLESS NOTED OTHERWISE.
 4. AT UPPER FLOORS, ALL EXTERIOR WALLS TO BE 2x4 SPT PRE-CUT WOOD STUDS UNLESS NOTED OTHERWISE.
 5. AT UPPER FLOORS, ALL INTERIOR WALLS TO BE 2x4 OR 2x6 WOOD STUDS UNLESS NOTED OTHERWISE.
 6. ALL CORNER STUDS TO BE 2x6 UNLESS NOTED OTHERWISE.
 7. ALL STUDS TO BE 1/2" THICK UNLESS NOTED OTHERWISE.
 8. ALL STUDS TO BE 1/2" THICK UNLESS NOTED OTHERWISE.
 9. ALL STUDS TO BE 1/2" THICK UNLESS NOTED OTHERWISE.
 10. ALL STUDS TO BE 1/2" THICK UNLESS NOTED OTHERWISE.
 11. ALL STUDS TO BE 1/2" THICK UNLESS NOTED OTHERWISE.
 12. ALL STUDS TO BE 1/2" THICK UNLESS NOTED OTHERWISE.
 13. ALL STUDS TO BE 1/2" THICK UNLESS NOTED OTHERWISE.
 14. ALL STUDS TO BE 1/2" THICK UNLESS NOTED OTHERWISE.
 15. ALL STUDS TO BE 1/2" THICK UNLESS NOTED OTHERWISE.

NOT FOR CONSTRUCTION



ROOF OVERALL PLAN



FIFTH FLOOR OVERALL PLAN



UNIT MATRIX						
UNITS	1ST	2ND	3RD	4TH	5TH	TOTAL
EFF.	0	4	4	5	4	17
1 BED	0	7	5	5	5	24
2 BED	0	9	9	9	8	35
3 BED	0	3	3	3	3	12
TOTAL APT UNITS						88

GENERAL NOTES

1. SEE PLAN FOR ALL INTERIOR WALLS, FACE OF FINISHP.
2. AT APART. UNITS, OPPOSITE END OF EXTERIOR WOOD STUDS TO ALIGN WITH INTERIOR WALL CENTERLINE.
3. AT APART. UNITS, OPPOSITE END OF EXTERIOR WOOD STUDS TO ALIGN WITH INTERIOR WALL CENTERLINE.
4. AT APART. UNITS, ALL EXTERIOR WALLS TO BE FULL WPT FINISH WOOD WALL TYPES.
5. AT APART. UNITS, ALL INTERIOR WALLS TO BE 2" x 4" OR 2" x 6" WOOD STUDS WITH FULL WPT FINISH WOOD WALL TYPES.
6. SEE CODES (SHEET) FOR PARTIAL WALLS, PARTIAL WALLS.
7. ALL ROOMS TO BE FULL WPT FINISH WOOD WALL TYPES.
8. INTERIOR WALLS TO BE FULL WPT FINISH WOOD WALL TYPES.
9. ALL INTERIOR WALLS TO BE FULL WPT FINISH WOOD WALL TYPES.
10. ALL INTERIOR WALLS TO BE FULL WPT FINISH WOOD WALL TYPES.



Building success.



SKYLINE APARTMENTS - VIEW 1
JANUARY 17TH 2025 CONCEPTUAL RENDERING





Building success.



