

EDIC MEETING
Tuesday, May 28, 2024 – 1:00 p.m.
City Commission Chambers, Fargo City Hall

AGENDA

- 1. Approve EDIC Meeting Minutes of 4/23/2024**
 - a. April 23, 2024 [Page 1-2]
- 2. Precision Dental New Industry PILOT Application [Page 3-11]**
- 3. Application Fee Rates for TIFS & PILOTS [Page 12-13]**

ECONOMIC AND DEVELOPMENT INCENTIVE COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, April 23, 2024

The April meeting of the Economic and Development Incentive Committee of the City of Fargo, North Dakota was held in the City Commission Room at City Hall at 1:00 p.m., Tuesday, April 23, 2024.

The committee members present or absent are:

Members Present: Dave Piepkorn, John Cosgriff, Mayor Mahoney, Lucas Paper, Jon Eisert, Levi Bachmier

Members Absent: Jackie Gapp, Eric Barner

Others Present: Jim Gilmour, Michael Splonskowski

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

Minutes Approved

A motion was made by Lucas Paper to approve the minutes from March 26, 2024. Mayor Mahoney seconded. Motion carries.

Continuation of the Commonwealth (NEX Senior Housing Project) PILOT

- Jennifer Henderson, NDHFA and Joe Fink, NDHFA spoke
 - Lots of extra costs for low income project compared to private projects
 - Typical cost because of financial structure
 - In line with other projects similar to this one
 - The way this is structured is why this costs more, it has federal requirements
 - HUD dollars
 - Federal dollars
 - Regulatory requirements, Davis-Bacon Act
 - Contractors have additional burdens
 - Not a apples to apples project
- Senior Housing project is a priority
- Lucas says, why is this project nearly double the price for out of state developer vs a private developer and he would like to see a cost analyst done of the last three approved projects similar to this one and a breakdown of those costs
 - Jennifer says increase in costs due to inflation, very comparable
 - Joe says trending up in costs, increase in hard & soft costs, stringent requirements going into the project, public funds

A motion was made by Mayor Mahoney to approve the PILOT project and John Cosgriff seconded it. Votes were 4-1, with Lucas Paper dissenting. Motion carries.

Request for one year extension for the Kmart TIF Project

- Austin Morris from Enclave spoke
 - Retail center completed
 - Changed the whole neighborhood
 - Costs have leveled out
 - Cost savings has plateaued
 - Retail side is slower than we would like

A motion was made by Mayor Mahoney to approve the extension and Lucas Paper seconded it. Motion carries.

Request from JS2L for Redevelopment of the block NE of 4th Street and 6th Ave

- Stephen Lyngstad and John Lyngstad spoke
 - No set plan, would like to get rid of the eye sore
 - Would like to get it taken down sooner, rather than later, hopefully this summer
- Costs of removing buildings and cost of demolition
- 5 year from the next contract is signed. They have 5 years to start on new building.
- Hopefully this is a model, we get more developers to come in and take down more buildings like this, safety reasons
- Cost effective, helps recoup the costs by doing this

A motion was made by Jon Eisert to approve the Redevelopment and Lucas Paper seconded it. Motion carries.

TIF Summary

- Mikes Splonskowski spoke
 - Project requested by the county
 - Beginning value/End value: lowest increase per year would be 16% and highest increase per year would be 5000%
 - Do TIF's pay off? Yes they do
 - Percentages are helpful but would like to see this in dollar amounts rather than percentages. Dollar amounts would speak more to the people
- Great information

The meeting was adjourned at 1:38pm.

Application For Property Tax Incentives For New or Expanding Businesses

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

Project Operator's Application To Fargo
City or County

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

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

This application is a public record

Identification Of Project Operator

1.	Name of project operator of new or expanding business	<u>Precision Dental Laboratories Inc.</u>	
2.	Address of project	<u>1841 Sheyenne Loop</u>	
	City	<u>Fargo</u> County <u>Cass</u>	
3.	Mailing address of project operator	<u>6 Broadway Suite 200</u>	
	City	<u>Fargo</u> State <u>ND</u> Zip <u>58102</u>	
4.	Type of ownership of project		
	<input type="checkbox"/> Partnership	<input checked="" type="checkbox"/> Subchapter S corporation	<input type="checkbox"/> Individual proprietorship
	<input type="checkbox"/> Corporation	<input type="checkbox"/> Cooperative	<input type="checkbox"/> Limited liability company
5.	Federal Identification No. or Social Security No.	<u>[REDACTED]</u>	
6.	North Dakota Sales and Use Tax Permit No.	<u>[REDACTED]</u>	
7.	If a corporation, specify the state and date of incorporation	<u>June 1985 State of North Dakota</u>	
8.	Name and title of individual to contact	<u>Michael Johnson</u>	
	Mailing address	<u>6 Broadway N, Suite 200</u>	
	City, State, Zip	<u>Fargo, ND, 58102</u> Phone No. <u>701-280-9089</u>	

