PROPERTY TAX INCENTIVE APPLICATION FOR CASS COUNTY HOUSING AUTHORITY

(Larry Weil)

SUGGESTED MOTION:

Move to participate in the request for a payment in lieu of taxes (PILOT) incentive for the second phase of a senior affordable rental housing project in West Fargo submitted by the Housing Authority of Cass County for a fifteen-year period.

OR

Move to **NOT** participate in the request for a payment in lieu of taxes (PILOT) incentive for the second phase of a senior affordable rental housing project in West Fargo submitted by the Housing Authority of Cass County for a fifteen-year period to negotiate the terms of the property tax incentive with the city as described in N.D.C.C. Chapter 40-05-24.

RECEIVED CASS COUNTY COMMISSION





August 8, 2019

To:

Rick Steen

Cass County Commission

211 9th St S

Fargo, ND 58103

From: Callie Roth, City of West Fargo Economic Development Specialist

RE:

2018-03: Potential Property Tax Incentive Project

Dear Rick,

This letter is intended to comply with North Dakota Century Code 2166. The new law states:

Notwithstanding any other provision of law, before granting a property tax incentive on any parcel of property that is anticipated to receive a property tax incentive for more than five years, the governing body of a city shall send the chairman of each county commission and the president of each school district affected by the property tax incentive a letter, by certified mail, which provides notice of the terms of the proposed property tax incentive. Within thirty days from receipt of the letter, each affected county and school district shall notify the city, in writing, whether the county or school district elects to participate in granting the tax incentive on the county or school district portion of tax levied on the property. The notification from a county or school district electing not to participate must include a letter explaining any reason for which the entity elected not to participate and whether the county or school district is willing to negotiate the terms of the property tax incentive with the city.

If the city does not receive a response from an affected county or school district within thirty days of delivery of the letter, the county and school district must be treated as participating in the property tax incentive.

This project lead by Cass County Housing Authority involves the 2nd phase of redevelopment for an affordable housing complex located in West Fargo's downtown area. Built in the 1950's, these buildings have depreciated significantly in value and quality. Given the redevelopment our downtown area has experienced, it is important that these buildings receive improvements similar to its surroundings to maintain an urbanized aesthetic. In addition to a visual improvement, this project will target low-income residents, a group which generally experiences a shortage of affordable housing

in the area. Upon approval, the city intends to utilize a Payment in Lieu of Taxes incentive targeted toward Affordable Housing projects that spans over 10 years. This will ensure the Cass County Housing Authority has the leverage to finance the project proposed. A public hearing has been scheduled for the September 16, 2019 West Fargo City Commission meeting for any public comment.

Along with this letter, we are sending a formal project packet for you to indicate any additional steps needed for approval as well as the West Fargo Economic Development Advisory Committee's minutes showing initial approval. We respectfully request the city's Economic Development department be notified of any hearing or discussions regarding this project to ensure we can provide all necessary information to your boards. If this request falls within your guidelines for immediate approval, please send written notification affirming said approval. If you have any additional questions, please do not hesitate to contact me and I will be happy to assist you.

Sincerely,

Callie Roth
Economic Development Specialist
callie.roth@westfargond.gov
701-433-5313

Application For Property Tax Incentives For New or Expanding Businesses

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

Project Operator's Application To City of West 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

	J I											
1.	Name of project operator of new or	expanding busines	SS Housing	Authority of Cass County, North Dakota (HACC)								
2.	Address of project 201 9th Avenue West											
	City West Fargo County Cass											
3.	Mailing address of project operator 230 8th Avenue West											
	City West Fargo State ND Zip 58078											
4.	Type of ownership of project ☑ Partnership ☐ Corporation	☐ Subchapter S☐ Cooperative	corporatio	n ☐ Individual proprietorship ☐ Limited liability company								
5.	Federal Identification No. or Social	Security No. Will	be applied	for.								
6.	North Dakota Sales and Use Tax Pe	rmit No. N/A										
7.	If a corporation, specify the state an	d date of incorpora	ation									
8.	Name and title of individual to conta	act Blake Strehlov	w, Executive	Director								
	Mailing address 230 8th Avenue West											
	City, State, Zip West Fargo, ND 58078 Phone No. 701-282-3443											
Project	Operator's Application For Tax I	ıcentives	1000-100 May 100									
9.	Indicate the tax incentives applied for	or and terms. Be sp	ecific.									
	☐ Property Tax Exemption	1	Ø	Payments In Lieu of Taxes								
	Number of years		2022	Beginning year 2036 Ending year								
	Percent of exemption		attached	Amount of annual payments (attach schedule if payments will vary)								
10.	Which of the following would better	describe the proje	ect for whic	ch 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											
		of replating the project site to include vacating approximately pproved and recorded, the legal description of the project real										
12.	Will the project property be owned or leased by the pr	oject operator?										
	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 exi	sting facility? New construction Existing facility										
	If existing facility, when was it constructed?											
	If new construction, complete the following:											
	a. Estimated date of commencement of construction o	f the project covered by this application08/2020										
	b. Description of project to be constructed including some The project will include the demolition of 24 2-store construction of 38 affordable rental housing units.											
	c. Projected number of construction employees during	the project construction 57										
14.	Approximate date of commencement of this project's of	operations 08/2021										
15.	Estimated market value of the property used <u>for this project</u> :	16. Estimate taxable valuation of the property eligible for exemption by multiplying the market values by 5 percent:										
	a. Land\$ 466,700	a. Land (not eligible)										
	b. Existing buildings and structures for which an exemption is claimed N/A	b. Eligible existing buildings and structures\$										
	c. Newly constructed buildings and structures when completed \$ 8,500,000	c. Newly constructed buildings and structures when completed\$ 425,000										
	d. Total\$ 8,966,700	d. Total taxable valuation of property eligible for exemption (Add lines b and c)\$ 425,000										
	e. Machinery and equipment\$ N/A	e. Enter the consolidated mill rate for the appropriate taxing district										
		f. Annual amount of the tax exemption (Line d multiplied by line e)										