SKYLINE APARTMENTS - VIEW 2
JANUARY 17TH 2025 CONCEPTUAL RENDERING





SKYLINE APARTMENTS - VIEW 3
JANUARY 17TH 2025 CONCEPTUAL RENDERING



SKYLINE APARTMENTS - VIEW 4
JANUARY 17TH 2025 CONCEPTUAL RENDERING



1

2

3

4

5

6



LUX LAP - METAL
V GROOVE
PECAN



EDCO - METAL
BOARD AND BATTEN
STATUARY BRONZE



EDCO - METAL
HORIZONTAL LAP
CLAYTONE



PRECAST
CONCRETE



EDCO - METAL
HORIZONTAL LAP
CLASSIC BLUE



EDCO - METAL
BOARD AND BATTEN
CLASSIC BLUE

SKYLINE APARTMENTS - EXTERIOR MATERIALS

JANUARY 17TH 2025

City of Fargo, North Dakota

Tax Increment Financing Program

“But-For” Report

Skyline LLC



February 16, 2025



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

Purpose

The purpose of this report is to establish and determine the allowable value of tax increment financing (TIF) for Skyline 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"). We also made sure the Developer followed the City of Fargo's (the "City") Economic Development Incentives Policies and Guidelines (the "Policy") including the allowable costs and the Developer's calculations for determining the amount of allowable subsidy financing. The following report details PFM's analysis and conclusions concerning the viability of the proposed project without the subsidy.



Project

The project being proposed by the Developer includes the development of a 88-unit apartment building with parking located at 18th Street North and 12th Avenue North.

The Developer estimates the construction will be completed in June 2026 with occupancy immediately following. The Developer has requested TIF assistance in the amount of \$2,033,253 to complete the project.



TIF Assistance Request

The Developer is requesting assistance in the form of tax increment financing under the City's Tax Increment Financing Policy. The Policy provides public assistance to a development through tax increment financing for private development. The Developer is asking for 15 years of TIF exemption. The Policy states a 100% exemption on the increased value of the improvements for the first five years, followed by 75% exemption for the next five years, and 50% exemption for the next five years.

Eligible TIF Expenditures

Land	1,330,000
Building Demolition	375,000
Environmental	250,000
Public Works/Utilities	<u>100,000</u>
Total	\$2,055,000
City Administrative Fees (5%)	<u>102,750</u>
Total TIF Eligible Expenses	\$2,157,750

The Policy limits the TIF assistance to 15% of hard construction costs, including the costs of acquisition. Based on total hard construction costs of \$18,539,000, plus the costs of acquisition of \$1,330,000, the Developer can receive up to \$2,980,350. The Developer is requesting \$2,033,253, which complies with the policy.

Land Cost

The Developer states the purchase price to acquire the property for the project is \$1,330,000. Land acquisition is reimbursable under the Policy. The Developer is requesting to be reimbursed the full \$1,330,000 for the land acquisition which complies with the Policy.



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

- 1.) **The total acquisition cost for the property, provided that the acquisition cost is no more than 150% of the assessor's market value of the property.** The Developer's cost to acquire the property is \$1,330,000. The assessor's market value for the property in 2018, the year the Developer acquired the property was \$951,500. The eligible amount for reimbursement is 150% of \$951,500 which totals \$1,427,250.
- 2.) **The difference between what was paid by the Developer for the property less the assessor's market value for the land (as opposed to land and buildings).** The assessor's land value was \$123,400 in 2018 when the property was purchased by the Developer. Based on an acquisition price of \$1,330,000 the maximum reimbursement is \$1,206,600.

The lesser of the two tests detailed above is \$1,206,600. The requested reimbursement amount for land acquisition of \$1,330,000 is greater than the amount allowed under the Policy.

Term

The Policy states the length of the term will be limited to 15 years or less. The Developer is requesting a total of a 15-year term.

TIF Estimate

PFM estimates that \$1,849,287 of TIF will be generated over the 10 years, assuming a 2.00% market growth rate. Based on a discount rate of 5.25%, the present value of the estimated tax benefits is \$1,149,248 for the 15 years of the project when the TIF would be in effect. This is less than the total eligible TIF expenditures.



Project Financing

The Developer is investing 25% equity, or approximately \$5,400,000, and will be privately financing about \$16,200,000. The Developer is additionally requesting annual TIF assistance in the total amount of \$487,305. The private financing is estimated to be a 25-year loan with an estimated interest rate of 6.5% resulting in an annual principal and interest payment of \$1,312,603.



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-\$1,450 for a one-bedroom unit, \$1,650-\$1,725 for a two-bedroom unit, and \$2,150-\$2,250 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 88-unit rental development were provided, as follows; Insurance - \$78,120, Administration - \$107,877, Maintenance - \$91,300, Utilities - \$110,600, and Real Estate Taxes - \$160,286 (without public assistance). The total expenses are approximately 31% 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 7.55% internal rate of return based on a 10-year internal rate of return. The Developer would have about a 10.68% 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 1.29x without assistance, with a Year 6 coverage of 1.10x. If the City provided assistance to the project the maximum debt coverage is projected to be 1.39x 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 5.

