

**EDIC MEETING
With Renaissance Zone Authority**

**Tuesday, April 26, 2022 – 1:00 p.m.
City Commission Chambers, Fargo City Hall**

AGENDA

1. **401 3rd Ave North** [Page 1]


AGENDA

Economic Development Incentive Committee

1. **Approve EDIC Meeting Minutes of
03/22/2022**
 - March 22, 2022 [Page 2-5]
2. **PharmaMed** [Page 6-10]

MEMORANDUM

TO: Economic Development Incentive Committee
Renaissance Zone Authority

FROM: Jim Gilmour, Director of Strategic Planning and Research 

DATE: April 19, 2022

SUBJECT: 401 3rd Avenue North

This is to provide you with a report on the two proposals for 401 3rd Avenue North.

It was suggested at your joint meeting that city staff explore the options and see if both projects could be developed and still meet the parking desires of American Federal Bank. We had extensive discussions with both developers and the bank; however, we did not identify a way to build both projects.

The City Attorney has some concerns about continuing these joint meetings of the Economic Development Incentives Committee and the Renaissance Zone Authority. Because of these concerns, I am going to ask the City Commission to select one of the two proposals at their next meeting. Most of the City Commissioners are already familiar with both of the development proposals having served on one of the Committees or attended the meetings.

Thank you for the time you spent reviewing the proposals, listening to presentations and discussing the merits of each proposal. You will continue to play an important role in the review process by making a recommendation on either Renaissance Zone incentives or Tax Increment Financing incentives.

ECONOMIC AND DEVELOPMENT INCENTIVE COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, March, 2022

The February 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, March 22, 2022.

The committee members present or absent are:

Present: Dave Piepkorn, Mayor Tim Mahoney, John Cosgriff, Jessica Ebeling, Jim Gilmour, Deb Mathern, Arlette Preston, Prakash Mathew, Michael Splonskowski, Jim Buus, Steve Swiontek, Reid Middaugh, John Strand

Absent: Levi Bachmeier, Bruce Grubb, Kent Costin, Erik Johnson, Jackie Gapp, Joe Raso, Robert Wilson, Dean Brescani, Chad Peterson, and Nancy Morris.

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

A motion was made by Dave Piepkorn to approve the minutes from February 22, 2022. John Cosgriff seconded, motion carries.

Proposals for 419 3rd St North

- TIFF assistance for 3 years
- Criteria #1- Proposed development is consistent with the downtown plan (preferably residential)
 - Authentic Housing
 - 118 Units
 - 10 enclosed parking spaces
 - Kilbourne Group
 - 115 Units
 - 152 enclosed parking spaces
- Criteria #2- Good design and quality of the project
- Criteria #3- Large amount of private investment
 - Authentic Housing
 - \$40-50 million total investment
 - Approximately 50% from housing bonds and approximately 50% from federal low income housing tax credits
 - Kilbourne Group
 - \$25 million total private investment
- Criteria #4- Purchase price

- Authentic Housing
 - Land at \$0
 - Kilbourne
 - \$162,964.00
- Criteria #5- Ability of the developer to implement the project
 - Authentic Housing
 - Has never developed a project before
 - Incorporated 1/31/22
 - Kilbourne Group
 - Large number of downtown projects
 - Active since 2006
- Criteria #6- Financial feasibility of development
 - Authentic Housing
 - Unknown
 - No market study
 - Unanswered financial questions
 - Novel concept
 - Kilbourne Group
 - Successful track record with developing projects
- Criteria #7- Implementation to begin within one year and be completed within three years
 - Authentic Housing
 - Timeline is pending financial resources and development partner
 - Kilbourne group
 - Construction to begin in fall of 2022
 - Open Spring of 2024
- Criteria #8- Experience with related projects and pas project history
 - Authentic Housing
 - Never developed a project before
 - Kilbourne Group
 - 6 past projects completed
- Next steps:
 - Committee provides recommendation to FCC
 - City Commission selects developer
 - Final advisor the City of Fargo reviews incentives
 - Development agreement prepared for the project
 - City Commission approval of development agreement
- Questions:
 - Arlette Preston: What is the background of the time frame?
 - Jim Gilmour: Project that is ready to go within 1 year and completed within 3 years
 - Prakash Mathew: Concerns of the people. There is a need but does not know if AH can afford it. Do they have the banking and can they handle the proposal?
 - Tyrone (Authentic Housing): Finances- initially they were not required to provide letter of intent. Now they had 3 weeks. They need more time.

- City of Fargo- needs financial proof and needs parking
- Mayor Mahoney: Would like Housing Authority work with Authentic Housing on Burrell project.

