

FARGO TAX EXEMPT REVIEW COMMITTEE
Tuesday, June 22, 2021 – 1:00 p.m.
City Commission Chambers, Fargo City Hall

AGENDA

- 1. Approve Tax Exempt Review Committee Meeting Minutes of 05/25/21**
 - a. May 25, 2021 [Page 1-3]
- 2. Application for PILOT for Tecton Products, LLC**
 - a. Application for PILOT [Page 4-16]
- 3. Discuss Economic Incentive Policy**
 - a. Redline Policy [Page 17-56]
 - b. Updated Policy [Page 57-78]

TAX EXEMPT REVIEW COMMITTEE
Fargo, North Dakota

Regular Meeting**Tuesday, May 25, 2021**

The May 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, May 25, 2021.

The committee members present or absent are:

Present: Dave Piepkorn, Mayor Tim Mahoney, Bruce Grubb, Jim Buus, John Cosgriff, Jackie Gapp, Mike Splonskowski, Erik Johnson, Jim Gilmour, Joe Raso

Absent: Levi Bachmeier, Kent Costin, Jessica Ebeling

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

A motion was made by Jim Buus to approve the minutes from April 27, 2021. Bruce Grubb seconded, motion carried.

Application for New Industry Expansion for Standard Industries

Jim Gilmour explained that Standard Industries currently has a location at 14th Ave N and 42nd St, they are acquiring a much larger site that would allow them to triple their size. They currently have 38 employees and anticipate increasing to 80 employees, wages are all over \$20 an hour, with half of those over \$28 an hour. Their current building is 37,000 square feet and the new building would be 120,000 square feet. Typically on an expansion, the only part that would qualify for the exemption would be the expansion which for them would be about 70% of the building, the other 30% would pay property taxes as they are today.

Ryan Aasheim of EDC stated that this is another example of a strong company that is looking at future growth. They currently produce large tanks that they have to store and work on during the winter months outside. They are focused on Ag equipment and machinery.

Mike Lepine – Owner of Standard Industries – explained that the company has been around since 1977 and has added on over the years. Up until 2016 they produced 80% Ag Equipment. Since 2016 they have diversified, Mining Equipment has really taken off. They specialize in Stainless Steel and have been doing a lot of manufacturing for Cargill. They recently completed a flour plant in Tampa, Florida. About three years ago they did a lot of flour bins for the state mill in Grand Forks, North Dakota.

Jim Gilmour stated that the most important score is how many jobs you add over the first three years. That score is above what is required. Jim recommends approving this project at a 70% exemption, recognizing that the 30% is shifting over from one location to another.

Jim Buus asked Jim Gilmour to expand on that because his recollection is that someone who is expanding on the same location would get the percentage, but here is a project that is a mile and a half apart but it is still considered an expansion.

Jim Gilmour stated that this has varied by business. He said someone will likely buy their old place and they are comfortable with the 70% and they will also be paying property taxes on the land which is significantly more.

Jim Buus moved to approve at 100%, Mayor Tim Mahoney seconded. Motion carries.

CASH-WA (Former Food Services of America) PILOT Discussion

Jim Gilmour stated this is an informational item. Within the PILOT law, when there is an ownership change, the new owner needs to apply for the exemption. There hasn't been a chance to reach out to the new owner yet. It is a ten year PILOT, after five years it moves to 50% exempt. This is not a new project. The application from the new owner will be for the remainder of the current exemption.

Discuss Tax Policy Draft

Dave Piepkorn asked for an update on Fed Ex due to some false acquisitions.

Jim Gilmour explained the Federal Express Site back in 1997 was Airport land and no taxes were paid. In 1999-2003 Airborne Express leased the land and applied for a 5 Year property tax exemption. On average the property taxes were \$8,000 a year. The next twelve years Airborne Express paid \$15,000 a year in taxes. Federal Express took over operation of that site in 2017 and paid \$5,000 a year in property taxes and the buildings were exempt. Beginning in 2022 they will pay approximately \$48,000 a year in taxes with 50% exemption. Starting in 2027 they will pay full taxes of approximately \$93,000 a year. The airport received \$43,000 a year in a lease, the landing fees are \$133,000 a year and there is a two cent per gallon "fuel flowage fee" that the airport charges. When Fed Ex agreed to come to Fargo they promised there would be an equivalent of 50 full time jobs with annual wage of \$24 an hour. They currently have 70-80 full time jobs at \$26 an hour.

Dave Piepkorn stated there were accusations that Fed Ex did not do what they promised to do. It was on the news and talk shows, but clearly they have met their promises.

Jim stated that we have looked at the older tax exempt policies, there is a list of seven things we are trying to accomplish with these policies.

1. New Housing Construction: No changes, First owner is exempt for two years for \$150,000, this applies to core neighborhoods and new subdivisions.
2. Remodeling and Additions: All projects qualify for five-year exemption if building is more than 25 years old (Previously, buildings 25-40 years old received three-year exemption), Commercial buildings outside of downtown qualify for exemption on additions.
3. Economic Development: Greater emphasis is placed on primary sector, greater emphasis is placed on pay and benefits in first three years, continue to give consideration to reputation of the company, add a review of experience rating regarding worker safety, clearly define when a company is eligible relative to start of lease or construction, scoring still under review with Greater Fargo Moorhead Economic Development Corporation (GFMEDC), Plan to work with GFMEDC on performance review.

Dave Piepkorn stated he would like to suggest that the city attorney have a document that is fairly brief that summarizes what the city is agreeing to, the number of jobs, the pay, how long the exemption is, how much the exemption is, then it would be signed by the Mayor and whoever is the head of the company, so it is a clear legally binding agreement. Each year on the anniversary date they have to report to the city auditor to make sure they are following through.

4. Core Neighborhood Housing: Replace and expand University Mixed-Use policy, projects must be consistent with land use plan and zoning, Greater incentives may be allowed if affordable housing is included, still requires "but for test" by City financial reviewer.

5. Brownfield (Redevelopment): Developer requests for Tax Increment Financing limited to “Brownfields”, continue to require “but for test” by City financial reviewer, continue to use “TIF Note” or special assessments for financing, limit term to 15 years.
6. Downtown Housing: No changes to base policy, greater incentives if affordable housing is included, still requires “but for test” by City financial reviewer.
7. Lower Income Housing: No changes, Exemptions may last up to 20 years if needed.

Jim included a slide that showed the advantage of doing programs such as Tax-Exempt. It included 12 projects that has a base value of \$9,060,260 and increased in value of \$388,860,084. Jim also included a slide of the Bison Block. In 2006 there was a property value of \$542,200 and property taxes were \$7,500, jump to 2020 and the property value is \$6,900,000 and the property taxes are \$95,000.

The meeting was adjourned at 1:52 pm.

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 Tecton Products LLC
2. Address of project 4401 15th Ave NW
City Fargo County Cass
3. Mailing address of project operator PO Box 2712
City Fargo State ND Zip 58102
4. Type of ownership of project
☐ Partnership ☐ Subchapter S corporation ☐ Individual proprietorship
☐ Corporation ☐ Cooperative ☒ Limited liability company
5. Federal Identification No. or Social Security No. [REDACTED]
6. North Dakota Sales and Use Tax Permit No. [REDACTED]
7. If a corporation, specify the state and date of incorporation N/A
8. Name and title of individual to contact Lisa Giese
Mailing address PO Box 2712
City, State, Zip Fargo, ND 58102 Phone No. 701-433-3600

Project Operator's Application For Tax Incentives

9. Indicate the tax incentives applied for and terms. Be specific.

☐ **Property Tax Exemption**
Number of years _____
Percent of exemption _____

☒ **Payments In Lieu of Taxes**
2022 _____ Beginning year 2031 Ending year _____
See sched 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:
☐ New business project ☒ Expansion of a existing business project

Description of Project Property

11. Legal description of project real property

~~Lot: 1 Block: 1 MARVIN SUBD LT 1 BLK 1 ALSO PT LOT 2 BLK 1 TECTON GPK DESC AS BEG AT SE COR LT 2~~
~~THE N S 89 DEG 05 MIN 57 SEC W ALG SLY LN LT 2 1163.34' TO SW COR LT 2 THEN N 00 DEG 06 MIN 20 SEC~~
~~W ALG WLY LN LT 2 349.84' THEN N 89 DEG 49 MIN 50 SEC E 1162.86' TO PT OF INTER WITH ELY LN LT 2~~

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? 1992 and expanded in 1997

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application July 2021

b. Description of project to be constructed including size, type and quality of construction
Approximately 50,000 square feet manufacturing facility expansion. The construction will be pre-cast concrete.

c. Projected number of construction employees during the project construction 50-60

14. Approximate date of commencement of this project's operations 9/1/202215. Estimated market value of the property used for this project:

a. Land..... \$ 0

b. Existing buildings and structures for which an exemption is claimed..... \$ 0

c. Newly constructed buildings and structures when completed \$ 5,500,000

d. Total..... \$ 5,500,000

e. Machinery and equipment..... \$ _____

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..... \$ 0

c. Newly constructed buildings and structures when completed..... \$ 275,000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 275,000

e. Enter the consolidated mill rate for the appropriate taxing district 277.19

f. Annual amount of the tax exemption (Line d multiplied by line e) \$ 76,227.25

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).

Tecton Products designs and manufactures custom fiberglass pultruded parts as an OEM supplier to several industries.
Pultrusion is the process of pulling fiberglass through a proprietary resin and heated die to form a profile shape. We coat our
products with a high quality finish to withstand the harshest environments. Our products are ideal for use as window and door
parts, fence posts, deck railing or any application where durability, weatherability, and performance are key.

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

None

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.

Year (12 mo. periods)	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
Annual revenue	<u>See schedul</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Annual expense	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

21. Projected number and salary of persons to be employed by the project 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
249			12	3	1	

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) <u>239</u>	<u>255</u>	<u>274</u>	<u>289</u>	<u>303</u>	<u>320</u>
	(2) <u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Estimated payroll	(1) <u>12,578,00</u>	<u>13,374,00</u>	<u>14,204,00</u>	<u>14,933,00</u>	<u>15,629,00</u>	<u>16,443,00</u>
	(2) <u>153,000</u>	<u>153,000</u>	<u>153,000</u>	<u>153,000</u>	<u>153,000</u>	<u>153,000</u>

(1) - full time
(2) - part time

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).
~~Teeton Products Fargo location at the same address above received a payment in lieu of property tax incentive for 20 years beginning in 1998 with the first 5 years at 100% exempt, years 6-10 at 75% exempt, years 11-15 at~~

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

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, Lisa Giese, 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.

Lisa Giese

Signature

Director of Finance

Title

5/24/2021

Date

PRIVACY ACT NOTIFICATION

In compliance with the Privacy Act of 1974, disclosure of a social security number or Federal Employer Identification Number (FEIN) on this form is required under N.D.C.C. §§ 40-57.1-03, 40-57.1-07, and 57-01-15, and will be used for tax reporting, identification, and administration of North Dakota tax laws. Disclosure is mandatory. Failure to provide the social security number or FEIN may delay or prevent the processing of this form.