Sensitivity Scenario 1 – Project Costs

The project would have to be reduced by \$1,900,203 or 11.7% in order for the project to become viable without assistance. This reduces the amount to be financed from \$16,200,000 to \$14,299,797 and reduces the annual payment from \$1,312,603 to \$1,158,639 for the loan. It is unlikely that a reduction in project costs of this magnitude would occur at this stage in the development.

Sensitivity Scenario 2 – Rental Rates

In order for the project to be viable without public assistance, the apartment rental rates would have to increase by 10.4%. PFM believes this is a high increase to the Developer's proposed rents. This increases annual rental revenue from \$1,692,246 to \$1,867,667. PFM believes the current proposed rents are reasonable rental rates and does not believe an increase this large would occur.

Sensitivity Scenario 3 – Combination of Project Costs and Rental Rates

The final scenario looks at both a reduction of project costs and an increase in apartment rental rates. The analysis showed that project costs would have to be reduced by \$955,800 or 5.9% and rental rates would have to increase by about 5.2%. Either of these events could occur but may be unlikely to occur together.

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



Conclusion

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

PFM has calculated that with public assistance, and based on the assumptions outlined in this report, a 10-year internal rate of return is estimated to be 10.68%. In addition, the coverage ratio in Year 10 is estimated to be 1.39x. The estimated internal rate of return is appropriate given the risk level for this type of project. Based on the information provided to PFM, the calculated internal rate of return and the coverage requirements, PFM concludes the project would not be feasible without public assistance.



RENEWAL PLAN

DISTRICT NO. 2018-03

CITY OF FARGO, NORTH DAKOTA

September, 2018

RENEWAL PLAN FOR TAX INCREMENT DISTRICT NO. 2018-03

This is a renewal plan for property within Block 3 of Beardsley's Addition. The plan identifies property already appropriate for redevelopment, but does not describe in detail the plans for redevelopment. When the type of redevelopment is available for review, this plan will be amended to describe the project to be constructed.

Subsection 1.1. Definitions.

For the purposes of the Renewal Plan, the following terms shall have the meanings specified below, unless the context otherwise requires:

"City" means the City of Fargo, a municipal corporation under the laws of the State of North Dakota.

"City Commission" or "Commission" means the Fargo City Commission.

"Comprehensive Plan" means the City's GO 2030 Comprehensive Plan, including the objectives, policies, standards and programs to guide public and private land use, development, redevelopment and preservation for all lands and water within the City as and when such plan is adopted and finalized.

"County" means Cass County, North Dakota.

"Development" means the construction of new buildings, structures, or improvements; the demolition, alteration, remodeling, repair or reconstruction of existing buildings, structures or improvements; the acquisition of equipment; and the clearing and grading of land on industrial or commercial property in the Renewal Area.

"Renewal Area" means the property described in Subsection 1.4 of this Plan.

"Renewal Plan" or "Plan" means this Plan adopted by the Commission for the Renewal Area.

"State" means the State of North Dakota.

"Tax Increment Financing Act" or "TIF Act" means North Dakota Century Code, Section 40-58-20, as amended.

"Tax Increment Bonds" means any general obligation or revenue tax increment bonds or notes issued by the City to finance the public costs associated with the TIF District as stated in this Plan, or any obligations issued to refund the Tax Increment Bonds.

"Tax Increment Financing District" or "TIF District" means Tax Increment Financing District No. 2018-03.

"Urban Renewal Law" means North Dakota Century Code, Chapter 40-58.

Subsection 1.2. Statutory Authority.

The creation of the Renewal Area is authorized by the Urban Renewal Law. Specifically the creation of the Renewal Area is authorized under North Dakota Century Code, Sections 40-58-01.1(7) and (14), which provide that the local governing body may designate industrial or commercial property, a slum or blighted area, or combination of these properties as appropriate for a development or renewal project.

