

FARGO TAX EXEMPT REVIEW COMMITTEE
Tuesday, November 23, 2021 – 1:00 p.m.
City Commission Chambers, Fargo City Hall

AGENDA

- 1. Approve Tax Exempt Review Committee Meeting Minutes of 10/26/21**
 - a. October 26, 2021 [Page 1-3]
- 2. Woodrow PILOT Transfer [Page 4-25]**
- 3. Renewal Plan for the K-Mart Site [Page 26-47]**
- 4. Review of Proposals for Downtown City Properties**

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, October 26, 2021

The October meeting of the Tax Exempt Review Committee of the City of Fargo, North Dakota was held in the City Commission Room at City Hall at 1:00 p.m., Tuesday, October 26, 2021.

The committee members present or absent are:

Present: Dave Piepkorn, Mayor Tim Mahoney, Bruce Grubb, John Cosgriff, Jim Buus, Jessica Ebeling
Kent Costin, Mike Splonskowski, Erik Johnson, Jim Gilmour, Jackie Gapp, Joe Raso

Absent: Levi Bachmeier

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

A motion was made by John Cosgriff to approve the minutes from October 5, 2021. Jim Buus seconded, motion carries.

Report on Tax Increment Financing Districts

- TIF values increase considerably
- Cleans up brownfield sites
- Mike Redlinger explained that Tischler will be doing a comparative analysis based on what Fargo does relative to other comparable size markets. Their initial analysis is that they think Fargo is in the ballpark.

J-Street Properties TIF Request

- Located at 1418 1 Ave N & 19 14 ½ St N
- A fire destroyed the current building about a year ago
- Mark Bjornstad stated they would like to build a 90 unit apartment building and would make the area a more block feel, that would be walkable/usable.
- Kevin Bartram stated that they are looking at enclosed parking on the first floor with apartments above.
- They will acquire the building in its current state, so the TIF would be for demolition and clean-up of the site.
- The enclosed parking will not be assigned parking.

Jim Buus moved to approve, John Cosgriff seconded. Motion carries.

Consideration of a Renewal Plan for the NP Avenue Parking Lot

- Site located at 636 Northern Pacific Ave N, City owns about 60%, 40% is owned by Global Development LLC

- Global Development would be redoing the Herbst building into a hotel or entertainment venue
- There would be housing of 150-200 units
- Parking would be between 500-600 parking stalls on that site
- Early in the process and don't have any costs at this time
- The recommendation would be to have staff work with private developers to draft a renewal plan for the redevelopment of surface parking in the 600 block of NP Avenue

John Cosgriff moved to recommend to the City Commission that staff begin work on the development plan for the area in question. Jim Buus seconded the motion. Motion carries.

The meeting was adjourned at 1:47 pm.

November 3, 2021

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

Dear Mr. Gilmour:

Graystoke Capital Woodrow LLC is planning to purchase the Woodrow Apartments located at 301/315 University Dr N and 1222 4th Ave N from DFI Woodrow Wilson LLC on January, 19, 2022. The Fargo City Commission approved DFI Woodrow Wilson for a PILOT incentive on August 17, 2015.

Graystoke Capital Woodrow is requesting to transfer and assume the remainder of the already approved PILOT tax payment schedule as is allowed under section 40-57.1.06 of the ND Century Code: "option to make payments in lieu of taxes for the remainder of the exemption or payments in lieu of taxes period."

Please find the attached applications, original tax schedule, and business incentive agreement requesting the remainder of the PILOT tax schedule transfer to Graystoke Capital Woodrow LLC the new operator of this project.

Please let me know if there is any additional information needed.

Sincerely,



Graye Parnell
Managing Principal

Application For Property Tax Incentives For New or Expanding Businesses

N.D.C.C. Chapter 40-57.1

Project Operator's Application To Fargo
City or County

File with the City Auditor for a project located within a city; County Auditor for locations outside of city limits.

A representative of each affected school district and township is included as a non-voting member in the negotiations and deliberation of this application.

This application is a public record

Identification Of Project Operator

1. Name of project operator of new or expanding business Graystoke Capital Woodrow LLC.

2. Address of project 1222 4th Ave N
City Fargo County Cass

3. Mailing address of project operator 2118 Nez Perce St
City Boise State ID Zip 83705

4. Type of ownership of project
 Partnership Subchapter S corporation Individual proprietorship
 Corporation Cooperative Limited liability company

5. Federal Identification No. or Social Security No. [REDACTED]

6. North Dakota Sales and Use Tax Permit No. N/A

7. If a corporation, specify the state and date of incorporation Delaware - September 13, 2021

8. Name and title of individual to contact Graye Parnell
Mailing address 2118 Nez Perce St
City, State, Zip Boise ID 83705 Phone No. 3604720200

Project Operator's Application For Tax Incentives

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

<input type="checkbox"/> Property Tax Exemption	<input checked="" type="checkbox"/> Payments In Lieu of Taxes
<u> </u> Number of years	<u>2018</u> Beginning year <u>2038</u> Ending year
<u> </u> Percent of exemption	<u> </u> Amount of annual payments (attach schedule if payments will vary)

10. Which of the following would better describe the project for which this application is being made:
 New business project Expansion of a existing business project

11. Legal description of project real property

PIN 01-2382-04450-000

Block 45, Roberts 2nd Addition

12. Will the project property be owned or leased by the project operator? Owned Leased

If the answer to 12 is leased, will the benefit of any incentive granted accrue to the project operator?

Yes No

If the property will be leased, attach a copy of the lease or other agreement establishing the project operator's benefits.

13. Will the project be located in a new structure or an existing facility? New construction Existing facility

If existing facility, when was it constructed? 2017

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application July 2017

b. Description of project to be constructed including size, type and quality of construction
Recently constructed (2017) apartment building adjacent to the original Woodrow Wilson school.

c. Projected number of construction employees during the project construction n/a - already constructed

14. Approximate date of commencement of this project's operations July 2017

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

a. Land \$ 737,360

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

c. Newly constructed buildings and structures when completed \$ 9,125,298

d. Total \$ 9,862,658

e. Machinery and equipment..... \$ 378,000

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

a. Land (not eligible) 

b. Eligible existing buildings and structures \$ 0

c. Newly constructed buildings and structures when completed \$ 456,265

d. Total taxable valuation of property eligible for exemption (Add lines b and c) \$ 456,265

e. Enter the consolidated mill rate for the appropriate taxing district 280.60

f. Annual amount of the tax exemption (Line d multiplied by line e)..... \$ 130,661.58

Note: "project" means a newly established business or the expansion portion of an existing business. Do not include any established part of an existing business.

17. Type of business to be engaged in: Ag processing Manufacturing Retailing
 Wholesaling Warehousing Services

18. Describe in detail the activities to be engaged in by the project operator, including a description of any products to be manufactured, produced, assembled or stored (attach additional sheets if necessary).

Leasing of residential partments and commercial space; completion of parking lot

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

n/a

20. For the project only, indicate the projected annual revenue, expense, and net income (before tax) from either the new business or the expansion itself for each year of the requested exemption.

