

**EDIC MEETING**  
**Tuesday, May 23, 2023 – 1:00 p.m.**  
**City Commission Chambers, Fargo City Hall**

**AGENDA**

- 1. Approve Tax Exempt Review Committee Meeting Minutes of 4/25/2023**
  - a. April 25, 2023 [Page 1-3]
- 2. Request for TIF for 502 8<sup>th</sup> Street Rowhouses**
  - a. 502 8th Street TIF [Page 4-25]
- 3. Request for PILOT for Water Park [Page 26-35]**

**ECONOMIC AND DEVELOPMENT INCENTIVE COMMITTEE**  
**Fargo, North Dakota**

**Regular Meeting**

**Tuesday, April 25, 2023**

The April meeting of the Economic and Development Incentive 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 25, 2023.

The committee members present or absent are:

Members Present: Dave Piepkorn, John Cosgriff, Jon Eisert, Lucas Paper, Mayor Mahoney, Jim Buus and Jessica Ebeling.

Members Absent:

Others Present: Jackie Gapp and Levi Bachmeier

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

**Minutes Approved**

A motion was made by John Cosgriff to approve the minutes from January 24, 2023. Jon Eisert seconded. Motion carries.

**Corvert Property Tax Exemption Application**

- Ryan Aasheim- CEO
- Richard Walsh- Corvert CEO
- Experts in pulmonary medical devices
- Previously were in California. Richard Glenn introduced them to Fargo
- Currently leasing space at the NDSU Research and Tech Park
- 8 NDSU Interns hired last year. 8 new NDSU interns this year along with 1 post doc.
- Next phase is growing into manufacturing
- West 45<sup>th</sup> Business Center
- Year 1, 15 jobs with salary starting at \$92,000. Year 2, 26 jobs with salary starting at \$97,000
- 75 employees in the next 5 years
- Developing a new technology: hospital home ventilator and have a pipe line of new products: transport ventilators, post ICU ventilators, CPAPs and BIPAPs.
- Should be fully up and running and out California by December 31, 2023

Motion to approve tax exemption was made by Mayor Mahoney. Jim Buus seconded. Motion carries

### **NP Apartments**

- Keith Leer- Kilbourne VP of Development and Construction
- 10 year tax exemption:
  - 5 year Renaissance- current
  - 5 year TIFF- next
  - \$350,000 year to the city after the exemptions expire.
- Total square feet: 366,000
  - 155,000 sf Residential- 168 apartments
  - 172,000 sf Parking- 463 parking spaces
  - 36,000 sf Theater
  - 3,000 sf Retail
- Total Project Costs: \$61 MM
  - \$36 MM Mixed Use
  - \$5MM Theatre (core and shell only)
  - \$20MM Parking ramp
- Should be fully completed om late 2025

### **Questions:**

- Commissioner Piepkorn: Will the apartments have access to parking?
  - Yes, there will be a parking connection
- Jim Buss: What is the net gain of parking spaces vs a number of surface spots?
  - Net gain would be about 200 at this site

Motion to approve 5 year TIFF tax exemption was made by Jon Eisert. Jim Buus seconded. Motion carries

### **HB 1215**

- Repeal section six of the Century Code: the requirement of business incentive agreements
- Beginning August 1<sup>st</sup>, cities are no longer required to have business incentive agreements

Mayor Mahoney: Renaissance Zone Bill update

Jim Gilmore: It has passed both houses and on its way to the governor.

- Significant change was the Renaissance on property tax and income tax exemption can now be given for eight years instead of five years

### **Discuss Public/Private Partnership Policy**

- Adopted this policy in 2021
- Trying to limit public assistance to areas where it is essential


- EPIC water park by Anderson Field- trying to get parking
- No action will be today. Will discuss at next meeting

The meeting was adjourned at 1:50pm.



**MEMORANDUM**

**TO:** Economic Development Incentive Committee

**FROM:** Jim Gilmour, Director of Strategic Planning and Research 

**DATE:** May 17, 2023

**SUBJECT:** 8<sup>th</sup> Street Rowhouses TIF Request

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The City received a request for Tax Increment Financing (TIF) assistance for the redevelopment of a site at 502 8<sup>th</sup> Street South. An existing apartment building would be removed and replaced with five rowhouses. The development cost is estimated at \$2.1 million.

The application and the financial review are attached. The TIF request is for \$300,825.

The report states that, "... PFM concludes the project would not be feasible without public assistance."

**Recommended Motion**

Recommend approval of the request for Tax Increment Financing to the Fargo City Commission.

**City of Fargo**  
**Application for Tax Increment Financing | 8th Street Rowhouses**

**Contact Information**

Primary Contact: Dave Noah

address - 3250 47th St S, Fargo

phone - 701.306.4888

email - dcnnoah@yahoo.com

**General Information**

Name and description of Corporation/Partnership - HN 8th Street, LLC

Project Location - 502 8th Street S, Fargo, ND 58103

Project Description with conceptual plans - (5) unit rowhouse. Each unit will have 3-bedrooms, 3.5 baths, and a 2-stall garage. See attached plans

Propose Schedule - Contractor assumes an 8 month construction schedule.

**Project Financials and Financing**

Name of Developer - HN 8th Street, LLC

Ultimate owner of development - HN 8th Street, LLC

Type of Project (Commercial, Downtown, Mixed-Use) - Residential rowhouses

Dollar request of TIF assistance - \$300,000 (see attached attached TIF eligible expenses for breakdown)

Minimum of a 10-Year Proforma, showing the year in which the property is at full rent-up - see attached pro forma

Total project cost - see attached pro forma

Hard Capital Costs - see attached pro forma

Contributed equity - see attached pro forma

Loan amount(s) with terms (anticipated rate, first maturity, final maturity) - see attached pro forma

Number of housing units by type - 5-unit rowhouse - 3 bed / 3.5 bath

Square footage of commercial space - n/a

Proposed rents by housing unit types and for commercial space - \$2,800 / unit

Detailed assumptions for any other revenues (e.g. \$100/month/garage space) - n/a

Expenditures broken out by category - see attached proforma

Extraordinary Costs broken out by cost. (Land, demolition, public facilities) - see attached TIF eligible expenses for cost breakdown

# 8th St Rowhouses | TIF Eligible Expenses

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## Site Acquisition

Purchase Price	175,000.00
Less assessed land valule	(71,000.00)
	<b>104,000.00</b>