The Urban Renewal Law provides that communities develop a "workable program" for the use of public and private resources to facilitate the development of industrial or commercial properties, eliminate and prevent the development or spread of slums and urban blight, encourage needed urban rehabilitation, provide for the redevelopment of slum and blighted areas, or undertake these activities or other feasible municipal activities as may be suitably employed to achieve the objectives of the workable program. North Dakota Century Code, Section 40-58-04.

Subsection 1.3. Statement of Public Purpose

In adopting the Renewal Plan 2018-03, the City Commission intends to make the following findings:

- (a) The Renewal Area includes a blighted area.

Factual basis: This Renewal Area is blighted due to the presence of deteriorated or deteriorating structures (unsound basements or foundations, inadequate roofing, deteriorated siding and windows) which substantially impairs the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is a menace to the public health, safety, morals, or welfare in its present condition and use. Photos of the Renewal Area can be found in Attachment A.

- (b) The Renewal Area is a residential property.

Factual basis: The renewal area is residential and considered blighted as described in (a) above. Blighted residential areas are eligible for renewal.

- (c) The Renewal Area is appropriate for a development or renewal project.

Factual basis: The renewal area is designated in the Roosevelt/NDSU Neighborhood Land Use Plan for higher-density residential development. The property is zoned University Mixed Use, which allows and requires higher density housing.

- (d) Comparable replacement dwellings or housing is available to persons displaced by the proposed redevelopment project.

Factual basis: Many of the properties are vacant. There are vacant houses and apartments in the neighborhood and north Fargo.

- (e) The Plan conforms to the Comprehensive Policy Plan for the City as a whole.

Factual basis: The City Commission has found that the proposed development is consistent with the goals that are embodied in the GO 2030 Comprehensive Plan. Most notably, the proposed development seeks to address several key initiatives of the GO 2030 plan, including initiatives for/to Promote Infill, Quality New Development, and High Quality Affordable Housing near NDSU. In addition, the proposed development conforms to the Roosevelt/NDSU Neighborhood Land Use Plan. The proposed use of the property is consistent with zoning, adjacent residential land use and transportation facilities. The proposed development will not burden the existing infrastructure as the property is served with the water and sewer main lines.

Subsection 1.4. Description of Renewal Area

The renewal area is located southwest of NDSU in the Roosevelt Neighborhood. This subsection provides maps showing information for properties on the block. The boundary of the renewal area is one area on the block, with the yellow line as the perimeter. This block is zoned University Mixed Use (UMU). See Attachment B.

There are 18 properties on the block, a mix of single-family, duplexes and multi-family buildings. There are three multi-family buildings, each with 12 housing units. Three of the properties are two unit buildings. There are also ten single-family houses. Seven of the single-family homes are quite old, being over 70 years old.

There are 7 properties in the renewal area. Of those seven properties, six are single-family houses and one appears to be single-family house converted to a two unit building. See Attachment C.

Bison Gold Investments is the owner of 7 of the 18 properties on the block. Two single-family houses on the block appear to be owner occupied. The other nine properties appear to be rental housing. See Attachment D.

There are two houses in the renewal area that are vacant, severely blighted and dilapidated. The owner of these properties plans to demolish these houses with the encouragement of the City. See Attachment E that shows the location of the dilapidated houses.

Subsection 1.5. Demolition of Structures and Redevelopment

Plans for the future redevelopment is not known at this time. It is expected to be multi-family housing for students and staff at North Dakota State University. The type of housing will depend on market conditions at the time of the development. The housing will comply with the current or future zoning of the area.

The Development of the Renewal Area includes the following initial activities:

Demolition & Site Cleaning/Grading – This cost is the estimate of the cost to remove existing buildings and foundations, trees and concrete, and inspect for and remove asbestos, plus fill and grade the site. The estimate is \$15,000 per structure. The City will encourage the owner of dilapidated and substandard properties on this block to demolish the properties and maintain the property as green space until new structures can be developed.

Land Acquisitions – The developer has already acquired the properties. Any public assistance for land purchase would be determined based on a financial review of future redevelopment plans.

