

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting

Tuesday, February 28, 2017

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 1:00 p.m., Tuesday, January 24, 2017.

The committee members present or absent are as shown following:

Present: Dave Piepkorn, Jim Buus, Jessica Ebeling, Jim Gilmour, Mark Lemer, Mayor Tim Mahoney, Kent Costin, Bruce Grubb, & Ben Hushka.

Absent: Chuck Hoge

Committee Chairman Dave Piepkorn called the meeting to order at 1:00 p.m.

Application for New/Expanding Industry Exemption submitted by Corporate Air

Commissioner Dave Piepkorn asked Ben Hushka, City Assessor, to introduce the item. Mr. Hushka stated this is an air freight project. The applicant will be moving from Grand Forks. It will include a new building to be constructed on airport property as well as renovation to an existing building. The applicant applied for a 10 year payment in lieu of tax (PILOT) at the equivalent of 100% exemption. Mr. Hushka referred to the application summary indicating that the applicant does not have primary sector designation and did not receive the required points in the evaluation calculator for a recommended approval. The applicant was not present.

Kent Costin asked if the applicant just did not provide evidence of primary sector or were denied by the State. Mr. Hushka said that his understanding is that they applied for primary sector status with the State and were denied.

Mr. Hushka stated that the evaluation of these applications are now under the newly revised and adopted policy. He also stated that the point system has been modified as part of the revision. Mr. Hushka said that when Federal Express applied, they received more points than the current applicant due to a higher value of the project improvements. They also received more points for the jobs created due to the previous values in the point system. He said Federal Express would receive fewer points under the new system.

Bruce Grubb stated that he struggled with this application. He said that we categorized the project as distribution and it seems the use is more like that of an airport hangar. In reference to the policy amendment under consideration today, Mr. Grubb said that this applicant doesn't have primary sector status and the project doesn't meet the 40,000 square feet or \$8,000,000 investment required by policy.

Jim Buus stated that, by their own information provided on the application, they say the project type is overnight storage and light maintenance of aircraft.

Jim Buus made a motion to deny the application as submitted. Bruce Grubb seconded the motion. Motion carried unanimously.

Discussion of Commission Adoption and Amendment of the revised Tax Exempt Review Committee Policy & Guidelines.

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

Mr. Hushka stated that the policy approved at the last Tax Exempt Review Committee meeting was presented to the City Commission for approval. Mr. Hushka said that, during the Commission meeting, three amendments were proposed. One, to review the New Residence Exemption policy every two years, died for lack of a second. The second amendment called for the “but-for” financial feasibility test that is required on major projects, to be applied to all applications for incentives. That motion failed on a 2-3 vote. The third amendment, offered by Commissioner Gehrig, regarded the part of the policy which allows a term longer than 5 years. The policy, as presented to the Commission, allowed a longer term for payment in lieu of tax (PILOT) incentives for significant projects, in the downtown area, meeting certain criteria. Mr. Hushka said that the motion for the amendment was for parity in all of the city and to have one policy for the entire city; not a separate one for downtown. Mr. Hushka said the motion was made, the Mayor asked for a second, and Commissioner Strand asked for clarification on the motion. The motion, as restated by Commissioner Gehrig, was “single PILOT policy which gets rid of any inequity between downtown and the rest of the city”. That motion received a second and passed on a 4-1 vote. Mr. Hushka provided a summary of a revised version of that part of the policy to comply with the amendment that was approved by the City Commission. Mr. Hushka said that, where the policy called for significant projects in the downtown being eligible for longer term incentives, in the revised version, all references to downtown were removed.

Mayor Mahoney said that when Dakota Specialty Milling was granted a longer term exemption, that was the rationale; to allow larger projects a longer term even outside of downtown. He said that he didn’t really see the amendment as a major change from what has been done in the past.

Kent Costin asked if the “but-for” financial feasibility analysis is now required for all projects outside of downtown too. Mr. Hushka stated that the “but-for” is spelled out in policy for specifically the very large projects that meet certain criteria such as in excess of \$8,000,000 or at least 40,000 square feet among other things.

Jessica Ebeling asked if this committee needs to take any further action. Chairman Piepkorn said that the policy was revised according to the amendment voted on by the City Commission and doesn’t feel that this committee needs to take further action.

Mark Lemer asked if the “but-for” analysis will be done by an outside agency or internally. Kent Costin described the process used for Tax Increment Financing (TIF) projects and that an outside firm is engaged to perform the analysis.

Jessica Ebeling asked who absorbs the cost for those analyses. Mr. Costin said that the applicant does. Jim Gilmour stated that the fee is \$5,000.

Mark Lemer asked if the “but-for” analysis requirement will lengthen the timeline for review of these projects. Mr. Gilmour stated that, in the past, the time to receive the analysis has varied from four days to six weeks. Mayor Mahoney said that it could lengthen the process and everyone should understand that but, the Commission likes to have that report to rely on. Mr. Hushka stated that the process now for these projects takes about a month. He said there

is a statutory requirement of publishing notices to potential competitors and a waiting period after completion of publications.

Mr. Costin asked who would review the financial analysis for these projects. He said currently, the Finance Committee reviews them for the TIF projects. Chairman Piepkorn and Mayor Mahoney both stated that since it is the Tax Exempt Review Committee's responsibility to review these projects and it is in the policy for this committee, that is where the initial review should be done.

The meeting adjourned at 1:15 p.m., Tuesday, February 28, 2017.