## Demolition & Site Clearing

Demolition	58,800.00	Contractor Estimate
Site Clearing / Soil Remediation / Earthwork	35,700.00	Contractor Estimate
	<b>94,500.00</b>	

## Site Improvements

ROW Improvement - - New curb / sidewalk at existing curb cut - New curb cut	13,000.00	Contractor Estimate
Utility improvements / ROW & street repairs at utility connects	75,000.00	Contractor Estimate
	<b>88,000.00</b>	

Total	286,500.00
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City Administrative Fees (5%)	14,325.00
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Total TIF Eligible Expenses	<b>300,825.00</b>
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PRELIMINARY  
NOT FOR  
CONSTRUCTION

8TH STREET ROWHOUSES  
502 8TH STREET SOUTH  
FARGO, ND

CONSTRUCTION DOCUMENTS

FLOOR PLAN - LEVEL 1

PROJECT NO.  
210101

03.26.2023

REVISIONS

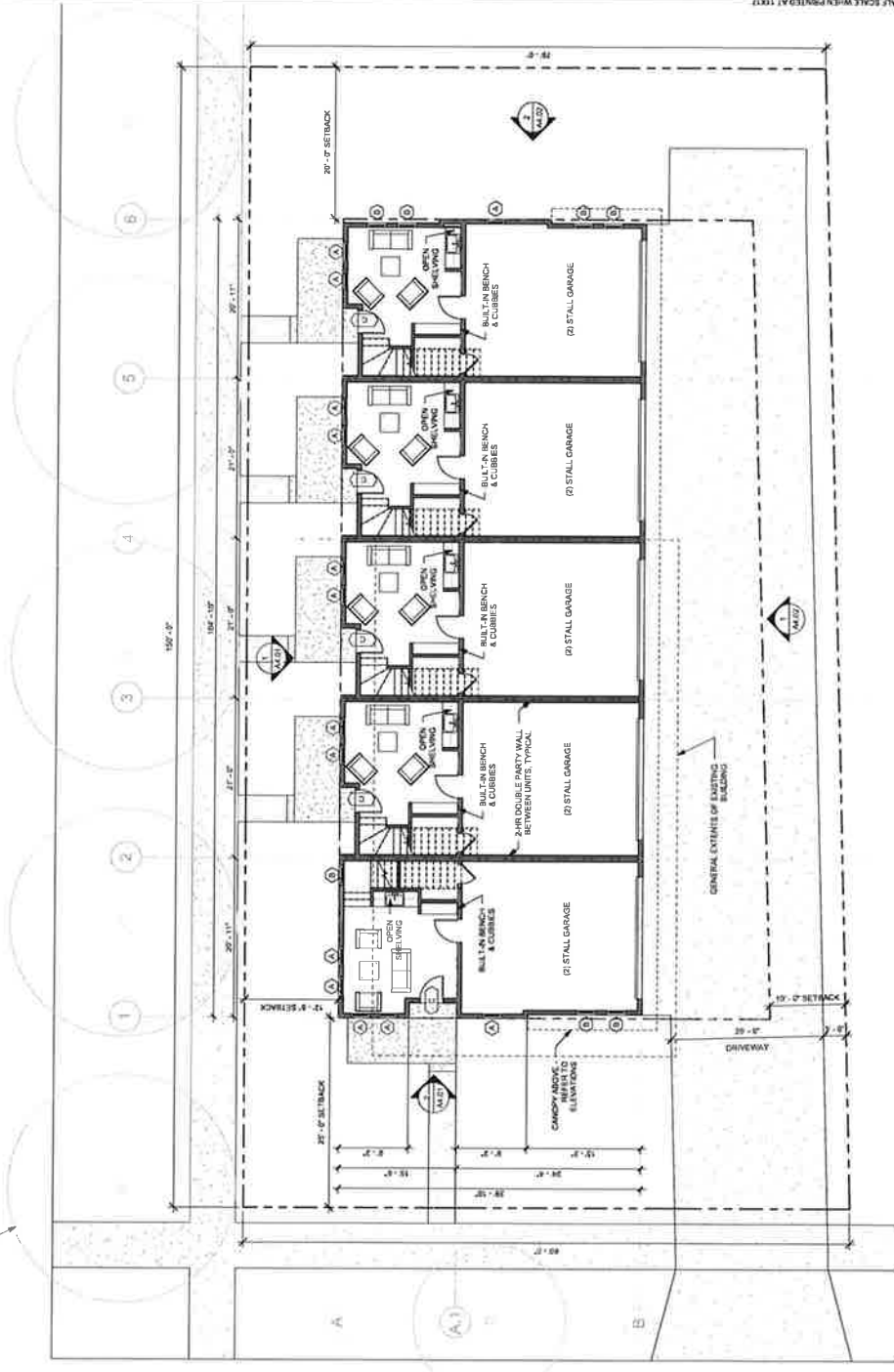
A2.01

1 FLOOR PLAN - LEVEL 1  
SCALE: 1/8" = 1'-0"

5TH AVENUE

8TH STREET

EXISTING STREET TREE  
COREMAN, TYP





PRELIMINARY  
NOT FOR  
CONSTRUCTION

CONSTRUCTION DOCUMENTS  
FARGO, ND  
8TH STREET ROWHOUSES  
502 8TH STREET SOUTH

FLOOR PLAN - LEVEL 3

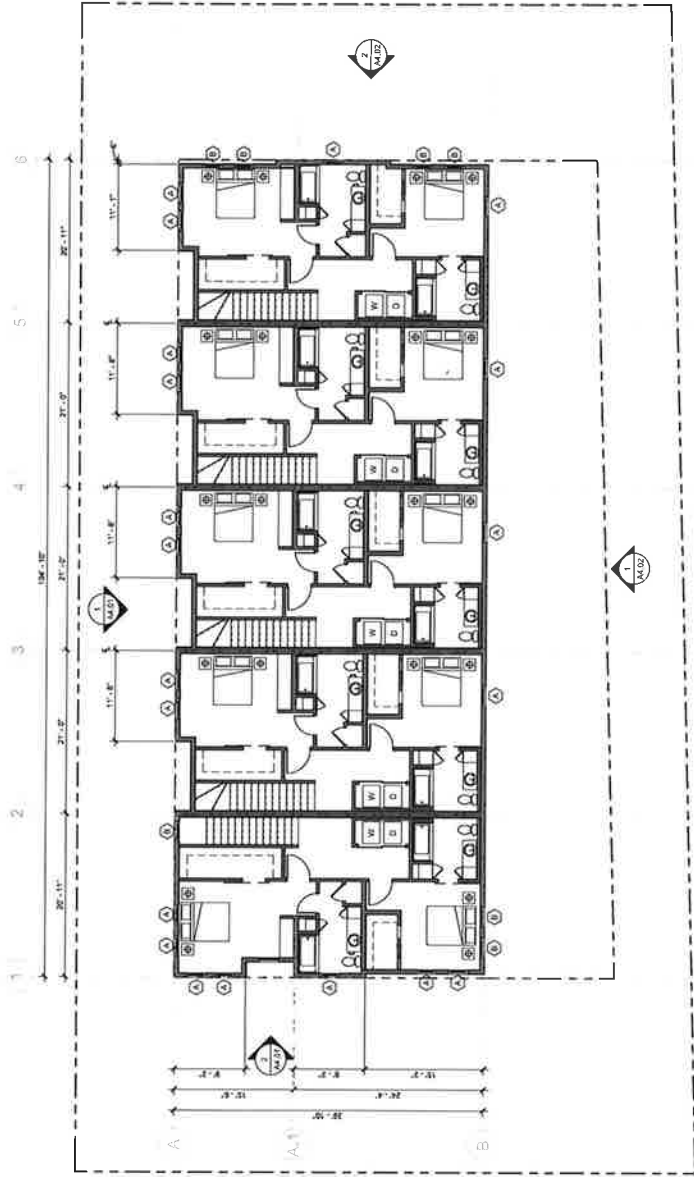
PROJECT NO.  
210101

03.26.2023

REVISIONS: A

A2.03

NOTE: DIMENSIONS ARE AT HALF SCALE WHEN PRINTED AT 1/8" = 1'-0"

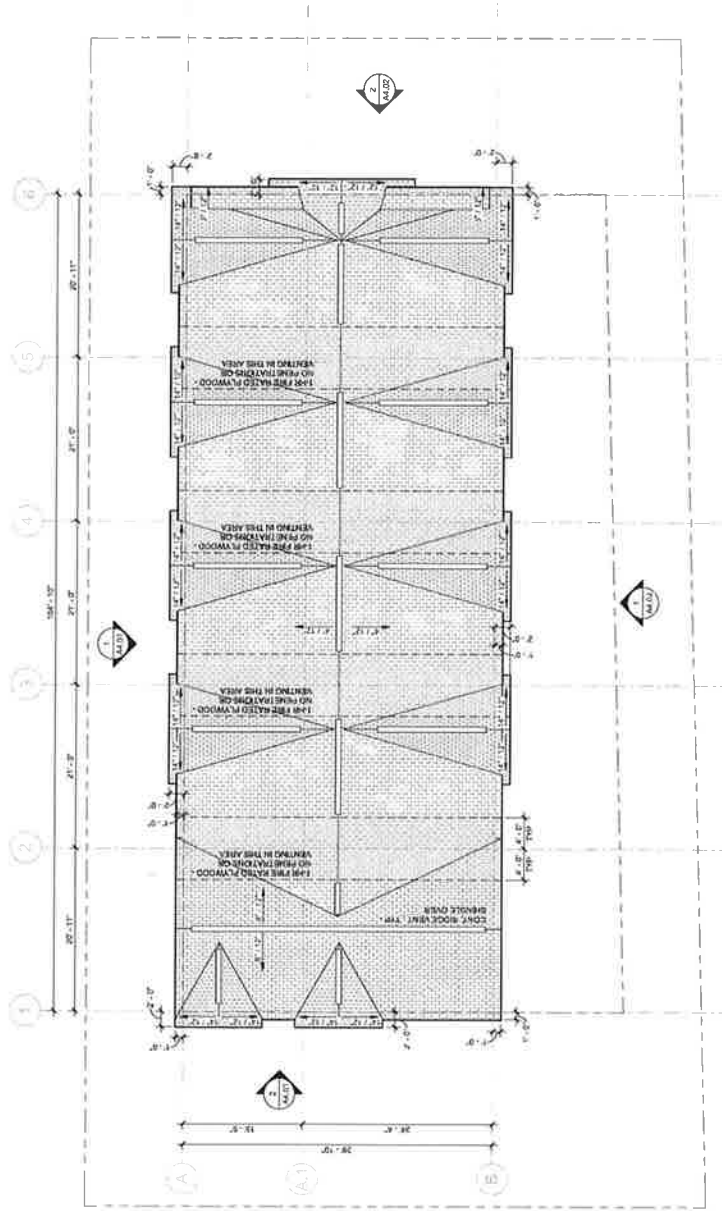


1 FLOOR PLAN - LEVEL 3

SCALE: 1/8" = 1'-0"