Year (12 mo. periods)	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Annual revenue	<u>714,600</u>	<u>769,200</u>	<u>784,600</u>	<u>800,200</u>	<u>816,200</u>
Annual expense	<u>188,200</u>	<u>191,900</u>	<u>195,800</u>	<u>199,800</u>	<u>203,700</u>
Net income	<u>526,400</u>	<u>577,300</u>	<u>588,800</u>	<u>600,500</u>	<u>612,500</u>

21. Projected number and salary of persons to be employed by the project for the first five years:

Current positions & positions added the initial year of project

# Current Positions	New Positions Under \$13.00	New Positions \$13.01-\$15.00	New Positions \$15.01-\$20.00	New Positions \$20.01-\$28.00	New Positions \$28.01-\$35.00	New Positions Over \$35.00

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) <u>n/a</u>					
	(2) _____					
Estimated payroll	(1) <u>n/a</u>					
	(2) _____					

(1) - full time
(2) - part time

- 22. Is the project operator succeeding someone else in this or a similar business? Yes No
- 23. Has the project operator conducted this business at this or any other location either in or outside of the state?
 Yes No
- 24. Has the project operator or any officers of the project received any prior property tax incentives? Yes No

If the answer to 22, 23, or 24 is yes, give details including locations, dates, and name of former business (attach additional sheets if necessary).

#22 - This is a transfer of an existing PILOT from DFI Woodrow Wilson LLC

Business Competition

- 25. Is any similar business being conducted by other operators in the municipality? Yes No

If YES, give name and location of competing business or businesses

Residential apartments and leased commercial space in the metro area

Percentage of Gross Revenue Received Where Underlying Business Has ANY Local Competition 100 %

Property Tax Liability Disclosure Statement

- 26. Does the project operator own real property in North Dakota which has delinquent property tax levied against it? Yes No
- 27. Does the project operator own a greater than 50% interest in a business that has delinquent property tax levied against any of its North Dakota real property? Yes No

If the answer to 26 or 27 is Yes, list and explain

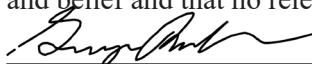
Use Only When Reapplying

- 28. The project operator is reapplying for property tax incentives for the following reason(s):
 - To present additional facts or circumstances which were not presented at the time of the original application
 - To request continuation of the present property tax incentives because the project has:
 - moved to a new location
 - had a change in project operation or additional capital investment of more than twenty percent
 - had a change in project operators
 - To request an additional annual exemption for the year of _____ on structures owned by a governmental entity and leased to the project operator. (See N.D.C.C. § 40-57.1-04.1)

Notice to Competitors of Hearing

Prior to the hearing, the applicant must present to the governing body of the county or city a copy of the affidavit of publication giving notice to competitors unless the municipality has otherwise determined there are no competitors.

I, Graye Parnell, do hereby certify that the answers to the above questions and all of the information contained in this application, including attachments hereto, are true and correct to the best of my knowledge and belief and that no relevant fact pertaining to the ownership or operation of the project has been omitted.



Signature

Managing Principal

Title

11-2-2021

Date

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

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

Property Tax Exemption

_____ Number of years
_____ Percent of exemption

Payments in lieu of taxes

_____ Beginning year _____ Ending year
_____ Amount of annual payments (Attach schedule if payments will vary)

Auditor

Notice To Competitors Of Hearing On Application For Property Tax Incentives

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

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

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

(Project operator name and address)

for property tax relief on the project which the applicant will use in the operation of
Real Estate Development _____
(Type of business)

at 301/315 University Dr N and 1222 4th Ave N _____
(Address)

Block 45, Roberts 2nd Addition _____
(Legal description)

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

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

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

<u>Value</u>	\$	3,115,000.00	\$	6,499,000.00	\$	9,614,000.00
<u>Taxes</u>	\$	43,610.000	\$	90,986.000	\$	134,596.00

<u>Year</u>		<u>Existing Building</u>		<u>New Buiding</u>		<u>TOTAL</u>
1	\$		\$		\$	
2	\$		\$		\$	
3	\$		\$		\$	
4	\$		\$		\$	
5	\$		\$		\$	
6	\$		\$		\$	
7	\$		\$		\$	
8	\$		\$		\$	
9	\$		\$		\$	
10	\$		\$		\$	
11	\$	4,361.00	\$	9,098.60	\$	13,459.60
12	\$	4,361.00	\$	9,098.60	\$	13,459.60
13	\$	4,361.00	\$	9,098.60	\$	13,459.60
14	\$	4,361.00	\$	9,098.60	\$	13,459.60
15	\$	4,361.00	\$	9,098.60	\$	13,459.60
16	\$	4,361.00	\$	9,098.60	\$	13,459.60
17	\$	6,541.50	\$	16,377.48	\$	22,918.98
18	\$	9,594.20	\$	24,566.22	\$	34,160.42
19	\$	13,083.00	\$	31,845.10	\$	44,928.10
20	\$	16,135.70	\$	38,214.12	\$	54,349.82
21	\$	43,610.00	\$	90,986.00	\$	134,596.00
22	\$	43,610.00	\$	90,986.00	\$	134,596.00
23	\$	43,610.00	\$	90,986.00	\$	134,596.00
24	\$	43,610.00	\$	90,986.00	\$	134,596.00
25	\$	43,610.00	\$	90,986.00	\$	134,596.00

Project Information

Project/Operator	Woodrow Wilson (New Bldg)
Parcel No	01-2382-04450-000
Address	1222 4 Ave N
Exemption Type	PILOT - NS
Term	15
Year Start	2023
Current Mill Levy	.28637
County Mill Levy	
Mill w/o Cty	.28637
Annual Appreciation	0
Proposed Imp Val Est.	\$6,350,000
Land Value	\$0
Existing Bldg Taxable	\$0

Benefit Summary

Full Taxes w/o Incentives - 1 Year

Land Tax	\$0
Existing Bldg Tax	\$0
Proposed	\$90,922
TOTAL	\$90,922

Full Taxes w Incentives - 1 Year

Land Tax	\$0
Existing Bldg Tax	\$0
Proposed	\$0
TOTAL	\$0
Benefit	\$90,922

Total Gross Benefit **\$1,198,249**

		Incentive %	Payments	Full Taxes Due	Benefit	Total Est Tax	Payment w/o County
IncntYr 1	2023	100	\$0	\$90,922	\$90,922	\$0	\$0
IncntYr 2	2024	100	\$0	\$90,922	\$90,922	\$0	\$0
IncntYr 3	2025	100	\$0	\$90,922	\$90,922	\$0	\$0
IncntYr 4	2026	100	\$0	\$90,922	\$90,922	\$0	\$0
IncntYr 5	2027	100	\$0	\$90,922	\$90,922	\$0	\$0
IncntYr 6	2028	89.994	\$9,098	\$90,922	\$81,825	\$9,098	\$9,098
IncntYr 7	2029	89.994	\$9,098	\$90,922	\$81,825	\$9,098	\$9,098
IncntYr 8	2030	89.994	\$9,098	\$90,922	\$81,825	\$9,098	\$9,098
IncntYr 9	2031	89.994	\$9,098	\$90,922	\$81,825	\$9,098	\$9,098
IncntYr 10	2032	89.994	\$9,098	\$90,922	\$81,825	\$9,098	\$9,098
IncntYr 11	2033	89.994	\$9,098	\$90,922	\$81,825	\$9,098	\$9,098
IncntYr 12	2034	81.988	\$16,377	\$90,922	\$74,546	\$16,377	\$16,377
IncntYr 13	2035	72.981	\$24,566	\$90,922	\$66,356	\$24,566	\$24,566
IncntYr 14	2036	64.976	\$31,845	\$90,922	\$59,078	\$31,845	\$31,845
IncntYr 15	2037	57.971	\$38,214	\$90,922	\$52,709	\$38,214	\$38,214

TOTALS

\$165,588

\$1,198,249

\$165,588

Application For Property Tax Incentives For New or Expanding Businesses

N.D.C.C. Chapter 40-57.1

Project Operator's Application To Fargo
City or County

File with the City Auditor for a project located within a city; County Auditor for locations outside of city limits.