Certification of Governing Body (To be completed by the Auditor of the City or County)

The municipality shall, after granting any property tax incentives, certify the findings to the State Tax Commissioner and Director of Tax Equalization by submitting a copy of the project operator's application with the attachments. The governing body, on the _____ day of _____, 20____, granted the following:

- | | |
|--|---|
| <input type="checkbox"/> Property Tax Exemption | <input type="checkbox"/> Payments in lieu of taxes |
| _____ Number of years | _____ Beginning year _____ Ending year |
| _____ Percent of exemption | _____ Amount of annual payments (Attach schedule if payments will vary) |

Auditor

TECTON PRODUCTS**Property tax PILOT Schedule 2**

ASSUMPTION VALUE	\$	5,500,000
INITIAL YEAR		2022


YEARS 1-5	100% EXEMPT
YEARS 6	80% EXEMPT
YEARS 7	60% EXEMPT
YEARS 8	40% EXEMPT
YEARS 9	20% EXEMPT
YEARS 10	10% EXEMPT

Exemption Evaluation Calculator 2020				103.6						103.6	
Tecton				Points						Points	
Project Type Code (Ctrl-C to view)				1	38.0					1	38.0
Current Number Of Employees		Year 1	239			Year 3		239			
Hourly Salary Without Benefits		# Jobs				# Jobs					
Under \$13.00											
\$13.01-\$15.00											
\$15.01-\$20.00		12				38					
\$20.01-\$28.00		3	Pts. For # Jobs->	15.0		9		Pts. For # Jobs->	15.0		
\$28.01-\$35.00		1	Pts. For \$ Jobs->	10.6		3		Pts. For \$ Jobs->	10.6		
Over \$35.00											
TOTAL # OF JOBS CREATED		16				50					
% GI w/ Local Competition (not downtown)				0%	25.0					0%	25.0
Value of Proposed Buildings				\$ 5,500,000	15.0					\$ 5,500,000	15.0
Downtown Location (Y/N)				N	0.0					N	0.0
Exemption Needed (Y/N)										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)				10						10	
Building Age (if substantial renovation)					0.0						0.0
RECOMMENDATION IS TO				APPROVE		APPROVE					
Description				Manufacturing		Manufacturing					
Estimated New Annual Payroll				\$653,120		\$2,032,160					
Estimated Annual Real Estate Tax				\$76,227		\$76,227					
Estimated PV of Exemption				\$588,607		\$588,607					
Payroll / PV of Exemption				1.1		3.5					
Property Value / # of Jobs				\$ 343,750		\$ 110,000					
Total Value Of Benefit				\$ 762,273		\$ 762,273					

Tecton 2021	
Project Operator	Tecton
Parcel Number	01-1884-00010-000
Address	4401 15 Ave N
Date Application Received	6/15/2021
1st Publication Date	6/23/2021
2nd Publication Date	6/30/2021
TRC Meeting Date	6/22/2021
Commission Hearing Date	7/26/2021
Notice Delivery To School/County	06/16/2021 wfsc & 7/2/2021 cass
School/County 30-Day Response	07/16/2021 wfsc & 8/3/2021 cass
Exemption Type	PILOT
Estimated Improvements Value	\$5,500,000
Building Value to Remain Taxable	\$5,107,500
Estimated Land Value	\$3,288,000
County Share of Levy (%)	17.3%
Anticipated Tax Growth	2.0%
Current Mill Levy	277.19
Number of Years Granted	10
Total Gross Estimated Benefit	\$576,126
Benefit Summary	
Full Taxes w/o Incentives	
Land	\$45,570
Existing Building	\$70,787
Building	\$76,227
Total Payment	\$192,585
Benefit	\$0
Full Incentives	
Land	\$45,570
Existing Building	\$70,787
Building	\$0.00
Total Payment	\$116,357
Benefit	\$76,227
Partial Incentives (County Opt Out)	
Land	\$45,570
Existing Building	\$70,787
Building	\$13,178
Total Payment	\$129,535
Benefit	\$63,049

MEMORANDUM

TO: Tax Exempt Review Committee

FROM: Jim Gilmour, Director of Strategic Planning and Research 

DATE: June 19, 2021

SUBJECT: Tax Exempt Policy

I have drafted some changes to the Tax Exempt Review policies for your consideration. Attached is a very rough draft of the proposed policy and a "redline" version of the old policy. Because of the extensive changes, the redline is extremely hard to follow. This memo will be a summary of those changes.

In addition, City Commissioners John Strand and Arlette Preston submitted some written suggestions for changes.

Economic Development Policy Changes Proposed

- Firm up language that limits business economic development property tax incentives to primary sector businesses. Instead of saying that the city "typically" assists primary sector business, it now says "only." The policy now says a business "must request" Primary Sector certification from the Department of Commerce. (There may an instance where a business is a primary sector business to Fargo but not to the state).
- Removes new "Significant Commercial if non housing or mixed use projects" as an eligible activity for PILOT incentives.
- Do not consider projects when construction has begun or lease has already been signed. (Lease may be signed contingent on incentives.)
- Revisions to the scoring criteria:
 - Scoring of jobs in year 3 in addition to year 1
 - Require benefits in addition to wages
 - Scoring for safety record of the company
 - Greater points for larger capital investment of buildings
 - Include points for investment in equipment

James Gilmour

From: John Strand
Sent: Tuesday, June 1, 2021 1:29 PM
To: James Gilmour; Arlette Preston; Bruce Grubb; Michael Redlinger; Tony Gehrig
Cc: Kember Anderson; Shelly Byron; Dave Piepkorn; Tim Mahoney
Subject: Strand Tax Exempt Topics to Discuss and Evolve

Kember and Shelly, Please Share this as a Lay Down Item at tonight's meeting,, Commissioners, FYI only, please do not reply all

John

###

I'm sharing with you the simplified list of modifications I'm seeking in our Tax Exempt policies and practices, especially for PILOTs.

- Incorporate Workplace safety criteria and benchmarks so as to assure businesses seeking public incentives or support have a track record of exemplary workplace safety.
- Replace our \$ point systems for wage levels for new job creation with a dynamic Living Wage point system, whereby our points system leads to PILOTs for companies assuring that the newly created jobs ALL meet the minimum local living wage threshold.
- For apartment developers, we modify our policy so as to require Inclusionary Housing as a component of our tax incentive offerings whereby a minimum of 10% of newly created units would qualify for lower income families, AND that such incentives be offered across town, not just downtown or near NDSU in the UMU.
- Establish an ongoing practice whereby we look back at commitments and promises made by applicants for tax exemptions and incentives so as to ASSURE that projected expectations and commitments were in fact made as per the application process. Such required reporting or auditing would also trigger a Claw Back if so needed in circumstances where commitments were not in fact met and fall short and would have impacted application consideration in advance . (GEHRIG and STRAND item #45)
- Manage formerly extraterritorial expansion in light of the Diversion now forthcoming. New growth needs to be self funded and not funded via Special Assessments.
- Create a neighborhood revitalization program designed specifically for the Roosevelt Neighborhood so as to incent the reconversion of oftentimes absentee owned rented homes back to single family home ownership.
- Consider the addition of a Public Art Criteria for developers to add points to their scoring system when they embellish the project with significant public art component(s).

Suggestions for TERCPolicy & Guidelines

Arlette Preston

June 7, 2021

The following are comments for the TERC to consider as changes are made to the City's tax incentives policies.

An overriding issue of concern, which doesn't relate to a particular policy per se, is that any/all projects coming to the City for incentives should have Planning staff involved in the initial conversations with the developer. As we move toward form-based zoning, it is essential that planners are advising the developer from the start.

1. There are a few criteria that should be "show stoppers"
 - a. Salary under \$15
 - b. Poor company safety rating
 - c. Return on Investment (from the public perspective) should be an integral part of the analysis of a project. If the ROI is not beneficial to the public's bottom line, the project should not be receiving any incentives.
2. Delete the "New Single Family Residence Owned by Builder & Unoccupied" – if the builder is speculating, the risk needs to be on the builder. This doubles up the tax exemption to 4y if the first owner also is awarded an exemption.
 - a. This policy causes disincentives for rehab and/or redevelopment of the inner core neighborhoods.
3. Drop back the "New Single Family Residence Owned by First Owner" to \$75,000 and to exclude homes above \$500,000 pricing. If the ROI for the development is not beneficial to the public's bottom line, this incentive should not apply.
 - a. This policy causes disincentives for rehab and/or redevelopment of the inner core neighborhoods.
 - b. The City shouldn't be incentivizing high-end priced homes.
4. Core Neighborhood Housing – PILOT
 - a. Define affordable in the policies
 - b. Re-visit this policy once the housing study has been completed
 - c. For land write-down costs, restrict the use of inflated purchase prices, when homes could be rehab projects
5. Brownfield
 - a. Include a definition of brownfield

City of Fargo Tax Exempt Review Committee
Policy & Guidelines

~~July 2020~~1

Tax Exempt Review Committee
225 Fourth Street North
Fargo, North Dakota 58102

Table of Contents

Mission Statement / Effective Date and Term	4
Available Incentive Options	2
General Evaluation Objectives <u>Economic Development Guidelines</u>	3 – 7
Remodeling Exemption Guidelines	8
Residential New Construction Guidelines	9
New Industry Exemption / PILOT Guidelines	10 – 11
University Mixed Use PILOT Policy <u>Core Neighborhood Guidelines</u>	12 – 18
Tax Increment Financing <u>Brownfield Redevelopment</u> Guidelines	19 – 27
<u>Downtown Redevelopment Guidelines</u>	
<u>Low Income Housing Guidelines</u>	
	28 – 29
Tax Exempt Review Committee Members	30
Map of Downtown Incentive Area	

Mission Statement

The City of Fargo supports the mission of economic development and community development through the use of available tax incentive programs offered to the private sector. The goal of this mission is to create high quality jobs by attracting new, and expanding existing, primary sector businesses; promote historic preservation and development of the downtown district; support market and affordable housing opportunities; support the redevelopment of brownfield sites; support the redevelopment of blighted properties in core neighborhoods; and; grow the city's tax base which, collectively, enhance the city's livability, vibrancy and quality of life. The responsibility to initiate, sustain and implement primary sector economic development, redevelopment and housing shall be borne primarily by the private sector with the city supporting qualifying efforts with reasonable public and private cooperation.

Effective Date and Term

This policy is effective as of ~~January 28, 2019~~ the date of adoption and shall remain in effect until the next review. The next review will follow the June 202~~20~~ City election.

Available Incentive Options Reviewed By Tax Exempt Review Committee

Remodeling Exemption (N.D.C.C. 57-02.2) ~~(Page 8)~~

This provides for an exemption of buildings that have been improved by means of renovation, remodeling, alteration, or additions. It does not apply to the replacement of one building with another. The amount of valuation added to the original assessment due to the remodeling within the existing structure may be exempted for a period of 5 years on projects started on or after August 1, 1999; 3 years on projects started prior to that. This is available to all commercial properties and residential buildings that are at least 25 years old.

Residential New Construction Exemption (N.D.C.C. 57-02-08) ~~(Page 9)~~

This has allowed for an exemption of up to ~~\$75~~150,000 in value on newly constructed residential dwellings, duplexes, townhomes, and condominiums. ~~New legislation in 2008 expanded this exemption to up to \$150,000 with s~~Separate exemptions are allowed to builders and first owners after the builder.

New or Expanding Business Exemption/PILOT (N.D.C.C. 40-57.1) ~~(Page 10)~~

This allows for a ~~5-year~~5-year exemption for buildings of certain new or expanding business projects. A 10 year exemption may be granted to projects producing or manufacturing a product from agricultural commodities. In addition to, or instead of a property tax exemption, projects may be granted an option to set up to 20 years of payments in lieu of taxes (PILOT). The amount of those payments would be determined through negotiations with the City and the project operator.

Tax Increment Financing (N.D.C.C. 40-58)

This allows for the encouragement of private enterprise to rehabilitate or redevelop urban renewal areas by means of tax increments. This may be provided by the issuance of bonds to be paid back by the private operator through the incremental difference in property taxes between the original value and rehabilitated property value. This may also be provided in the form of a tax exemption with an amount granted initially and the incremental exempted tax being applied to reduce that amount with interest.

Incentive Options Available Through The Planning & Development Department

Renaissance Zone Incentives (N.D.C.C. 40-63)

This allows for the encouragement of private investment to rehabilitate or redevelop downtown Fargo through the use of property tax, state income tax and historic preservation & renovation tax credit incentives. The Renaissance Zone Authority administers the Zone incentives.

