

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, June 25, 2019

The June 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, June 25, 2019.

The committee members present or absent are:

Present: Dave Piepkorn, Mayor Tim Mahoney, , Bruce Grubb, Kent Costin, Jim Buus, Jessica Ebeling, John Cosgriff, Jim Gilmour, Ben Hushka, Erik Johnson, Jackie Gapp

Absent: Mark Lemer, Joseph Raso

Others Present: Commissioner Tony Grindberg, Representing the Renaissance Zone Authority were Deb Mathern, Bruce Furness, Cari Luchau, Steve Swiontek, Dean Bresciani, and Chad Peterson.

Larry Nygaard representing Roers Development, Mike Allmendinger representing Kilbourne Group, Holly Hagen

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

A motion was made by Jim Buus to correct the date on and approve the minutes from the January meeting held on January 22, 2019. Bruce Grubb seconded. Motion carried.

Tax Increment Financing Application by Roers Development

Jim Gilmour introduced the application submitted by Roers Development, Inc. for tax increment financing. Mr. Gilmour began by summarizing the TIF policy, Payment In Lieu of Tax (PILOT), and Renaissance Zone program. Roers Development is requesting \$950,000 TIF assistance for project, beginning Fall of 2019 and completed in 2021, that consists of 85 rental units and 7 townhomes in connection with the Newman Center (faith-based housing project). The Newman Center project would not receive TIF assistance. The TIF would freeze the value of the block that Roers currently owns (\$1.55 million) for a maximum of 10 years. Mr. Gilmour requested direction from the committee on whether to create a TIF district on Roers property only with the TIF note returned to developer or to include entire block in TIF district (including faith-based housing), but return any tax increment above what would be paid to Roers and use that to support neighborhood housing projects in Roosevelt neighborhood.

Larry Nygaard with Roers Development clarified that Roers is requesting TIF assistance for only their portion in the development of lots 2 & 3 to consist of 85 apartment units and 7 townhomes to be sold in the \$275,000 price range. Mr. Nygaard explained that there has been much discussion to ensure that the neighborhood needs are being accommodated, and that this project has been deemed acceptable by all parties. He also wished to clarify that the Newman center has started their portion of the project, but Roers has not started their portion of the project. Mr. Nygaard noted that 100% of blighted houses will be removed and redeveloped. Mr. Nygaard explained the terms of financing, that although financing has not been finalized yet, they would like to get a 5 year term loan that is 2 years interest only with the balance amortized over 30 years.

Commissioner Grindberg asked for further explanation or additional information from Jim Gilmour for using a larger TIF district to find resources to remove blighted houses in Roosevelt neighborhood. Mr. Gilmour explained that TIF money is eligible for acquisition and demolition of properties and could be used to acquire and demolish dilapidated homes in the Roosevelt neighborhood and make the lots available for new homes to be built. He explained that this used to be a fairly regular practice with the Neighborhood Revitalization Initiative, but has not been active recently due to lack of funds; he hopes that this might be an opportunity to get some funds over the next 10-15 years to take on some of these projects to benefit the neighborhood. Mr. Gilmour said that there is also a possibility of acquiring the townhome lots with a land trust.

Commissioner Piepkorn reminded the committee, from the PFM evaluation, that the developer bears all risk involved with the project and that they've concluded that the project would not be feasible without public assistance.

Jim Buus asked Mr. Nygaard about the site plans for Lot 4. Mr. Nygaard explained that they have committed to building 7 townhomes on lot 3 to be sold and that they are unsure of the demand in that neighborhood in that price range. They left the option to build 4 more town homes on lot 4 if they are successful with the 7 that they have already committed to building.

Chad Peterson asked if this project is necessary based on his understanding of the current vacancy rate. Mr. Nygaard responded that they keep a close eye on and consider vacancy over 30 year period. They are confident that this model of faith-based housing will be successful. Mr. Peterson then asked if the project is successful and vacancy rate is 0%, do we really need to be giving away money to these kind of projects. Commissioner Piepkorn clarified that no money is being given away, but rather taxes are being deferred. Mayor Mahoney asked Dean Bresciani if there has been trouble filling student housing, specifically referencing an apartment building by the Shack. Mr. Bresciani responded that that project is an anomaly in that it wasn't completed on time, but other student housing options closer to campus have sold out before they were even completed.

Mr. Gilmour reviewed the TIF options for either the Roers owned property or to expand the TIF district and use TIF money above and beyond what is returned to the developer to be used for neighborhood improvement projects.