A representative of each affected school district and township is included as a non-voting member in the negotiations and deliberation of this application.

This application is a public record

Identification Of Project Operator

1. Name of project operator of new or expanding business Graystoke Capital Woodrow LLC

2. Address of project 315 University Dr N
City Fargo County Cass

3. Mailing address of project operator 2118 Nez Perce St
City Boise State ID Zip 83705

4. Type of ownership of project
 Partnership Subchapter S corporation Individual proprietorship
 Corporation Cooperative Limited liability company

5. Federal Identification No. or Social Security No. [REDACTED]

6. North Dakota Sales and Use Tax Permit No. _____

7. If a corporation, specify the state and date of incorporation Delaware - September 13, 2021

8. Name and title of individual to contact Graye Pamell
Mailing address 2118 Nez Perce St
City, State, Zip Boise ID 83705 Phone No. 360-472-0200

Project Operator's Application For Tax Incentives

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

<input type="checkbox"/> Property Tax Exemption	<input checked="" type="checkbox"/> Payments In Lieu of Taxes
_____ Number of years	<u>2018</u> Beginning year <u>2038</u> Ending year
_____ Percent of exemption	_____ Amount of annual payments (attach schedule if payments will vary)

10. Which of the following would better describe the project for which this application is being made:
 New business project Expansion of a existing business project

11. Legal description of project real property

PIN 01-2382-04450-000

Block 45, Roberts 2nd Addition

12. Will the project property be owned or leased by the project operator? Owned Leased

If the answer to 12 is leased, will the benefit of any incentive granted accrue to the project operator?

Yes No

If the property will be leased, attach a copy of the lease or other agreement establishing the project operator's benefits.

13. Will the project be located in a new structure or an existing facility? New construction Existing facility

If existing facility, when was it constructed? 1917

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application July 2017

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

Renovation of existing Woodrow Wilson building into residential apartments

c. Projected number of construction employees during the project construction n/a - already constructed

14. Approximate date of commencement of this project's operations July 2017

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

a. Land..... \$ 480,760


b. Existing buildings and structures for which an exemption is claimed..... \$ 4,899,963

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

d. Total..... \$ 5,380,723

e. Machinery and equipment..... \$ 150,000

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

a. Land (not eligible) 

b. Eligible existing buildings and structures..... \$ 244,998

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

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 244,998

e. Enter the consolidated mill rate for the appropriate taxing district 280.60

f. Annual amount of the tax exemption (Line d multiplied by line e) \$ 70,160.13

Note: "project" means a newly established business or the expansion portion of an existing business. Do not include any established part of an existing business.

17. Type of business to be engaged in: Ag processing Manufacturing Retailing
 Wholesaling Warehousing Services

18. Describe in detail the activities to be engaged in by the project operator, including a description of any products to be manufactured, produced, assembled or stored (attach additional sheets if necessary).

Leasing of residential partments and commercial space; completion of parking lot

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

n/a

20. For the project only, indicate the projected annual revenue, expense, and net income (before tax) from either the new business or the expansion itself for each year of the requested exemption.

Year (12 mo. periods)	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only
	Year 1	Year 2	Year 3	Year 4	Year 5
Annual revenue	388,600	396,400	404,400	412,500	420,800
Annual expense	94,000	95,900	97,800	99,800	101,800
Net income	274,600	300,500	306,600	312,700	319,000

21. Projected number and salary of persons to be employed by the project for the first five years:

Current positions & positions added the initial year of project

# Current Positions	New Positions Under \$13.00	New Positions \$13.01-\$15.00	New Positions \$15.01-\$20.00	New Positions \$20.01-\$28.00	New Positions \$28.01-\$35.00	New Positions Over \$35.00

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) n/a					
	(2)					
Estimated payroll	(1) n/a					
	(2)					

(1) - full time
(2) - part time

- 22. Is the project operator succeeding someone else in this or a similar business? Yes No
 - 23. Has the project operator conducted this business at this or any other location either in or outside of the state?
 Yes No
 - 24. Has the project operator or any officers of the project received any prior property tax incentives? Yes No
- If the answer to 22, 23, or 24 is yes, give details including locations, dates, and name of former business (attach additional sheets if necessary).
- #22 - This is a transfer of an existing PILOT from DFI Woodrow Wilson LLC

Business Competition

- 25. Is any similar business being conducted by other operators in the municipality? Yes No
- If YES, give name and location of competing business or businesses
- Residential apartments and leased commercial space in the metro area
-
- Percentage of Gross Revenue Received Where Underlying Business Has ANY Local Competition 100 %

Property Tax Liability Disclosure Statement

- 26. Does the project operator own real property in North Dakota which has delinquent property tax levied against it? Yes No
 - 27. Does the project operator own a greater than 50% interest in a business that has delinquent property tax levied against any of its North Dakota real property? Yes No
- If the answer to 26 or 27 is Yes, list and explain
-

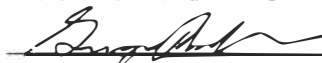
Use Only When Reapplying

- 28. The project operator is reapplying for property tax incentives for the following reason(s):
 - To present additional facts or circumstances which were not presented at the time of the original application
 - To request continuation of the present property tax incentives because the project has:
 - moved to a new location
 - had a change in project operation or additional capital investment of more than twenty percent
 - had a change in project operators
 - To request an additional annual exemption for the year of _____ on structures owned by a governmental entity and leased to the project operator. (See N.D.C.C. § 40-57.1-04.1)

Notice to Competitors of Hearing

Prior to the hearing, the applicant must present to the governing body of the county or city a copy of the affidavit of publication giving notice to competitors unless the municipality has otherwise determined there are no competitors.

I, Graye Parnell, do hereby certify that the answers to the above questions and all of the information contained in this application, including attachments hereto, are true and correct to the best of my knowledge and belief and that no relevant fact pertaining to the ownership or operation of the project has been omitted.

 Managing Principapl 11-2-2021
 Signature Title Date

PRIVACY ACT NOTIFICATION

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

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

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

Property Tax Exemption

Payments in lieu of taxes

____ Number of years

____ Beginning year

____ Ending year

____ Percent of exemption

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

Auditor

Notice To Competitors Of Hearing On Application For Property Tax Incentives

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

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

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

(Project operator name and address)

for property tax relief on the project which the applicant will use in the operation of
Real Estate Development _____
(Type of business)

at 301/315 University Dr N and 1222 4th Ave N _____
(Address)

Block 45, Roberts 2nd Addition _____
(Legal description)

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

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

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

<u>Value</u>	\$	3,115,000.00	\$	6,499,000.00	\$	9,614,000.00
<u>Taxes</u>	\$	43,610.000	\$	90,986.000	\$	134,596.00