Description of Project Business

No inc	te: "project" means lude any established	a newly establish part of an existi	ned business or the ng business.	expansion po	ortion of an ex	kisting busin	ess. Do not					
17.	Type of business to	be engaged in:	☐ Ag processing ☐ Wholesaling	C	☐ Manufacturi☐ Warehousin	_	Retailing Services					
18.			engaged in by the project operator, including a description of any products to ed or stored (attach additional sheets if necessary).									
	HACC will develop 38 Limited Partnership (Ll											
	Indicate the type of N/A	machinery and ec	uipment that will be	e installed								
20.	For the project only new business or the					(before tax) fi	rom either the					
	Year (12 mo. period	New/Expansio Project only s) <u>Year 1</u>	n New/Expansio Project only <u>Year 2</u>	n New/Expa Project o <u>Year</u>	only Pro	Expansion ject only <u>Year 4</u>	New/Expansion Project only Year 5					
	Annual revenue	368,559	375,930	383,449	39	1,118	398,940					
	Annual expense	345,719	352,678	359,842	36	7,219	374,814					
	Net income	22,840	23,252	23,606	23,	899	24,126					
21.	Projected annual average year for the first five				ject itself at the	e project loca	tion for each					
		0 :1	New/ Expansion Project	New/ Expansion Project	New/ Expansion Project	New/ Expansion Project	Project					
	Year	Company-wide (before project)	•	only <u>Year 2</u>	only <u>Year 3</u>	only <u>Year 4</u>	only <u>Year 5</u>					
	No. of Employees	(1)										
		(2)	1	1	1	1	1					
	Estimated payroll	(1)										
	ull time art time	(2)	33,280	33,946	34,625	35,317	36,023					

Previ	ous Business Activity
22.	Is the project operator succeeding someone else in this or a similar business?
23,	
1	☑ 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).
	HACC or an affiliate of HACC, acting as the General Partner, has received a PILOT for Screnity Apartments,
Pugin	the Monterey Apartments and the Bridges Apartments, and all three (3) projects are located in West Fargo, ND.
25.	ess Competition Is any similar business being conducted by other operators in the municipality? ☑ Yes □ No
25.	
	If YES, give name and location of competing business or businesses
	-Owners, operators, managers of Low Income Housing Tax Credit projects in the community of West Fargo.
	rty 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?
	If the answer to 26 or 27 is Yes, list and explain
	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 t	to the hearing, the applicant must present to the governing body of the county or city a copy of the affidavit of pub-

lication giving notice to competitors unless the municipality has otherwise determined there are no competitors.

I, Blake Strehlow	, do hereby certify that the answers to the a	hove questions and all of the
information contained in this application and belief and that no relevant fact pert	on, including attachments hereto, are true and correct t aining to the ownership or operation of the project has	o the best of my knowledge
1.8W/W	Executive Director	07/30/2019
Signature	Title	Date

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 b	y the Auditor of the City or C	ounty)		
State Tax Commissioner and Director of Tax Equaliz	ation by submitting a copy of	the project operator's application		
☐ Property Tax Exemption ☐	Payments in lieu of taxes			
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 to 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 Property Tax Exemption Payments in lieu of taxes Beginning year Ending year Ending year Percent of exemption Amount of annual payments (Attach schedule if payments will vary) Auditor				
Percent of exemption	- ·	Attach schedule if payments		
		Auditor		

HACC Phase II - Payment In Lieu of Property Tax Payment Schedule

					Land	Total
Cal Year	Year		PILOT		Tax est.	est. pmt
2022	1	\$	7,600	\$	6,780	\$ 14,380
2023	2	\$	7,752	\$	6,916	\$ 14,668
2024	3	\$	7,907	\$	7,054	\$ 14,961
2025	4	\$	8,065	\$	7,195	\$ 15,260
2026	5	\$	8,226	\$	7,339	\$ 15,566
2027	6	\$	8,391	\$	7,486	\$ 15,877
2028	7	\$	8,559	\$	7,636	\$ 16,194
2029	8	\$	8,730	\$	7,788	\$ 16,518
2030	9	\$	\$ 8,905		7,944	\$ 16,849
2031	10	\$	9,083	\$	8,103	\$ 17,186
2032	11	\$	9,264	\$	8,265	\$ 17,529
2033	12	\$	9,450	\$	8,430	\$ 17,880
2034	13	\$	9,639	\$	8,599	\$ 18,238
2035	14	\$	9,831	\$	8,771	\$ 18,602
2036	15	\$	10,028		8,946	\$ 18,974
	Totals	: \$	131,430	\$	117,253	\$ 248,683

Assumptions:

- 1) First full year of operations for = 2022
- 2) PILOT pmt starts with a base of \$200 per unit and increases by 2% per year
- 3) Estimated Land taxes increases by 2% per year