Community Development Incentives

In an effort to develop a high quality downtown and neighborhoods by providing quality housing and a suitable living environment, a combination of the above programs will be utilized.

General Evaluation Objectives For Job Creation and Retention Projects
Policy for Primary Sector Economic Development Projects

The City of Fargo will use the general review criteria below in evaluating the applications for assistance. These are broad areas of consideration which serve as part of the underlying City economic development policy. ~~More specific detailed policies and guidelines may apply differently to each individual incentive option. Each incentive option will be administered according to the appropriate state law in conjunction with the specific policy or guideline adopted by the Fargo Board of City Commissioners.~~

Economic Impact to the City of Fargo

The economic impact to the City to be considered will be determined by increased construction activity and the purchase of local equipment, goods and services. Also, consideration will be given in terms of the size of the payroll and the value of the real property which ultimately serves to increase the tax base of the city.

Diversification and Growth of the Economic Base

The City is concerned about attracting and retaining companies that provide diversification from the existing industrial base in order to bring about a more stable economic environment in the city.

Number and Type of Jobs to be Created

The City of Fargo is interested in knowing the projection for job creation over the term of the assistance. Consideration will be given to the salary, benefits, and type of jobs to be created or anticipated jobs to be added in the future.

Local Competition

It is the intention of the City to not give an unfair advantage over other local existing companies through the use of these incentives.

Benefits To Accrue To The Project Operator

It is the intention of the City of Fargo that benefits granted accrue to the successful applicant, whether the applicant is the owner or tenant of a property, unless approval is otherwise specified.

Quality and Growth Potential of the Client

Consideration will be given to the company's reputation in other areas of the country in terms of the client's track record, credit history, stability, and overall industry standing. The City will also be interested in the company's past history of growth, potential for future growth, and the general outlook for growth of the industry as a whole.

Kinds of Businesses Targeted For Possible ~~Financial Assistance~~Incentives

- The City will typically only assist primary sector businesses.
- Primary sector businesses are those in which at least 70% of the revenues generated by the end product or service they provide come from outside the Fargo trade area (150-mile radius). The end product may be completed by another firm (i.e. Cardinal ~~I~~Glass provides glass to Integrity Windows). This information will be provided by the business as part of the application process.
- The business must ~~receive request~~ "Primary Sector" designation from the ND Department of Commerce and submit that information along with the incentive application.

General Evaluation Objectives For ~~Job Creation and Retention~~Economic Development Projects

- Targeted primary sector businesses are:
 1. Those engaged in manufacturing, remanufacturing or processing of a raw material or base product.
 2. Those providing packaging and distribution of end products.
 3. Service industries that are involved in data processing, data communications, telecommunications services, computer software development, technology support, research facilities, research and development of new technologies, or any form of information processing.
 - 3-4. Back office service providers and corporate headquarters.
- The City is sensitive to concerns of providing assistance if jobs are simply being relocated within the Fargo Trade Area.

Kinds of Businesses ~~Typically~~ Not Eligible For ~~Incentives~~Economic Development

- Retail or any business selling directly to the consumer
- Health Care industry
- Education industry
 - ~~Property that is occupied by a public, as opposed to private, school, academy, college or other institution of learning for the use of students in attendance upon such public educational institution would be eligible for incentives.~~
- Hospitality services (hotels, restaurants, taverns, etc.).
- Professionals (architects, attorneys, physicians, dentists, ~~GPA's~~saccountants, real estate developers, investment advisors, advertising/public relations advisors)
- General local office facilities.
- General local warehousing facilities

Evaluation Point System To Be Used As A Guide

A point system will be utilized as a guide in evaluating primary sector projects for possible incentive programs. Although the point system will not be the final determining factor regarding eligibility for incentives, it will be used as a tool to quantify certain criteria.

General Evaluation Objectives For ~~Job Creation and Retention~~ Economic Development Projects

A total of ~~400-???~~ points is required for recommended approval under the point system.
Following is a breakdown of the criteria evaluated by the point system:

Project Type:

<u>Points</u>	<u>Project Description</u>
+38	Manufacturing
+25	Support Services
+13	Distribution
+25	Primary Sector Distribution
+38	Primary Sector Service Industry
+38	Technology Research
-63	Common Service Industry
-63	Warehousing
-63	Retail
-63	Lodging Industry

Jobs Created (Initial Year):

<u>Points</u>	<u>Number of Jobs</u>
+ -10	1-10
+24	11-50
+20	51-100
+25	101-250
+30	251+

Jobs Created (Year 3):

<u>Points</u>	<u>Number of Jobs</u>
+ 10	1-10
+25	11-50
+40	51-100
+50	101-250
+75	251+

Points **Hourly Salary** ~~w/e must also provide health care b-~~ **Benefits, retirement, or substantially higher wages.**

- 25	Under \$13.00	A weighted average of points will be used according to the number of jobs created in each range.
+ 0	\$13.01 - \$15.00	
+25	\$15.01 - \$20.00	
+30	\$20.01 - \$28.00	
+35	\$28.01 - \$35.00	
+50	Over \$35.00	

Local Competition:

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<u>Points</u>	<u>% of Gross Income With Any Local Competition</u>
+25	0% - 10%
+15	11% - 30%
+0	31% - 50%
-25	Over 50%

Company Safety Experience Rating

<u>Points</u>	<u>City Set Standard</u>
-25	Below City determined standard
+10	Average
+25	Better than Average

General Evaluation Objectives For Job Creation and Retention Projects

Value of Proposed Buildings:

<u>Points</u>	<u>Proposed Building Value</u>
+ 0	Up to \$80,000
+ 5	\$80,001 - \$100,000
+ 7.5 <u>10</u>	\$100,001 - \$500,000
+ 10 <u>15</u>	\$500,001 - \$1,000,000
+ 12.5 <u>20</u>	\$1,000,001 - \$5,000,000
+ 15 <u>25</u>	\$5,000,001 - \$10,000,000
+ 20 <u>40</u>	\$10,000,000 - \$15,000,000
+ 30 <u>50</u>	Over \$15,000,000

Startup Firms:

<u>Points</u>	<u>Startup</u>
+15	New "startup" projects business or new to the metro area.

Timing Of Filing Application:

<u>Points</u>	<u>Application Filing</u>	<u>Not Eligible for consideration</u>
-100	If filed after start of construction on a new building	
-100	If filed after occupancy lease of an existing building.	

unless lease is contingent on property tax incentive.

EDITORS NOTE – GO TO PAGE 10 FOR LAST ECONOMIC DEVELOPMENT SECTION.

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General Evaluation Objectives For Job Creation and Retention Projects

Below is an example using the point system on a sample project:

Exemption Evaluation Calculator			117.9
SAMPLE	-	-	Points
Project Type Code (Ctrl-C to view)		4	38.0
Current Number Of Employees	-	171	-
Hourly Salary Without Benefits	# Jobs		
Under \$13.00	0	-	-
\$13.01-\$15.00	0	-	-
\$15.01-\$20.00	25	-	-
\$20.01-\$28.00	15	-Pts. For # Jobs->	20.0
\$28.01-\$35.00	0	-Pts. For \$ Jobs->	19.9
Over \$35.00	15	-	-
TOTAL # OF JOBS CREATED	55	-	-
% GI-w/ Local Competition (not downtown)		75%	-25.0
Value of Proposed Buildings	-	\$ 5,004,300	15.0
Downtown Location (Y/N)	-	Y	25.0
Exemption Needed (Y/N)	-	N	-
Startup Firm (Y/N)	-	N	0.0
Has Const Started or Has Bldg Been Occupied If Existing (Y/N)	-	N	0.0
Number of Years (Exemption)	-	10	-
Building Age (if substantial renovation)		0	0.0
RECOMMENDATION IS TO - APPROVE			-
Description	-	Manufacturing	-
Estimated New Annual Payroll	-	\$2,782,000	-
Estimated Annual Real Estate Tax		\$116,913	-
Estimated PV of Exemption	-	\$902,771	-
Payroll / PV of Exemption	-	3.1	-
Property Value / # of Jobs	-	\$ 90,987	-

|

Remodeling Exemption Guidelines

This exemption provides an incentive to property owners to invest private capital in order to remodel and rehabilitate buildings and structures to prevent the properties from decay. It is at the discretion of the City whether or not to grant this exemption to properties.

This exemption encourages the investment of private capital to improve properties, subsequently encouraging the production of wealth, improving the volume of employment, enhancing living conditions, and preserving and increasing the property tax base.

The standard policy utilized by the City of Fargo in granting the exemption allowed for improvements to property, according to N.D.C.C. Chapter 57-02.2, will be as follows:

Residential & Apartment Property

~~3 year exemption for value added due to remodeling and additions to buildings 25 years old to 39 years old.~~

5 year exemption for value added due to remodeling and additions to buildings ~~40-25~~ years old and older.

Commercial Property

~~3 year exemption for value added due to remodeling only for all properties outside of and not adjacent to the Downtown Incentive Area and for buildings under 25 years old within the Downtown Incentive Area.~~

5 year exemption for value added due to remodeling and additions to buildings 25 years old and older, ~~within the Downtown Incentive Area. Additions that exceed the existing value of the building must be reviewed by the tax exempt review committee, with a recommendation sent to the City Commission.~~

²~~Central Business District boundaries are defined in the "Downtown Area Plan".~~

<u>TYPE</u>	<u>YRS EMEMPT</u>	<u>BLDG AGE</u>	<u>ELIGIBLE IMPROVEMENT</u>	<u>MISC</u>
Residential & Apartments	3	25-39 Yrs	Remodel & Additions	
Residential & Apartments	5	40 Yrs & Up	Remodel & Additions	
Commercial	3	All	Remodel Only	Outside & Not Adjacent To Downtown Incentive Area
Commercial	5	25 Yrs & Up	Remodel & Additions	In & Adjacent To Downtown Incentive Area

- No exemption, under this policy, will be granted for assessment value replaced after a reduction in appraised value has been made by the Assessment Department for value lost due to fire, flood, tornado, or other natural disaster.

2 Year Residential New Construction Exemption Guidelines

The governing body of the city must approve the exemption by resolution and may amend or rescind that resolution at any time. The City may also limit or impose conditions on this exemption, including the time period for which it is allowed.

This exemption promotes the construction of dwelling units thereby encouraging the volume of employment, enhancing living conditions and increasing the tax base. However, the limited availability of the exemption to the majority of the local population warrants close review of the need for it to encourage that activity.

The City of Fargo will pass a resolution allowing for this exemption and the terms and conditions of the incentive. The City will periodically review the option of adopting a new resolution expanding or limiting the terms of this exemption as economic conditions or state statute may change.

New Single Family Residence Owned By Builder & Unoccupied

Up to five properties per builder per year may be exempt up to \$150,000 of building value if the homes are unoccupied and owned by the builder. The maximum term of exemption is for the taxable year construction began and one following taxable year.

New Single Family Residence Owned By First Owner After The Builder

The first owner after the builder may receive an exemption on up to \$150,000 of building value for new single-family, condominium and townhouse residences. The maximum term of the exemption is for the two taxable years after the taxable year construction is completed and the residence is occupied for the first time by the owner.

EDITORS NOTE: THE SECTION BELOW IS TO BE MOVED UP TO THE ECONOMIC DEVELOPMENT GUIDELINES.