<u>Year</u>		<u>Existing Building</u>		<u>New Buiding.</u>		<u>TOTAL</u>
1	\$	-	\$	-	\$	-
2	\$	-	\$	-	\$	-
3	\$	-	\$	-	\$	-
4	\$	-	\$	-	\$	-
5	\$	-	\$	-	\$	-
6	\$	-	\$	-	\$	-
7	\$	-	\$	-	\$	-
8	\$	-	\$	-	\$	-
9	\$	-	\$	-	\$	-
10	\$	-	\$	-	\$	-
11	\$	4,361.00	\$	9,098.60	\$	13,459.60
12	\$	4,361.00	\$	9,098.60	\$	13,459.60
13	\$	4,361.00	\$	9,098.60	\$	13,459.60
14	\$	4,361.00	\$	9,098.60	\$	13,459.60
15	\$	4,361.00	\$	9,098.60	\$	13,459.60
16	\$	4,361.00	\$	9,098.60	\$	13,459.60
17	\$	6,541.50	\$	16,377.48	\$	22,918.98
18	\$	9,594.20	\$	24,566.22	\$	34,160.42
19	\$	13,083.00	\$	31,845.10	\$	44,928.10
20	\$	16,135.70	\$	38,214.12	\$	54,349.82
21	\$	43,610.00	\$	90,986.00	\$	134,596.00
22	\$	43,610.00	\$	90,986.00	\$	134,596.00
23	\$	43,610.00	\$	90,986.00	\$	134,596.00
24	\$	43,610.00	\$	90,986.00	\$	134,596.00
25	\$	43,610.00	\$	90,986.00	\$	134,596.00

Project Information

Project/Operator	Woodrow Wilson (Exiting Bldg)
Parcel No	01-2382-04450-000
Address	315 University Dr N
Exemption Type	PILOT - NS
Term	15
Year Start	2023
Current Mill Levy	.28637
County Mill Levy	
Mill w/o Cty	.28637
Annual Appreciation	0
Proposed Imp Val Est.	\$3,050,000
Land Value	\$0
Existing Bldg Taxable	\$0

Benefit Summary

Full Taxes w/o Incentives - 1 Year

Land Tax	\$0
Existing Bldg Tax	\$0
Proposed	\$43,671
TOTAL	\$43,671

Full Taxes w Incentives - 1 Year

Land Tax	\$0
Existing Bldg Tax	\$0
Proposed	\$0
TOTAL	\$0
Benefit	\$43,671

Total Gross Benefit **\$583,547**

		Incentive %	Payments	Full Taxes Due	Benefit	Total Est Tax	Payment w/o County
IncntYr 1	2023	100	\$0	\$43,671	\$43,671	\$0	\$0
IncntYr 2	2024	100	\$0	\$43,671	\$43,671	\$0	\$0
IncntYr 3	2025	100	\$0	\$43,671	\$43,671	\$0	\$0
IncntYr 4	2026	100	\$0	\$43,671	\$43,671	\$0	\$0
IncntYr 5	2027	100	\$0	\$43,671	\$43,671	\$0	\$0
IncntYr 6	2028	90.013	\$4,361	\$43,671	\$39,310	\$4,361	\$4,361
IncntYr 7	2029	90.013	\$4,361	\$43,671	\$39,310	\$4,361	\$4,361
IncntYr 8	2030	90.013	\$4,361	\$43,671	\$39,310	\$4,361	\$4,361
IncntYr 9	2031	90.013	\$4,361	\$43,671	\$39,310	\$4,361	\$4,361
IncntYr 10	2032	90.013	\$4,361	\$43,671	\$39,310	\$4,361	\$4,361
IncntYr 11	2033	90.013	\$4,361	\$43,671	\$39,310	\$4,361	\$4,361
IncntYr 12	2034	85.019	\$6,542	\$43,671	\$37,129	\$6,542	\$6,542
IncntYr 13	2035	78.028	\$9,595	\$43,671	\$34,076	\$9,595	\$9,595
IncntYr 14	2036	70.043	\$13,083	\$43,671	\$30,589	\$13,083	\$13,083
IncntYr 15	2037	63.053	\$16,135	\$43,671	\$27,536	\$16,135	\$16,135

TOTALS

\$71,525

\$583,547

\$71,525

BUSINESS INCENTIVE AGREEMENT
 NORTH DAKOTA DEPARTMENT OF COMMERCE
 SFN 59686 (11/2017)

(For office use only) Agreement Number
Grantor Reference Number

The RECIPIENT specified below has been approved to receive a business incentive from the state of North Dakota. Therefore, in fulfillment of the requirements of North Dakota Century Code § 54-60.1-03, the grantor of the business incentive (**GRANTOR**) and the entity to receive the business incentive (**RECIPIENT**) must enter into a **Business Incentive Agreement**. This Business Incentive Agreement provides project data and specifies the goals the RECIPIENT has agreed to meet in order to receive the state business incentive.

Should the value of this incentive be less than \$25,000, and should the RECIPIENT receive no additional incentives to bring the total to \$25,000 or more within twelve months, the reporting requirements outlined in North Dakota Century Code § 54-60.1-05 and in this agreement, will not go into effect.

Grantor

Name of GRANTOR/GRANT ADMINISTRATOR City of Fargo	On Behalf Of		
Address 225 4th Street North	City Fargo	State ND	ZIP Code 58102

Recipient

Name of RECIPIENT Business Graystoke Capital Woodrow LLC	Also known as		
Mailing Address 2118 W Nez Perce St	City Boise	State ID	ZIP Code 83705
Street Address 2118 W Nez Perce St	City Boise	State ID	ZIP Code 83705
Location of Project (street address, city, county) 301/315 University Dr N and 1222 4th Ave N			
Business Classification of RECIPIENT (3 digit NAICS Code) 531			
Parent Company of RECIPIENT (if any) Graystoke Capital Partners LLC			
Street Address 2118 W Nez Perce St	City Boise	State ID	ZIP Code 83705

Recipient Contact Information

Main Contact Person Graye Parnell	Email Address gp@graystokecp.com
Title Managing Principal	Telephone Number 360-472-0200

Location of Recipient PRIOR to receiving this business incentive (if relocating)

Street Address n/a	City	State	ZIP Code
-----------------------	------	-------	----------

Business Owners or Shareholders

List the names and addresses of all individuals or shareholders owning twenty percent (20%) or more of this business.

Owner or Shareholder	Mailing Address	City	State	ZIP Code
Graye Parnell	2118 W Nez Perce St	Boise	ID	83705
Joe Foran	14080 Eden Isle Blvd	Windermere	FL	34786

Project Information

Benefit Date 01/01/18		Incentive Value \$ 1,199,197.00
Project Description 94 market rate apartments located in the former 1917 Woodrow Wilson school and adjacent new building constructed in 2017.		
Incentive Description PILOT		
Is this incentive tax increment financing? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If yes, describe the type of district	Business Investment Value

Incentive Type (check one only)

<input type="checkbox"/> Contribution of property or infrastructure	<input type="checkbox"/> Preferential use of government facility
<input type="checkbox"/> Direct cash transfer, loan, or equity investment	<input type="checkbox"/> Guarantee of payment under loan, lease, or other obligation
<input checked="" type="checkbox"/> Reduction or deferral of tax or fee	<input type="checkbox"/> Interest buy-down

Public Purpose (check one only)

<input type="checkbox"/> Assisting community Development	<input type="checkbox"/> Indirectly creating employment opportunities through increased economic activity
<input checked="" type="checkbox"/> Increasing tax base	<input type="checkbox"/> Job retention (only in cases where job loss is specific and demonstrable)
<input type="checkbox"/> Directly creating employment opportunities	

Current Employment, Wages, Benefits and Compensation

Is this a new business or a business with no full-time employees? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
If yes, please enter 0 for the current number of jobs, average hourly wage, and average hourly benefits below. If no, please enter 0 for the current number of jobs, average hourly wage, and average hourly benefits below.			
Current number of Full Time Equivalent Employees (FTE's) ¹	Average Hourly Wage ²	Average Hourly Benefits ³	Average Hourly Compensation (Wage plus Benefits) ⁴
0.0	0.00	0.00	0.00
<input type="checkbox"/> Seasonal, explain:			

Goal Information

In exchange for the incentive provided by the GRANTOR, the RECIPIENT agrees to, within 2 years (check one only)			
<input type="checkbox"/> Create Jobs <input type="checkbox"/> Retain Jobs <input checked="" type="checkbox"/> Neither create nor retain jobs ⁵			
Current number of Full Time Equivalent Employees (FTE's) ¹	Average Hourly Wage ²	Average Hourly Benefits ³	Average Hourly Compensation (Wage plus Benefits) ⁴
0.0	0.00	0.00	0.00

¹ Full time equivalent employees (FTE's) work 32 hours per week or greater. The exception is when a single position is filled by two people. In this instance each person needs to work 20 hours per week or greater to be considered an FTE. Please round job numbers to the **nearest 0.5 FTE**.