HACC Phase 2 FOR THE PERIOD January 1, 2022 THROUGH December 31, 2036

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	0000
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10					2036
REVENUES						reur o	rear /	1 car o	Tear 9	rear 10	Year 11	Year 12	Year 13	Year 14	Year 15
+ Gross Rent Potential	396,300	404,226	412.311	420,557	428,968	437,547	446,298	455,224	464,329	473,615	483,087	492,749	500.004	540.050	
- Residential Vacancies	-27,741	-28,296	-28,862	-29,439	-30,028	-30,628	-31,241	-31.866	-32,503	-33,153	-33,816	-34,492	502,604 -35,182	512,656 -35,886	522,90
Total Potential Income	368,559	375,930	383,449	391,118	398,940	406,919	415,057	423,358	431,826	440,462	449,271	458,257	467,422	476,770	-36,604 486,306
EXPENSES															
Management Fees - 6%	23,778	24,491	25,226	25,983	26,762	27.565	28.392	29,244	30.121	04.005	04.050				
Management Salaries	18,713	19,274	19,853	20,448	21,062	21,693	22,344	23,015	23,705	31,025 24,416	31,956	32,914	33,902	34,919	35,96
Administration						21,000	22,044	20,010	23,703	24,410	25,149	25,903	26,680	27,481	28,30
Accounting	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133	9,407	9.690	9.980	10,280	10,58
Advertising	600	618	637	656	675	696	716	738	760	783	806	831	9,960 855	881	90:
Legal	600	618	637	656	675	696	716	738	760	783	806	831	855	881	90
Office Supplies/Postage	600	618	637	656	675	696	716	738	760	783	806	831	855	881	90
Communications	5,700	5,871	6,047	6,229	6,415	6,608	6.806	7,010	7,221	7,437	7,660	7,890	8,127	8,371	8,62
Other: HTF/LIHTC Monitoring Fees/ba	480	494	509	525	540	556	573	590	608	626	645	664	684	705	72
Replacement Reserves	15,200	15,656	16,126	16,609	17,108	17,621	18,150	18,694	19,255	19,833	20,428	21.040	21,672	22,322	22.99
Maintenance Maintenance Salaries	26.000														
Maintenance Supplies	36,000	37,080	38,192	39,338	40,518	41,734	42,986	44,275	45,604	46,972	48,381	49,832	51,327	52,867	54,453
Painting & Cleaning (unit turns)	2,250 1,000	2,318	2,387	2,459	2,532	2,608	2,687	2,767	2,850	2,936	3,024	3,115	3,208	3,304	3,403
Repairs		1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344	1,384	1,426	1,469	1.513
Grounds Keeping/Snow Removal	13,500 10,000	13,905 10,300	14,322	14,752	15,194	15,650	16,120	16,603	17,101	17,614	18,143	18,687	19,248	19,825	20,420
Service Contracts	11,250		10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439	13,842	14,258	14,685	15,126
Exterminating	1,800	11,588	11,935	12,293	12,662	13,042	13,433	13,836	14,251	14,679	15,119	15,573	16,040	16,521	17,017
Utilities	1,600	1,854	1,910	1,967	2,026	2,087	2,149	2,214	2,280	2,349	2,419	2,492	2,566	2,643	2,723
Natural Gas	9,000	9,270	9.548	9,835	10,130	10,433	10,746	11.069							
Electric	15,750	16,223	16.709	17,210	17,727	18,259	18,806		11,401	11,743	12,095	12,458	12,832	13,217	13,613
Water and Sewer	19,575	20,162	20,767	21,390	22,032	22.693	23,374	19,371 24,075	19,952	20,550	21,167	21,802	22,456	23,129	23,823
Garbage	5,000	5,150	5,305	5,464	5.628	5,796	23,374 5,970	24,075 6,149	24,797	25,541	26,307	27,096	27,909	28,747	29,609
Fixed Expenses					3,020 2000/2007/2007	3,790	3,370	0,148	6,334	6,524	6,720	6,921	7,129	7,343	7,563
Real Estate Taxes	6,780	6,916	7,054	7,195	7,339	7,486	7.635	7,788	7,944	8,103	8.265				American
PILOT	7,600	7,752	7,907	8,065	8,226	8,391	8,559	8,730	8,905	9.083	9,264	8,430 9,450	8,599	8,771	8,946
Insurance	18,000	18,540	19.096	19,669	20,259	20,867	21,493	22,138	22,802				9,639	9,831	10,028
Compliance Fees	1,570	1,617	1,666	1,716	1,767					23,486	24,190	24,916	25,664	26,434	27,227
Total Annual Operating Expenses	231,746	238,555	245.565	252,782	260,213	1,820 267,863	1,875 275,741	1,931 283,851	1,989 292,201	2,048 300,799	2,110 309,651	2,173	2,238	2,306	2,375
Net Assess County		·			200,210	207,000	2,0,741	200,001	252,201	300,799	309,651	318,765	328,149	337,811	347,760
Net Annual Operating Income	136,813	137,376	137,884	138,336	138,727	139,055	139,317	139,508	139,624	139,663	139,620	139,492	139,273	138,959	138,546
- 1st Mort P&I	108,973	108,973	108,973	108,973	108,973	108,973	108,973	108,973	108,973	108,973	108,973	108,973	108,973	108,973	108,973
- LP Asset Manager	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563
Annual Cash Flow	22,840	23,252	23,606	23,899	24,126	24,286	24,373	24,385	24,317	24,166	23,928	23,597	23,170	22,643	22,010
Debt Coverage Ratio	1.26	1,26	1.27	1,27	1.27	1,28	1,28	1,28	1,28	1,28	1.28	1,28	1,28	4.00	
Cash Flow Ratio	1,20	1.20	1.21	1.21	1,21	1,21	1,21	1.21	1.21					1.28	1,27
				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	1.21	1,21	1.21	1.21	1.21	1,21	1.21	1.20	1.20	1.19	1.19
Real Estate Taxes	6,780	6,916	7,054	7,195	7 220	7.400	7.00-	****			***************************************	***************************************			
PILOT	7,600	7,752	•	•	7,339	7,486	7,635	7,788	7,944	8,103	8,265	8,430	8,599	8,771	8,946
Total			7,907	8,065	8,226	8,391	8,559	8,730	8,905	9,083	9,264	9,450	9,639	9,831	10,028
	14,380	14,668	14,961	15,260	15,565	15,877	16,194	16,518	16,848	17,185	17,529	17,880	18,237	18,602	18,974
less current HACC PILOT Pmt (land & imprv)	(5,794)														
Estimated additional Taxes paid	8,586														

<u>Demolition/Disposition/Redevelopment Project Information:</u>

- * HACC currently owns 24-units of Public Housing located at 201 9th Ave. W., West Fargo (Project).