1 ROOF PLAN  
SCALE: 1/8" = 1'-0"





PRELIMINARY  
NOT FOR  
CONSTRUCTION

CONSTRUCTION DOCUMENTS  
FARGO, ND  
8TH STREET ROWHOUSES  
502 8TH STREET SOUTH

EXTERIOR ELEVATIONS

PROJECT NO.  
210101

03.26.2023

REVISIONS: A

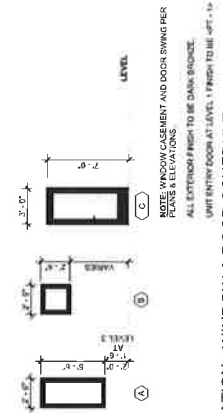
A4.01



1 NORTH ELEVATION - 5TH AVENUE  
SCALE: 3/16" = 1'-0"



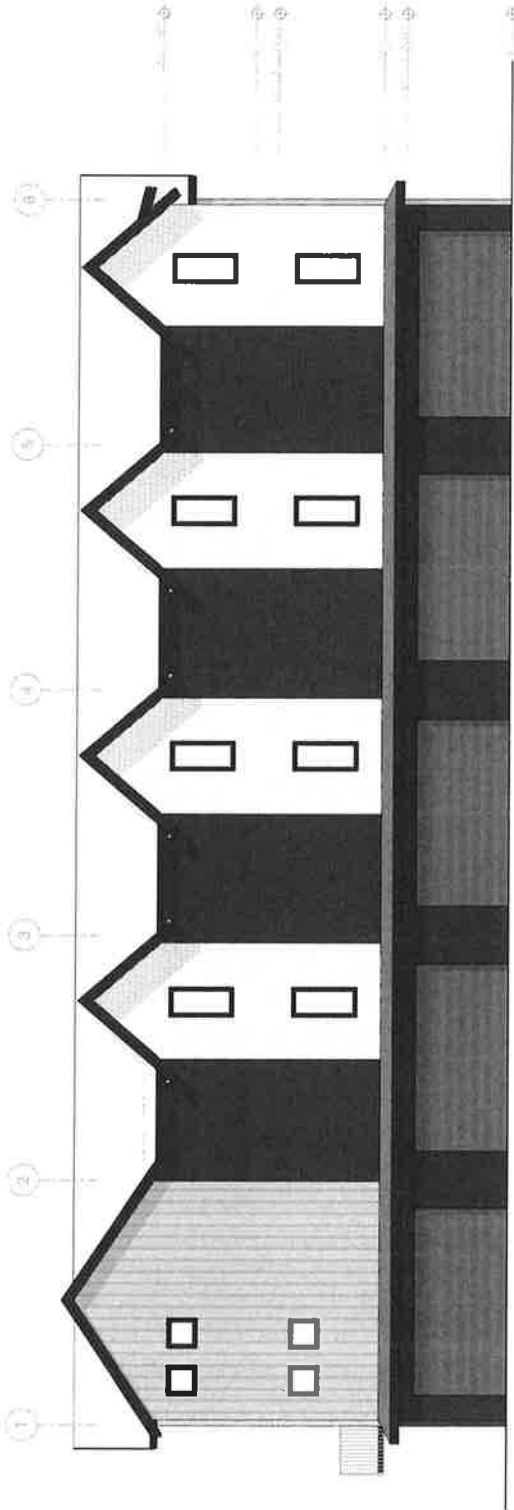
2 WEST ELEVATION - 8TH STREET  
SCALE: 3/16" = 1'-0"



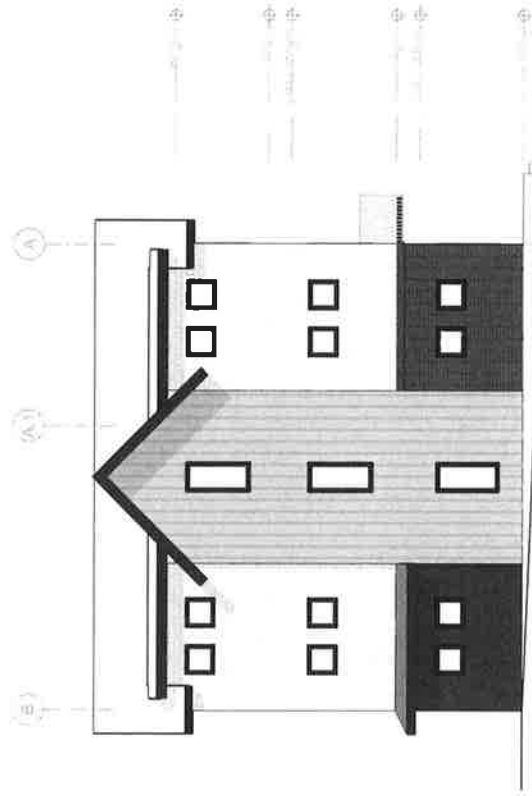
LEVEL  
NOTE: WINDOW CASEMENT AND DOOR SWING PER  
PLANS & ELEVATIONS  
ALL EXTERIOR FINISH TO BE DARK BRONZE  
UNIT ENTRY DOOR AT LEVEL 1 FINISH TO BE 0FT-10"

ELEVATION - WINDOW & DOOR SCHEDULE

NOTE: DIMENSIONS ARE AT HALF SCALE UNLESS INDICATED OTHERWISE



1 SOUTH ELEVATION  
SCALE: 3/16" = 1'-0"



2 EAST ELEVATION  
SCALE: 3/16" = 1'-0"

NOTE: DRAWINGS ARE AT HALF SCALE UNLESS OTHERWISE NOTED



1 3D VIEW - NORTHEAST CORNER  
SCALE: NTS



2 3D VIEW - SOUTHWEST CORNER  
SCALE: NTS



3 3D VIEW - NORTHWEST CORNER  
SCALE: NTS



4 3D VIEW - NORTHWEST CORNER  
SCALE: NTS

# 8TH STREET ROWHOUSES | PRO FORMA

## 5-UNIT ROWHOUSE

### PROJECT INFORMATION

Site Area	11,764 SF
Gross Building Area	12,300 SF
Total Net Leasable Area	9,700 SF*
Overall Efficiency	78.86%
Total Rowhouse Units	5

\*excludes garages

### RENT ASSUMPTIONS

	Unit SF	Rent / Month	Rent / SF
Rowhouse Unit 1	1,940	\$2,800.00	\$1.44
Rowhouse Unit 2	1,940	\$2,800.00	\$1.44
Rowhouse Unit 3	1,940	\$2,800.00	\$1.44
Rowhouse Unit 4	1,940	\$2,800.00	\$1.44
Rowhouse Unit 5	1,940	\$2,800.00	\$1.44
Total	9,700	\$14,000.00	\$1.44

### PROJECT COSTS

<b>Site Acquisition</b>	<b>\$175,000.00</b>	<b>\$ / SF</b>	<b>\$14.88</b>
Construction Cost	\$1,672,226.00	\$ / SF	\$135.95
Construction Contingency	\$107,027.00	\$ / SF	\$8.70
<b>Total Construction Cost</b>	<b>\$1,779,253.00</b>	<b>\$ / SF</b>	<b>\$144.65</b>

Soil Borings	\$3,500.00
Site Survey	\$1,800.00
Design Fees	\$37,700.00
Legal & Accounting Fees	\$5,500.00
Leasing & Marketing	\$4,500.00
Financing Costs	\$20,000.00
Construction Financing Costs	\$96,500.00
Permit Fees	\$8,840.17

<b>Soft Cost Contingency</b>	<b>\$18,034.02</b>
<b>Total Soft Cost</b>	<b>\$198,374.19</b>
<b>\$ / SF</b>	<b>\$16.13</b>

<b>TOTAL PROJECT COSTS</b>	<b>\$2,152,627.19</b>	<b>\$ / SF</b>	<b>\$175.01</b>
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### OPERATING PRO FORMA (PER YEAR)