²Wage includes wages, salary, bonuses and commissions.

³ Benefits include health, disability, life and retirement benefits or insurance premiums paid by the employer; an employee's share of payroll taxes paid by the employer; and other fringe benefits such as housing allowance and transportation expense.

⁴ Wage plus benefits.

⁵If 'Neither create nor retain jobs' is checked, please enter '0' for number of jobs, wage and benefits goals. All RECIPIENTS must file recipient reports as described on page 3 of this document, including those with no job, wage or benefits goals.

In addition to meeting the goals outlined in this document, the RECIPIENT agrees to the following terms as specified by [N.D.C.C. §54-60.1](#):

1. The RECIPIENT shall continue operation in the jurisdiction in which the business incentive is used for five years or more after the benefit date.
2. RECIPIENT reports requesting current job, wage and benefit information will be mailed to the RECIPIENT by the GRANTOR. The RECIPIENT shall complete, sign and return this annual recipient report to the GRANTOR within 60 days of the annual anniversary of the benefit date for a period of two years or until the goals specified in the Business Incentive Agreement have been met, whichever is later.

If the recipient report is not received within those 60 days, the GRANTOR shall mail the RECIPIENT a warning letter. The RECIPIENT then has 14 days from the postmarked date of that warning letter to file a report. If the recipient report is still not received, the RECIPIENT may be charged one hundred dollars (\$100) from the GRANTOR for each subsequent day until the report is received. The maximum penalty under this section may not exceed one thousand dollars (\$1,000).

3. If, after 2 years, the job and compensation goals listed in the Business Incentive Agreement are not met, the RECIPIENT shall continue to provide recipient reports to the grantor until the incentive is repaid to the grantor. At a minimum, a recipient that fails to meet business incentive agreement goals shall pay back the value of the incentive to the GRANTOR prorated to reflect any partial fulfillment of the job and compensation goals. There is an exception to this financial obligation for any unmet goals that result from an act of God or terrorism.
4. The Business Incentive Agreement shall only be modified or extended by the GRANTOR pursuant to N.D.C.C. §54-60.1-04.
5. If the terms of the Business Incentive Agreement are not met, RECIPIENT, including all individuals or shareholders owning twenty percent (20%) or more of the business, will not be eligible to receive a business incentive from any GRANTOR for a period of five years from the date of failure or until RECIPIENT satisfies its repayment obligation.

By signing this document, RECIPIENT agrees to the terms noted herein, verifies that it has not failed to meet the terms of any business incentive agreement in the last five years and confirms that it has disclosed, in Attachment "A" of this agreement, all additional financial assistance received from state or political subdivision GRANTORS for this project.

GRANTOR

Title	Authorized Signature	Date

RECIPIENT

Title	Authorized Signature	Date
Managing Principal	Graye Parnell	11/2/2021

Each person signing this Agreement represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Agreement. Each party represents and warrants to the other that the execution and delivery of the Agreement and the performance of such party's obligation hereunder have been duly authorized and that the Agreement is a valid and legal agreement binding on such party and enforceable in accordance with its terms.

ATTACHMENT "A"

RECIPIENT verifies it has received additional financial assistance from state or political subdivision GRANTORS from the following entities for this project since its inception. A listing of incentives from past projects (i.e. past expansions) is not required.

GRANTOR City of Fargo		On Behalf Of \$672,980
Benefit/Pending Benefit Date 01/01/18	Value of Assistance	Type of Incentive Renaissance Zone
Description of Assistance Renaissance Zone Property Tax Abatement		

GRANTOR		On Behalf Of
Benefit/Pending Benefit Date	Value of Assistance	Type of Incentive
Description of Assistance		

GRANTOR		On Behalf Of
Benefit/Pending Benefit Date	Value of Assistance	Type of Incentive
Description of Assistance		


GRANTOR		On Behalf Of
Benefit/Pending Benefit Date	Value of Assistance	Type of Incentive
Description of Assistance		

GRANTOR		On Behalf Of
Benefit/Pending Benefit Date	Value of Assistance	Type of Incentive
Description of Assistance		



MEMORANDUM

TO: Tax Exempt Review Committee

FROM: Jim Gilmour, Director of Strategic Planning and Research 

DATE: November 22, 2021

SUBJECT: Tax Increment Financing for Kmart redevelopment

In January, the City Commission approved the development of a Renewal Plan and review of the financial plan for the redevelopment of the old Kmart site on University Drive South. Since that time, the developer has been working on a plan for the site and rezoning the property in order to implement that plan.

The request for Tax Increment Financing (TIF) has been set at \$1,450,000, which includes \$50,000 of city administration costs. Potentially eligible TIF costs are larger, but the \$1.4 million request was established considering the present value of projected TIF income, and the amount needed to make the project feasible. The \$1.4 million of TIF funds is for environmental cleanup, demolition and storm water facilities.

The plan for development is attached. The western portion of the site is for housing for lower income seniors. The eastern portion of the site is for commercial development including retail and restaurants.

Our financial adviser reviewed the financial plan and need for TIF funds. The report states that, "Based on the internal rate of return and coverage requirements, PFM concludes the project would not be feasible without public assistance."

Recommended Motion

Recommend to the City Commission approval of a Renewal Plan and Developer Agreement with Grove Enclave, LLC for the redevelopment of 2301 University Drive South.



P: 701.478.4300
 1 2ND STREET N STE. 102
 FARGO, ND 58102
enclavecompanies.com

January 20, 2021

Jim Gilmour
 Director of Strategic Planning and Research
 City of Fargo
 225 4th St N
 Fargo, ND 58102

RE: 2301 S University Dr, Fargo, ND 58103

Dear Mr. Gilmour,

Enclave Development, LLC in collaboration with GFI Dakota Development, LLC politely requests to be added to the Fargo City Commission agenda on January 25th. We request the City's support to move forward with the Tax Increment Financing (TIF) application process as well as to consider establishing a housing Payment in Lieu of Taxes (PILOT) on the development property, as determined by the City's third-party financial review. The subject property, located at 2301 S University Dr., contains approximately 11.7 acres which currently includes the 90,000 square foot vacant big-box ("Kmart building") and the Burger King building. The estimated TIF eligible costs at this time are shown below.

TIF Eligible Costs Budget		
Soil Remediation (environmental)	\$	125,000.00
Building Demolition and Abatement	\$	2,150,000.00
Acquisition Costs	\$	TBD
Public Infrastructure	\$	100,000.00
Legal and TIF Fees	\$	50,000.00
Total	\$	TBD

*TIF eligible costs are estimated at this point in time and will be finalized after pursuit of TIF approval.