 Note this was the 1st Public Housing Project developed in the State of ND

 (see pages 2 and 3 of this narrative for Project Photos)
- * The Project has run the course of it's useful life where reinvestment in needed capital improvements does not make sense
- * HACC, in partnership with Beyond Shelter, Inc., would like to redevelop the Project by demolishing the existing buildings and replacing them with new affordable housing (approximately 38-units) (see pages 4 through 11 of this narrative for preliminary Project plans)
- * Currently the HACC pays a voluntary PILOT payment for the Projects land & improvements (\$5,794 for CY 2018) **Note** if the PILOT payment application is approved, the Project would pay an estimated Land plus PILOT payment of \$14,380 in year 1 of the PILOT
- * To assemble the financing for 38 new affordable housing units, the HACC needs to transfer the voluntary PILOT to a new entity (Project Owner) for 15-years, thus the HACC is applying for a 15-year PILOT that needs to be approved by the City of West Fargo Economic Development Advisory Committee, the City of West Fargo, the West Fargo Public School District, and the Cass County Commission
- * After 15-years the HACC will exercise a Right of First Refusal and own 100% of the new affordable housing project and the PILOT status will go back to being voluntary. The HACC would then resume annual PILOT payments
- * The PILOT is a critical piece for the Project to compete for Project financing, it allows for the financial feasibility of the Project's operations, and it allows the Project to help pay for essential/emergency services that are provided to the community
- * FYI per the HACC 06.30.19 Resident Characteristics Report, 69% of the Public Housing households served by the HACC earn 30% of Area Median Income (AMI) or below and another 22% earn 50% AMI or below for a total of 91% earning 50% AMI or below. Too public housing average household income = \$12,750 = extremely low-income households
- * HACC is respectively requesting that the City of West Fargo Economic Development Advisory Committee, the City of West Fargo, the West Fargo Public School District, and the Cass County Commission all support the Project's PILOT application request

Thank you for your time and consideration!

Google Maps 201 9th Ave W



Image capture: Sep 2013 © 2019 Google West Fargo, North Dakota Google

Street View - Sep 2013



ArcGIS - Public Page 1 of 1

Public



West Fargo GIS | West Fargo, Merrick & Company | Cass County GIS | West Fargo GIS, Eagle View