Gross Rental Income	\$ 168,000.00
<b>Other Income TIF Proceeds</b>	<b>\$ 30,798.67</b>
<b>Total Gross Rents</b>	<b>\$ 198,798.67</b>
(-) Vacancy	\$ (8,400.00)
(-) Insurance	\$ (3,600.00)
Tax Breakdown	
Taxes - Current	\$ (2,502.46)
(-) Taxes - Future Estimate	\$ (33,301.13)
(+) TIF Incentive Delta	\$ 30,798.67
(-) Total Est Tax after Development	\$ (33,301.13)
(-) Special Assessments	\$ (1,607.08)
(-) Snow & Lawn	\$ (6,000.00)
(-) Utilities	\$
(-) Maintenance & Repairs	\$ (5,040.00)
(-) CapEx	\$ (3,360.00)
(-) Management	\$ (8,400.00)
<b>Total Expenses</b>	<b>\$ (69,708.21)</b>

**NET OPERATING INCOME \$ 129,090.46**

# 8TH STREET ROWHOUSES | PRO FORMA

5-UNIT ROWHOUSE

CONSTRUCTION LOAN		
Interest Rate	7.00%	
Term (Months)	24	
Construction Loan	\$1,406,034	
Total Development Cost	\$2,152,627	
Loan-to-Cost	65%	
Development Value	\$2,250,000	
Loan-to-Value	62%	
Drawdown Factor	100.00%	
Annual Debt Service	\$98,422	

PERMANENT FINANCING ASSUMPTIONS			
	DCR	LTC	LTV
Loan Amount	\$1,406,034	\$1,506,839	\$1,575,000
Interest Rate	7.000%	7.000%	7.000%
Term (Years)	30		
Debt-Coverage Ratio	1.15		
Project Value		\$2,152,627	\$2,250,000
Loan-to-Value		70%	70%
Condo Valuation			
Stabilized NOI	\$129,090	\$129,090	\$129,090
CAP Rate		5.997%	5.737%
Supportable Mortgage	\$1,406,034		
Supportable Debt Service	(\$112,253)		

CASH FLOW CALCULATION (PER YEAR)	
TOTAL DEVELOPMENT COST	\$2,152,627
(-) Permanent Financing	(\$1,406,034)
(-) Equity in Land	(\$175,000)
(-) Equity Dev Costs (Soft Costs)	(\$198,374)
(-) Equity Additional Cash	(\$373,219)
<b>EQUITY REQUIRED</b>	<b>(\$746,593)</b>
NET OPERATING INCOME	\$129,090
(-) MORTGAGE	(\$112,253)
<b>NET CASH FLOW</b>	<b>\$16,838</b>
Equity-to-Cost Ratio	34.68%

Ownership Breakdown												
	Investment ownership											
	HN 8th Street											
	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10		
CASH ROI	2.3%	2.7%	3.1%	3.5%	3.9%	4.4%	4.8%	5.3%	5.8%	6.3%		
NET CASH FLOW	16,838	19,787	22,824	25,952	29,174	32,493	35,912	39,433	43,059	46,795		
	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10		
Revenue (3% escalator)	198,799	203,839	209,030	214,377	219,884	225,557	231,399	237,417	243,616	250,001		
Expenses (3% escalator)	(69,708)	(71,799)	(73,953)	(76,172)	(78,457)	(80,811)	(83,235)	(85,732)	(88,304)	(90,953)		
NOI	129,090	132,039	135,076	138,205	141,427	144,746	148,164	151,685	155,312	159,047		
Debt Service	(112,253)	(112,253)	(112,253)	(112,253)	(112,253)	(112,253)	(112,253)	(112,253)	(112,253)	(112,253)		
NET CASH FLOW	16,838	19,787	22,824	25,952	29,174	32,493	35,912	39,433	43,059	46,795		
RETURN ON INVESTMENT	2.3%	2.7%	3.1%	3.5%	3.9%	4.4%	4.8%	5.3%	5.8%	6.3%		
Combined DCR	1.15	1.18	1.20	1.23	1.26	1.29	1.32	1.35	1.38	1.42		
PROJECT APPRECIATION at 2%	\$2,250,000	\$2,295,000	\$2,340,900	\$2,387,718	\$2,435,472	\$2,484,182	\$2,533,865	\$2,584,543	\$2,636,234	\$2,688,958		
NET SALES PROCEEDS:										\$2,500,731		
LOAN BALANCE										\$1,103,737		
TOTAL EQUITY										\$1,396,994		
10 yr IRR	9.5%											
(746,593)	16,838	19,787	22,824	25,952	29,174	32,493	35,912	39,433	43,059	1,443,789		

# City of Fargo, North Dakota

Tax Increment Financing Program

“But-For” Report

8<sup>th</sup> St. Rowhouses

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May 11, 2023



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## Purpose

The purpose of this report is to establish and determine the allowable value of the tax increment financing (TIF) for 8<sup>th</sup> St. Rowhouses, a development by HN 8<sup>th</sup> Street, LLC (the "Developer").

PFM first reviewed the application to ensure that appropriate assumptions regarding property value, rent, condo sales, vacancy, expenses, and debt were used by the Developer. Based on those assumptions, PFM projected a 10-year cash flow, calculating an internal rate of return ("IRR"). We also made sure the Developer followed the City of Fargo's (the "City") Economic Development Incentives Policies and Guidelines (the "Policy") including the allowable costs and the Developer's calculations for determining the amount of allowable subsidy financing. The following report details PFM's analysis and conclusions concerning the viability of the proposed project without the subsidy.





## Project

The project being proposed by the Developer includes the development of a 5-unit rental rowhouses located at 502 8<sup>th</sup> Street South.

The Developer estimates the construction will be completed in early 2024 with occupancy immediately following. The Developer has requested TIF assistance in the amount of \$300,825 to complete the project.



## TIF Assistance Request

The Developer is requesting assistance in the form of tax increment financing under the City's Tax Increment Financing Policy. The Policy provides public assistance to a development through tax increment financing for private development. The Developer is asking for a 15-year TIF exemption. The Policy states a 100% exemption on the increased value of the improvements for the first fifteen years.

