

**EDIC MEETING**  
**Tuesday, November 28, 2023 – 1:00 p.m.**  
**City Commission Chambers, Fargo City Hall**

**AGENDA**

- 1. Approve Tax Exempt Review Committee Meeting Minutes of 10/24/2023**
  - a. October 24, 2023 [Page 1-2]
- 2. John Deere Application for Property Tax Exemption [Page 3-11]**
- 3. J and S Holdings Requested for Letter of Support for a Building Outside of Fargo**  
[Page 12-13]
- 4. Discussion on Property Tax Incentives**

**ECONOMIC AND DEVELOPMENT INCENTIVE COMMITTEE**  
**Joint Meeting with COF Commission**  
**Fargo, North Dakota**

**Regular Meeting**

**Tuesday, October 24, 2023**

The September 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, October 24, 2023.

The committee members present or absent are:

Members Present: Dave Piepkorn, John Cosgriff, Mayor Mahoney, Lucas Paper, Jon Eisert and Erik Barner

Other Commissioners Present: John Strand, Denise Kolpack

Members Absent: Jessica Ebeling

Others Present: Jackie Gapp, Jim Gilmour, Michael Splonskowski, 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 August 22, 2023. Mayor Mahoney seconded. Motion carries.

**New Member**

- Erik Barner

**Report and Review of Property Tax Exemptions- Joint Meeting with City Commission**

- There are 8 types of Property Tax Incentives
  - Primary Sector jobs (new Industry or PILOT)
  - Housing in Core Neighborhoods and NDSU Area (PILOT)
  - Downtown Housing and Other Projects (PILOT)
  - Renewal Plans (TIF)
  - Affordable Housing (PILOT)
  - New Single-Family Housing

- Remodeling and Building Additions
  - Day Care
- Jim Gilmour talked about expired exemptions. Mayor Mahoney stated that they need to monitor what companies are doing, what they are saying, and how many jobs were created.
- Primary Sector Job Creation
  - John Strand commented that maybe there should be incentive for hires due to jobs not be filled in the area. He also stated that the minimum wage should be raised.
  - Joe Raso from FMEDC commented that they are connected into a sales force system and they are setting up a survey to get more information regarding jobs.
- PILOT Exemptions near NDSU
  - Incentives are 10 years
  - Dakota Beach Housing
- Downtown Redevelopment Projects and Pilots
  - Incentives are 10 to 20 years and start to pay some property taxes after 5 year.
- Renewal Plans
  - Brownfield sites
  - Developer assistance is limited to 15 years but can go to 25 years
- TIF Districts and Funds
- Affordable Housing
  - Incentives are for 15-20 years
  - Biggest problem is availability of sites
  - Fargo Housing Authority and Beyond Shelter
  - John Strand commented that there should be inclusive housing and that the committee should learn about what other cities have done.
- Growth Plan

The meeting was adjourned at 2:02pm.

**Application For Property Tax Incentives For  
New or Expanding Businesses**

N.D.C.C. Chapter 40-57.1

Project Operator's Application To Fargo

City or County

File with the City Auditor for a project located within a city; County Auditor for locations outside of city limits.

A representative of each affected school district and township is included as a non-voting member in the negotiations and deliberation of this application.

**This application is a public record**

**Identification Of Project Operator**

1.	Name of project operator of new or expanding business <u>John Deere Electronic Solutions, a Division of Deere &amp; Company</u>
2.	Address of project <u>4101 19th Avenue North</u>
	City <u>Fargo</u> County <u>Cass</u>
3.	Mailing address of project operator <u>1441 44th Street N</u>
	City <u>Fargo</u> State <u>ND</u> Zip <u>58102</u>
4.	Type of ownership of project
	<input type="checkbox"/> Partnership <input type="checkbox"/> Subchapter S corporation <input type="checkbox"/> Individual proprietorship
	<input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Cooperative <input type="checkbox"/> Limited liability company
5.	Federal Identification No. or Social Security No. <u>[REDACTED]</u>
6.	North Dakota Sales and Use Tax Permit No. <u>[REDACTED]</u>
7.	If a corporation, specify the state and date of incorporation <u>Delaware</u>
8.	Name and title of individual to contact <u>Rich Malmgren</u>
	Mailing address <u>1441 44th Street N</u>
	City, State, Zip <u>Fargo, ND 58102</u> Phone No. <u>[REDACTED]</u>