New or Expanding Industry Exemption / Payment In Lieu Of Tax Policy and Guidelines

~~Businesses, whether commercial, industrial, or service are eligible for this exemption or PILOT if they meet the State requirements and the following guidelines:~~

~~A \$250.00 non-refundable fee for public notices and processing of applications must be paid before any notices are published.~~

~~A new business to the community must not gain unfair advantage with existing competitors through the use of the exemption.~~

~~An existing business is eligible if expansion of the business includes new jobs, a dramatic increase in sales (projected or verified) and/or diversion into another line of product sales or production.~~

~~Warehousing and retail projects would not receive exemptions unless the owner could prove need or provide other information to justify granting the exemption.~~

~~An option to establish up to 20 years of payments in lieu of property taxes may be available to qualifying projects and will be evaluated on a case by case basis.~~

~~PILOT payment schedules will be granted based on a percentage of building exemption for each defined yearly term. The actual annual payment amounts will be determined based upon the Assessor's initial completed property appraised value and the prevailing, most recently certified mill levy.~~

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Standard Exemption For Primary Sector Businesses

The standard exemption for primary sector projects meeting the general objective of targeted businesses for ~~this incentive assistance~~ that meet the criteria in the evaluation point system for jobs created and project size: Years 1 through 5 - 100% exemption on the improvement value.

For an expansion of an existing business, the eligible exemption will apply to the increased value of the improvements added for the expansion.

Factors to consider longer property tax exemption (beyond 5 years for partial exemption)

- Business has high potential for growth
- High paying jobs
- High capital investment
- Growth industry
- Corporate headquarters
- Processing a product from an agricultural commodity

New Apartment Buildings Within Downtown Incentive Area

~~Market rate Downtown Apartments: Years 1 through 5 - 100% exempt on the increased value of the improvements. Years 6 through 15 - The percentage exempt will be based on a financial review and "but for" test. The amount exempt will be no more than 90% of the improved value.~~

Apartment Buildings for Lower Income Households

~~Lower Income Apartments: Years 1 through 20 - The percentage of exemption may be up to 100% of the improvement value based on a financial review and "but for" test.~~

~~Incentives for lower income apartments may be for new buildings and substantial rehabilitation necessary to maintain existing lower income apartments units.~~

~~Lower income apartments are those where the developer is required to rent to lower income households at below market rent as required by the Department of Housing and Urban Development, the Low Income Housing Tax Credit Program, the ND Housing Finance Agency, or a recorded land use restrictive covenant agreement.~~

New or Expanding Industry Exemption / Payment In Lieu Of Tax Policy and Guidelines

Significant Commercial Construction/Renovation

~~Private development of non-housing or mixed use projects with both housing and commercial use consisting of major building renovations or substantial new construction are eligible for a maximum of the following:~~

~~Years 1 through 10 — 100% of the improvement value
Years 11 through 15 — 75% of the improvement value~~

~~Projects will include a “but for” review to determine if the incentive is necessary to make the project financially feasible. They will be evaluated to determine if the project will bring added commerce activity to benefit other businesses. Analysis will also be done to determine if the incentive will provide an unfair advantage over existing businesses. Total investment must be in excess of \$8,000,000.~~

~~Project must comply with at least one of the following:~~

- ~~• Significant new building construction of at least 40,000 square feet, equivalent in quality to Class A office with high quality exterior finish.~~
- ~~• Building is over 50 years old and complies with historic preservation standards.~~
- ~~• Renovation is greater than 50% of the current value of the building.~~
- ~~• Project complies with historic preservation standards~~
- ~~• Provides small living units or element of affordability.~~

Manufacturing or Processing a Product From An Agricultural Commodity

~~Years 1 through 10 — 100% of the improvement value~~

Additional Policy on Review and Reporting and Procedure Guidelines

~~Except in cases of assistance for housing, a business incentive agreement must accompany an application for incentives that are valued at \$25,000 or more in any given year, be signed prior to the City Assessor reporting the tax exemption to the County. The agreement will describes the type and value of the incentive assistance as well as stated goals to be met. Periodic reporting will be required of the recipient to monitor the stated goals.~~

~~Reporting will no longer be required once the goal has been met.~~

~~The stated goal may be extended for up to two years if it is determined circumstances made achievement impossible. If, after extending two years and it is determined a decrease in goals is justified, the goals may be decreased after a public hearing.~~

If not extended or reduced and the goal has not been met, the recipient must pay back the amount of ~~incentive-assistance~~ granted, prorated to reflect partial fulfillment.

Additional Economic Development Resources

- Growth Initiative Fund
- Lewis and Clark Fund
- Greater Fargo Moorhead Economic Development Corporation
- ND Department of Commerce
- Bank of North Dakota

Commented [JR1]: I assume these are listed and further definition will be provided so they are of value to the end-user

~~University Mixed Use Core Neighborhood Housing - Payment In Lieu Of Tax Policy and Guidelines~~

~~For the purposes of this policy, the term "City" shall include the Fargo City Commission.~~

The purpose of this policy is to establish the City of Fargo's position relating to the use of Payment in Lieu of Taxes (PILOT) for private housing development in core neighborhoods ~~beyond the requirements and limitations set forth by State Law. This policy will be used as a guide in the processing and review of applications requesting Payment in Lieu of Taxes.~~ The fundamental purpose is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance.

~~The City of Fargo is granted the power to utilize PILOT under North Dakota Statute N.D.C.C. 40-57.1 TAX EXEMPTIONS FOR NEW AND EXPANDING BUSINESSES, as amended. It is the intent of the City to provide the minimum amount of tax exemptions, at the shortest term required, for the project to proceed. The City reserves the right to approve or reject projects on a case-by-case basis taking into consideration established policies, project criteria, and demand on city services in relation to the potential benefits from the project. Meeting policy criteria does not guarantee the award of PILOT to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.~~

~~I. OBJECTIVES OF PILOT PROGRAM IN THE UNIVERSITY MIXED USE ZONE~~

As a matter of ~~adopted~~ policy, the City will consider using PILOT to assist private housing development projects to achieve one or more of the following objectives:

- To create opportunities for affordable housing.
- To encourage additional unsubsidized private development in the area, either directly ~~or indirectly through~~ indirectly through "spin off" development.
- To assist developers enough to achieve development on sites which would not be developed without PILOT assistance.
- To remove blight and/or encourage the development of new housing that that is of high quality and provides housing in close proximity to North Dakota State University areas of core neighborhoods consistent with the Core Neighborhood Plan.
- To offset increased costs of redevelopment (i.e. contaminated site cleanup, infrastructure needs, and higher land costs) over and above the costs normally incurred in development.

~~University Mixed Use Payment In Lieu Of Tax Policy and Guidelines~~

- To contribute to the implementation of other public policies, as adopted by the City, such as the promotion of quality urban or architectural design, energy conservation, and decreasing capital and/or operating costs of local government.

~~II. POLICIES FOR THE USE OF PILOT –University Area~~

~~Policy #1~~

~~The property must be zoned University Mixed Use.~~

~~Policy #2~~

~~For projects without affordable housing, the maximum PILOT incentive will be a 100% exemption for the first 5 years, and a 50% exemption for an additional 5 years; applied to the increased value of a redevelopment project. This will maintain the base value of the project for the taxing districts.~~

For projects with affordable housing, the maximum PILOT incentive will be a 100% exemption for a maximum of 20 years.

~~Policy #3~~

To the extent required by state, federal, local law, or regulations, a relocation plan should be provided by the developer. Relocation payments to tenants of businesses or residential uses must be made. These relocation payments should follow state/federal guidelines, as applicable. for assistance (NDCC Ch. 54-01.1 and USC).

~~Policy #4~~

The amount or value of the PILOT tax exemption will be limited to the extraordinary costs of development, and the extraordinary costs are limited to following costs. ~~The amount of the assistance is defined as the estimated present value of the future PILOT tax exemptions, which would include an allowance for interest.~~

1. The costs of land acquisition, subject to the limits outlined in Policy #5-the next policy

2. Relocation of existing tenants.

3. The costs of demolition, including the removal of building foundations, parking lots, and the removal and replacement of unsuitable soil.

University Mixed Use Payment In Lieu Of Tax Policy and Guidelines

4. Public improvements that are in the public right-of-way such as sidewalks, driveway approaches, lighting, and connections to the water, sanitary sewer, and storm water systems.

5. On site storm water retention including the cost of excavation, underground storm water lines, or underground storage facilities. It does not include water collection systems such as parking lots, sidewalks, or curb/gutters.

6. Architectural and engineering costs are limited to those necessary services to implement other activities allowed by this policy. Developer fees and legal costs are not permitted.

~~7. The required city fees and the estimated costs of interest from the time the costs are paid by the developer to the next February 15 date when property taxes are due to be paid.~~

Policy #5

Land acquisition or land write-down costs must meet the requirements outlined as follows:

1. The eligible costs recouped to the developer shall be evaluated in a case-by-case basis, but the maximum should be the lesser of:
 - o The total acquisition cost for the property, provided the acquisition cost is no more than 150% of the assessor's market value for the property. This 150% limit applies to the total of all properties acquired, not a property by property limit.
 - o 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).

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Policy #6

The estimated value of the PILOT assistance should be limited to a percentage up to 15% of hard capital costs of development including the costs of acquisition. ~~In other words, the tax exemption assistance will be equal to or less than 15% of hard construction costs plus the land acquisition costs, excluding the costs of professional fees, developer fees, furniture and fixtures, interest, profit, and other soft costs. In addition, Developer must provide at least 10% of total capital costs as Developer's equity in the project.~~

University Mixed Use Payment In Lieu Of Tax Policy and GuidelinesPolicy #7

~~PILOT assistance for UMU projects should not be viewed by the developer as an entitlement. When undertaking any PILOT project the due diligence procedures in determining the feasibility and level of public assistance must be reviewed by the City's financial consultant in conjunction with City staff. The financial consultant must use accepted public financing procedures in determining project feasibility and levels of public assistance. Particularly when public assistance includes substantial reimbursement to the developer of costs of acquisition or land write down amounts, review of the level of public assistance may include an estimate of the return on investment anticipated by the project and analysis as to whether the expected return on investment, including the public assistance, is within reason.~~

Policy #8

~~When undertaking a PILOT project a non-refundable administrative fee equal to 5% of the total value of the estimated tax exemption must be paid by the developer. These fees are to reimburse the City for costs expended by staff and consultants to determine the feasibility, level of public assistance and the preliminary costs of project development by the City.~~

~~Other City costs such as engineering, bond carrying costs, and annual special assessment administration will be in addition to this administrative fee if warranted. To the extent that PILOT assistance exceeds \$2 million or more, the administrative fee on said excess may be negotiated to a sum less than 5%, as may be appropriate. A non-refundable deposit, set by schedule, shall be paid to the City along with an initial application for a PILOT project. The City, upon approval of the Finance Committee, may~~

~~require additional sums to be deposited, from time to time, to defray such costs initially borne by the City. The deposit and any other additional sums paid to the City may be offset against and accereditd toward the 5% administrative fee.~~

Policy #9

~~Applications for PILOT assistance are to be submitted to the Department of Planning and Development and the City Assessor. The application must include a description of the project and an estimate of the level of assistance needed to proceed with the project. The application will be reviewed by the appropriate Committee and the City Commission to determine if City staff, City financial advisors, and the City Attorney should proceed with a review of the project pro forma, and draft of a developer's agreement.~~

Policy #10

The development should be compatible with long-term City redevelopment plans, and create a high quality development that will have a positive impact on the tax base and the surrounding area. The developer's agreement should include design standards to ensure that the development will be compatible with the long term plans for the area.