### Eligible TIF Expenditures

Site Acquisition	104,000
Demolition & Site Clearing	94,500
Site Improvements	<u>88,000</u>
<b>Total</b>	<b>\$286,500</b>
City Administrative Fees (5%)	<u>14,325</u>
<b>Total TIF Eligible Expenses</b>	<b>\$300,825</b>

The Policy limits the TIF assistance to 15% of hard construction costs, including the costs of acquisition. Based on total hard construction costs of \$1,954,253, the Developer can receive up to \$293,137. The Developer is requesting \$286,500, which is below the maximum allowed.

### Land Cost

The Developer states the purchase price to acquire the property for the project is \$175,000. Land acquisition is reimbursable under the Policy. The Developer is requesting to be reimbursed \$104,000 for the land acquisition which complies with the Policy.



The Policy states that the maximum eligible land costs to be recouped by the Developer should be limited to the lesser of:

- 1.) **The total acquisition cost for the property, provided that the acquisition cost is no more than 150% of the assessor's market value of the property.** The Developer's cost to acquire the property is \$175,000. The assessor's market value for the property totals \$166,000. The eligible amount for reimbursement is 150% of \$166,000 which totals \$249,000.
- 2.) **The difference between what was paid by the Developer for the property less the assessor's market value for the land (as opposed to land and buildings).** The current assessor's land value is \$71,000. Based on an acquisition price of \$175,000 the maximum reimbursement is \$104,000.

The lesser of the two tests detailed above is \$104,000. The requested reimbursement amount for land acquisition of \$104,000 is equal to the amount allowed under the Policy.

#### **Term**

The Policy states the length of the term will be limited to 15 years or less. The Developer is requesting a total of a 15-year term.

#### **TIF Estimate**

PFM estimates that \$536,835 of TIF will be generated over the 15 years, assuming a 2% market growth rate. Based on a discount rate of 5.25%, the present value of the estimated TIF cash flow is \$330,337 for the first 15 years of the project when the TIF would be in effect. This is greater than the total eligible TIF expenditures. However, the present value of the TIF cash flows is estimated to reach the requested amount in year 14, so the TIF would end early.



## Project Financing

The Developer is investing 34.7% equity, or \$746,593, and will be privately financing \$1,406,034. The Developer is additionally requesting annual TIF assistance in the total amount of \$300,825. The private financing is estimated to be a 30-year loan with an estimated interest rate of 7% resulting in an annual principal and interest payment of \$112,253.



## Return Analysis

In calculating the internal rate of return, PFM first analyzed the Developer's assumptions including expected monthly rent, vacancy rate, and operating expenses. The Developer is proposing rents of \$2,800 for a three-bedroom unit. The Developer has proposed a reasonable amount for rent for the current market and location. Annual estimates of operating expenses for the 5-unit rental development were provided, as follows; Insurance - \$3,600, Snow and Lawn Care - \$6,000, Maintenance and Repairs - \$5,040, Capital Expenses - \$3,360, Real Estate Taxes - \$34,989 (without public assistance), Real Estate Special Assessments - \$1,607, and Management Fees - \$8,400. The total expenses are approximately 39% of gross operating income after stabilization.

The second step in determining the internal rate of return is to determine the earned incremental value of the property over a 10-year period. That value, along with the net operating income cash flows, was used to calculate the internal rate of return. PFM determined that without public assistance the Developer would have about a 5.51% internal rate of return based on a 10-year internal rate of return. The Developer would have about a 9.00% internal rate for 10 years if it received the public assistance. A reasonable rate of return for the proposed project is 10% - 15%.

Another measure of feasibility and project viability is the debt coverage ratio. PFM has projected a maximum debt coverage ratio in Year 10 of 1.16x without assistance, with a Year 6 coverage of 1.01x. If the City provided assistance to the project the maximum debt coverage is projected to be 1.49x in Year 10, with a Year 6 coverage of 1.32x.

Using PFM's "without assistance" cash flow as the base scenario, PFM ran sensitivity analyses in order to determine if the project would be likely to occur without public assistance. For the first sensitivity analysis, PFM analyzed how much project funds would have to decrease in order to produce a reasonable debt coverage ratio. We also looked at how much the rental rates would have to fluctuate in order to achieve a reasonable debt coverage. Lastly, we looked at a combination of the two scenarios. For the sensitivity analyses, we assumed a reasonable debt coverage ratio of 1.20x by year 5.

### **Sensitivity Scenario 1 – Project Costs**

The project would have to be reduced by \$254,979 or 18.1% in order for the project to become viable without assistance. This reduces the amount to be financed from \$1,406,034 to \$1,151,055 and reduces the annual payment from \$112,253 to \$91,896 for the loan. It is unlikely that a reduction in project costs of this magnitude would occur at this stage in the development.

### **Sensitivity Scenario 2 – Rental Rates**

In order for the project to be viable without public assistance, the apartment rental rates would have to increase by 13.6%. PFM believes this is a high increase to the Developer's proposed rents. This increases annual rental revenue from \$168,000 to \$190,883. PFM believes the current proposed rents are reasonable rental rates and does not believe an increase this large would occur.

### **Sensitivity Scenario 3 – Combination of Project Costs and Rental Rates**

The final scenario looks at both a reduction of project costs and an increase in apartment rental rates. The analysis showed that project costs would have to be reduced by \$114,472 or 8.2% and rental rates would have to increase by about 7.5%. Either of these events could occur but may be unlikely to occur together.

The above scenarios show the circumstances in which the project would become viable without public assistance. PFM has determined that the project is unlikely to occur "but-for" the public assistance.



## Conclusion


The Developer will bear all the risk involved with the project. The Developer is dependent on a number of factors before and after the project is completed, including project costs, occupancy of the buildings, the rental market, and monthly expenses. The base scenario without assistance along with the sensitivity analyses demonstrates that the project would be unlikely to be feasible without assistance.

PFM has calculated that with public assistance, and based on the assumptions outlined in this report, a 10-year internal rate of return is estimated to be 9.00%. In addition, the coverage ratio in Year 10 is estimated to be 1.49x. The estimated internal rate of return is appropriate given the risk level for this type of project. Based on the information provided to PFM, the calculated internal rate of return and the coverage requirements, PFM concludes the project would not be feasible without public assistance.



## MEMORANDUM

**TO:** Economic Development Incentive Committee

**FROM:** Jim Gilmour, Director of Strategic Planning and Research 

**DATE:** May 17, 2023

**SUBJECT:** EPIC Water Park

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EPIC Companies have made a request for property tax incentives to financially support the construction of a parking ramp to serve a proposed water park, an existing hockey arena and softball/baseball diamonds.