A motion was made by John Cosgriff motion to recommend Kilbourne proposal #2. Mayor Mahoney seconded, motion carries.

8 YES / 2 NO. Motion carries.

A motion was made by Jessica Ebeling to have the Tax Exempt Committee to reach out and find other stakeholders within the city of Fargo to start some guidelines. Mayor Mahoney seconded, motion carries.

10 YES / 0 NO. Motion carries.

Proposals for 401 3rd Ave N

Minutes Approved

A motion was made by Dave Piepkorn to approve the minutes from February 22, 2022. John Cosgriff seconded, motion carries.

Tax Increment Financing

- Jon Casper- Alliance Management Group
- West Acres/Old Herberger's
- 3940 13th Ave S
- 50,000 square feet retail with 160-180 apartment units
- Opportunity within the project to include public art
- Space has been vacant for 4 plus years

Questions:

- Dave Piepkorn- Will there be accessible parking and how many? And will there be covered parking?
 - Jon- there will be underground parking. 90k square feet of internal parking. 1 parking space per bedroom. Will have to get back with details about accessible parking.
- Mayor Mahoney- How long is the TIF?
 - Jim Gilmour- we have not run those numbers yet for the TIFF
- John Cosgriff- Is the current assessed value \$700,000 for the property?
 - Jon- The assessed value is around \$4 million

A motion was made by Dave Piepkorn to approve tax increment financing for old Herberger's property within West Acres Mall. John Cosgriff seconded, motion carries.

- If passed, the next steps would be:
 - Rezoning
 - Renewal plan (May-June)
 - Talk with financial advisor

Co-Schedule

- 502 1st Ave
- Software company
- John Machacek- Fargo Moorhead Economic Development Chief Innovation Officer
 - Previously worked with Co-Schedule
 - Spoke highly of Co-Schedule
- Justin Walsh
 - Seeking a 5 year property tax exemption
 - The only space they will be exempt is space that Co-Schedule will occupy
 - Renaissance exemption will not be available as it was previously applied to this building.
 - Flex base loan
 - They have been in Downtown Fargo for 8 years at a various number of locations of downtown.
 - Would like to put some additional dollars in downtown
 - 1.5% of their revenue comes from North Dakota


A motion was made by Mayor Mahoney to approve the 5 year tax exemption. Jessica Ebeling seconded, motion carries.

Committee Membership

The meeting was adjourned at 2:21 pm.

MEMORANDUM

TO: Economic Development Incentive Committee

FROM: Jim Gilmour, Director of Strategic Planning and Research 

DATE: April 19, 2022

SUBJECT: PharmaMed

The City of Fargo received a request from PharmaMed for City support for interest buydown assistance from the ND Opportunity Fund. The City of Fargo is a participant in the ND Opportunity Fund, which makes businesses eligible to apply for assistances from the fund. However, City of Fargo support is required to apply for the buydown funds. The City support is in the form of a letter and does not include financial support.

PharmaMed wants to relocate their business from Hawley, MN to an existing building in Fargo. They employee 15 people, plan to add 2 to 4 staff in the first year of operation in Fargo, and have a goal to expand to 30 people in five years. Additional information is attached.

Recommended Motion

Provide a letter of support to the ND Opportunity Fund in support of an interest buydown for PharmaMed for the acquisition and renovation of a building in Fargo.

April 18th, 2022

Jim Gilmour, Director of Strategic Planning and Research
City of Fargo
225 4th St. N.
Fargo, ND 58102
701-241-1476

To Whom It May Concern:

PharmaMed Automation, Inc. is requesting to be added to the April 26th agenda. PharmaMed Automation, Inc. is requesting support for the community match for an interest buydown from the ND Opportunity Fund. Below is an overview and history of PharmaMed Automation, Inc.

PharmaMed Automation, Inc is currently located in Hawley, MN and has been in business since June 2012 and was founded by Walter Stewart and Dustin Hanson, who each have 50% ownership. PharmaMed Automation, Inc is a custom automation engineering company. We provide custom automation packaging equipment primarily for the pharma-medical industry. Over the past 3 to 4 years – we have known that we were going to outgrow our current facility in Hawley, MN and had begun the process of looking for a larger facility.

A property came for sale located at 2402 8th Ave Fargo, ND 58102 and a purchase agreement has been signed. This property is being purchased by Northern Property Group, LLC which is also owned by Walter Stewart and Dustin Hanson, who each have 50% ownership. This property is approximately 19,380 square feet – warehouse 15,320 square feet & the office space is 4,060 square feet. This property has had extensive water damage due to a water main break and is in need of extensive renovations. We are looking at renovating the whole building. Our renovation would include building a CNC area, work cells for equipment to be built and new offices. Funding would also be used to buy two new CNC machines, a forklift and new office furniture. Currently, we are still in the process of finalizing our renovation bid numbers.