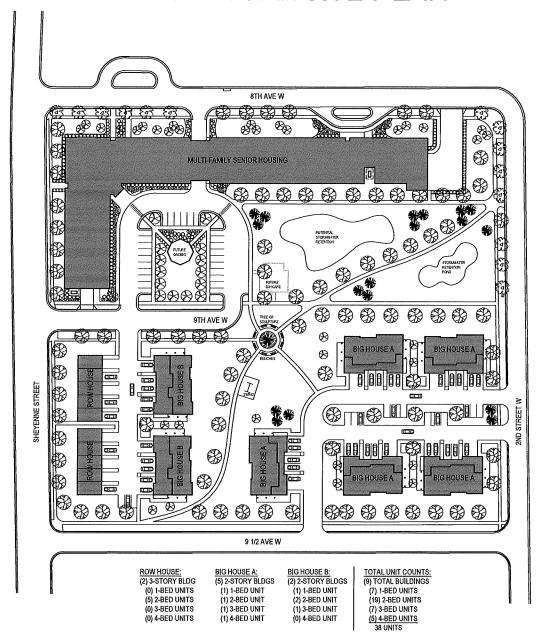








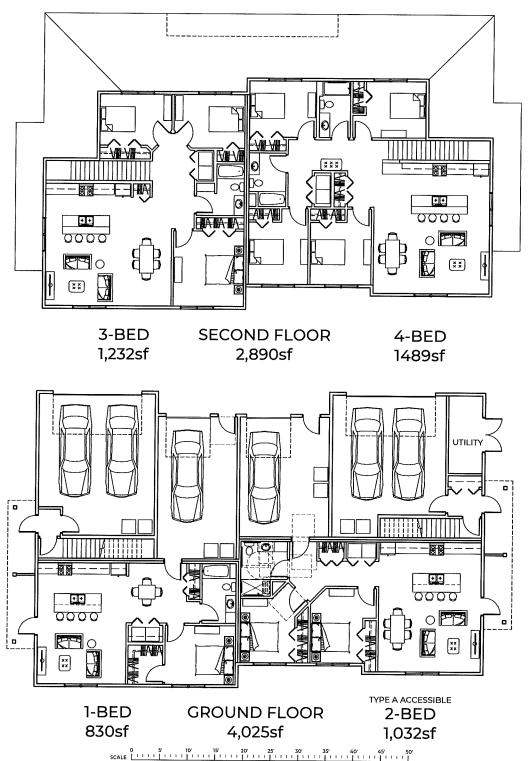
CONCEPTUAL SITE PLAN



BEYOND SHELTER & HOUSING AUTHORITY OF CASS COUNTY WEST FARGO REDEVELOPMENT PHASE III JUNE 20, 2019

4-PLEX BIG HOUSE A



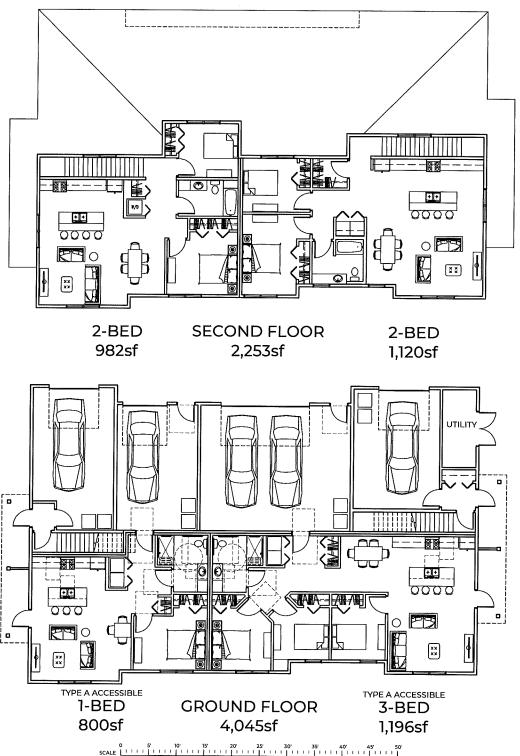


BEYOND SHELTER & HOUSING AUTHORITY OF CASS COUNTY WEST FARGO REDEVELOPMENT PHASE III

JUNE 19, 2019

4-PLEX BIG HOUSE B



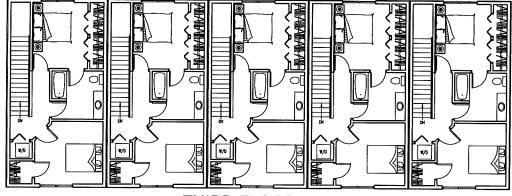


BEYOND SHELTER & HOUSING AUTHORITY OF CASS COUNTY WEST FARGO REDEVELOPMENT PHASE III

JUNE 19, 2019

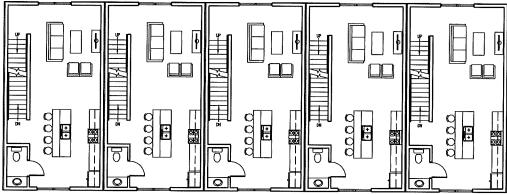


5-PLEX ROW HOUSE

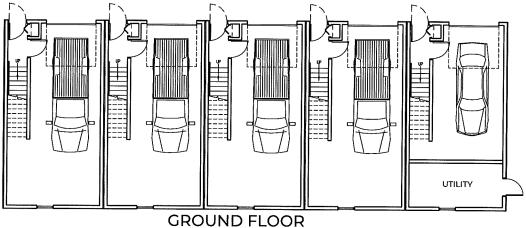


2-BED 613sf per floor

THIRD FLOOR 3,066sf



SECOND FLOOR 3,066sf



3,066sf

BEYOND SHELTER & HOUSING AUTHORITY OF CASS COUNTY WEST FARGO REDEVELOPMENT PHASE III

June 20, 2019

August 26, 2019

Callie Roth Economic Development Specialist City of West Fargo 800 4th Ave E West Fargo ND 58078

Ms. Roth:

The West Fargo School Board has reviewed the Property Tax Incentive Project for the Housing Authority of Cass County project located at 201 9th Ave W in West Fargo as referenced in your August 8, 2019 letter.

The project as proposed includes the creation of a Payment in Lieu of Tax program for a period of 15 years, based on an annual tax amount of \$200 per unit with a 2% per year annual inflationary adjustment.

The School Board was able to review this project at their meeting on August 26, 2019. The School Board adopted a motion to support the project based on the administration's recommendation. That recommendation is attached to this letter.

If there are any changes to this project that do not conform to the information that was originally provided to the school district or presented to our School Board, please contact me.

Please contact me at 701-356-2002 if you have questions or concerns.

Sincerely,

Mark P. Lemer Business Manager

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BOARD OF EDUCATION MEMO #19-20-16

DATE: 08/26/2019

TO: Members of the West Fargo School Board

FROM: Beth Slette and Mark Lemer

RE: Request for Tax Incentives from the Housing Authority of Cass County

FOCUS: Approve a request from the City of West Fargo to support the

redevelopment of existing affordable housing through a property tax

incentive

The City of West Fargo has received a request from the Housing Authority of Cass County (HACC) to consider a property tax incentive for the redevelopment of existing affordable housing located between 9th Ave W and 9½ Ave W along Sheyenne Street in West Fargo. These current facilities have reached the end of their useful life and are in need of substantial improvement. The proposal is to demolish the existing 24 units and replace them with 38 new units.

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To accomplish this redevelopment, the HACC will be partnering with Beyond Shelter. The partnership will allow the project to receive Low Income Housing Tax Credits (LIHTC) through the State of North Dakota that will provide the necessary investment for the project.

The HACC is a political subdivision that is not required to pay property taxes, but under their agreements with the US Department of Housing and Urban Development, they have been making an annual payment in lieu of property tax. In order to qualify for the LIHTC program, the project will need to change its tax status during the period of the LIHTC. This would require the project to pay property taxes for 15 years. Since these are income-restricted units, it is not financially feasible for the project to pay property taxes at the full amount. The HACC is requesting that a Payment in Lieu of Tax (PILOT) incentive be granted to set the amount of tax paid per unit at \$200, with an annual escalation of 2% for inflation

The attached application includes a schedule on Page 6 that shows the proposed annual Payment in Lieu of Taxes that would be made over the life of the project.