Project Operator's Application For Tax Incentives

9.	Indicate the tax incentives applied for and terms. Be specific.	
	<input checked="" type="checkbox"/> Property Tax Exemption	<input type="checkbox"/> Payments In Lieu of Taxes
	<u>5</u> Number of years	<u> </u> Beginning year <u> </u> Ending year
	<u>100%</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:	
	<input checked="" type="checkbox"/> New business project	<input type="checkbox"/> Expansion of a existing business project

Description of Project Property

11. Legal description of project real property

Lot:1 Block:1 NORTHERN SHEYENNE LAND 3rdADDN LT BLK 1**9-23-20 RPLT PER PLAT DOC#1603964
FRM 0 1-8612-00500, 00600, 00700, 01000-000 & 01-8693-00300-000 FOR 2020

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

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

Yes No

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

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

If existing facility, when was it constructed? _____

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application Aug 15

b. Description of project to be constructed including size, type and quality of construction
New construction build for light manufacturing purposes. Roughly 15,000 square feet, poured slab, stick-build. Finishes will be standard finishes that one would expect in a combination manufacturing and dental facility

c. Projected number of construction employees during the project construction 40

14. Approximate date of commencement of this project's operations November 1, 2025

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

a. Land..... \$ 315,000


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

c. Newly constructed buildings and structures when completed \$ 5,900,000

d. Total..... \$ 6,215,000

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

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

a. Land (not eligible) 

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

c. Newly constructed buildings and structures when completed..... \$ 295,000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 295,000

e. Enter the consolidated mill rate for the appropriate taxing district 272.00

f. Annual amount of the tax exemption (Line d multiplied by line e) \$ 80,240

Description of Project Business

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

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

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

A dental laboratory specializes in the design, fabrication, and finishing of oral prosthetics. This includes but is not limited to Denture/Partial Dentures, Dental Implants, Cosmetic and functional Crowns and veneers, etc. CAD design, Precision Milling, 3D printing, Casting, and technical finishing and assembly is used to complete these activities.

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

Dental Benches, Pressing/Casting/Porcelain/Sintering Ovens, 3D Printers, Precision Mills, Lathes, and an array of hand tools.

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

PLEASE SEE APPENDIX A

Annual revenue		-	-	-	-
Annual expense	-	-	-	-	-
Net income	-	-	-	-	-

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
41	0	0	0	0	0	2

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) 41	43	47	49	50	51
	(2)					
Estimated payroll	(1) 2.83 mil	2.98 mil	3.26 mil	3.38 mil	3.45 mil	3.51 mil
	(2)					

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

Previous Business Activity

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

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

UPTOWN CHATTELS purchased the 6 Broadway building in 2003, and the building came with the remainder of the tax incentives which we did not apply for originally.

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

Marque Dental Lab

Percentage of Gross Revenue Received Where Underlying Business Has ANY Local Competition 29.6 %

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, Michael Johnson, 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.

Michael Johnson
Signature

President
Title

4/18/2024
Date

Appendix – 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.

<i>Year (12 mo. periods)</i>	New/Expansion Project only <u>Year 1</u>	New/Expansion Project only <u>Year 2</u>	New/Expansion Project only <u>Year 3</u>	New/Expansion Project only <u>Year 4</u>	New/Expansion Project only <u>Year 5</u>
Annual revenue	<u>\$238,626</u>	<u>\$250,557</u>	<u>\$263,085</u>	<u>\$276,240</u>	<u>\$290,052</u>
Annual expense	<u>\$224,308</u>	<u>\$235,524</u>	<u>\$247,299</u>	<u>\$259,665</u>	<u>\$272,648</u>
Net income	<u>\$14,317</u>	<u>\$15,033</u>	<u>\$15,785</u>	<u>\$16,574</u>	<u>\$17,403</u>

Business Incentive Agreement

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

Grantor

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

Recipient

Name	Precision Dental Laboratories Inc.		
Address	6 Broadway Suite 200 Fargo, ND 58102		
Contact Person	Michael G Johnson	E-mail Address	mjohnson@pdlfargo.com
Recipient Parent Company (If applicable)			
Business Type (NAICS Code)	[REDACTED]		
Location of Recipient Prior to Receiving Incentive (If different)	Precision Dental Lab 6 Broadway suite 200 Fargo ND 58102		

2. Description of project.

Build and equip a new facility to house Precision Dental Lab, for the purpose of Manufacturing dental prosthetics. This new facility would allow us to grow from 41 employees to over 80 employees in one location. it would also allow us to expand our CAD/CAM CNC milling and 3D printing abilities.