The site presents a set of unique challenges for redevelopment along the University South corridor. After working diligently to find a solution to reuse the vacant Kmart building, it was determined to be economically unfeasible. The extensive redevelopment cost for the site would include the building abatement, site demolition, acquisition, and removal of the vacant Kmart building. In addition, we propose to include 34 units to be set aside for affordable housing to establish a housing PILOT. These units would follow HUD guidelines for Area Median Income (AMI) and restricted rental rates.

The promotion of infill development is the number two ranked priority within the Fargo Go2030 Comprehensive Plan. There is an obvious need for redevelopment along the South University corridor and this development will serve as a catalyst for future developments and improvements in the area. The planned redevelopment includes 170 multifamily units, grocer, inline commercial retail, and a mix of standalone uses fronting University Drive. The current taxable value of the vacant site is \$5.9M, which is greater than the market value of the site. The total site development is projected to cost +/- \$35M and will not otherwise occur but for the assistance provided through TIF.

Sincerely,

Austin Morris, CEO
 Enclave Development, LLC



City of Fargo
Application for TIF

Contact Information

Primary Contact: Austin Morris, Enclave Development
300 23rd Ave E, Suite 300, West Fargo, ND 58078
(701) 478-4300; austin@enclavecompanies.com

General Information

Name and description of Corporation/Partnership Grove Enclave, LLC
Project Location 2301 University Drive South, Fargo ND 58102
Project Description with conceptual plans See attached
Propose Schedule Construction start expected Spring 2022 contingent on TIF determination. Estimated Completion Fall 2023

Project Financials and Financing

Name of Developer Enclave Development, LLC
Ultimate owner of development Grove Enclave, LLC and/or assigns
Type of Project Mixed-Use, Commercial
Dollar request of TIF assistance See Confidential Pro Forma for Delta
Term of request property tax payments Fifteen (15) year property tax increment exemption
Minimum of a 10-Year Proforma See Confidential Pro Forma provided to third party consultant
Total project cost See Confidential Pro Forma
Hard Capital Costs per Policy & Guidelines See Confidential Pro Forma
Contributed equity See Confidential Pro Forma
Loan amount(s) with terms See Confidential Pro Forma. Loan terms vary by project.
Number of housing units by type 92+ Multifamily Rental Units
Square footage of commercial space 43,700 square feet
Proposed rents by housing unit types See Confidential Pro Forma
Detailed assumptions for any other revenues See Confidential Pro Forma
Expenditures broken out by category See Confidential Pro Forma
Extraordinary Costs per Policy & Guidelines See Confidential Pro Forma

James Gilmour

From: Tim Gleason <timg@enclavecompanies.com>
Sent: Wednesday, November 3, 2021 3:51 PM
To: James Gilmour
Subject: South University (Kmart) Project Description
Attachments: Houston Site Plan.pdf

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

Jim,

See attached for the project site plan with each user shown. The following is a brief description on each portion:

- The Residential is being completed by Beyond Shelter. No increment from the building improvements will be used.
- The two retail buildings (Retail 1 and 2) will be +20,600SF and built in 2022 and 2023.
- The Burger King will remain as-is until the site is fully built out. At that time we would find a new user or they would rebuild.
- The Coffee will be built in 2022 and similar to the Caribou cabins that you see in town.
- The Fast Food will be built in 2022 or 2023. (Example: Chipotle, Panera Bread, Chick-fil-a)
- The Carwash will be built in 2022.
- The Tires store will be minimum of 6,300SF quick service tire/oil change or an inline retail/office building if the tenant does not sign.

Let me know if you can connect me with Matt at PFM and I can provide him with our pro forma analysis.

Thanks!

Tim Gleason
Developer

300 23rd Ave E, Suite 300, West Fargo, ND 58078

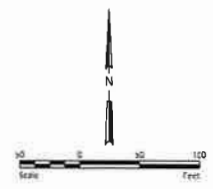
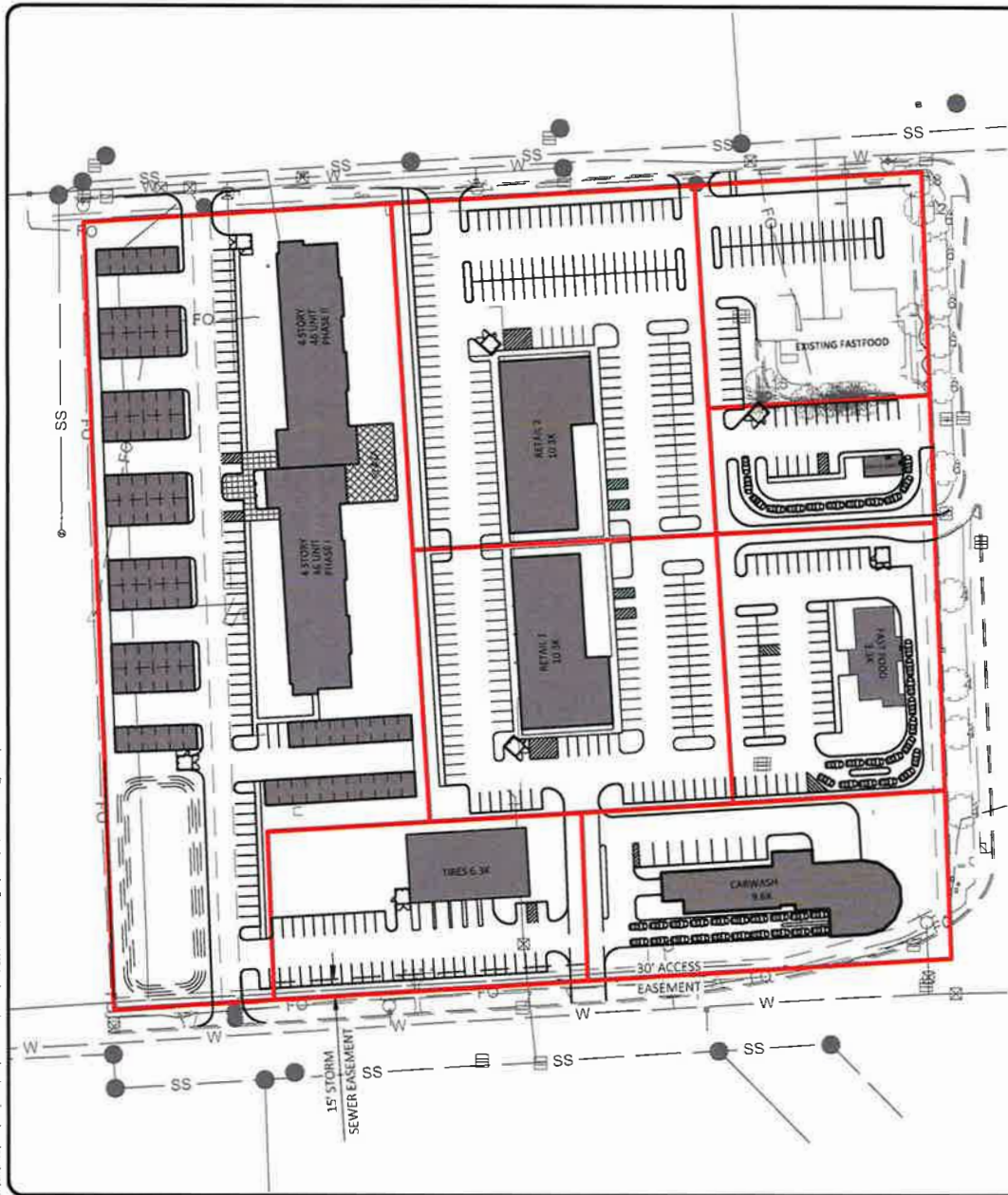
M. 701.351.2048 **D.** 701.997.2569