As we look at moving our business to Fargo, all of our current jobs will follow over with us. Our current job total is at 15 people. We plan on adding between 2 to 4 jobs within our first year of being in Fargo, ND and would anticipate that same growth in our 2nd year. Our goal at PharmaMed Automation Inc is to have 30 full-time employees which would be doubling our workforce in 5 years.

We thank-you for the opportunity to share our story and to work with you in the future on funding this development.

Sincerely,



Dustin Hanson
President
PharmaMed Automation, Inc.

PharmaMed
112 15th St S Ste C (PO Box 760)
Hawley, MN 56549



March 29, 2022

Northern Property Group, LLC
PO Box 760
Hawley, MN 56549

Dear Dustin and Walter:

Thank you for considering Midwest Bank for your financing needs! We greatly appreciate the opportunity to propose the following financing option for Northern Property Group, LLC.:

Borrower: Northern Property Group, LLC

Loan Purpose: Purchase and improve CRE located at 2402 8th Ave. N. Fargo, ND

Loan Amount: Midwest Bank's portion \$1,150,000 (TBD at 50% of "as-completed" appraised value)

Rate: Fixed for five years at 265 bps over the 5-year FHLB rate

Repayment Terms: Monthly principal and interest payments required, based on a fully amortizing 20 or 25 year loan. Optional: Up to a 12 month interest only loan during the improvement phase.

Collateral: 1st REM on commercial real estate located at 2402 8th Ave. N. Fargo, ND

Prepayment Penalty: None

Fees: Closing fees would include, but not be limited to, all hard costs for Midwest Bank and the SBA fees

Prepayment Penalty: None on Midwest Bank's portion of the debt

Financial Reporting Covenants: Bank would require annual tax returns from the borrower and annual tax returns and PFS from the guarantors.

Guarantors: Bank would require an unlimited personal guaranty from Dustin Hanson and Walter Stewart.

This Financing Proposal is effective until May 31, 2022.

If you have any questions or concerns with the financing proposal stated above, please feel free to contact me at (218)844-2990.

If you agree to the above terms, please sign and return to the bank. Thank you for considering Midwest Bank for your financing needs.

Sincerely,

Katie Lage
Commercial Loan Officer
NMLS ID Number 1276694

I accept the terms as presented:

Authorized Signer

Name: _____

Date: _____

BARNESVILLE
215 Front St. S. • P.O. Box 737
Barnesville, MN 56514-0737
Phone: 218-354-2704

CALLAWAY
421 Main Ave. • P.O. Box 68
Callaway, MN 56521-0068
Phone: 218-375-4501

DALTON
108 W. Main • P.O. Box 278
Dalton, MN 56324-0278
Phone: 218-589-8701

DETROIT LAKES
613 Hwy. 10 E. • P.O. Box 703
Detroit Lakes, MN 56502-0703
Phone: 218-847-4771

www.midwestbank.net

DETROIT LAKES (WAL-MART)
1583 Hwy. 10 W. • P.O. Box 1665
Detroit Lakes, MN 56502-1665
Phone: 218-847-9700

PARKERS PRAIRIE
105 Soo St. E. • P.O. Box 40
Parkers Prairie, MN 56361-0040
Phone: 218-338-6054

WAUBUN
1211 First St. • P.O. Box 68
Waubun, MN 56589-0068
Phone: 218-473-2191

Exhibit A: Northern Property Group, LLC

LOAN NUMBER	
LOAN TYPE	PACE
LEAD BANK	

NOTE: The borrower and originating lender should be aware that the fund will provide a set stream of subsidy payments (interest buydown) based upon the payment schedule below. The amount of the borrower's payment, the amortization and all other terms of the loan shall be governed by the promissory note. The balances shown here, other than the specific buydown amounts, are intended for illustrative purposes only.