Under the new requirements included in Senate Bill 2166 that was enacted by the 2017 Legislature, the school district and the county are given the option to elect to participate in property tax incentives that last more than 5 years. The school district

was notified of this project by the City of West Fargo on August 8, 2019. We have 30 days to provide a response regarding our willingness to support this request for a tax incentive. The West Fargo Economic Development Advisory Committee has reviewed this project and is recommending its approval.

Dan Madler from Beyond Shelter and Blake Strehlow from the HAAC will attend the School Board meeting to review some of the details of the project and to answer questions that might arise.

Administrative Recommendation: The administration recommends that the School Board support the requested property tax incentive for the redevelopment of the affordable housing project submitted to the City of West Fargo by the Housing Authority of Cass County.

Sample Motion: I move to support the requested property tax incentive for the redevelopment of the affordable housing project submitted by the Housing Authority of Cass County.

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<u>Demolition/Disposition/Redevelopment Project Information:</u>

- * HACC currently owns 24-units of Public Housing located at 201 9th Ave. W., West Fargo (Project).

 Note this was the 1st Public Housing Project developed in the State of ND

 (see pages 2 and 3 of this narrative for Project Photos)
- * The Project has run the course of it's useful life where reinvestment in needed capital improvements does not make sense
- * HACC, in partnership with Beyond Shelter, Inc., would like to redevelop the Project by demolishing the existing buildings and replacing them with new affordable housing (approximately 38-units) (see pages 4 through 11 of this narrative for preliminary Project plans)
- * Currently the HACC pays a voluntary PILOT payment for the Projects land & improvements (\$5,794 for CY 2018) **Note** if the PILOT payment application is approved, the Project would pay an estimated Land plus PILOT payment of \$14,380 in year 1 of the PILOT
- * To assemble the financing for 38 new affordable housing units, the HACC needs to transfer the voluntary PILOT to a new entity (Project Owner) for 15-years, thus the HACC is applying for a 15-year PILOT that needs to be approved by the City of West Fargo Economic Development Advisory Committee, the City of West Fargo, the West Fargo Public School District, and the Cass County Commission
- * After 15-years the HACC will exercise a Right of First Refusal and own 100% of the new affordable housing project and the PILOT status will go back to being voluntary. The HACC would then resume annual PILOT payments
- * The PILOT is a critical piece for the Project to compete for Project financing, it allows for the financial feasibility of the Project's operations, and it allows the Project to help pay for essential/emergency services that are provided to the community
- * FYI per the HACC 06.30.19 Resident Characteristics Report, 69% of the Public Housing households served by the HACC earn 30% of Area Median Income (AMI) or below and another 22% earn 50% AMI or below for a total of 91% earning 50% AMI or below. Too public housing average household income = \$12,750 = extremely low-income households
- * HACC is respectively requesting that the City of West Fargo Economic Development
 Advisory Committee, the City of West Fargo, the West Fargo Public School District, and the
 Cass County Commission all support the Project's PILOT application request

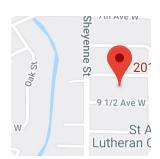
Thank you for your time and consideration!