W. enclavecompanies.com

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USE	BLDG SF	LOT SIZE		PARKING	
		SF	ACRE	REQ'D	PROVIDED
EXISTING FASTFOOD (1) ??		±38,828	0.90	??	40
FASTFOOD (1)	3,300	±44,956	1.03	±30	55
COFFEE	600	±21,610	0.50	±6	19
RETAIL 1(2)	10,300	±63,859	1.46	±42	108
RETAIL 2 (2)	10,300	±81,984	1.88	±42	163
CARWASH	9,600	±47,500	1.09	N/A	N/A
TIRE & SERVICE	6,300	±41,000	0.94	±30	40
RESIDENTIAL (2 BLDG'S)	89,520	±172,286	3.95	138	151(4)
TOTAL		±512,023	11.75		

PARKING REQUIREMENT INFORMATION:

1. ASSUMED 1/3 OF BLDG USED FOR FOOD PREP & 2/3 OF BLDG USED FOR SERVICE AND DINING.
2. ASSUMED RETAIL ONLY BASE PARKING REQUIREMENTS. NO RESTAURANTS INCLUDED.
3. PARKING REQUIREMENTS PER USE:
 - RETAIL: 1 PER 250 SF OF BLDG + 10 X 25 LOADING AREA
 - FASTFOOD: 1 PER 75 SF OF SERVICE AND DINING OR 1 PER 150 SF OF GROSS FLOOR AREA, WHICHEVER IS GREATER, PLUS STACKING FOR DRIVE-THRU.
 - VEHICLE SERVICE, LIMITED: 6 PER SERVICE BAY
4. 92 GARAGES, 59 SURFACE STALLS

I:\UR\1400\1485\1485_0000\CAD\Drawn Concept - Ph 1\1485_0001 Concept & Eng Layout.dwg 8/24/2021 2:28 PM (jphruon)

 <p>HOUSTON ENGINEERING, INC.</p>	Drawn By TECH Checked By PJM Date X-XX-XX Scale As Shown Project No xxxx xxxx SHEET 7
DISTRICT 55 ENclave COMPANIES UNIVERSITY AVE., FARGO, ND CONCEPT MASTER PLAN	
No. Revision	Date By

City of Fargo, North Dakota

Tax Increment Financing Program

“But-For” Report

2301 University Drive



November 19, 2021



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Purpose

The purpose of this report is to establish and determine the allowable value of the tax increment financing (TIF) for the project at 2301 University Drive, a development by Grove Enclave, LLC (the "Developer").

The Developer plans to demolish the existing K-Mart building and sell off a portion of the land. The demolition and remediation costs are estimated at \$3,350,000 and need to be done prior to the sale of the property. The sale of the properties is expected to generate \$3,378,154 leaving a net purchase price of the entire property at \$5,971,846. PFM reviewed the capitalization rates and annual lease payments the Developer assumed for their pro forma. After confirming the assumptions were reasonable, PFM used those assumptions to project a 15-year cash flow, calculating an internal rate of return ("IRR") and annual debt service coverage. We also made sure the Developer followed the City of Fargo's (the "City") Tax Increment Financing Policy (the "Policy") including the allowable costs and the Developer's calculations for determining the amount of allowable subsidy financing. The following report details PFM's analysis and conclusions concerning the viability of the proposed project without the subsidy.



Project

The project being proposed by the Developer includes the development of a retail, coffee shop, and fast casual restaurant. In addition, there is an existing Burger King restaurant on the property.

The Developer estimates the construction will be completed in the Fall of 2023 with occupancy immediately following. The Developer has requested as much TIF assistance as available to complete the project.



Assistance Request

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

Requested Reimbursement

Below is the detailed requested cost of the proposed project that are eligible for reimbursement.

Property Acquisition	\$2,940,000
Demolition, Abatement, & Fill	1,100,000
Strip, Grade, & Pave Site	1,325,000
Retention Pond & Utility Infrastructure	750,000
Legal and TIF Fees	<u>25,000</u>
Total Requested Cost to be Reimbursed	\$6,290,000

The Developer is requesting as much TIF assistance as available to complete the project.

Policy #8

Policy #8 limits the TIF assistance to 15% of hard construction costs, including the costs of acquisition. Based on total hard construction costs of \$10,266,346 the Developer can receive up to \$1,539,952. Policy #8 also states that the Developer must provide at least 10% of total capital costs as Developer's equity in the project. It is estimated the Developer will contribute \$3,016,664 as equity which is 25% of the total capital costs.

Land Cost

The Developer states the purchase price to acquire the property for the project is \$6,000,000 including the land value at \$3,060,000. The price is based on the actual purchase agreement of the property. Land acquisition is reimbursable under the Policy. The Developer is requesting to be reimbursed \$2,940,000 for the land acquisition.

Policy #6

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 \$1,250,000. The assessor's market value for the property totals \$1,134,400. The eligible amount for reimbursement is 150% of \$1,134,400 which totals \$1,701,600. The Developer's reimbursement request of \$971,639 is within the allowable reimbursable amount under this policy.
- 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 \$309,000. Based on an acquisition price of \$1,250,000 the maximum reimbursement is \$941,000.



The lesser of the two tests detailed above is \$941,000. The requested reimbursement for land acquisition of \$971,639 is slightly above the allowable amount of \$941,000 under Policy #6.

Policy #3

Policy #3 states the length of the term will be limited to 15 years or less. The Developer is requesting reimbursement for 15 years.

TIF Estimate

PFM estimates that \$1,851,240 of TIF will be generated over the 15 years assuming a 1.50% market growth rate. Based on a discount rate of 3.50%, the present value of the estimated TIF cash flow is \$1,391,882. PFM's analysis assumes the Developer receives the full amount of TIF generated.



Project Financing

The Developer is investing 25% equity, or \$3,016,664, and will be privately financing \$12,066,654. The Developer is additionally requesting annual TIF assistance. The private financing is estimated to be two separate loans - a 20-year loan with an estimated interest rate of 3.50% resulting in an annual principal and interest payment of \$36,667 and a 25-year loan with an estimated interest rate of 3.75% resulting in an annual principal and interest payment of \$517,418. The application states the project will be completed by the Fall of 2023.



Return Analysis

In calculating the internal rate of return, PFM first analyzed the Developer's purchase price of the property and assumptions including expected lease rates, vacancy rate, and loan assumptions. The Developer is proposing reasonable lease rates per CoStar and included reasonable vacancy rates and loan assumptions.

The second step in determining the internal rate of return is to determine the earned incremental value of the property over a 10- and 15-year period. That value, along with the net operating income cash flows, was used to calculate the internal rate of return. PFM determined that without TIF assistance the Developer would have about a 10.00% internal rate of return based on 10 years and 9% based on 15 years. The Developer would have about a 13.14% internal rate of return for 10 years and 12% for 15 years if it received the public assistance. A reasonable rate of return for the proposed project is 15% - 25%.

Another measure of feasibility and project viability is the debt coverage ratio. PFM has projected a maximum debt coverage ratio in Year 15 of 1.22x without assistance, with a Year 5 coverage of 1.01x. If the City provided assistance to the project the maximum debt coverage is projected to be 1.45x in Year 15, with a Year 5 coverage of 1.21x.