Jim Buus asked about how large the TIF district would be for option 2. Gilmore responded that it would encompass the Roosevelt neighborhood. Commissioner Piepkorn expressed his discomfort at including faith-based housing in TIF district and would prefer to limit the TIF area to the Roers development. Mayor Mahoney brought up that option 2 would be innovative in taking TIF money and improving neighborhood. Jessica Ebeling asked if there was any more information about option 2. Mr. Gilmour said that nothing has been written up but that it would include acquiring more properties. Commissioner Piepkorn stated that the discussion should be about TIF and nothing else. Jim Buus agrees with Mr. Piepkorn that the discussion should regard specific focus of the project and that option 2 is undefined.

Jim Buus moved to approve TIF on Roers property only. Jessica Ebeling seconded. Motion carried.

PILOT Application by Great Plains Antique Holdings, LLC (Kilbourne)

Jim Gilmour presented the application for a 15 year PILOT based on 100% for first 5 years, 90% for years 6 & 7, then dropping 10% every year through year 15. The project is 65 apartment units, 90 parking spaces, 4 story structure, \$12.1 million construction cost; project to start in the fall and be completed December of 2020. Mr. Gilmour stated that the financial analysis said the project will not happen without assistance. He said they will continue to pay existing property taxes and PILOT will only apply to any additional property taxes on the improvements.

Ben Hushka explained the amortization calculations; that there are different calculations/tables if county opts out of all or part of the PILOT. He stated that the land is fully taxable, PILOT would apply to improvement value only.

Mayor Mahoney asked about vacancy in downtown Fargo and if there are too many apartments. Mike Almendinger responded that they have not experienced high vacancies in their projects. Mr. Almendinger referred to the InFocus downtown study that said the downtown could sustain 300 more units per year.

Chad Peterson asked how the city judges when these programs have “worked” and if we still need to give more incentives to be downtown. He stated that he supports 5 year incentives, but questions the need for 10-15 year incentives. Jim Buus responded that the Tax Exempt Review Committee discussed that issue quite a bit. He said that the consensus is that we’re still not where we want to be yet. Mr. Buus said that the committee felt that we would continue the incentives in downtown for a few more years and then revisit the issue. Commissioner Piepkorn responded that we haven’t met our goals for downtown yet and that downtown is what makes Fargo unique.

Nicole Crutchfield stated that according to the Downtown InFocus Plan, we are 1/3 of the way in terms of downtown jobs and households being added and the InFocus plan encourages more growth.

Jim Gilmour responded that a recent Harvard study stated more people over \$75,000 income want to rent. Commissioner Piepkorn noted that the developer bears all the risk regarding the project and cannot complete this project without the assistance.

Mayor Mahoney moved to approve PILOT application as proposed. Jim Buus seconded. Motion carried.

PILOT Application by Great Plains 1001 Holdings, LLC (Kilbourne)

Jim Gilmour gave an overview of the project. It is the former Nestor site at 10th St. & NP. There will be 5,500sf of commercial space on main floor, 160 apartment units on upper levels, 230 parking spaces, 4 story structure. The project will begin in fall with the first phase completed in late 2020 and the 2nd phase to be completed in early 2021. Mr. Gilmour said that the request is for the first 5 years getting the Renaissance Zone Exemption and the next 10 years at 90% exemption for two years and a 10% reduction each year down to 10% exemption in the last year.

Nicole Crutchfield presented that the project meets Renaissance Zone requirements meeting 93 rating points out of 100 for Renaissance Zone approval.

Mike Almendinger explained that this is Kilbourne's largest project thus far with retail or restaurant space on the main floor with 160 units on upper floors and 230 parking spaces total – 55 surface spots and the remaining underground. He said that are working to get retail and a restaurant on the main floor. Mr. Almendinger said they will continue to pay the current tax. He said they submitted all of their financial information for the financial review to determine if the project is feasible without the incentive. He said they feel they need the incentive for the project to be possible. Mr. Almendinger said of the 24 projects Kilbourn has done downtown, there were only three previous ones they asked for a PILOT or a TIF. He said they only ask for them if it is critical to make them happen.

Jessica Ebeling made a motion to approve the application for PILOT subject to the Assessor coordinating with the applicant on the payment calculations prior to Commission action. Bruce Grubb seconded. Motion carried.

PILOT Application by DFI Kesler, LLC (Kilbourne)

Application has been continued to the July meeting.

Chad Peterson brought up the fact that he doesn't agree with the long term incentives granted for apartments causing others taxes to increase. He said there is going to be a void during that term because there will need to be additional police and fire protection.

Jessica Ebeling said that the Tax Exempt Review Committee is helping to be a tool to carry out the overall strategic plan of the City. Ms. Ebeling said that until that vision changes, she will continue to vote in support of the forward progress of the City' of Fargo. If that vision changes, that should be a top-down approach.

Bruce Grubb moved to adjourn. Jim Buus seconded. Motion carried.