There are two issues to consider. First, our current policy does not support incentives for non-primary sector businesses in areas that are ready for development so a policy amendment should precede consideration of this request. Second, should the City approve the request?

I attached the current policy on public-private partnerships. Also, I drafted changes that would broaden the types of project city policy considers in order to review this request and other requests that may be proposed in the future.

The EPIC request is attached for your review. The proposal is for 20-year PILOT property tax exemption for the waterpark and hotel, a future building and the parking ramp.

## **Public Private Partnerships (P3) Policy**

Public Private Partnerships (P3) may include the creation of a Tax Increment Financing District. The P3 developments incentivize private development by funding public infrastructure and/or financially assisting a developer. Absent this public infrastructure and/or developer assistance, the private development would not otherwise occur.

There is no “standard” type of public private partnership. Each P3 will be unique. There will be unique area and site conditions, unique needs for public infrastructure, and unique private developments.

### **PROCESS:**

The process for public private partnerships will begin with discussions between city officials, private landowners, and development groups. Typically, there will be a difficult to develop site, and a need for public infrastructure and/or developer assistance to make development financially feasible and physically possible.

The Economic Development Incentives Committee will do the first review of the P3 concept. The Committee will make a recommendation to the City Commission either to proceed with the development of a Renewal Plan, or to recommend that the City not participate in the P3 concept. The P3 concept review will examine whether the development is consistent with city plans, if it provides a community benefit and if the public assistance is essential to *any* private development.

### **RENEWAL PLAN DEVELOPMENT**

City staff will develop the Renewal Plan. The Planning, Administration, Engineering and Finance Departments will all participate in the preparation process. Legal counsel will review the plan and write development agreements. Financial advisors will review financial assumptions and recommend the reasonability of assistance to private developers and the financing plan for public facilities.

### **RENEWAL PLAN IMPLEMENTATION:**

The City will implement activities included in the Renewal Plan. This will include:

- Overseeing the installation of public infrastructure;
- Monitor developer compliance with terms of agreements;
- Collection and distribution of tax increment funds and/or other public funds;
- Monitoring and reporting on the results of the plan implementation.



## Public Private Partnerships (P3) Policy

Public Private Partnerships (P3) may include the creation of a Tax Increment Financing District or Payment in Lieu of Taxes property tax exemptions. The P3 developments incentivize private development by funding public infrastructure and/or financially assisting a developer. Absent this public infrastructure and/or developer assistance, the private development would not otherwise occur.

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There is no "standard" type of public private partnership. Each P3 will be unique. There will be unique area and site conditions, unique needs for public infrastructure, and unique private developments.

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### PROCESS:

The process for public private partnerships will begin with discussions between city officials, private landowners, and development groups. Typically, there will be a difficult to develop site, and/or a need for public infrastructure and/or developer assistance to make development financially feasible and physically possible.

The Economic Development Incentives Committee will do the first review of the P3 concept. The Committee will make a recommendation to the City Commission either to proceed with the development of a Renewal Plan or Development Agreement, or to recommend that the City not participate in the P3 concept. The P3 concept review will examine whether the development is consistent with city plans, if it provides a community benefit and if the public assistance is essential to any private development or a development with facilities that provide a public benefit.

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### RENEWAL PLAN and/or DEVELOPMENT AGREEMENT

City staff will develop the Renewal Plan and/or Development Agreement. The Planning, Administration, Engineering and Finance Departments will all participate in the preparation process. Legal counsel will review the plan and write development agreements. Financial advisors will review financial assumptions and recommend the reasonability of assistance to private developers and the financing plan for public facilities.

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### RENEWAL PLAN and/or DEVELOPMENT AGREEMENT IMPLEMENTATION:

The City will implement activities included in the Renewal Plan and/or Development Agreement. This will include:

- Overseeing the installation of public infrastructure;
- Monitor developer compliance with terms of agreements;
- Collection and distribution of tax increment funds and/or other public funds;
- Monitoring and reporting on the results of the plan implementation



## EPIC Companies

EPICCompaniesND.com

745 31st Ave, E Suite 105

West Fargo, ND 58078

701.866.1006

May 9, 2023

Jim Gilmour  
Director of Strategic Planning & Research  
City of Fargo  
225 4<sup>th</sup> St N  
Fargo, ND 58102

Mr. Gilmour,

Please find the enclosed summary for a proposed payment in lieu of taxes (PILOT) project that is a critical component to support the construction of a public 500 space parking ramp as part of a smart-growth, high-density, mixed-use development.

### Summary:

The two (2) lots that will support the financing of the public parking ramp include (i) The Wave Waterpark Resort located south of the ramp, and (ii) the lot west of the ramp that is planned to complete this regional destination. The Wave is designed at over 50,000sf and connects to a 7-story tower for resort components that include: family entertainment center, restaurant and lounge, gift-shop, and 135 guest rooms. The lot west of the ramp can support the final hospitality component to this regional destination and has an approved franchise agreement with IHG for a future Holiday Inn. This PILOT request does not include the ramp lot itself, or other projects like the Makt buildings that are already under construction and are estimated to contribute over \$450,000 in annual property taxes once complete.

### Benefit:

The parking ramp will benefit the public in many ways, including: (i) allowing for high-density development which provides for higher property tax values, (ii) additional parking for key neighbors such as: Cornerstone Bank Arena, Fargo Park District's Anderson Fields, The Red River Zoo, and the FM Curling Club, (iii) and provides for a quality of life amenity for the entire community which has been identified as a key piece to employee attraction and retention.





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### Financial info:

\$64,000,000 total estimated cost of the waterpark resort component.

\$20,000,000 total estimated cost of the future lot building component.

\$13,000,000 total estimated cost of the public parking ramp.

- Requesting a 20 year PILOT on the two (2) lots adjacent to the ramp.
- Those lots are estimated to pay \$24,000 annually during the PILOT.
- Those lots are estimated to pay over \$1,100,000 annually after the PILOT program expires.

We are truly excited about this project becoming a reality and look forward to partnering with you on what will become a tremendous public benefit for the community of Fargo. If you need any else to supplement this request, please let me know. Thanks for your consideration.