Administration – Administration costs are equal to about five percent of the development assistance of the above costs.

These costs represent estimated costs for planning purposes, and may be different when this plan is implemented with a development agreement. The development agreement costs will be determined after a review by City financial advisors. The maximum allowed costs will be specified in the development agreement.

Subsection 1.6. Land Use Attributes.

- (a) Zoning. The property is zoned UMU (University Mixed Use). No zoning or platting changes are required to allow redevelopment on these properties.
- (b) The property is zoned UMU ((University Mixed Use), which allows commercial and requires residential density of 18 units per acre.
- (c) Building Requirements. All properties within this district are subject to the provisions of the City of Fargo Building Codes and the Land Development Code.
- (d) Plan relationship to land use objectives (land uses, improved traffic, public transportation, public utilities, recreational and community facilities, and other public improvements.) The land use objective for this project complies with the UMU (University Mixed Use) zoning district, the redevelopment goals of the GO 2030 Comprehensive Plan and the Roosevelt Neighborhood Plan. The development provides for new residential dwelling units within an existing residential neighborhood.

Subsection 1.7. Redevelopment and Financing

The City of Fargo may consider providing Tax Increment Financing to assist with redevelopment of this area. However, a Tax Increment Financing is not being created as part of this renewal plan. Creation of a Tax Increment Financing District and an agreement to assist the developer would require amendment of this plan and adoption of a developer's agreement.

The City anticipates that implementation of this Renewal Plan may involve certain public costs. Under North Dakota Century Code, Sections 40-58-20 and 40-58-20.1 allow the use of funds received from tax increments to be applied to certain specified costs. If the City decides to provide costs those costs would be for property acquisition, demolition and site cleanup, and public works improvements.

If the City decides to finance certain costs of the Development, it will be through the issuance of a Tax Increment Financing Note to the Developer. The maximum term of the note would be 15 years. Based on current tax rates, annual TIF revenue would be approximately 1.4% of the increased value.

The amount of any public assistance will be based on City of Fargo Tax Increment Financing policies, a review of the financial needs of the project, the vacancy rate for apartments in the vicinity of NDSU and the quality of the new development.

By adoption of this Renewal Plan, the City of Fargo is encouraging owners of dilapidated structures to demolish those structures immediately and to maintain that property as green space until they are ready to build new on the property. Property owners are also encouraged to maintain existing structures to comply with city housing codes, or demolish the structures.

Subsection 1.8. Renewal Plan Amendments

The City anticipates that this Renewal Plan will be amended prior to final implementation. These amendments may, provide details on the new buildings, provide incentives to the developer, create a Tax Increment Financing District and incorporate a schedule for implementation.



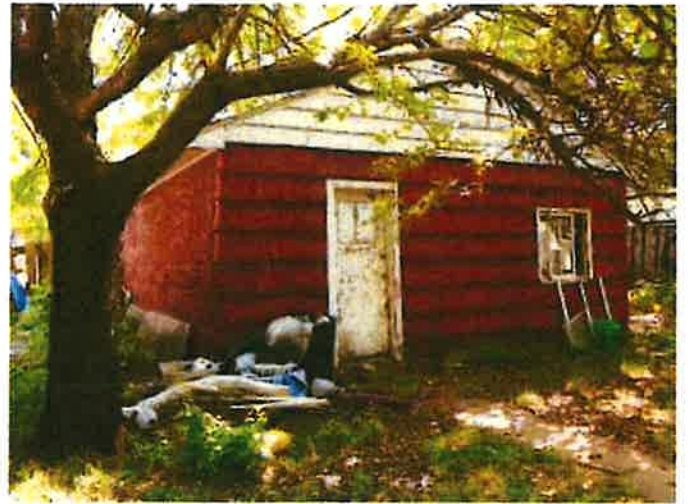
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1133 18th St N



