

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, April 28, 2020

The April 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, April 28, 2020.

The committee members present or absent are:

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

Absent: John Cosgriff, Robert Wilson, Levi Bachmeier, Joseph Raso

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

A motion was made by Jim Buus to approve the minutes from the January meeting held on January 28, 2020. Jessica Ebeling seconded. Motion carried.

5 Year New Industry Exemption Application Financial Business Systems

Ben Hushka explained that this is a new application for a new building in a new location for an expansion. Ben recommended that the applicant explain the nature of the expansion and the exemption that they are asking for.

Joelle Staller described FBS as a business that was incorporated in 1978 and has been a growing business for the past 42 years. FBS has a history of in house printing of realty books to growing into a desktop software platform and to current age of mobile phone app. FBS currently employs 129 people with the average wage of \$89,000 per year with their greatest expense being payroll. Over the past 5 years their employee count has increased by 39. They will be launching a new product midyear 2020 called Flow Plan. This will be a different revenue model for them so they could be hiring at a much higher rate. Joelle is confident that their revenue and expense numbers will be on the bottom end of the revenue and expense growth. FBS is a 100% employee owned company. FBS is an established company in Fargo and has been weathering this economic downturn quite well, they have retained all employees and are successfully working from home at the current time. They plan to stay in Fargo and add to the economy in every way that they can. They are outgrowing their current space, currently they are leasing two buildings and want to get back to one building with room to grow. The tax exemption would greatly help them out allowing them to invest back into the business.

Ben Hushka explained that the scoring system is a guide that requires 100 points to give a recommendation for approval. It is heavily weighted on the jobs added in the initial year. From a historical perspective one other thing this committee has focused on in addition to jobs added is if the applicant is going into a new product line and generating more jobs and additional revenue.

Dave Piepkorn stated that not only are they adding 4 employees the first year they anticipate adding 3 jobs every year after that and the hourly wage is \$35 an hour.

Ben Hushka said that FBS did apply for and received this same five year exemption with their first building. Typically what this committee has done on an expansion is recommend granting it on the incremental difference in value between the new expanded facility and the value of their current building.

Jim Buus asked for someone talk a little about the new building.

Kyle Frier representing Property Resource Group described the new building as 2 story slightly over 18,000 square foot. Steel frame construction with wood and interior framing, wired for a tech company.

Ben Hushka stated that the application included the full value of the new building and tax savings from the exemption annually of \$55,000. The difference in value between the current and new building is \$1.1 million so the tax savings would be \$16,000 a year based on the difference.

Mayor Tim Mahoney motioned to follow our policy and recommend approval of a 5 year exemption on the difference in value between their current building and the new building. Jim Buus seconded. Motion Carried.

Stop N Go Tax Increment Financing District (Gilmour, Costin)

Jim Gilmour brought forth the Stop N Go Tax Increment Financing District as an example to explain the outcome. The TIF was approved in 2006. At the time this site consisted of 4 buildings including a gas station, motel, small apartment building and single story office building. The site had significant code and access issues. Proposed redevelopment would be to demolish all buildings, develop the Stop N Go Center (Now Casey's), new office space and 75 apartments, took 2 years to complete. The projected increase in property value and taxes were higher than anticipated. Estimated 15 years of TIF revenue to fully pay for all the costs, it actually took 12. We anticipate over the next year 3 other TIF's will close out: McDonalds, Shotwell's Greenhouse and Dacotah Bank. All together these will provide another \$568,000 to the different tax jurisdictions. It is important when looking at future TIF's to understand the process for closing these out and how we estimate what the income is going to be.

Dave Piepkorn asked when they close out how does that go? Is there a formal action that needs to take place?

Jim Gilmour stated that The Finance Director, once he has paid all obligations, is required to notify the county and return any funds.

Ben Hushka added that we include this in our annual report. There is only one point in time per year when we can either add or remove a TIF. That is when we certify the assessment role. That is why there was a balance on the Stop N Go TIF. When we certify our assessment role next year, that is when we will remove those other TIF's. What we send the county for the regular tax is the base value before the redevelopment. Another figure is sent which is the difference between the current value and the base value and that is where they capture and pay back the financing for the TIF.

Commissioner Piepkorn adjourned the meeting.