**Project Operator's Application For Tax Incentives**

9.	Indicate the tax incentives applied for and terms. Be specific.
	<input checked="" type="checkbox"/> <b>Property Tax Exemption</b> <input type="checkbox"/> <b>Payments In Lieu of Taxes</b>
	<u>5</u> Number of years <u>          </u> Beginning year <u>          </u> Ending year
	<u>100</u> Percent of exemption <u>          </u> Amount of annual payments (attach schedule if payments will vary)
10.	Which of the following would better describe the project for which this application is being made:
	<input type="checkbox"/> New business project <input checked="" type="checkbox"/> Expansion of a existing business project

## Description of Project Property

11. Legal description of project real property

Lot: 1 Block: 1 Addition: Phoenix Addition Additional: PHOENIX ADDN LT 1 BLK 1

12. Will the project property be owned or leased by the project operator? ☒ Owned ☐ Leased

If the answer to 12 is leased, will the benefit of any incentive granted accrue to the project operator?

☐ Yes ☐ No

If the property will be leased, attach a copy of the lease or other agreement establishing the project operator's benefits.

13. Will the project be located in a new structure or an existing facility? ☒ New construction ☐ Existing facility

If existing facility, when was it constructed? \_\_\_\_\_

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application Nov 2023

b. Description of project to be constructed including size, type and quality of construction  
84,000 sq ft addition to existing building of warehouse, manufacturing, R&D lab space.

c. Projected number of construction employees during the project construction ~500 employees

14. Approximate date of commencement of this project's operations July 2025

15. Estimated market value of the property used for  
this project:

a. Land ..... \$ \_\_\_\_\_

b. Existing buildings and  
structures for which an exemp-  
tion is claimed..... \$ \_\_\_\_\_

c. Newly constructed buildings  
and structures when  
completed ..... \$ 16,800,000

d. Total ..... \$ 16,800,000

e. Machinery and equipment ..... \$ 600,000  
R&D

16. Estimate taxable valuation of the property eligible  
for exemption by multiplying the market values by  
5 percent:

a. Land (not eligible) ..... 

b. Eligible existing buildings and  
structures ..... \$ \_\_\_\_\_

c. Newly constructed buildings  
and structures when  
completed ..... \$ 840000

d. Total taxable valuation of  
property eligible for exemption  
(Add lines b and c)..... \$ 840000

e. Enter the consolidated mill rate  
for the appropriate taxing  
district ..... 283.22

f. Annual amount of the tax  
exemption (Line d multiplied  
by line e) ..... \$ 237,905.00

## Description of Project Business

**Note: "project" means a newly established business or the expansion portion of an existing business. Do not include any established part of an existing business.**

17. Type of business to be engaged in: ☐ Ag processing ☒ Manufacturing ☐ Retailing  
☐ Wholesaling ☒ Warehousing ☒ Services

18. Describe in detail the activities to be engaged in by the project operator, including a description of any products to be manufactured, produced, assembled or stored (attach additional sheets if necessary).

Manufacturing and Programming of Receivers, Displays, Controllers, Modems, and Inverters.

The Warehousing for electronic components items

Expanding and Growing Electrification Lab Capabilities

19. Indicate the type of machinery and equipment that will be installed

Manufacturing Lines, Programming Stations, Final Assembly Stations, Pallets & Racking, Fork Trucks, and Electrification Lab Equipment etc.

20. For the project only, indicate the projected annual revenue, expense, and net income (before tax) from either the new business or the expansion itself for each year of the requested exemption.

	New/Expansion Project only Year 1	New/Expansion Project only Year 2	New/Expansion Project only Year 3	New/Expansion Project only Year 4	New/Expansion Project only Year 5
Year (12 mo. periods)					

We are a publicly traded, not able to disclose.