1133 18th St N



1129 18th St N



1125 18th St N



1121 18th St N



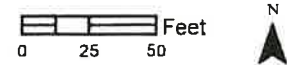
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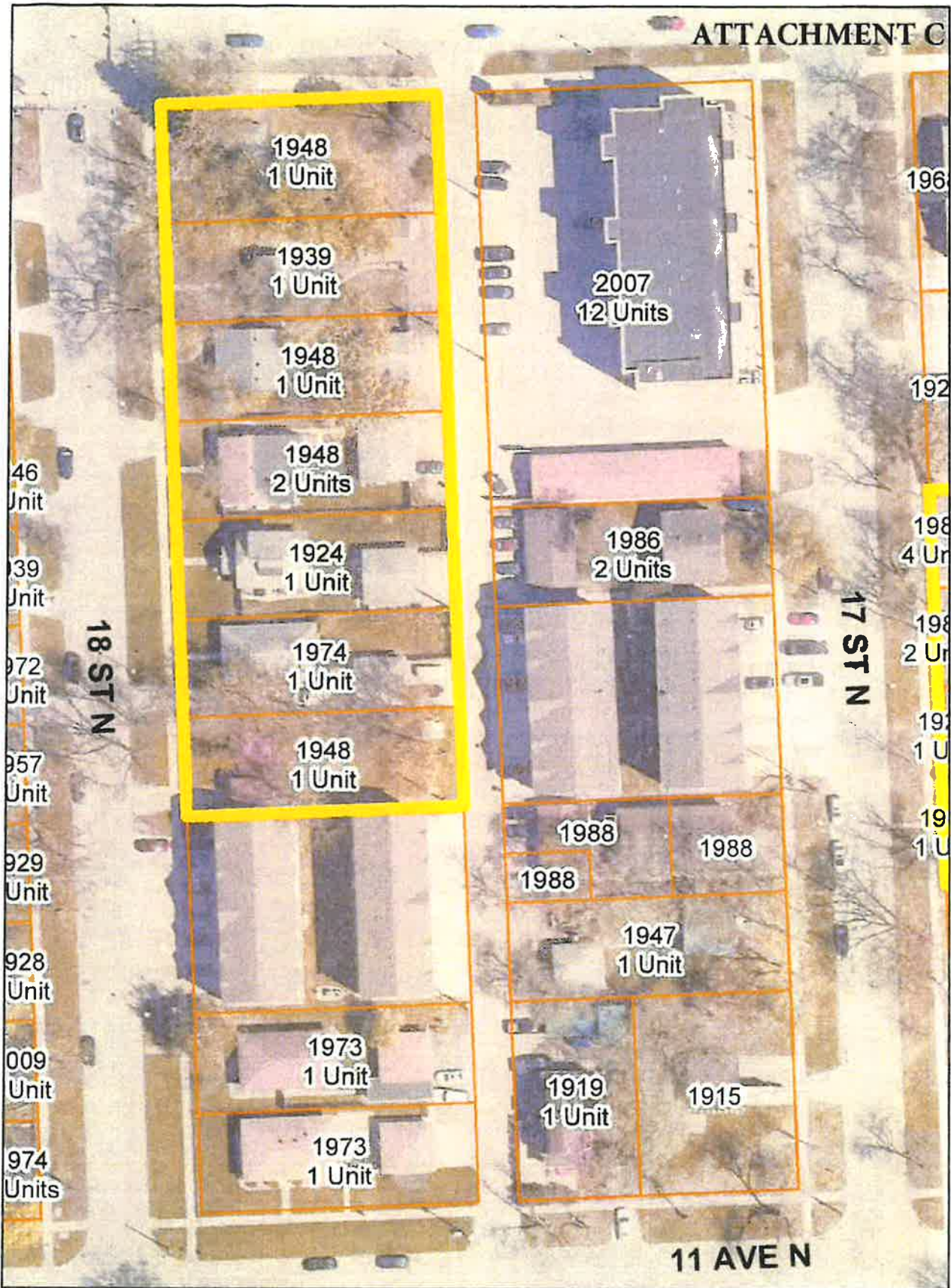




