

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting:

Monday:

June 28, 2016:

The Regular 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 1:30 p.m., Tuesday, June 28, 2016.

The committee members present or absent were as shown following:

Present: Dave Piepkorn, Jessica Ebeling, Kent Costin, Bruce Grubb, Chuck Hoge, Jim Buus, Mayor Tim Mahoney (by phone), Nancy Morris, Jim Gilmour, Mark Lemer & Ben Hushka.

Absent: None.

Committee member Dave Piepkorn called the meeting to order at 1:30 p.m.

Application for New/Expanding Industry Exemption submitted by Tufte Enterprises

Commissioner Dave Piepkorn asked Ben Hushka, City Assessor, to introduce the item. Mr. Hushka stated that this is an expansion of an existing firm that manufactures race car and gun parts and called on owner Nick Tufte.

Mr. Tufte stated they are expanding the business and putting up a new building to get out of renting property.

In response to a question from Jim Buus, Mr. Tufte stated that all of the business is out of state; all over the country.

Commissioner Piepkorn asked what the current square footage they have now and what the new facility will have. Mr. Tufte said they currently have 3,000 and the new building will have 5,600 square feet.

In response to a question from Commissioner Piepkorn regarding the scoring of this project, Ben Hushka stated that this met the score to recommend approval.

Jim Buus moved to approve the application for a 5 year New/Expanding Industry Exemption submitted by Tufte Enterprises.

Second by Kent Costin. All present voted aye and the motion was declared carried.

Application for New/Expanding Industry Payment In Lieu Of Tax (PILOT) submitted by Federal Express Corporation

Steve Wilson from Federal Express addressed the committee. Steve stated that he is responsible for the Minnesota and North Dakota Federal Express air operations. They are moving their operation from Grand Forks and are requesting a 10 year, 100% PILOT. Mr. Wilson stated they will employ 74-80 employees.

In response to a question from Commissioner Piepkorn, Mr. Wilson stated that they will serve all of North Dakota.

Mr. Wilson stated that the existing building at the site is 10,000 square feet and the new building will be roughly 11,000 square feet.

Jim Buus expressed concern about granting an incentive for moving existing jobs from another location in the state and primary trade area. Commissioner Piepkorn stated that the firm and jobs would be new to Fargo.

Discussion continued regarding the fact that the operation does likely not have primary sector status. Jim Buus spoke about the committee's history of dealing with distribution and warehousing projects. It was concluded that, although the project may not be classified as primary sector by the state, it does have elements of the City policy definitions of support services and primary sector distribution which goes beyond warehousing/distribution.

Mayor Mahoney stated that the Airport Director stated that they have been attempting to get Federal Express to Fargo for many years and that their move here would be a boon for Fargo.

Chuck Hoge moved to approve a New/Expanding Industry Payment In Lieu Of Tax (PILOT) for 10 years at 100%.

Second by Mayor Mahoney. There was discussion about whether the PILOT should be the full 100% for 10 years. Motion failed.

Mayor Mahoney moved to approve a New/Expanding Industry Payment In Lieu Of Tax (PILOT) for 5 years at 100% and 5 years at 50%.

Second by Jim Buus. Motion was declared carried.

Application for a New/Expanding Industry Payment In Lieu Of Tax (PILOT) application submitted by Elevate

Commissioner Piepkorn asked Ben Hushka to introduce the item. Mr. Hushka stated that this project fits the current policy for housing in the downtown for a 10 year PILOT with 5 years at 100% and 5 years at 75%. Jim Gilmour stated that their application did request a 15 year PILOT but agreed that 10 year is our standard.

Austin Morris addressed the committee about the project. Mr. Morris stated that the project will contain 94 apartment units with grade level parking, will be close to both the College of Business and College of Architecture as well as the Woodrow Wilson project. The project will contain 120,000 square feet at a cost of roughly \$10,000,000 and will contain affordable units with full urban amenities. He stated there is still a market for projects like this with the downtown vacancy rate at roughly 2.5%.

Commissioner Piepkorn asked about a estimate of what the rents on the units will be. Mr. Morris stated that there will be mostly studio, efficiency, and 1 bedroom units and rents will range from \$800 to \$1,200 with heat, water, garbage and sewer paid.

Jim Buus moved to approve a New/Expanding Industry Payment In Lieu Of Tax (PILOT) for 5 years at 100% and 5 years at 75%.

Second by Jessica Ebeling. Motion was declared carried.

Application for a New/Expanding Industry Payment In Lieu Of Tax (PILOT) application submitted by Aldevron

Ron Robson, Chief Operating Officer for Aldevron, stated that they are currently leasing from four different locations. They plan on consolidating operations by developing a campus on a 7 acre site starting with a 50,000 square foot facility. They are seeking a PILOT with 5 years at 100% and 5 years at 50%.

Commissioner Piepkorn asked if this project is setting a precedent. Ben Hushka stated that this project is a research and manufacturing operation, meets the type of use our policy includes, and the point system came over 100 points so, it does meet our policy.

In answer to a question from Commission Piepkorn, Mr. Robson stated that it is their intention to continue future development at this site.

Jessica Ebeling moved to approve a New/Expanding Industry Payment In Lieu Of Tax (PILOT) for 5 years at 100% and 5 years at 50%.

Second by Bruce Grubb. Motion was declared carried.

Discussion of Revision of the Tax Exempt Review Economic Incentive Policy and Guidelines

Ben Hushka updated the committee on the efforts of the sub-committee that has been working on the revisions. Mr. Hushka reviewed the current draft revision changes of the policy document.

Mr. Hushka stated that the current proposed changes revolve primarily around updating the point system for the target salary ranges of the jobs to be created and for types of projects targeted to include downtown elements.

Jim Buus asked about referring to the Downtown Area Plan in the policy. Mr. Hushka stated that their office uses a map that was developed when the Plan was created. Jim Gilmour confirmed that the boundary has not changed since then.

Mr. Hushka said that another proposed change involved the points assigned for the value of projects under consideration. He stated that this resulted from discussions that very large projects that ultimately will add considerable tax base should be given more points.

Mr. Hushka stated that the point system is only intended as a tool or guide to assist the committee in carrying out the policy and that it is the policy itself that is important. He suggested that the point system continue to be refined even after policy changes are implemented.

Chuck Hoge referenced a few bullet points in the first few pages of the current policy document under "General Position" and "General Evaluation Objectives" that he said were very good points.

Mr. Hushka stated that there are a three items discussed by the review sub-committee that still have not been made in the current proposed revision. Those are tracking and/or follow-up auditing of projects that have been granted incentives, how to deal with projects that expand automation that may not include adding jobs, and developing a mission statement for the Tax Exempt Review Committee and policy document. Mr. Hushka stated that the items referenced earlier by Mr. Hoge could probably be components of the ultimate mission statement to be formulated.

A few things were agreed upon as a course to conclude the policy review before forwarding to the City Commission. The remaining items to be included in the policy revision should be considered by the committee members and incorporated into the document. The review sub-committee should meet one more time to discuss and agree to the final draft and forward to the full Tax Exempt Review Committee.

The meeting adjourned at 2:26 p.m., Tuesday, June 28 2016.