Google Maps 201 9th Ave W



Image capture: Sep 2013 © 2019 Google West Fargo, North Dakota Google

Street View - Sep 2013



ArcGIS - Public Page 1 of 1

Public



 $West\ Fargo\ GIS\ |\ West\ Fargo\ GIS,\ Eagle\ View$



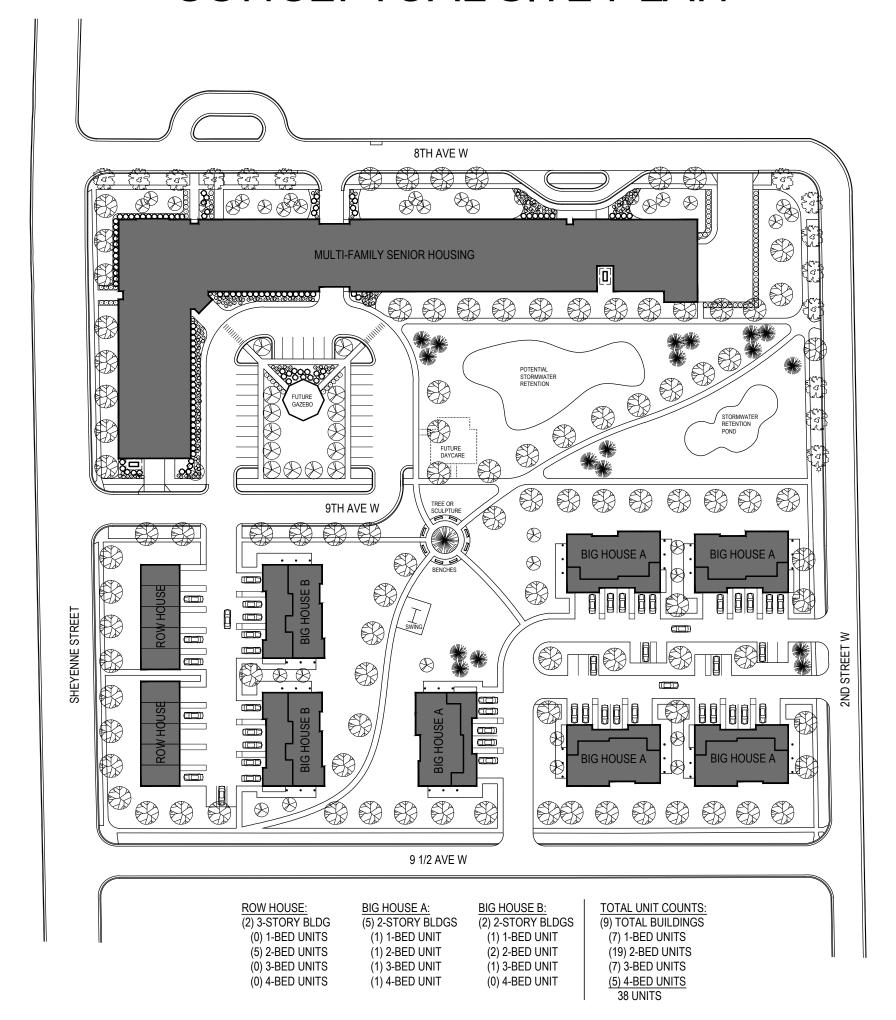








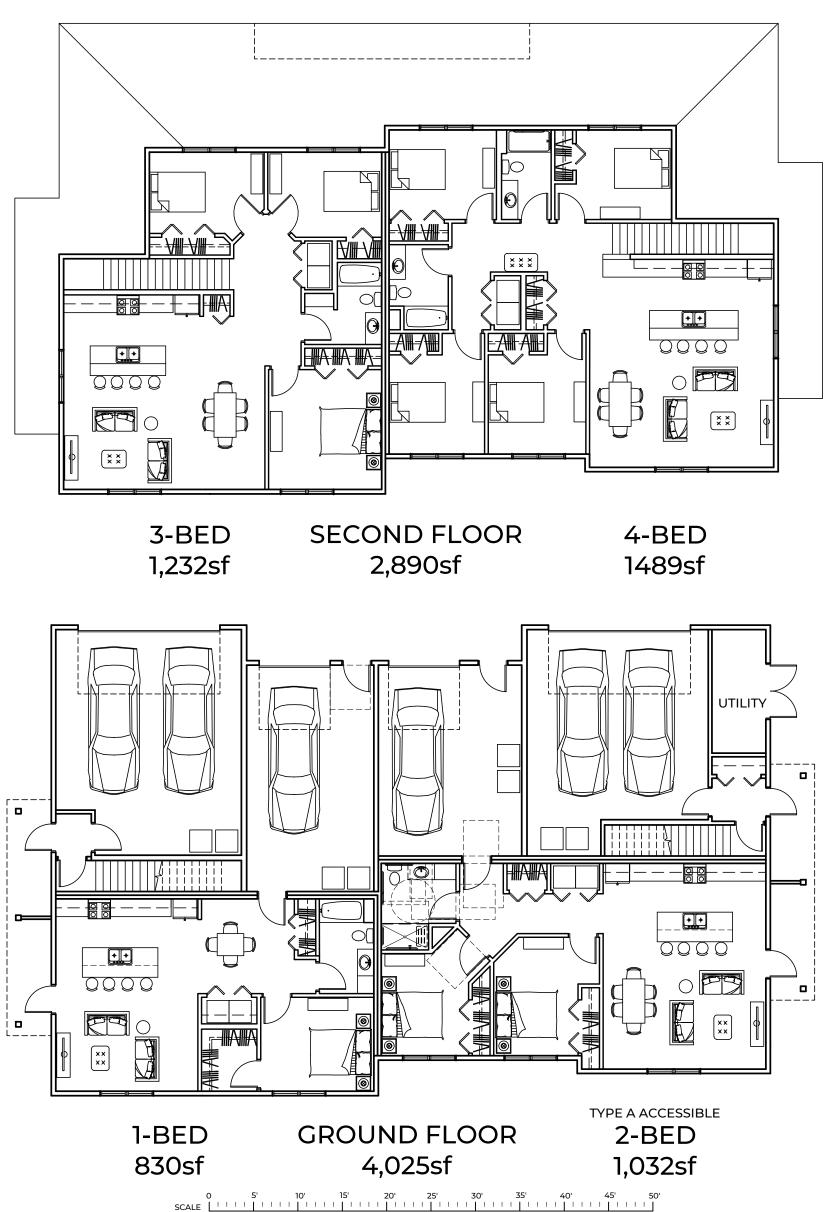
CONCEPTUAL SITE PLAN



BEYOND SHELTER & HOUSING AUTHORITY OF CASS COUNTY WEST FARGO REDEVELOPMENT PHASE III

4-PLEX BIG HOUSE A ARCHITECTUR +INTERIORS

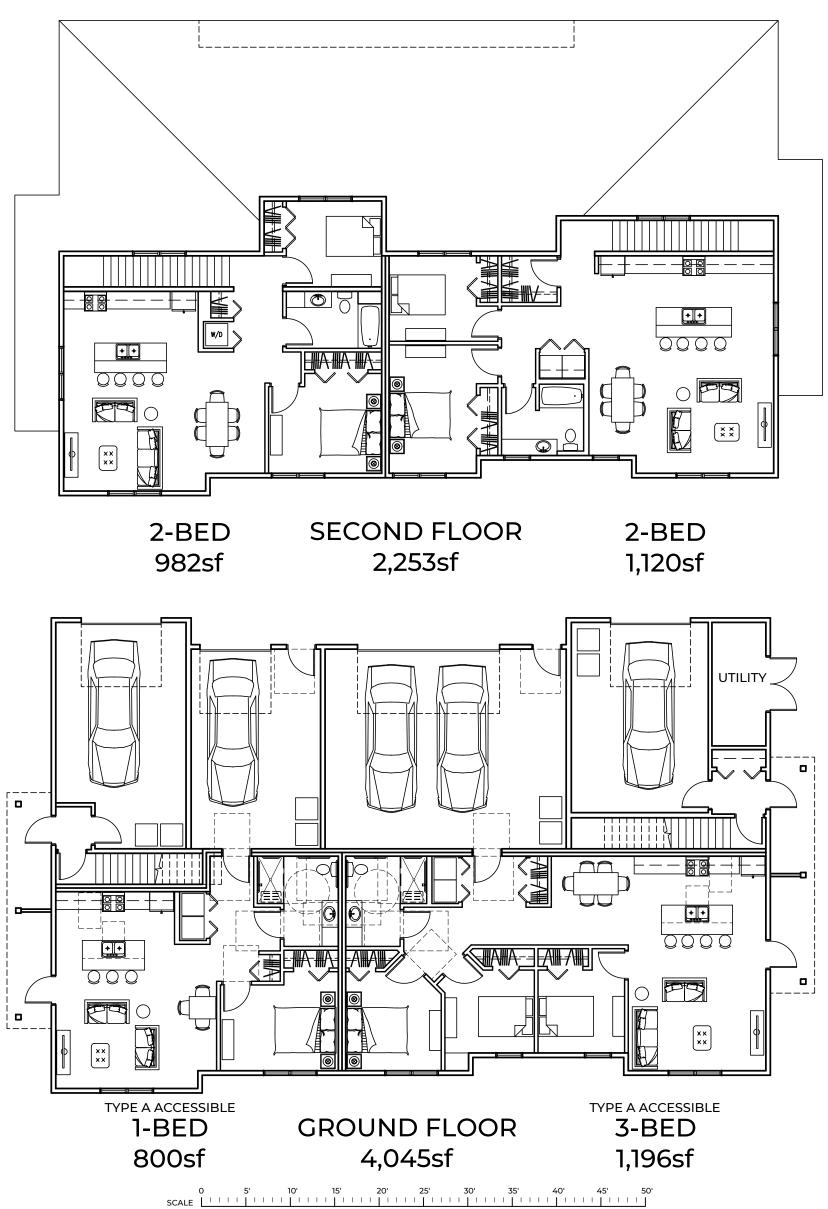