Annual revenue					
Annual expense					
Net income					

21. Projected number and salary of persons to be employed for the first five years:

Current positions & positions added the initial year of project

# Current Positions	New Positions Under \$13.00	New Positions \$13.01-\$15.00	New Positions \$15.01-\$20.00	New Positions \$20.01-\$28.00	New Positions \$28.01-\$35.00	New Positions Over \$35.00
188						62

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) 157	195	195	195	195	195
	(2) 31	55	55	55	55	55
Estimated payroll	(1) 20M	22M	22.5M	23M	23.5M	24M
	(2) 3M	4M	4.1M	4.2M	4.3M	4.4M

(1) - full time

(2) - ~~part time~~ full time contingents

\*\*Moved from other locations. New positions TBD on site positions, helps with job retention.

### Previous Business Activity

22. Is the project operator succeeding someone else in this or a similar business? ☐ Yes ☒ No
23. Has the project operator conducted this business at this or any other location either in or outside of the state?  
☒ Yes ☐ No
24. Has the project operator or any officers of the project received any prior property tax incentives? ☒ Yes ☐ No
- If the answer to 22, 23, or 24 is yes, give details including locations, dates, and name of former business (attach additional sheets if necessary).  
Received Tax Exemption when originally built the building

### Business Competition

25. Is any similar business being conducted by other operators in the municipality? ☒ Yes ☐ No
- If YES, give name and location of competing business or businesses  
Appareo, They produce electronics components; however, competing in different industries. Compete for engineering talent
- Percentage of Gross Revenue Received Where Underlying Business Has ANY Local Competition %

### Property Tax Liability Disclosure Statement

26. Does the project operator own real property in North Dakota which has delinquent property tax levied against it? ☐ Yes ☒ No
27. Does the project operator own a greater than 50% interest in a business that has delinquent property tax levied against any of its North Dakota real property? ☐ Yes ☒ No
- If the answer to 26 or 27 is Yes, list and explain

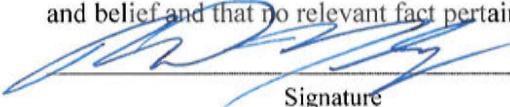
### Use Only When Reapplying

28. The project operator is reapplying for property tax incentives for the following reason(s):
- ☐ To present additional facts or circumstances which were not presented at the time of the original application
  - ☐ To request continuation of the present property tax incentives because the project has:
    - ☐ moved to a new location
    - ☐ had a change in project operation or additional capital investment of more than twenty percent
    - ☐ had a change in project operators
  - ☐ To request an additional annual exemption for the year of \_\_\_\_\_ on structures owned by a governmental entity and leased to the project operator. (See N.D.C.C. § 40-57.1-04.1)

### Notice to Competitors of Hearing

Prior to the hearing, the applicant must present to the governing body of the county or city a copy of the affidavit of publication giving notice to competitors unless the municipality has otherwise determined there are no competitors.

I, Rich Malmgren, do hereby certify that the answers to the above questions and all of the information contained in this application, including attachments hereto, are true and correct to the best of my knowledge and belief and that no relevant fact pertaining to the ownership or operation of the project has been omitted.

  
Signature

Accounting Manager  
Title

10/16/23  
Date

## Notice To Competitors Of Hearing On Application For Property Tax Incentives

Notice is hereby given that the \_\_\_\_\_  
(City or county governing body)

of \_\_\_\_\_, North Dakota, will meet at \_\_\_\_\_  
(City or county) (Time)

on \_\_\_\_\_ at \_\_\_\_\_ to consider the application of  
(Date) (Location)

\_\_\_\_\_  
(Project operator name and address)

for property tax relief on the project which the applicant will use in the operation of

\_\_\_\_\_  
(Type of business)

at \_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Legal description)

Any competitor of that applicant may appear and be heard by the \_\_\_\_\_  
(City or county governing body)

at the time and place designated herein. A competitor may provide written comments to the governing body before the scheduled hearing.