 Renewal Area

Renewal Area 2018-03 Zoning



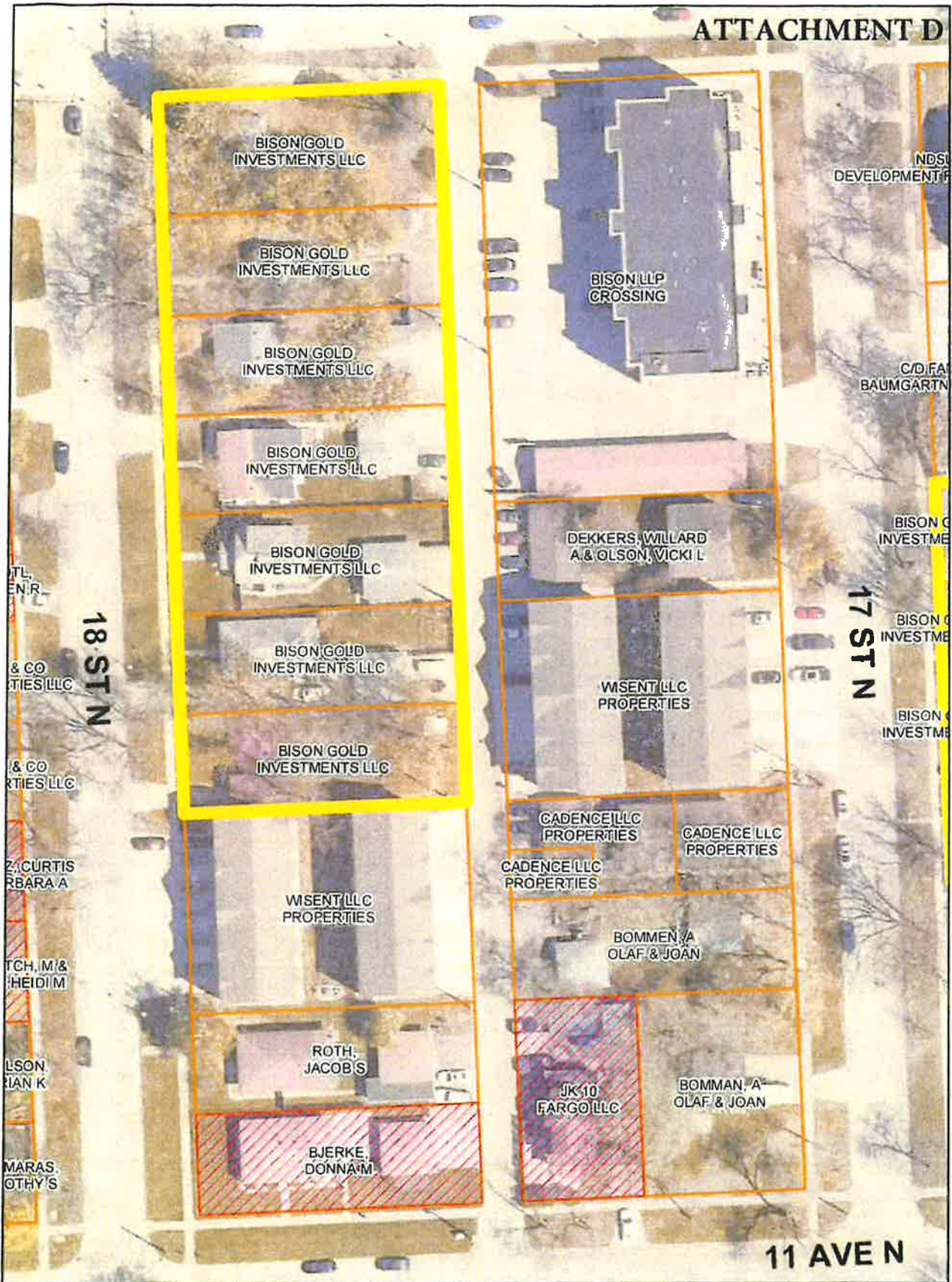




 Renewal Area

Renewal Area 2018-03 Year Built & Unit Count

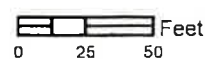