Policy #11

~~Interest rates allowed to be recouped as eligible costs shall be one percent (1%) over the municipal bond indexed rate for taxable municipal bonds or over such indexed rate for tax exempt municipal bonds, as appropriate, as identified by the City Finance Director, with consultation with the City's financial advisor as needed.~~

Policy #12

~~The development should comply with City plans and policies that encourage the development of affordable housing and workforce housing. Rents should not substantially exceed, by more than 50%, fair market rents in Fargo.~~

University Mixed Use Payment In Lieu Of Tax Policy and Guidelines

III. PROJECT QUALIFICATIONS

All University Mixed Use Zoning PILOT projects considered by the City of Fargo must meet each of the following requirements:

1. To be eligible, a project shall result in a minimum increase of \$1 million in property valuation, or, if not, the developer shall establish that other goals and objectives of the project warrant approval.
2. The project shall meet at least one of the objectives set forth in Section II and satisfy all the provisions set forth in Section III of this document.
3. The developer shall demonstrate that the project is not financially feasible but for the use of the PILOT program. The projected internal rate of return as determined by the City's financial advisor based upon information provided by the developer must be no more than a percentage that provides a reasonable rate of return of a particular project.

4.1. The project must be consistent with the City's Comprehensive Plan, the Core Neighborhood Land Use Plan, and Zoning Ordinances the Land Development Code.

IV. APPLICATION PROCESS

1. Applicant submits letter requesting PILOT support for a project. The letter shall describe the project and shall be submitted to the City Commission for preliminary review and direction authorizing the staff to move forward with the application process.
2. Applicant submits the completed application along with all application fees. (See Policy #8 – non refundable deposit.)
3. City staff reviews the application and completes the Application Review Worksheet. The application and supporting documentation will be submitted to the City's financial advisor for due diligence consideration. At least three (3) weeks should be allowed for due diligence review and consideration [upon submittal of a complete and approved application.]
4. Results of the Worksheet and financial review are submitted to the Tax Exempt Review Committee for its recommendation to the City Commission for their approval.

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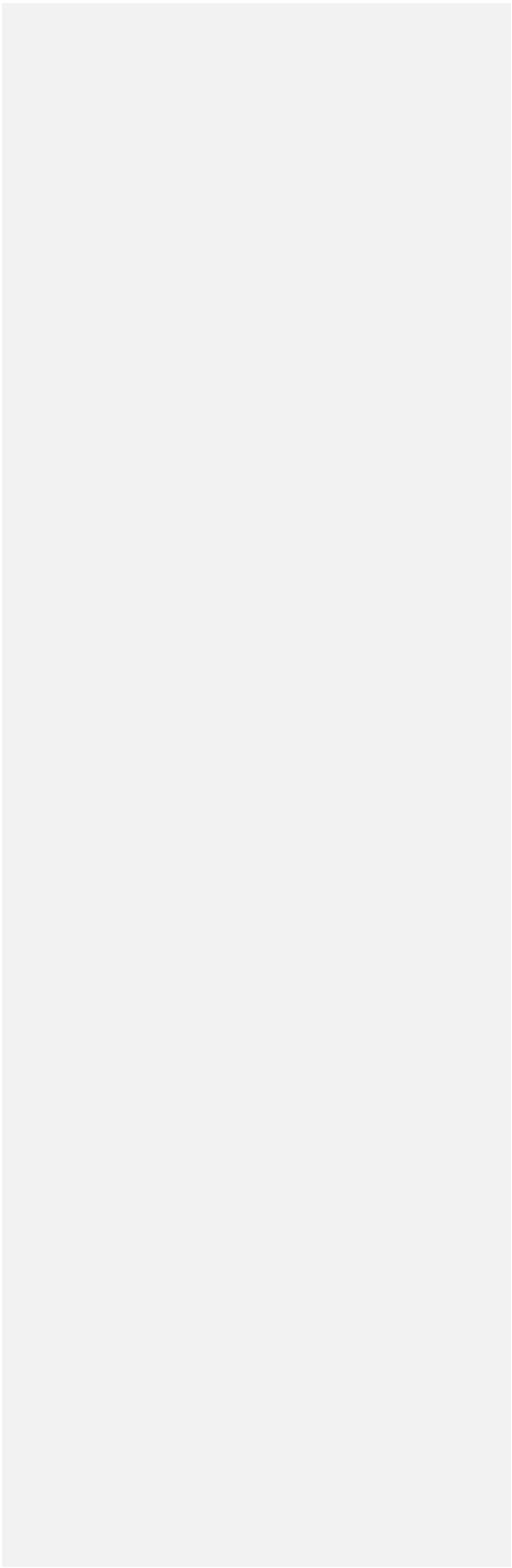
~~5. Notices are published as required.~~

~~6. Public hearing(s) are held on the proposed project as may be required by law.~~

~~7. The City Commission approves or denies approval of the proposal.~~

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Tax Increment Financing Policy Brownfield Redevelopment Guidelines

1. Policy Purpose

The purpose of this policy is to establish the City of Fargo's (City) position relating to the use of Tax Increment Financing (TIF) for encouraging redevelopment of brownfield sites with private development ~~above and beyond the requirements and limitations set forth by State Law~~. This policy shall be used as a guide in the processing and review of applications requesting tax increment assistance. The fundamental purpose of TIF in Fargo is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance provided through TIF.

~~The City of Fargo is granted the power to utilize TIF by the Tax Increment Financing Act. It is the intent of the City to provide the minimum amount of TIF at the shortest term required for the project to proceed. The City reserves the right to approve or reject projects on a case by case basis, taking into consideration established policies, project criteria, and demand on city services in relation to the potential benefits from the project. Meeting policy criteria does not guarantee the award of TIF to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.~~

2. Objectives of Tax Increment Financing

As a matter of adopted policy, the City will consider using TIF to assist development projects to achieve one or more of the "City Objectives" listed in the evaluation criteria section of this policy.

3.1. Designated Redevelopment Areas

In order to maximize the ability of the City to meet its redevelopment goals, the City may designate redevelopment areas. In order to designate a redevelopment area, a plan for the redevelopment area will:

- Document existing conditions;
- Describe the plan for the future, and;
- Outline activities needed to implement the plan

Designation of the Redevelopment may occur in two ways.

- The designation may be at the request of a property owner and/or developer that has a proposed redevelopment plan.

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Tax Increment Financing Policy

- The designation may be initiated by the City Commission for an area where the City would like to see development, and then work with property owners within the TIF district to implement projects consistent with the development plan.

4. City of Fargo Policies for the Use of TIF

These policies are to provide guidance to developers who are considering making a request for TIF funding, and to guide City Commission decisions in the development of renewal plans and development agreements. When renewal plans are initiated by the City, not all of these policies are applicable to those plans.

Policy #1

When undertaking a redevelopment project on a defined parcel(s) of land, slum or blighted conditions on a portion of the property or properties should exist. A City Commission declaration of underdeveloped property for the purposes of using TIF assistance will outline activities needed to implement the redevelopment.

Policy #2

~~When undertaking a redevelopment or development project on an underdeveloped parcel(s) of land, a TIF exemption or TIF revenue note will be the preferred method of providing assistance directly to a developer. Exceptions to this rule will be considered by the City Commission and be based on reasons that can be documented by the developer and confirmed after review by the City's bond consultant.~~

Policy #3

When undertaking a redevelopment or development project using a TIF exemption or TIF revenue note, the length of the term of this note is limited to 15 years.

Policy #4

The length of a TIF may extend beyond 15 years when used for city infrastructure, public parking, or community development efforts, such as, affordable housing, replacement housing, public space, and public art.

Policy #5

To the extent required by state, federal, or local law or regulations, a relocation plan should be provided in the development or renewal plan. When undertaking a redevelopment project on underdeveloped parcel(s) of land, relocation payments to

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Tax Increment Financing Policy

tenants of businesses or residential uses must be made. These relocation payments must follow state and federal guidelines, as applicable, for assistance.

Policy #6

Land acquisition or land write-down costs must meet the requirements outlined as follows:

1. The eligible costs recouped to the developer shall be evaluated in a case-by-case basis, but the maximum should be the lesser of:
 - a. The total acquisition cost for the property, provided the acquisition cost is no more than 150% of the assessor's market value for the property. This 150% limit applies to the total of all properties acquired, not a property by property limit.
 - b. 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).

Policy #7

With respect to ~~non-blighted, or non-slum development or~~ redevelopment, eligible costs, ~~as stated in state law,~~ are limited to the following:

- A. The cost of acquiring, or the market value, of all or part of the industrial or commercial property;
- B. Costs of demolition, removal, or alteration of buildings and improvements on the industrial or commercial property, including the cost of clearing and grading land;
- C. Costs of installation, construction, or reconstruction of streets, utilities, parks, and other public works or improvements necessary for carrying out the development or renewal plan; and
- D. All interest and redemption premiums paid on bonds, notes, or other obligations issued by the municipality to provide funds for the payment of eligible public costs of development.

Policy #8

TIF assistance to the developer should be limited to a percentage of up to 15% of hard capital costs of development including the costs of property acquisition, and public facilities. ~~In other words, The TIF assistance will equal or be less than 15% of hard construction costs including the land acquisition costs, hard capital costs excluding the costs of professional fees, developer fees, furniture and fixtures, interest, profit, and other~~

~~Tax Increment Financing Policy~~

~~soft costs. In addition, the developer must provide at least 10% of total capital costs as developer's equity in the project.~~

The limit of 10% may be exceeded if the project will include a community development purpose, for example, accepting lower rates of return to provide affordable housing, or other public benefits. Examples:

1. Direct investment in public or free publicly accessible private spaces.
2. Direct and ongoing investment in public art.
3. Development of affordable or replacement housing.
4. City equity treated equally to other investor equity with City returns to be used by City for community development purpose, which should be used in the nearby neighborhoods.

~~Policy #9~~

If funds are used for a City ~~lead~~ project, a public-private partnership, or for public benefit, the total TIF costs may exceed the limits stated in policy #8, including but not limited to the following:

- If funds are going to pay for public parking, public infrastructure, or other public investments such as rehabilitation or provision of affordable or replacement housing in the nearby neighborhoods or areas, or other public improvement not directly related to the project.
- Affordable housing, ideally in conjunction with the use of 4% or 9% Low Income Housing Tax Credits

~~Policy #10 – ROI Analysis, Reasonable Assistance Requirement~~

When undertaking any TIF project that provides assistance to a developer, the due diligence procedures in determining the feasibility and level of public assistance must be reviewed by the City's financial consultant in conjunction with the City's staff. ~~The financial consultant must use accepted public financing procedures in determining project feasibility and levels of public assistance. Particularly when public assistance includes substantial reimbursement to the developer costs of acquisition or land write-down amounts, review of the level of public assistance may include an estimate of the return on investment anticipated by the project and analysis as to whether the expected return on investment, including the public assistance, is within reason.~~

Tax Increment Financing Policy

Policy #11 – Projection of Future Increments

~~For purposes of projecting future increments to be generated, an assumed maximum increase in valuation will be limited to two percent (2%) per annum. The exact assumptions made for projections is subject to approval by the City on a case-by-case basis.~~

Policy #12

~~When undertaking any TIF project within the City of Fargo, a non-refundable administrative fee set by schedule, must be paid by the developer after final approval of the City Commission and prior to or at the closing of the transaction. These fees are to reimburse the City for costs expended by staff and consultants to determine the feasibility, level of public assistance, and the preliminary costs of project development by the City. Other City costs such as engineering, bond carrying costs, and annual administration will be in addition to the administrative fee if warranted. To the extent that TIF assistance, including administrative fees, exceeds \$2 million the administrative fee on said excess may be negotiated to a sum of less than 5%. A non-refundable deposit, set by schedule, shall be paid to the City along with an initial application for a TIF project. The City may require additional sums to be deposited from time to time, to defray such costs initially borne by the City. Such sums may be recouped by the developer as eligible costs as may be agreed between the City and the developer and as allowed by the urban renewal law (N.D.C.C. Chapter 40-58). The non-refundable deposit and any other additional sums paid to the City will be offset against and credited towards the administrative fee.~~

Policy #13

~~Applications for TIF assistance are to be submitted to the Department of Planning and Development. The application must include a description of the project and an estimate of the level of assistance needed to proceed with the project. A checklist and application will be available from the Department of Planning and Development.~~

Policy #14

The redevelopment should be compatible with long-term City redevelopment plans, and create a high quality redevelopment that will have a positive impact on the tax base and the surrounding area. The developer's agreement should include design standards to ensure that the development will be compatible with the long-term plans for the area.