Buydown Account Details

INTEREST BUYDOWN AMOUNT	\$152,665.65
BND BUYDOWN AMOUNT	\$99,232.67
COMMUNITY BUYDOWN AMT	\$53,432.98
PRESENT VALUE BND	\$98,483.50
PRESENT VALUE COMMUNITY	\$53,029.58
CREATED DATE	3/30/2022
PRINCIPAL	\$1,150,000.00
YIELD RATE	5.5500
BORROWING RATE	1.0000
AMORTIZATION	240
PAYMENT	\$7,995.99

Loan without buydown					Loan with buydown					Interest Buydown				
#	Payment	Principal	Interest	Balance	#	Payment	Principal	Interest	Balance	#	Int. Buydown	BND (65.00%)	Comm. (35.00%)	
1	\$7,995.99	\$2,677.24	\$5,318.75	\$1,147,322.76	1	\$3,635.57	\$2,677.24	\$958.33	\$1,147,322.76	1	\$4,360.42	\$2,834.27	\$1,526.15	
2	\$7,995.99	\$2,512.74	\$5,483.25	\$1,144,810.02	2	\$3,500.71	\$2,512.74	\$987.97	\$1,144,810.02	2	\$4,495.28	\$2,921.93	\$1,573.35	
3	\$7,995.99	\$2,701.24	\$5,294.75	\$1,142,108.78	3	\$3,655.25	\$2,701.24	\$954.01	\$1,142,108.78	3	\$4,340.74	\$2,821.48	\$1,519.26	
4	\$7,995.99	\$2,537.66	\$5,458.33	\$1,139,571.12	4	\$3,521.14	\$2,537.66	\$963.48	\$1,139,571.12	4	\$4,474.85	\$2,908.65	\$1,566.20	
5	\$7,995.99	\$2,549.79	\$5,446.20	\$1,137,021.33	5	\$3,531.09	\$2,549.79	\$981.30	\$1,137,021.33	5	\$4,464.90	\$2,902.18	\$1,562.72	
6	\$7,995.99	\$2,737.27	\$5,258.72	\$1,134,284.06	6	\$3,684.79	\$2,737.27	\$947.52	\$1,134,284.06	6	\$4,311.20	\$2,802.28	\$1,508.92	
7	\$7,995.99	\$2,575.06	\$5,420.93	\$1,131,709.00	7	\$3,551.80	\$2,575.06	\$976.74	\$1,131,709.00	7	\$4,444.19	\$2,888.72	\$1,555.47	
8	\$7,995.99	\$2,761.84	\$5,234.15	\$1,128,947.16	8	\$3,704.93	\$2,761.84	\$943.09	\$1,128,947.16	8	\$4,291.06	\$2,789.19	\$1,501.87	
9	\$7,995.99	\$2,600.56	\$5,395.43	\$1,126,346.60	9	\$3,572.71	\$2,600.56	\$972.15	\$1,126,346.60	9	\$4,423.28	\$2,875.13	\$1,548.15	
10	\$7,995.99	\$2,612.99	\$5,383.00	\$1,123,733.61	10	\$3,582.90	\$2,612.99	\$969.91	\$1,123,733.61	10	\$4,413.09	\$2,868.51	\$1,544.58	
11	\$7,995.99	\$3,145.21	\$4,850.78	\$1,120,588.40	11	\$4,019.22	\$3,145.21	\$874.01	\$1,120,588.40	11	\$3,976.77	\$2,584.90	\$1,391.87	
12	\$7,995.99	\$2,640.51	\$5,355.48	\$1,117,947.89	12	\$3,605.46	\$2,640.51	\$964.95	\$1,117,947.89	12	\$4,390.53	\$2,853.84	\$1,536.69	
13	\$7,995.99	\$2,825.48	\$5,170.51	\$1,115,122.41	13	\$3,757.10	\$2,825.48	\$931.62	\$1,115,122.41	13	\$4,238.89	\$2,755.28	\$1,483.61	
14	\$7,995.99	\$2,666.63	\$5,329.36	\$1,112,455.78	14	\$3,626.88	\$2,666.63	\$960.25	\$1,112,455.78	14	\$4,369.11	\$2,839.92	\$1,529.19	
15	\$7,995.99	\$2,850.88	\$5,145.11	\$1,109,604.90	15	\$3,777.93	\$2,850.88	\$927.05	\$1,109,604.90	15	\$4,218.06	\$2,741.74	\$1,476.32	
16	\$7,995.99	\$2,693.00	\$5,302.99	\$1,106,911.90	16	\$3,648.49	\$2,693.00	\$955.49	\$1,106,911.90	16	\$4,347.50	\$2,825.88	\$1,521.62	
17	\$7,995.99	\$2,705.87	\$5,290.12	\$1,104,206.03	17	\$3,659.04	\$2,705.87	\$953.17	\$1,104,206.03	17	\$4,336.95	\$2,819.02	\$1,517.93	