This notice is given by the above-named applicant pursuant to the provisions of North Dakota Century Code § 40-57.1-03



## Business Incentive Agreement

1. In fulfillment of the requirements of N.D.C.C. § 54-60.1-03, Grantor and Recipient enter into this Business Incentive Agreement.

### Grantor

Name	City of Fargo
Address	225 4th Street North Fargo, ND 58102

### Recipient

Name John Deere Electronic Solutions, a Division of Deere & Company	
Address 4101 19th Avenue North Fargo, ND 58104	
Contact Person Rich Malmgren	E-mail Address [REDACTED]
Recipient Parent Company (If applicable) a Division of Deere & Company	
Business Type (NAICS Code) 333100	
Location of Recipient Prior to Receiving Incentive (If different) N/A	

### 2. Description of project.

Expansion on our current PES building. Exiting leased space and adding footprint of 84,000 square feet at our PES facility for manufacturing space to support forecasted growth, additional power electronics warehouse space, increased space for last time buy parts, and electrification lab space and capabilities.
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3. Grantor(s) agrees to provide recipient with a business incentive described as follows:

Property Tax Exemption for 5 years.

3.a. Is this incentive tax increment financing? ☐ Yes ☒ No

If yes, describe the type of district:

N/A

4. The business incentive will be provided on 1-1-2026.  
This date is the benefit date.

5. The public purpose(s) of the business incentive are:

- ☐ Assisting community development ☐ Increase tax base  
☐ Directly create employment opportunities ☐ Indirectly increase employment opportunities  
☒ Job retention ☐ Other \_\_\_\_\_

6. Value of Business Incentive: \$ 238,000.00 / year

7. Recipient currently employs 157 people, located in 4101 19th Ave, Fargo, ND 58102.

8. In return for the business incentive, Recipient shall, within two years create: 62  
Number of full-time equivalent jobs

<u>\$23</u>	+	<u>\$9</u>	=	<u>\$32</u>
Average hourly wage		Benefits per hour value		Average hourly compensation

9. The Recipient shall continue operations in the jurisdiction in which the business incentive was issued for five years or more after the benefit date.

10. Recipient shall file a recipient report with the Grantor, as described in N.D.C.C. § 54-60.1-05 annually on or before March 1st of each year for two years, beginning in 2007, following the benefit date or until the goals of paragraph 8 are met, whichever is later.

10.a. Grantor shall mail the recipient a warning letter if no report is received by March 8th. Recipient shall file the progress report within 14 days of the postmarked date of the warning letter.

10.b. If a recipient report is not received within 14 days of the warning letter, Recipient agrees to pay to Grantor a \$100 penalty for each subsequent day until the report is filed. The maximum penalty under this section may not exceed \$1,000.

11. Recipient shall pay back the value of the incentive to the Grantor, prorated to reflect any partial fulfillment of the job and compensation goals, if, after two years, the job and compensation goals listed in paragraph 8 are not met.

- 11.a. Paragraph 11 does not apply if the job and compensation goals were not met as a result of an act of God or terrorism.
12. This business incentive agreement shall only be modified or extended by the Grantor pursuant to N.D.C.C. § 54-60.1-04.
13. If the terms of this business incentive agreement are not met, Recipient shall not receive a business incentive from any grantor for five years from the date of failure or until a recipient satisfies the repayment obligation.
14. The Recipient has disclosed, in attachment "A" of this agreement, all additional financial assistance received from state or political subdivision Grantors for this project since inception.
15. By signing this agreement, Recipient verifies that it has not failed to meet the terms of any business incentive agreement in the last five years.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Grantor: \_\_\_\_\_ on behalf of City of Fargo

Dated this 16 day of October, 20 23.