Tax Increment Financing Policy

Policy #15

~~The maximum interest rates allowed to be recouped as eligible costs will be set by schedule. The City Finance Director in consultation with the City's financial consultant will recommend the actual rate.~~

Policy #16—Good standing

Applicants for TIF assistance must be in good standing with the City. Good standing means current in property taxes, utility fees, city accounts, and no significant history of unresolved code violations

Policy #17—Post Project Review

Developers' agreements will include terms that require documentation of TIF eligible costs, allow for an audit at the discretion of the City, and require cooperation with the city staff or auditors.

On large scale projects, the City may require a review of the financial performance of the project in the future, and if the project has a significantly higher than expected return on investment, the amount of the TIF assistance may be reduced.

Policy #18

Renewal Plans may include terms that allow for the city to use a portion of the TIF revenue for the preservation or replacement lower density housing in neighborhoods adjacent to higher density housing projects. The housing plan would be outlined in the Renewal Plan.

Application & Review Process for Developer Request for TIF Assistance

- ~~1. Applicant submits letter requesting TIF support for a project. The letter shall describe the project and shall be submitted to the City Commission for preliminary review and direction authorizing staff to move forward with the application process. City Commission approval is required to proceed to application review and plan development.~~
- ~~2. Applicant submits the completed application along with all application fees.~~
- ~~3. City Staff reviews the application and completes the Application Review Worksheet. The application and supporting documentation will be submitted to the City's financial consultant for due diligence consideration.~~

Tax Increment Financing Policy

Allow at least three (3) weeks for due diligence review and consideration [upon submittal of a complete and approved application].

- a. ~~As part of the application review, City staff are authorized to inquire as to the character, reputation, fitness of the applicant to engage in the project and to bear the responsibilities entailed therein, and any other pertinent information. Such inquiries may include background checks on the applicant and principles of the applicant as the case may be.~~
- b. ~~With respect to certain proprietary, commercial, and financial information that is submitted as part of the application, and review process, said information may be exempt from the North Dakota Open Records Law, Chapter 44-04, N.D.C.C., and to the extent that N.D.C.C. 44-04-18.4 allows, it is the City's intention to maintain confidentiality of such information when requested by the applicant.~~
- c. ~~In advance of submission to the City of such confidential records or information, the City and Applicant will make appropriate arrangements for the handling of such information and records to protect the confidentiality thereof.~~
4. ~~The results of the financial review will be reviewed by the Finance Department.~~
5. ~~Results of the reviews are submitted to the Renaissance Zone and/or the Tax Exempt Review Committee, for recommendation.~~
6. ~~The renewal plan or development plan along with all necessary notices, resolutions, and certificates are prepared by City staff and/or consultants.~~
7. ~~Notices mailed and published as required.~~
8. ~~Public hearing(s) on the proposed project are held.~~
9. ~~The City Commission grants final approval or denial of the plans and development agreements.~~

Application & Review Process for City-Initiated Renewal Plans and TIF Districts

1. ~~Renewal Plans and TIF Districts may be proposed by any City Commissioner, the Planning Commission, the City Administration, or the Planning Department. The proposal shall include a boundary, a description of existing conditions, and general plan for development.~~
2. ~~City Commission directs the preparation of the renewal plan.~~
3. ~~City Staff prepares a plan for future development.~~

Tax Increment Financing Policy

- ~~4. The renewal plan or development plan along with all necessary notices, resolutions, and certificates are prepared by City staff and/or consultants.~~
- ~~5. Notices mailed and published as required.~~
- ~~6. Public hearing(s) on the proposed project are held.~~
- ~~7. The City Commission grants final approval or denial of the plans and tax increment financing district.~~

Evaluation Criteria for Assistance to Developers

The City of Fargo has established multiple objectives that should be met to qualify for Tax Increment Financing. Since there are different types of developments, the objectives for each of the development types is different. The three types of projects anticipated are:

1. Housing
2. Commercial or Industrial
3. Downtown or Mixed Use

Housing projects should meet at least 5 of the 7 objectives listed below.

- The housing development is served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development.
- The housing is compatible with the adjacent area or the future land use in the area.
- Sidewalks bike trails, or a transit stop within 4 blocks of the housing development.
- The project has a high quality design, exceeding the requirements of the Land Development Code.
- The project includes affordable housing, workforce housing, or includes a plan to replace some of the housing eliminated by the development
- The housing project eliminates blighted conditions or substandard buildings.
- The project will create significant growth in the tax base on the site.

Tax Increment Financing Policy

Commercial projects should meet at least 5 of the 8 objectives listed below.

- The development is served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development.
- Sidewalks bike trails, or a transit stop within 4 blocks of the housing development.
- The commercial/industrial development is expected to contain some primary sector business or jobs.
- The development will include some public spaces or public art.
- The project cleans up brownfield conditions.
- The project eliminates blighted conditions or substandard buildings.
- The project will create significant growth in the tax base on the site.
- The project is expected to encourage additional development on adjacent sites.
- The project has a high quality design.

Downtown or Mixed Use (Mixed use is commercial/housing in the same development.)
Projects should meet at least 7 of the 11 objectives listed below.

- The development is served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development.
- The project is compatible with the adjacent area or the future land use in the area.
- Sidewalks bike trails, or a transit stop within 4 blocks of the housing development.
- There is an adequate parking and access plan, preferably with shared parking by the different land uses.
- The development is expected to contain some primary sector business or jobs.
- The development will include some public spaces or public art.
- The project cleans up brownfield conditions.
- The project eliminates blighted conditions or substandard buildings, or replaces surface parking.
- The project will create significant growth in the tax base on the site.
- The project is expected to encourage additional development on adjacent sites.
- The project contains businesses that will provide needed services or goods used by adjacent land uses.

Downtown Housing Guidelines - PILOT

New Apartments Within Downtown Incentive Area

Market rate Downtown Apartments: Years 1 through 5 - 100% exempt on the increased value of the improvements. Years 6 through 15 - The percentage exempt will be based on a financial review and "but for" test. The amount exempt will be no more than 90% of the improved value.

If Market Rate housing includes at least 10% of the housing to be what the City considers "affordable, the City may approve up to a 100 percent exemption based on a financial review and "but for" test.

Low Income Housing Guidelines PILOT

Apartment Buildings for Lower Income Households

Lower Income Apartments: Years 1 through 20 – The percentage of exemption may be up to 100% of the improvement value for the period of time that the housing will serve low income housing.

Incentives for lower income apartments may be for new buildings and substantial rehabilitation necessary to maintain existing lower income apartments units.

Lower income apartments are those where the developer is required to rent to lower income households at below market rent as required by the Department of Housing and Urban Development, the Low Income Housing Tax Credit Program, the ND Housing Finance Agency, or a recorded land use restrictive covenant agreement.

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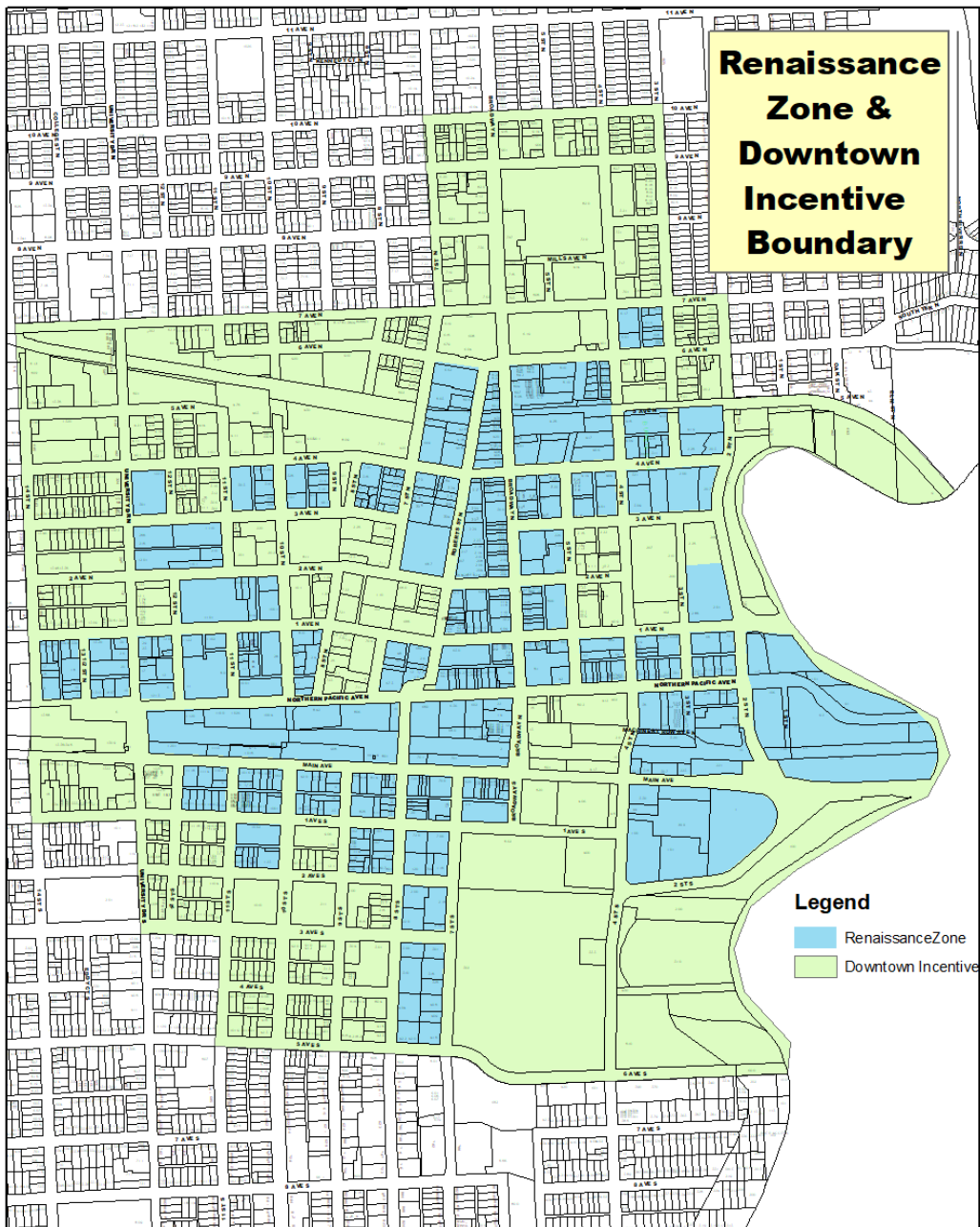
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City of Fargo Tax Exempt Review Committee
Policy & Guidelines

2021

Tax Exempt Review Committee
225 Fourth Street North
Fargo, North Dakota 58102

Table of Contents

Mission Statement / Effective Date and Term

Available Incentive Options

Economic Development Guidelines

Remodeling Exemption Guidelines

Residential New Construction Guidelines

Core Neighborhood Guidelines

Brownfield Redevelopment Guidelines

Downtown Redevelopment Guidelines

Low Income Housing Guidelines

Tax Exempt Review Committee Members

Map of Downtown Incentive Area

Mission Statement

The City of Fargo supports the mission of economic development and community development through the use of available tax incentive programs offered to the private sector. The goal of this mission is to create high quality jobs by attracting new, and expanding existing, primary sector businesses; promote historic preservation and development of the downtown district; support market and affordable housing opportunities; support the redevelopment of brownfield sites; support the redevelopment of blighted properties in core neighborhoods; and; grow the city's tax base which, collectively, enhance the city's livability, vibrancy and quality of life. The responsibility to initiate, sustain and implement primary sector economic development, redevelopment and housing shall be borne primarily by the private sector with the city supporting qualifying efforts with reasonable public and private cooperation.