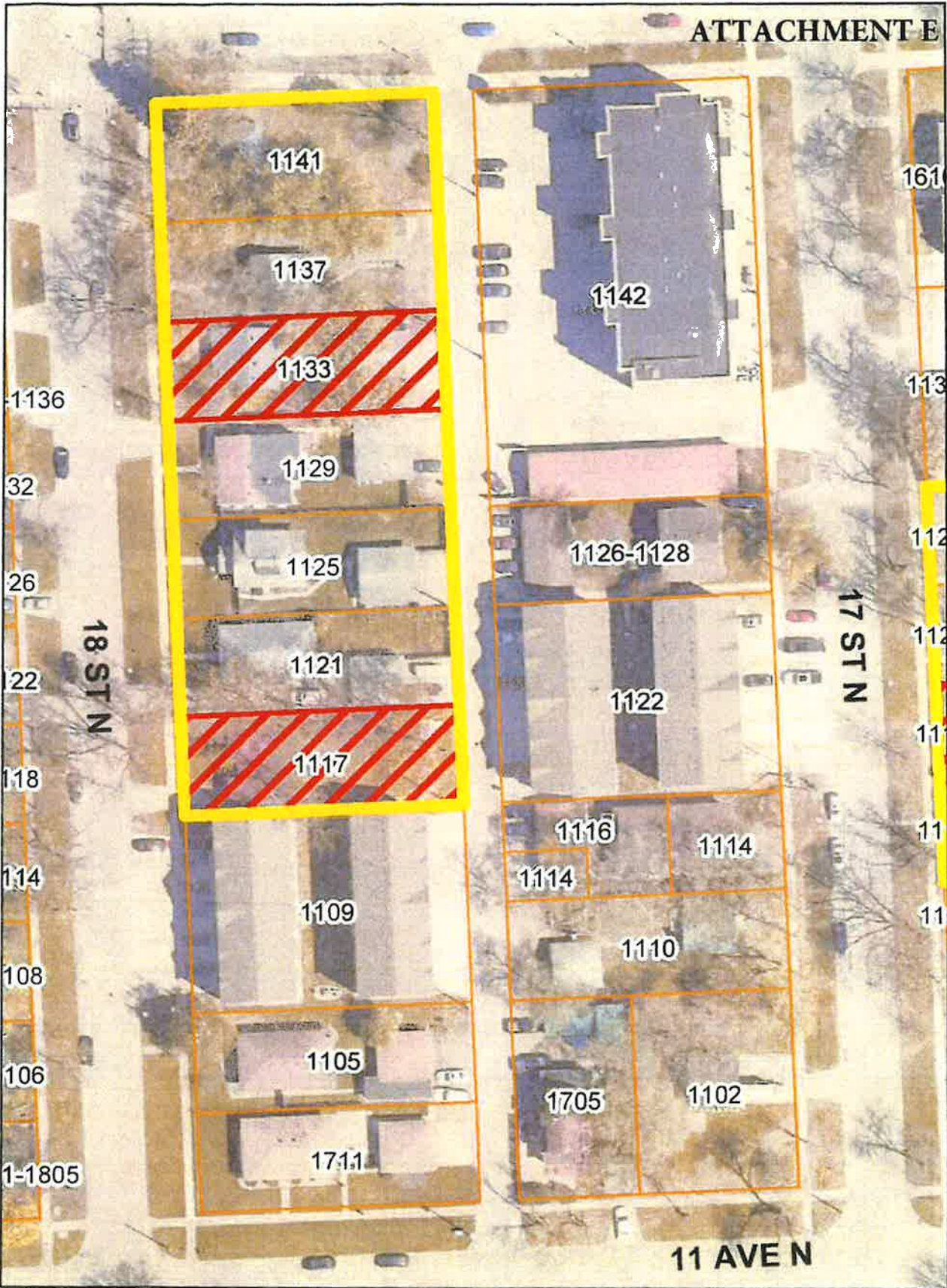
ATTACHMENT D





-  Renewal Area
-  Owner Occupancy

Renewal Area 2018-03





-  Renewal Area
-  Dilapidated House

Renewal Area 2018-03
 Dilapidated Houses to be Demolished