Recipient:  on behalf of John Deere Electronic Solutions

<b>Exemption Evaluation Calculator</b>			<b>198.0</b>			<b>198.0</b>	
John Deere			<b>Points</b>			<b>Points</b>	
Project Type Code (Ctrl-C to view)			1	38.0		1	38.0
Current Number Of Employees		<b>Year 1</b>	188		<b>Year 3</b>	188	
Hourly Salary Without Benefits		<b># Jobs</b>			<b># Jobs</b>		
Under \$13.00							
\$13.01-\$15.00							
\$15.01-\$20.00							
\$20.01-\$28.00			Pts. For # Jobs->	40.0		Pts. For # Jobs->	40.0
\$28.01-\$35.00			Pts. For \$ Jobs->	45.0		Pts. For \$ Jobs->	45.0
Over \$35.00		62			62		
TOTAL # OF JOBS CREATED		62			62		
% GI w/ Local Competition (not downtown)				25.0		0%	25.0
Value of Proposed Buildings			\$ 16,800,000	50.0		\$ 16,800,000	50.0
Downtown Location (Y/N)			N	0.0		N	0.0
Startup Firm (Y/N)			N	0.0		N	0.0
Has Const Started or Has Bldg Been Occupied If Existing (Y/N)			N	0.0		N	0.0
Number of Years (Exemption)			5			5	
Company Safety Experience Rating				0.0		0	0.0
<b>RECOMMENDATION IS TO</b>			<b>APPROVE</b>		<b>APPROVE</b>		
Description			Manufacturing		Manufacturing		
Estimated New Annual Payroll			\$4,642,560		\$4,642,560		
Estimated Annual Real Estate Tax			\$237,905		\$237,905		
Estimated PV of Exemption			\$1,030,003		\$1,030,003		
Payroll / PV of Exemption			4.5		4.5		
Property Value / # of Jobs			\$ 270,968		\$ 270,968		
Total Value Of Benefit			\$ 1,189,524		\$ 1,189,524		

November 8, 2023

221 First Avenue West  
PO Box 1287  
Dickinson, ND 58602  
Telephone: 701.483.1962  
Toll Free: 1.866.918.8074  
Facsimile: 701.483.8225

[www.kirkwoodbank.com](http://www.kirkwoodbank.com)

City of Fargo  
Attn: Jim Gilmour  
225 4<sup>th</sup> St N  
Fargo, ND 58102

Dear Mr. Gilmour

This letter is in reference to a potential Flex Pace loan for J & S Holdings, LLC. I am requesting a letter of support from you, so that Kirkwood Bank & Trust, along with our borrower, can use the North Dakota Opportunity Fund loan program to provide the local match for the Flex Pace buydown program through the Bank of North Dakota.

Our borrower, J & S Holdings, LLC is currently constructing a shop/office building located at 4080 98<sup>th</sup> Ave South, Fargo, ND 58104. The principals of the company are Joshua Johnson and Christopher Schock. This entity is a holding company that will own the real estate being constructed.

Upon completion, the building will be leased to another company that the principals own and operate. That company is Johnson & Schock Excavating, LLC and was formed in 2018. This company specializes in the construction of site utilities (water, sewer and storm water lines) and also does sanitary sewer relining. Their primary service area is Fargo, West Fargo, Moorhead, Horace and some of the smaller communities in that general area.

The company began with 2 employees, along with the 2 owners and has grown to 12 employees, plus the 2 owners. The ability to utilize the Flex Pace program will allow the company to continue to grow and expand its services to the area. They are excited about this new location and the future growth of the surrounding area.

To give you an idea of the scope of work that the company does, the following is a short list of local projects they have been involved with over the last few years:

Casselton Water Tower Project  
Gateway West Site Project  
Central Cass School Addition  
Sanford West Fargo Clinic  
City of Fargo Water Service Lowerings  
Horace High School and Athletics Fields

Please consider our request for a letter of support, so that we can utilize the North Dakota Opportunity Fund for the local community buydown on this great project.

If you have any questions, please contact me at 701-483-1962 or by email at [scottm@kirkwoodbank.com](mailto:scottm@kirkwoodbank.com).

Sincerely

A handwritten signature in blue ink, appearing to read "Scott Meschke", written in a cursive style.

Scott Meschke  
President  
NMLS#718569