

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, November 29, 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, November 29, 2016.

The committee members present or absent are as shown following:

Present: Dave Piepkorn, Bruce Grubb, Kent Costin, Jim Buus, Mayor Tim Mahoney, Jessica Ebeling, Chuck Hoge, Jim Gartin, Mark Lemer, Erik Johnson, Hayliegh Bruns (in place of Broc Lietz) & Ben Hushka.

Absent: Jim Gilmour

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

Mayor Mahoney moved to approve the minutes from the October meeting. Second by Chuck Hoge. Minutes from the October meeting were approved.

Application for New/Expanding Industry Exemption submitted by Midcontinent Communications.

Commissioner Dave Piepkorn asked Ben Hushka, City Assessor, to introduce the item. Mr. Hushka stated that this is an application for a new building to house a data center. He stated that according to information on the application and our point system, the project meets criteria with 101 points. He said that even though the number jobs created were quite low, with the stated no competition, value of the buildings, and nature of the project, the project met the number of points to qualify. Hushka pointed out corrections of the numbers on the taxable value and taxes on item #16 of the application. They should be \$389,000 for taxable value of the building and just under \$100,000 for annual taxes. Hushka stated that they are requesting a 5 year, 100% exemption on the building.

Justin Forde, representing Midcontinent, addressed the committee. Justin stated they are familiar with the area. They have invested over \$125,000,000 in infrastructure in the area over the last few years. The data center industry is new for them in the area. Although, he said that they don't create a lot of jobs, they feel that this type of technology connected to their fiber network will be good for the area.

Commissioner Piepkorn asked Justin what made them select Fargo for this project and if he could explain the nature of the project.

Justin stated that they have identified this part of town because it is fiber rich and is good for the power needs for their tier 3 data center, specifically for power needs and redundancy.

Jim Buus asked for an explanation of the tier 3 designation. Justin stated that it has to do with power redundancy, number of providers, and data security.

Responding to a question from Chuck Hoge about the type of customers this serves, Justin stated it would be large business customers. Mr. Forde also stated that this project has

received primary sector designation from the State in answer to a question from Jim Buus. Mr. Buus asked if that means that the customers are outside of the local trade area and are national in nature. Mr. Forde stated that the customers identified so far are at least regional.

Mr. Forde stated that he was not aware of any with facilities of this nature in the area and that he believes the closest one would be in Minneapolis or potentially one in Bismarck operated by DCN.

There were several continued questions from committee members regarding potential competitors since the indication on the application is that there are none locally. There was also discussion about how to move forward and get the answers about potential competitors. Mr. Hushka stated that notices to competitors are published in the Forum about the public hearing. He also said that, in the past, if competitors have appeared, at times, they were referred back to this committee to meet with competitors and return later with another recommendation. Hushka said that the committee has also recommended that the applicant meet with potential competitors prior to the public hearing.

Several options were discussed on how to handle the questions about competitors. Mr. Buus stated that there are some questions on this project with \$500,000 in tax breaks for just two jobs and the competition concerns. He suggested tabling it at this point and explore some of the questions about competition.

Jim Gartin, from the FMEDC, stated that they would be willing to do some research on the competition concerns.

Jessica Ebeling made a motion to table the application request to find out more information on the competition issue and bring the item back at the next meeting. Bruce Grubb seconded the motion. Motion carried unanimously.

Discussion of Residential New Construction Exemption Policy.

Commissioner Dave Piepkorn asked Ben Hushka, City Assessor, to introduce the item.

Mr. Hushka stated that there was good discussion on the New Residence Exemption last meeting with input from the Home Builders Association. He said that we are down to making the determination whether to recommend phasing out, eliminating, or continuing the exemption as it currently is. In answer to a question from Jessica Ebeling, Mr. Hushka stated that Moorhead has reinstated their exemption of new homes which includes no cap on the exemption amount and also includes an exemption on the land. West Fargo has the exemption in the same form as Fargo.

Clay Dietrich, representing the Home Builders Association, stated that Moorhead's program is a rebate program. He said that whatever the price of the home is, you have to pay the tax and you get the full amount rebated after the fact. In answer to a question from Mark Lemer, Mr. Dietrich said that the political subdivisions have to vote on the program but, he doesn't know exactly which entities and what levied dollars are rebated.

Mayor Mahoney stated that, looking at the construction activity in Fargo and considering the competitiveness in the area, he would favor continuing the program as is. Jessica Ebeling and Jim Buus agreed that they would favor continuing the program as well.

There was brief conversation about previous discussions regarding phasing the exemption out at the higher property valuation levels as well as the current \$150,000 cap on the amount of the exemption.

Shawn Ostlie, President Elect of the FM Area Association of Realtors addressed the committee. He stated that they are in favor of keeping the program in place and would also favor increasing the cap considering Moorhead's program. Shawn stated that with the current cap, there already is, in effect, a reduction in benefit as the value gets higher.

Kent Costin questioned the possibility of using the home rule charter to allow enhanced incentives for communities affected by flood prone areas, increasing construction costs, which does not exist throughout the state.

Mayor Mahoney made a motion to recommend to the City Commission maintaining the New Residence Exemption in its present form. Second to the motion was made by Kent Costin. Motion carried unanimously.

The meeting adjourned at 2:11 p.m., Tuesday, November 29, 2016.