

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting:

Tuesday:

August 23, 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, August 23, 2016.

The committee members present or absent were as shown following:

Present: Dave Piepkorn, Bruce Grubb, Chuck Hoge, Jim Buus, Mayor Tim Mahoney, Jim Gilmour, Mark Lemer, Erik Johnson & Ben Hushka.

Absent: Jessica Ebeling, Kent Costin

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

Application for New/Expanding Industry Payment In Lieu Of Tax (PILOT) submitted by Beyond Shelter for a low income housing project.

Commissioner Dave Piepkorn asked Ben Hushka, City Assessor, to introduce the item. Mr. Hushka stated that this is a new low income housing project to be developed by Beyond Shelter who has done similar projects in the past. This committee has previously recommended approval for their other projects which meet policy as does this project.

Dan Madler, CEO for Beyond Shelter, explained that they are a ND non-profit that develops affordable housing. They have financed 415 affordable homes (units), 208 of which serve senior residents.

Mr. Madler stated that demand for affordable housing has been strong in Fargo.

The current PILOT application is for a new affordable housing project consisting of 117 homes at 4248 28 Ave. S. The project will be called HomeField and will be developed in three phases.

Mr. Madler stated that this project does qualify for a PILOT under another ND statute. However, under this program, any PILOT granted by the City would qualify as local matching funds and they would be eligible to receive additional funds under the Federal Home program. This would help them keep the rents low.

In response to a question from Commissioner Piepkorn regarding nearby transportation routes to this location, Mr. Madler said there is a bus route on 42nd St.

Commissioner Piepkorn asked about whether Beyond Shelter is planning any downtown projects. Mr. Madler stated that competition for land downtown makes it cost-prohibitive.

Mr. Madler stated that in recent years, there has been quite a bit of competition with the western part of the state for state funds for affordable housing. That has changed somewhat. Mr. Madler also spoke to the local demand for affordable housing and especially senior housing.

Ben Hushka explained that the structure of this request was for the PILOT payments to mirror the other affordable housing PILOT statute, requiring payments to be 5% of rents collected, less utility costs.

Mayor Mahoney moved to approve the application for PILOT for the HomeField low income senior housing project as submitted.

Second by Jim Buus. All present voted aye and the motion was declared carried.

Mayor Mahoney suggested that, in the future, there be some summary review sheet for the committee and commissioners indicating if applications under review meet policy and/or have issues under question.

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

Commission Piepkorn stated that we received an email with some suggestions from Commissioner Grindberg who was unable to attend the meeting. Those changes included:

- City of Fargo only considers applications from primary sector and housing project applications
- All primary sector applications must have a letter from the ND Dept of Commerce to determine eligibility.
- GFMEDC assumes responsibility for all primary sector applications and post monitoring
- Pilot (property tax) tax exemptions must be approved by city commission prior to project start
- Fargo will not provide incentives to attract business from other cities operating in ND outside of Cass County
- Present tax exempt review committee primarily focuses on housing and review of GFMEDC requests.

Commissioner Piepkorn expressed concern about Commissioner Grindberg's suggestion to forbid offering incentives to businesses from other ND cities.

Jim Buus stated that our policy does state that the City is sensitive to concerns of providing incentives if jobs are being relocated within the Fargo trade area. Mr. Buus stated that he agrees with Commissioner Piepkorn and that he is concerned about not being able to even consider incentives to a firm interested in locating in Fargo due to labor force or other reasons.

Mayor Mahoney stated that we are always competing with other communities. He stated that Moorhead can offer free land which we can't. Mahoney also stated that West Fargo offers PILOT incentives as do we. He feels it's a little harsh to say we can't compete with any other ND city.

Jim Gilmour stated that the Renaissance Zone Authority doesn't approve incentives for moving from one building to another unless there is growth involved.

Jim Gartin, President of Greater Fargo-Moorhead EDC, stated that the State (of ND) has some language in state law that, if a company simply moves to another location in the state, without an expansion, they are not eligible for a state-granted incentive. Mr. Gartin asked his counterpart in Grand Forks if they have any policy to prohibit incentives for firms moving within the state. Has said that they do not. Mr. Gartin suggested that Fargo not impose that as well.

Ben Hushka stated that the committee appointed to work on the policy has pretty much finished their work with the exception of further modification of the evaluation point

calculator and the recommended changes to the Residential New Construction Exemption. Hushka stated that dialogue with the local Realtors and Home Builders associations still need to be done so they may express their issues or concerns about changes to that program.

Mayor Mahoney recommended bringing the policy as it is being recommended to the Commission with the exception of the two items that still need to be worked on.

Commissioner John Strand addressed the committee and stated that he would like to see the policy completed so that when he votes on these items, he has something to go by.

Commissioner Strand stated that he would like to see some School District “buy-in” on these issues since both School Districts have a stake in these matters at each individual project level.

Commissioner Strand also stated what he would like to see is an acknowledgement of which projects are applying for multiple incentives and what they are.

Commissioner Strand stated that other communities in the area and nationally generally don’t grant incentives to develop apartments and feels we shouldn’t. He also doesn’t feel there should be incentives directed specifically to the downtown. He stated that he would favor some incentives for living units that have an element of affordability.

Commissioner Strand stated that he would favor incentives for residences in deteriorating neighborhoods.

Commissioner Strand offered some suggestions on the wages scale in the point evaluation system. He would suggest the ranges should be moved up higher and, at the lowest end, negative points should be assigned.

Commissioner Strand’s final suggestion is regarding the suggested value ranges for phasing out the New Residence Exemption. He said they should be adjusted because there are not that many properties in the local market in the lower range of values.

Commissioner Piepkorn suggested that the committee adopt Commissioner Strand’s suggestions on the wage scale of the point evaluation system.

City Administrator Bruce Grubb asked Mark Lemer, West Fargo Public Schools, if the School District discusses the fact that when incentives expire, some come back on the tax rolls at an economy of scale that makes these incentives worth it.

Mr. Lemer stated that many of these incentives have been around for many years so, there are always new projects being granted incentives and ones expiring that were granted previously and becoming taxable. So, unless you phase out an exemption (like the New Residence Exemption) things move along pretty much the same. He stated that the real question is, would businesses like Cardinal Glass, or Marvin Windows have come here without the incentive? He said that no one can really answer that for sure.

Mr. Lemer said that if the City policy was excessively granting these incentives to the effect of causing harm, you would hear from the School Districts, County, and Park District. And, he stated, he does not believe that to have been the case. He said, you don’t want a closed door policy that says you are not business-friendly. You need the right balance.

Jim Gilmour said that there could probably be more comprehensive reporting annually to the Commission on not only just incentives that have been granted but, also reporting of those expiring and the value at which they come on the tax rolls.

Jim Buus made a motion to forward the policy for approval to the City Commission with the exception of the recommended changes to the New Residence Exemption and to the evaluation point calculator.

City Administrator Bruce Grubb 2nd the motion. All present voted aye and the motion was declared carried.

The meeting adjourned at 2:33 p.m., Tuesday, August 23, 2016.