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

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

If yes, describe the type of district:

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

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

- Assisting community development
- Directly create employment opportunities
- Job retention
- Increase tax base
- Indirectly increase employment opportunities
- Other Diversify Fargo's economic base

6. Value of Business Incentive: \$ 401,200

7. Recipient currently employs 41 people, located in 6 Broadway suite 200 Fargo.

8. In return for the business incentive, Recipient shall, within two years create: 6
Number of full-time equivalent jobs

<u>\$31.25</u>	<u>+</u>	<u>\$2.90</u>	<u>=</u>	<u>\$34.15</u>	
Average hourly wage		Benefits per hour value		Average hourly compensation	

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

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

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

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

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

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

Dated this _____ day of _____, 20____.

Grantor: _____ on behalf of _____

Dated this 25th day of April, 2024.

Recipient: Michael Johnson on behalf of Precision Dental Laboratories Inc.

Exemption Evaluation Calculator			155.0			125.0
Precision Dental Laboratories Inc.			Points			Points
Project Type Code (Ctrl-C to view)		1	38.0		1	38.0
Current Number Of Employees	Year 1	41		Year 3	41	
Hourly Salary Without Benefits	# Jobs			# Jobs		
Under \$13.00						
\$13.01-\$15.00						
\$15.01-\$20.00						
\$20.01-\$28.00		Pts. For # Jobs->	2.0		Pts. For # Jobs->	2.0
\$28.01-\$35.00		Pts. For \$ Jobs->	75.0	6	Pts. For \$ Jobs->	45.0
Over \$35.00	2			2		
TOTAL # OF JOBS CREATED	2			8		
% GI w/ Local Competition (not downtown)		30%	15.0		30%	15.0
Value of Proposed Buildings		\$ 5,900,000	25.0		\$ 5,900,000	25.0
Downtown Location (Y/N)		N	0.0		N	0.0
Startup Firm (Y/N)		N	0.0		N	0.0
Has Const Started or Has Bldg Been Occupied If Existing (Y/N)			0.0		0	0.0
Number of Years (Exemption)		5			5	
Company Safety Experience Rating			0.0		0	0.0
RECOMMENDATION IS TO			APPROVE		APPROVE	
Description		Manufacturing			Manufacturing	
Estimated New Annual Payroll		\$149,760			\$549,120	
Estimated Annual Real Estate Tax		\$80,240			\$80,240	
Estimated PV of Exemption		\$347,397			\$347,397	
Payroll / PV of Exemption		0.4			1.6	
Property Value / # of Jobs		\$ 2,950,000			\$ 737,500	
Total Value Of Benefit		\$ 401,200			\$ 401,200	

MEMORANDUM

TO: Economic Development Incentive Committee

FROM: Jim Gilmour, Director of Strategic Planning and Research 

DATE: May 23, 2024

SUBJECT: PILOT and TIF fees

I'm recommending these fees for TIF and PILOT applications, effective July 1, 2024. The fees will be set by the City Commission, but I'm asking for the Economic Development Committee to forward this recommendation to the City Commission.

The changes from current fees are:

- PILOT and TIF applications are increased from \$250 to \$400. The fee has not changed in many years.
- The fee for a TIF without a financial review will be \$2,000. This for the change in city policy that allows for a first phase TIF to encourage demolition.
- There would now be a three-level fee for TIFs that require a financial review, instead of a two-level fee.
- The other fees are the same.

Recommended Motion

Recommend to the Fargo City Commission to establish the attached fee schedule for PILOT and TIF applications.

Application Fees

Proposed

PILOT/TIF Exemption - No Financial Review	\$	400.00
TIF & Renewal Plan - No Financial Review	\$	2,000.00
PILOT or TIF - Financial Review - up to \$5 million project	\$	3,000.00
PILOT or TIF - Financial Review - \$5-10 million project	\$	4,000.00
PILOT or TIF - Financial Review - \$10+ million project *	\$	5,000.00
PILOT - Low Income Housing (Public or Non Profit)	\$	-
PILOT - Low Income Housing (For-Profit)	\$	400.00

Program Fees

Administration Fee in Development Agreement	5% up to \$50,000 Max
Annual Administration of TIF	5% up to \$12,500 Max/Year
TIF Interest Rate	City Bonding rate + 1%

* Minimum fee. Higher if Review Costs are Higher