18	\$7,995.99	\$2,889.04	\$5,106.95	\$1,101,316.99	18	\$3,809.21	\$2,889.04	\$920.17	\$1,101,316.99	18	\$4,186.78	\$2,721.41	\$1,465.37	
19	\$7,995.99	\$2,732.61	\$5,263.38	\$1,098,584.38	19	\$3,680.97	\$2,732.61	\$948.36	\$1,098,584.38	19	\$4,315.02	\$2,804.76	\$1,510.26	
20	\$7,995.99	\$2,915.04	\$5,080.95	\$1,095,689.34	20	\$3,830.53	\$2,915.04	\$915.49	\$1,095,689.34	20	\$4,165.46	\$2,707.55	\$1,457.91	
21	\$7,995.99	\$2,759.60	\$5,236.39	\$1,092,909.74	21	\$3,703.09	\$2,759.60	\$943.49	\$1,092,909.74	21	\$4,292.90	\$2,790.38	\$1,502.52	
22	\$7,995.99	\$2,772.79	\$5,223.20	\$1,090,136.95	22	\$3,713.91	\$2,772.79	\$941.12	\$1,090,136.95	22	\$4,282.08	\$2,783.35	\$1,498.73	
23	\$7,995.99	\$3,122.17	\$4,873.82	\$1,087,014.78	23	\$4,000.34	\$3,122.17	\$878.17	\$1,087,014.78	23	\$3,995.65	\$2,597.17	\$1,398.48	
24	\$7,995.99	\$2,800.97	\$5,195.02	\$1,084,213.81	24	\$3,737.01	\$2,800.97	\$936.04	\$1,084,213.81	24	\$4,258.98	\$2,768.34	\$1,490.64	
25	\$7,995.99	\$2,981.50	\$5,014.49	\$1,081,232.31	25	\$3,885.01	\$2,981.50	\$903.51	\$1,081,232.31	25	\$4,110.98	\$2,672.14	\$1,438.84	
26	\$7,995.99	\$2,828.60	\$5,167.39	\$1,078,403.71	26	\$3,759.66	\$2,828.60	\$931.06	\$1,078,403.71	26	\$4,236.33	\$2,753.61	\$1,482.72	
27	\$7,995.99	\$3,008.37	\$4,987.62	\$1,075,395.34	27	\$3,907.04	\$3,008.37	\$988.67	\$1,075,395.34	27	\$4,088.95	\$2,657.82	\$1,431.13	
28	\$7,995.99	\$2,856.50	\$5,139.49	\$1,072,538.84	28	\$3,782.53	\$2,856.50	\$926.03	\$1,072,538.84	28	\$4,213.46	\$2,738.75	\$1,474.71	
29	\$7,995.99	\$2,870.15	\$5,125.84	\$1,069,688.69	29	\$3,793.72	\$2,870.15	\$923.57	\$1,069,688.69	29	\$4,202.27	\$2,731.48	\$1,470.79	
30	\$7,995.99	\$3,048.77	\$4,947.22	\$1,066,619.92	30	\$3,940.16	\$3,048.77	\$891.39	\$1,066,619.92	30	\$4,055.83	\$2,636.29	\$1,419.54	
31	\$7,995.99	\$2,898.44	\$5,097.55	\$1,063,721.48	31	\$3,816.92	\$2,898.44	\$918.48	\$1,063,721.48	31	\$4,179.07	\$2,716.40	\$1,462.67	
32	\$7,995.99	\$3,076.28	\$4,919.71	\$1,060,645.20	32	\$3,962.71	\$3,076.28	\$886.43	\$1,060,645.20	32	\$4,033.28	\$2,621.63	\$1,411.65	
33	\$7,995.99	\$2,926.99	\$5,069.00	\$1,057,718.21	33	\$3,840.32	\$2,926.99	\$913.33	\$1,057,718.21	33	\$4,155.67	\$2,701.19	\$1,454.48	
34	\$7,995.99	\$2,940.98	\$5,055.01	\$1,054,777.23	34	\$3,851.79	\$2,940.98	\$910.81	\$1,054,777.23	34	\$4,144.20	\$2,693.73	\$1,450.47	
35	\$7,995.99	\$3,442.87	\$4,553.12	\$1,051,334.36	35	\$4,263.25	\$3,442.87	\$820.38	\$1,051,334.36	35	\$3,732.74	\$2,426.28	\$1,306.46	
36	\$7,995.99	\$2,971.49	\$5,024.50	\$1,048,362.87	36	\$3,876.81	\$2,971.49	\$905.32	\$1,048,362.87	36	\$4,119.18	\$2,677.47	\$1,441.71	
	\$287,855.64	\$101,637.13	\$186,218.51			\$135,189.99	\$101,637.13	\$33,552.86			\$152,665.65	\$99,232.67	\$53,432.98	