Using PFM's "without assistance" cash flow as the base scenario, PFM ran sensitivity analyses in order to determine if the project would be likely to occur without public assistance. For the first sensitivity analysis, PFM analyzed how much project funds would have to decrease in order to produce a reasonable internal rate of return. We also looked at how much the rental rates would have to fluctuate in order to achieve a reasonable internal rate of return. Lastly, we looked at a combination of the two scenarios. For the sensitivity analyses, we assumed a reasonable internal rate of return of 15% on a 10-year basis.

Sensitivity Scenario 1 – Project Costs

The project would have to be reduced by \$1,918,598 or 15.9% in order for the project to become viable without assistance. This reduces the amount to be financed from \$9,049,991 to \$7,611,042 and reduces the annual payment from \$554,148 to \$466,038 for the loan. It is unlikely that a reduction in project costs of this magnitude would occur, especially at this stage in the development.



Sensitivity Scenario 2 – Lease Revenue

In order for the project to be viable without public assistance, the lease revenue would have to increase by 40%. This high increase is very unlikely to occur.

Sensitivity Scenario 3 – Combination of Project Costs and Lease Revenue

The final scenario looks at both a reduction of project costs and an increase in lease revenue. The analysis showed that project costs would have to be reduced by \$1,435,932 or 12% and the lease revenue would have to increase by 10%. While either of these events could occur, PFM does not believe they are likely to occur at this point in the process, especially 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 and occupancy of the retail buildings. The base scenario without assistance along with the sensitivity analyses demonstrates that the project would be unlikely to be feasible without assistance.

PFM has calculated that with public assistance, and based on the assumptions outlined in this report, a 10-year internal rate of return is estimated to be 13.14%. In addition, the coverage ratio in Year 5 is estimated to be 1.21x. The estimated internal rate of return is on the lower end given the risk level for this type of project. Based on the internal rate of return and the coverage requirements, PFM concludes the project would not be feasible without public assistance.



RENEWAL PLAN
TAX INCREMENT FINANCING DISTRICT NO. 2021-03
CITY OF FARGO, NORTH DAKOTA
NOVEMBER 2021

RENEWAL PLAN FOR TAX INCREMENT DISTRICT NO. 2021-03 1

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RENEWAL PLAN FOR TAX INCREMENT DISTRICT NO. 2021-03

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. 2021-03.

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

Subsection 1.2. Statutory Authority.

The creation of the Renewal Area and the establishment of Tax Increment Financing District No. 2021-03 are 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 for TIF District No. 2021-03, 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 a vacant building and deteriorated asphalt parking lot, 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.

- (b) The Renewal Area includes vacant building, which previously was a commercial building with a Kmart as the tenant. The building has been vacant since the Kmart store closed.

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

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

Factual basis: The renewal area was recently rezoned to allow for a mixed-use development that includes senior housing, retail space, restaurants and other commercial businesses.

- (d) The site is vacant and existing housing will not be affected.

Factual basis: No housing will be eliminated by this redevelopment. The redevelopment will include new housing units.

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

Factual basis: The proposed development is consistent with the goals that are embodied in the Go2030 Comprehensive Plan. Specifically, the Fargo Go2030 Comprehensive Plan supports infill and density within areas that are already developed, serviced with utilities, and protected by a flood resiliency strategy. The promotion of infill development is the number two ranked priority of Go2030.

The proposed use of the property is consistent with zoning, and may encourage additional redevelopment adjacent to the site. The proposed development will use existing infrastructure as the property is served with water and sewer main lines.

Subsection 1.4. Description of Renewal Area

The Renewal Area is located two miles south of the downtown on University Drive in close proximity to Interstate 94. The site is approximately eleven and a half acres as legally described in Appendix A. A map of the Renewal Area is attached as Appendix B.

A zoning map of the Renewal Area is attached as Appendix C. Adjacent land uses are commercial multi-family housing.

The proposed project will be multi-family housing for lower income seniors, retail space, restaurants and other commercial businesses.

The redevelopment plan is attached as Appendix E.

Subsection 1.5. Development, Demolition and Removal of Structures, Redevelopment or Improvements

The Development of the Renewal Area includes the following activities:

Building Demolition and Hazardous Material Removal – This estimate is for environmental cleanup and demolition. The estimate is \$1,400,000.

Public Works Improvements – This is the cost for needed improvements for infrastructure to serve the site, primarily new storm water facilities. The estimate is \$750,000.

Administrative/TIF Fees – Other Tax Increment costs include the administrative costs. There are estimated to be \$50,000 in administrative costs for the City of Fargo.

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 advisers. The maximum allowed costs will be specified in the development agreement. Based on the proposed development, the present value of TIF revenue is ~\$1.5 million

Subsection 1.6. Land Use Attributes – TIF District

- (a) *Zoning or Planning Changes.*
The Renewal area was recently replatted into several lots. No additional zoning and planning changes are required to accommodate this project.
- (b) *Maximum Densities.*
The property within the TIF District will be developed in accordance with the applicable zoning district requirements.

- (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 imps.)*
The physical improvements outlined in the plan meet critical needs required for the redevelopment of this property. The project complies with the General Commercial zoning district and the redevelopment goals of the Go2030 Comprehensive Plan. The development provides clears a largely vacant site and brings needed senior housing and commercial uses to this area of Fargo

Subsection 1.7. Estimate of Development Costs

The City anticipates development of the Renewal Area will 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. The City will provide for certain costs as listed below in a development agreement. The primary costs involved in the development are demolition and site cleanup, and public works improvements.

Demolition and Site Cleanup	\$1,300,000
Public Works Improvements	\$100,000
Administration	\$50,000
TOTAL	\$1,450,000

The City and Developer may also obtain reimbursement of interest between the time project costs are incurred and the date the Tax Increment Revenue Note is issued, such interest being capitalized and added to the foregoing costs.

Subsection 1.8. Estimate of Bonded Indebtedness

The City intends to finance certain costs of the Development through the issuance of a Tax Increment Financing Note to the Developer. In addition, the City may use general obligation bonds, special assessment warrants or refunding improvement bonds pursuant to North Dakota Century Code, Section 40-58-20 (9), and the City may specially assess all or a portion of the costs of development and apply funds received from tax increments to payment of the special assessments and other bonds.

Subsection 1.9. Tax Increment Financing.

The County Auditor is requested to compute, certify and remit tax increments resulting from the Development within the Renewal Area.

The original assessed value of the property within the Renewal Area, as last assessed and equalized before the base year of this Plan, is outlined on Attachment A.

Each year, the County Auditor will compute the amount of tax increment generated within the Renewal Area in accordance with the TIF Act. Any year in which there is an "incremental value" as provided in the TIF Act, an increment will be payable to the City and deposited in the fund created by the County Auditor for that purpose. Any year in which there is "lost value" pursuant to the TIF Act, no increment will be payable to the City.

Subsection 1.10. Estimate of Tax Increment.

It is anticipated the Development will result in an increase in true and full value of the Renewal Area redevelopment site to \$10.4 million. The value of the development site within the TIF district is ~\$3 million. The increase in value will be approximately \$7.4 million. Under the mill rate in effect as of the date of this Plan, the Renewal Area will generate tax increment each year in the estimated amount of \$104,000.

Subsection 1.11. Duration of the TIF District.

The City anticipates that the TIF District will continue until all development costs are reimbursed through the receipts of tax increment, or after a maximum of fifteen years after completion of the project. The first tax increment payment will be received in 2024.