Sincerely,

Blake Nybakken

Chief Operating Officer

Cc: Todd Berning, President





The  
*Wave*  
by EPIC  
**Water Park Resort**



# LOCATION AND SITE PLAN

1

## EOLA By EPIC

45th St. S, Fargo, ND 58104

EOLA is a master-planned development located just south of I-94 and right off 45th Street South in Fargo. EOLA offers commercial & office space, condos of all sizes, upscale apartments, a public park, and The Wave Water Park Resort.

The buildings surround a four-acre urban public park with year-round features and programming. Other features such as green space, walking paths, youth activities, and art will make EOLA a great addition to the neighborhood and will boost property values and continue to help spur revitalization.





# THE WAVE WATER PARK RESORT

2

Featuring 50,000+ SF of entertainment for the whole family, The Wave by EPIC Water Park Resort will be the largest indoor water park within a 180-mile radius of Fargo, ND.

Once inside, you decide where the fun begins...thrilling slides, a splash pad, an activity pool, and a wave pool. Cabanas, self-use lockers, a fully stocked snack bar, and a gift shop will also be available for water park guests to utilize.



## Resort Hotel

Connected to The Wave Water Park is a seven-story full-service hotel that will have 135-rooms. This will attract out-of-town water park guests and accommodate local staycationers, in addition to those who use day passes. The hotel will feature a first floor restaurant and lounge as well as a family entertainment center, truly elevating the site as a regional destination.

## Parking Ramp

The EOLA By EPIC Development will feature a public parking garage with 500 spots that will provide convenient access for all nearby activities including: **Fargo Park District's Anderson Fields, Cornerstone Bank Arena, The Red River Zoo, and The FM Curling Club.**





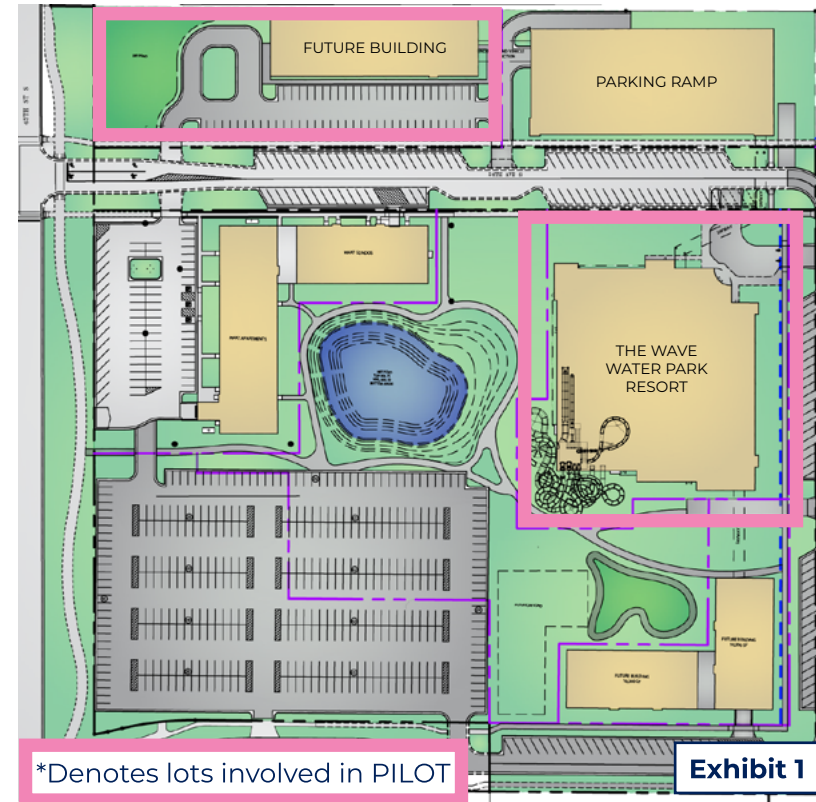


## Align with Fargo GO 2030 Comprehensive Plan

- Allows for higher density & smart growth - similar to a Downtown district
- Prosper as a business center with numerous commercial tenants
- Thrive as a location
- Complete our Streets
- Park Smart
- Play with a Purpose

## MEETING KEY OBJECTIVES

1. Served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development;
2. Compatible with the adjacent area or the future land use in the area;
3. Sidewalks, bike trails or a transit stop within 4 blocks;
4. Shared parking by the different land uses;
5. Include public spaces or public art;
6. Replaces surface parking;
7. Create significant growth in the tax base on the site;
8. Encourages additional development on adjacent sites;
9. Contains businesses that will provide needed services or goods used by adjacent land uses



## Parking Ramp & PILOT

Creating an on-grade public parking lot in our development that also serves the various public attractions in the surrounding area would drastically limit the amount of buildable square footage at the EOLA Development (**Exhibit 1 - showing only 378 parking spaces comparable to the ramp which would be 500 parking spaces**). By utilizing the density of a parking structure, the municipality will benefit from the taxable property value that will be created through our vision for EOLA as we build privately owned buildings throughout the development.

## Economic Impact

Like The Lights in West Fargo - The Wave Water Park Resort by EPIC will boost property values outside the developments and continue to spur revitalization.

## Property Tax History and Projections for 2 parcels seeking PILOT\*

Time Frame	Owner	Annual Property Tax	20 Year Time Frame
20 years prior to EPIC's purchase of land	Fargo Park District	\$0	\$0
20 years of PILOT	The Wave/Future Building	\$23,957.11	\$479,142.20
20 years after PILOT	The Wave/Future Building	\$1,109,072.01	\$22,181,440.20

*\*Estimates are based on current tax rates assessed property values and include no inflation over time.*

## First Project at EOLA Development, Currently Under Construction

(NOT part of PILOT Application)

Project	Annual Property Tax	20 Year Time Frame
MAKT Project Property Taxes (est.)	\$470,000	\$9,400,000

The following chart displays our proposed parking ramp, operationally and functionally compared to the recently approved N.P. Ave Parking ramp in Downtown Fargo.

## EOLA Ramp & N.P. Ave Ramp Comparisons\*\*

	WAVE PILOT Proposal	N.P. Ave Ramp
# of Spots	500	465
Incentive Program	PILOT	TIF
Ownership	Private	City
Initial City Funding	No city cash requested	City \$4,000,000 injection
Financing	Private	City Bond financing
DSC Responsibility	Private Investors	City
Cost per stall	\$24,000	\$43,000
Maintenance and Management	Private	City
Property taxes paid after incentive	Yes	No

*\*\*Data collected from Fargo Forum article...*