BEYOND SHELTER & HOUSING AUTHORITY OF CASS COUNTY WEST FARGO REDEVELOPMENT PHASE III JUNE 19, 2019

4-PLEX BIG HOUSE B



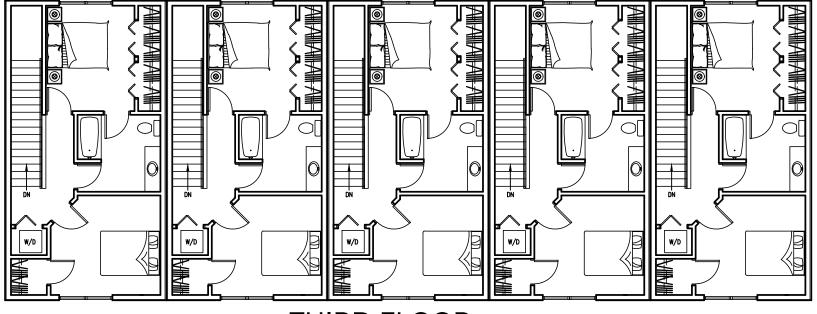


BEYOND SHELTER & HOUSING AUTHORITY OF CASS COUNTY WEST FARGO REDEVELOPMENT PHASE III

JUNE 19, 2019

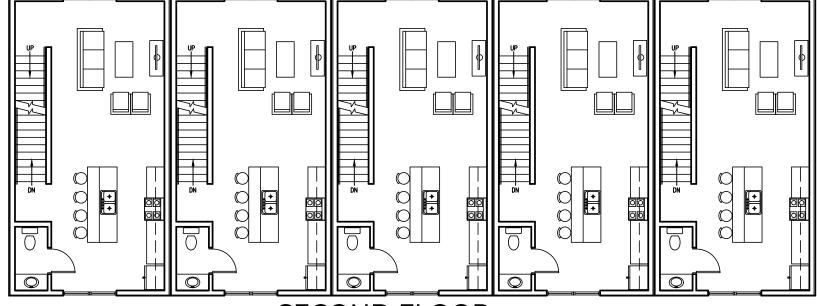


5-PLEX ROW HOUSE

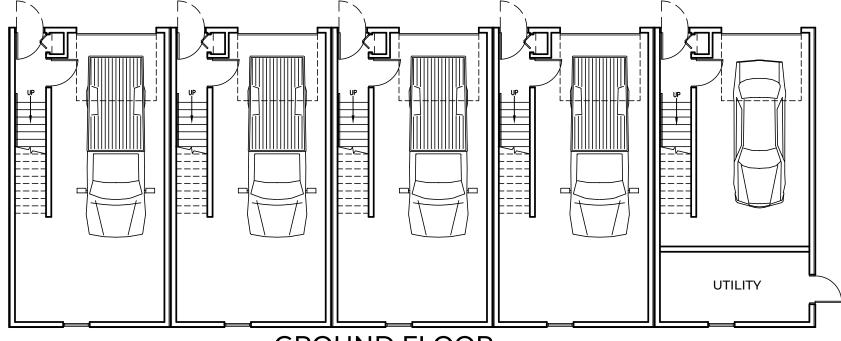


2-BED 613sf per floor

THIRD FLOOR 3,066sf



SECOND FLOOR 3,066sf



GROUND FLOOR 3,066sf

0 5' 10' 15' 20' 25' 30' 35' 40' 45' 50' SCALE

BEYOND SHELTER & HOUSING AUTHORITY OF CASS COUNTY WEST FARGO REDEVELOPMENT PHASE III

June 20, 2019