Effective Date and Term

This policy is effective as of the date of adoption and shall remain in effect until the next review. The next review will follow the June 2022 City election.

Available Incentive Options Reviewed By Tax Exempt Review Committee

Remodeling Exemption (N.D.C.C. 57-02.2)

This provides for an exemption of buildings that have been improved by means of renovation, remodeling, alteration, or additions. It does not apply to the replacement of one building with another. The amount of valuation added to the original assessment due to the remodeling within the existing structure may be exempted for a period of 5 years on projects started on or after August 1, 1999; 3 years on projects started prior to that. This is available to all commercial properties and residential buildings that are at least 25 years old.

Residential New Construction Exemption (N.D.C.C. 57-02-08)

This has allowed for an exemption of up to \$150,000 in value on newly constructed residential dwellings, duplexes, townhomes, and condominiums. Separate exemptions are allowed to builders and first owners after the builder.

New or Expanding Business Exemption/PILOT (N.D.C.C. 40-57.1) This allows for a 5-year exemption for buildings of certain new or expanding business projects. A 10 year exemption may be granted to projects producing or manufacturing a product from agricultural commodities. In addition to, or instead of a property tax exemption, projects may be granted an option to set up to 20 years of payments in lieu of taxes (PILOT). The amount of those payments would be determined through negotiations with the City and the project operator.

Tax Increment Financing (N.D.C.C. 40-58)

This allows for the encouragement of private enterprise to rehabilitate or redevelop urban renewal areas by means of tax increments. This may be provided by the issuance of bonds to be paid back by the private operator through the incremental difference in property taxes between the original value and rehabilitated property value. This may also be provided in the form of a tax exemption with an amount granted initially and the incremental exempted tax being applied to reduce that amount with interest.

Incentive Options Available Through The Planning & Development Department

Renaissance Zone Incentives (N.D.C.C. 40-63)

This allows for the encouragement of private investment to rehabilitate or redevelop downtown Fargo through the use of property tax, state income tax and historic preservation & renovation tax credit incentives. The Renaissance Zone Authority administers the Zone incentives.

Community Development Incentives

In an effort to develop a high quality downtown and neighborhoods by providing quality housing and a suitable living environment, a combination of the above programs will be utilized.

Policy for Primary Sector Economic Development Projects

The City of Fargo will use the general review criteria below in evaluating the applications for assistance. These are broad areas of consideration which serve as part of the underlying City economic development policy.

Economic Impact to the City of Fargo

The economic impact to the City to be considered will be determined by increased construction activity and the purchase of local equipment, goods and services. Also, consideration will be given in terms of the size of the payroll and the value of the real property which ultimately serves to increase the tax base of the city.

Diversification and Growth of the Economic Base

The City is concerned about attracting and retaining companies that provide diversification from the existing industrial base in order to bring about a more stable economic environment in the city.

Number and Type of Jobs to be Created

The City of Fargo is interested in knowing the projection for job creation over the term of the assistance. Consideration will be given to the salary, benefits, and type of jobs to be created or anticipated jobs to be added in the future.

Local Competition

It is the intention of the City to not give an unfair advantage over other local existing companies through the use of these incentives.

Benefits To Accrue To The Project Operator

It is the intention of the City of Fargo that benefits granted accrue to the successful applicant, whether the applicant is the owner or tenant of a property, unless approval is otherwise specified.

Quality and Growth Potential of the Client

Consideration will be given to the company's reputation in other areas of the country in terms of the client's track record, credit history, stability, and overall industry standing. The City will also be interested in the company's past history of growth, potential for future growth, and the general outlook for growth of the industry as a whole.

Kinds of Businesses Targeted For Possible Financial Assistance

- The City will only assist primary sector businesses.
- Primary sector businesses are those in which at least 70% of the revenues generated by the end product or service they provide come from outside the Fargo trade area (150-mile radius). The end product may be completed by another firm (i.e. Cardinal IG provides glass to Integrity Windows). This information will be provided by the business as part of the application process.
- The business must request "Primary Sector" designation from the ND Department of Commerce and submit that information along with the incentive application.

General Evaluation Objectives For Economic Development Projects

- Targeted primary sector businesses are:
 1. Those engaged in manufacturing, remanufacturing or processing of a raw material or base product.
 2. Those providing packaging and distribution of end products.
 3. Service industries that are involved in data processing, data communications, telecommunications services, computer software development, technology support, research facilities, research and development of new technologies, or any form of information processing.
 4. Back office service providers and corporate headquarters.
- The City is sensitive to concerns of providing assistance if jobs are simply being relocated within the Fargo Trade Area.

Kinds of Businesses Not Eligible For Economic Development

- Retail or any business selling directly to the consumer
- Health Care industry
- Education industry
- Hospitality services (hotels, restaurants, taverns, etc.).
- Professionals (architects, attorneys, physicians, dentists, accountants, real estate developers, investment advisors, advertising/public relations advisors)
- General local office facilities.
- General local warehousing facilities

Evaluation Point System To Be Used As A Guide

A point system will be utilized as a guide in evaluating primary sector projects for possible incentive programs. Although the point system will not be the final determining factor regarding eligibility for incentives, it will be used as a tool to quantify certain criteria.

General Evaluation Objectives For Economic Development Projects

A total of ??? points is required for recommended approval under the point system.
Following is a breakdown of the criteria evaluated by the point system:

Project Type:

<u>Points</u>	<u>Project Description</u>
+38	Manufacturing
+25	Support Services
+25	Primary Sector Distribution
+38	Primary Sector Service Industry
+38	Technology Research
-	

Jobs Created (Initial Year):

<u>Points</u>	<u>Number of Jobs</u>
+ 10	1-10
+25	11-50
+40	51-100
+50	101-250
+75	251+

Jobs Created (Year 3):

<u>Points</u>	<u>Number of Jobs</u>
+ 10	1-10
+25	11-50
+40	51-100
+50	101-250
+75	251+

Points Hourly Salary must also provide health care benefits, retirement, or substantially higher wages.

- 25	Under \$13.00	A weighted average of points will be used according to the number of jobs created in each range.
+ 0	\$13.01 - \$15.00	
+25	\$15.01 - \$20.00	
+30	\$20.01 - \$28.00	
+35	\$28.01 - \$35.00	
+50	Over \$35.00	

Local Competition:

<u>Points</u>	<u>% of Gross Income With Any Local Competition</u>
+25	0% - 10%
+15	11% - 30%
+0	31% - 50%
-25	Over 50%

Company Safety Experience Rating

<u>Points</u>	<u>City Set Standard</u>
-25	Below City determined standard
+10	Average
+25	Better than Average

Value of Proposed Buildings:

<u>Points</u>	<u>Proposed Building Value</u>
+ 0	Up to \$80,000
+ 5	\$80,001 - \$100,000
+ 10	\$100,001 - \$500,000
+ 15	\$500,001 - \$1,000,000
+20	\$1,000,001 - \$5,000,000
+ 25	\$5,000,001 - \$10,000,000
+ 40	\$10,000,000 - \$15,000,000
+ 50	Over \$15,000,000

Startup Firms:

<u>Points</u>	<u>Startup</u>
+15	New "startup" business or new to the metro area.

Timing Of Filing Application:Not Eligible for consideration

If filed after start of construction on a new building

If filed after lease of an existing building, unless lease is contingent on property tax incentive.

EDITORS NOTE – GO TO PAGE 10 FOR LAST ECONOMIC DEVELOPMENT SECTION.

Remodeling Exemption Guidelines

This exemption provides an incentive to property owners to invest private capital in order to remodel and rehabilitate buildings and structures to prevent the properties from decay. It is at the discretion of the City whether or not to grant this exemption to properties.

This exemption encourages the investment of private capital to improve properties, subsequently encouraging the production of wealth, improving the volume of employment, enhancing living conditions, and preserving and increasing the property tax base.

The standard policy utilized by the City of Fargo in granting the exemption allowed for improvements to property, according to N.D.C.C. Chapter 57-02.2, will be as follows:

Residential & Apartment Property

5 year exemption for value added due to remodeling and additions to buildings 25 years old and older.

Commercial Property

5 year exemption for value added due to remodeling and additions to buildings 25 years old and older. Additions that exceed the existing value of the building must be reviewed by the tax exempt review committee, with a recommendation sent to the City Commission.

- No exemption, under this policy, will be granted for assessment value replaced after a reduction in appraised value has been made by the Assessment Department for value lost due to fire, flood, tornado, or other natural disaster.

2 Year Residential New Construction Exemption Guidelines

The governing body of the city must approve the exemption by resolution and may amend or rescind that resolution at any time. The City may also limit or impose conditions on this exemption, including the time period for which it is allowed.

This exemption promotes the construction of dwelling units thereby encouraging the volume of employment, enhancing living conditions and increasing the tax base. However, the limited availability of the exemption to the majority of the local population warrants close review of the need for it to encourage that activity.

The City of Fargo will pass a resolution allowing for this exemption and the terms and conditions of the incentive. The City will periodically review the option of adopting a new resolution expanding or limiting the terms of this exemption as economic conditions or state statute may change.

New Single Family Residence Owned By Builder & Unoccupied

Up to five properties per builder per year may be exempt up to \$150,000 of building value if the homes are unoccupied and owned by the builder. The maximum term of exemption is for the taxable year construction began and one following taxable year.

New Single Family Residence Owned By First Owner After The Builder

The first owner after the builder may receive an exemption on up to \$150,000 of building value for new single-family, condominium and townhouse residences. The maximum term of the exemption is for the two taxable years after the taxable year construction is completed and the residence is occupied for the first time by the owner.

EDITORS NOTE: THE SECTION BELOW IS TO BE MOVED UP TO THE ECONOMIC DEVELOPMENT GUIDELINES.

Standard Exemption for Primary Sector Businesses

The standard exemption for primary sector projects meeting the general objective of targeted businesses for assistance that meet the criteria in the evaluation point system for jobs created and project size: Years 1 through 5 - 100% exemption on the improvement value.

For an expansion of an existing business, the eligible exemption will apply to the increased value of the improvements added for the expansion.

Factors to consider longer property tax exemption (beyond 5 years for partial exemption)

- Business has high potential for growth
- High paying jobs
- High capital investment
- Growth industry
- Corporate headquarters
- Processing a product from an agricultural commodity

Policy on Review and Reporting

Except in cases of assistance for housing, a business incentive agreement must be signed prior to the City Assessor reporting the tax exemption to the County. The agreement will describe the type and value of the assistance as well as stated goals to be met. Periodic reporting will be required of the recipient to monitor the stated goals.

Reporting will no longer be required once the goal has been met.

The stated goal may be extended for up to two years if it is determined circumstances made achievement impossible. If, after extending two years and it is determined a decrease in goals is justified, the goals may be decreased after a public hearing.

If not extended or reduced and the goal has not been met, the recipient must pay back the amount of assistance granted, prorated to reflect partial fulfillment.

Additional Economic Development Resources

- Growth Initiative Fund
- Lewis and Clark Fund
- Greater Fargo Moorhead Economic Development Corporation
- ND Department of Commerce
- Bank of North Dakota

Commented [JR1]: I assume these are listed and further definition will be provided so they are of value to the end-user

Core Neighborhood Housing - Payment In Lieu Of Tax Policy and Guidelines

The purpose of this policy is to establish the City of Fargo's position relating to the use of Payment in Lieu of Taxes (PILOT) for private housing development in core neighborhoods. The fundamental purpose is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance.

It is the intent of the City to provide the minimum amount of tax exemptions, at the shortest term required, for the project to proceed.

As a matter of policy, the City will consider using PILOT to assist private housing development projects to achieve one or more of the following objectives:

- To create opportunities for affordable housing.
- To encourage additional unsubsidized private development in the area, either directly or indirectly through "spin off" development.
- To assist developers enough to achieve development on sites which would not be developed without PILOT assistance.
- To remove blight and/or encourage the development of new housing that provides housing in areas of core neighborhoods consistent with the Core Neighborhood Plan.
- To offset increased costs of redevelopment (i.e. contaminated site cleanup, infrastructure needs, and higher land costs) over and above the costs normally incurred in development.
- To contribute to the implementation of other public policies, as adopted by the City, such as the promotion of quality urban or architectural design, energy conservation, and decreasing capital and/or operating costs of local government.

POLICIES FOR THE USE OF PILOT

For projects without affordable housing, the maximum PILOT incentive will be a 100% exemption for the first 5 years, and a 50% exemption *for* an additional 5 years.

For projects with affordable housing, the maximum PILOT incentive will be a 100% exemption for a maximum of 20 years.

To the extent required by state, federal, local law, or regulations, a relocation plan should be provided by the developer. Relocation payments to tenants of businesses or residential uses must be made. These relocation payments should follow state/federal guidelines, as applicable, for assistance (NDCC Ch. 54-01.1 and USC).

The amount or value of the PILOT tax exemption will be limited to the extraordinary costs of development, and the extraordinary costs are limited to following costs.

1. The costs of land acquisition, subject to the limits outlined in the next policy
2. Relocation of existing tenants.
3. The costs of demolition, including the removal of building foundations, parking lots, and the removal and replacement of unsuitable soil.
4. Public improvements that are in the public right-of-way such as sidewalks, driveway approaches, lighting, and connections to the water, sanitary sewer, and storm water systems.
5. On site storm water retention including the cost of excavation, underground storm water lines, or underground storage facilities. It does not include water collection systems such as parking lots, sidewalks, or curb/gutters.
6. Architectural and engineering costs are limited to those necessary services to implement other activities allowed by this policy. Developer fees and legal costs are not permitted.

Land acquisition or land write-down costs must meet the requirements outlined as follows:

1. The eligible costs recouped to the developer shall be evaluated in a case-by-case basis, but the maximum should be the lesser of:
 - o The total acquisition cost for the property, provided the acquisition cost is no more than 150% of the assessor's market value for the property. This

150% limit applies to the total of all properties acquired, not a property by property limit.

- 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 estimated value of the PILOT assistance should be limited to a percentage up to 15% of hard capital costs of development including the costs of acquisition. Developer must provide at least 10% of total capital costs as Developer's equity in the project.

When undertaking any PILOT project the due diligence procedures in determining the feasibility and level of public assistance must be reviewed by the City's financial consultant in conjunction with City staff.

The development should be compatible with long-term City redevelopment plans, and create a high quality development that will have a positive impact on the tax base and the surrounding area. The developer's agreement should include design standards to ensure that the development will be compatible with the long term plans for the area.

1. The project must be consistent with the City's Comprehensive Plan, the Core Neighborhood Land Use Plan, and the Land Development Code.

Brownfield Redevelopment Guidelines

Policy Purpose

The purpose of this policy is to establish the City of Fargo's (City) position relating to the use of Tax Increment Financing (TIF) for encouraging redevelopment of brownfield sites with private development. This policy shall be used as a guide in the processing and review of applications requesting tax increment assistance. The fundamental purpose of TIF in Fargo is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance provided through TIF.

It is the intent of the City to provide the minimum amount of TIF at the shortest term required for the project to proceed. Objectives of Tax Increment Financing

As a matter of adopted policy, the City will consider using TIF to assist development projects to achieve one or more of the "City Objectives" listed in the evaluation criteria section of this policy.

1. Designated Redevelopment Areas

In order to maximize the ability of the City to meet its redevelopment goals, the City may designate redevelopment areas. In order to designate a redevelopment area, a plan for the redevelopment area will:

- Document existing conditions;
- Describe the plan for the future, and;
- Outline activities needed to implement the plan

Designation of the Redevelopment may occur in two ways.

- The designation may be at the request of a property owner and/or developer that has a proposed redevelopment plan.
- The designation may be initiated by the City Commission for an area where the City would like to see development, and then work with property owners within the TIF district to implement projects consistent with the development plan.

City of Fargo Policies for the Use of TIF

These policies are to provide guidance to developers who are considering making a request for TIF funding, and to guide City Commission decisions in the development of renewal plans and development agreements. When renewal plans are initiated by the City, not all of these policies are applicable to those plans.

When undertaking a redevelopment project on a defined parcel(s) of land, slum or blighted conditions on a portion of the property or properties should exist. A City Commission declaration of underdeveloped property for the purposes of using TIF assistance will outline activities needed to implement the redevelopment.

When undertaking a redevelopment or development project using a TIF exemption or TIF revenue note, the length of the term of this note is limited to 15 years.

The length of a TIF may extend beyond 15 years when used for city infrastructure, public parking, or community development efforts, such as, affordable housing, replacement housing, public space, and public art.

To the extent required by state, federal, or local law or regulations, a relocation plan should be provided in the development or renewal plan. When undertaking a redevelopment project on underdeveloped parcel(s) of land, relocation payments to

tenants of businesses or residential uses must be made. These relocation payments must follow state and federal guidelines, as applicable, for assistance.

Land acquisition or land write-down costs must meet the requirements outlined as follows:

1. The eligible costs recouped to the developer shall be evaluated in a case-by-case basis, but the maximum should be the lesser of:
 - a. The total acquisition cost for the property, provided the acquisition cost is no more than 150% of the assessor's market value for the property. This 150% limit applies to the total of all properties acquired, not a property by property limit.
 - b. 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).

With respect to redevelopment, eligible costs, are limited to the following:

- A. The cost of acquiring, or the market value, of all or part of the industrial or commercial property;
- B. Costs of demolition, removal, or alteration of buildings and improvements on the industrial or commercial property, including the cost of clearing and grading land;

- C. Costs of installation, construction, or reconstruction of streets, utilities, parks, and other public works or improvements necessary for carrying out the development or renewal plan; and
- D. All interest and redemption premiums paid on bonds, notes, or other obligations issued by the municipality to provide funds for the payment of eligible public costs of development.

TIF assistance to the developer should be limited to a percentage of up to 15% of hard capital costs of development including the costs of property acquisition, and public facilities.

The limit of 10% may be exceeded if the project will include a community development purpose, for example, accepting lower rates of return to provide affordable housing, or other public benefits. Examples:

1. Direct investment in public or free publicly accessible private spaces.
2. Direct and ongoing investment in public art.
3. Development of affordable or replacement housing.
4. City equity treated equally to other investor equity with City returns to be used by City for community development purpose, which should be used in the nearby neighborhoods.

If funds are used for a City project, a public-private partnership, or for public benefit, the total TIF costs may exceed the limits stated in policy #8, including but not limited to the following:

- If funds are going to pay for public parking, public infrastructure, or other public investments such as rehabilitation or provision of affordable or replacement housing in the nearby neighborhoods or areas, or other public improvement not directly related to the project.
- Affordable housing, ideally in conjunction with the use of 4% or 9% Low Income Housing Tax Credits

When undertaking any TIF project that provides assistance to a developer, the due diligence procedures in determining the feasibility and level of public assistance must be reviewed by the City's financial consultant in conjunction with the City's staff.

When undertaking any TIF project within the City of Fargo, a non-refundable administrative fee set by schedule must be paid by the developer.

The redevelopment should be compatible with long-term City redevelopment plans, and create a high quality redevelopment that will have a positive impact on the tax base and

the surrounding area. The developer's agreement should include design standards to ensure that the development will be compatible with the long-term plans for the area.

Applicants for TIF assistance must be in good standing with the City. Good standing means current in property taxes, utility fees, city accounts, and no significant history of unresolved code violations

Developers' agreements will include terms that require documentation of TIF eligible costs, allow for an audit at the discretion of the City, and require cooperation with the city staff or auditors.

On large scale projects, the City may require a review of the financial performance of the project in the future, and if the project has a significantly higher than expected return on investment, the amount of the TIF assistance may be reduced.

Renewal Plans may include terms that allow for the city to use a portion of the TIF revenue for the preservation or replacement lower density housing in neighborhoods adjacent to higher density housing projects. The housing plan would be outlined in the Renewal Plan.

Evaluation Criteria for Assistance to Developers

The City of Fargo has established multiple objectives that should be met to qualify for Tax Increment Financing. Since there are different types of developments, the objectives for each of the development types is different. The three types of projects anticipated are:

1. Housing
2. Commercial or Industrial
3. Downtown or Mixed Use

Housing projects should meet at least 5 of the 7 objectives listed below.

- The housing development is served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development.
- The housing is compatible with the adjacent area or the future land use in the area.
- Sidewalks bike trails, or a transit stop within 4 blocks of the housing development.
- The project has a high quality design, exceeding the requirements of the Land Development Code.
- The project includes affordable housing, workforce housing, or includes a plan to replace some of the housing eliminated by the development
- The housing project eliminates blighted conditions or substandard buildings.
- The project will create significant growth in the tax base on the site.

Commercial projects should meet at least 5 of the 8 objectives listed below.

- The development is served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development.
- Sidewalks bike trails, or a transit stop within 4 blocks of the housing development.
- The commercial/industrial development is expected to contain some primary sector business or jobs.
- The development will include some public spaces or public art.
- The project cleans up brownfield conditions.
- The project eliminates blighted conditions or substandard buildings.
- The project will create significant growth in the tax base on the site.
- The project is expected to encourage additional development on adjacent sites.
- The project has a high quality design.

Downtown or Mixed Use (Mixed use is commercial/housing in the same development.)
Projects should meet at least 7 of the 11 objectives listed below.

- The development is served by existing infrastructure of the development or will upgrade the infrastructure to meet the needs of the development.
- The project is compatible with the adjacent area or the future land use in the area.
- Sidewalks bike trails, or a transit stop within 4 blocks of the housing development.
- There is an adequate parking and access plan, preferably with shared parking by the different land uses.
- The development is expected to contain some primary sector business or jobs.
- The development will include some public spaces or public art.
- The project cleans up brownfield conditions.
- The project eliminates blighted conditions or substandard buildings, or replaces surface parking.
- The project will create significant growth in the tax base on the site.
- The project is expected to encourage additional development on adjacent sites.
- The project contains businesses that will provide needed services or goods used by adjacent land uses.

Downtown Housing Guidelines - PILOT**New Apartments Within Downtown Incentive Area**

Market rate Downtown Apartments: Years 1 through 5 - 100% exempt on the increased value of the improvements. Years 6 through 15 - The percentage exempt will be based on a financial review and "but for" test. The amount exempt will be no more than 90% of the improved value.

If Market Rate housing includes at least 10% of the housing to be what the City considers "affordable, the City may approve up to a 100 percent exemption based on a financial review and "but for" test.

Low Income Housing Guidelines PILOT**Apartment Buildings for Lower Income Households**

Lower Income Apartments: Years 1 through 20 – The percentage of exemption may be up to 100% of the improvement value for the period of time that the housing will serve low income housing.

Incentives for lower income apartments may be for new buildings and substantial rehabilitation necessary to maintain existing lower income apartments units.

Lower income apartments are those where the developer is required to rent to lower income households at below market rent as required by the Department of Housing and Urban Development, the Low Income Housing Tax Credit Program, the ND Housing Finance Agency, or a recorded land use restrictive covenant agreement.

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