



M E M O

County  
Administrator

Robert W. Wilson  
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TO: Cass County Commissioners  
FROM: Robert W. Wilson  
DATE: July 1, 2020  
SUBJECT: PRx Performance PILOT Application

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PRx Performance, a local business that manufactures and distributes home exercise equipment has submitted a Payment in Lieu of Taxes application for the Commission's review.

The application is for a 10-year exemption. The first five years of the exemption are at 100%, with the exempted percentage stepping down incrementally in years six through ten.

At the June City of Fargo Tax Exempt Review Committee meeting, company representatives described significant year over year growth. This project will be for the construction of a 140,000 square ft. headquarters, industrial, and manufacturing facility.

**SUGGESTED MOTION:**

**Move to participate in the request for a payment in lieu of taxes (PILOT) incentive for a new headquarters, industrial and manufacturing facility submitted by PRx Performance for a 10-year period.**

OR

**Move to NOT participate at this time in the request for a payment in lieu of taxes (PILOT) incentive for a new headquarters, industrial and manufacturing facility submitted by PRx Performance for a 10-year period, and to negotiate the terms of the property tax incentive with the city as described in N.D.C.C. Chapter 40-05-24.**

PO Box 2806  
211 Ninth Street South  
Fargo, North Dakota 58108

[www.casscountynd.gov](http://www.casscountynd.gov)



ASSESSMENT DEPARTMENT

June 17, 2020

Chad Peterson, Chairman  
Cass County Commission  
211 9<sup>th</sup> St. S.  
Fargo, ND 58103

Mr. Peterson,

According to N.D.C.C. Chapter 40-05-24 (attached), if the City of Fargo anticipates granting a property tax incentive for more than five years, the Chairman of the County Commission must be notified by letter. Within thirty days of receipt of the letter, the County Commission shall notify the City of Fargo whether they intend to participate in the incentive.

The City of Fargo has received an application from PRx Performance for a payment in lieu of tax (PILOT) incentive for a new 140,000 sq. ft. headquarters, industrial, and manufacturing facility with an estimated improvement value of \$8,400,000. At their current location, their building is 19,380 sq. ft. with an improvement value of \$880,000

The request is for a 10 year PILOT based on an exemption equivalent on the building of 100% for the first five years and, for each of the remaining five years, 90%, 70%, 50%, 30%, and 10%.

The land would be fully taxable with an estimated value of \$1,265,000 and annual tax of over \$17,000. The land is currently classified as agricultural and is generating approximately \$50 in annual tax.

Please respond at your earliest convenience with the determination made by the County Commission regarding the participation.

Thank you.

Ben Hushka

Fargo City Assessor

cc: Robert Wilson

# Payment In Lieu of Property Tax

## Payment Schedule

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

PROJECT OPERATOR: PRx Performance

ASSUMPTIONS: \$8,400,000 improvement value

5 years at the equivalent of 100% improvement exemption.

Years 6-10 at an improvement exemption equivalent to year 6 @ 90%, year 7 @ 70%, year 8 @ 50%, year 9 @ 30%, and year 10 @ 10%.

PAYMENT SCHEDULE:

<u>YEAR</u>	<u>IN LIEU PAYMENT</u>
1	\$ 0
2	\$ 0
3	\$ 0
4	\$ 0
5	\$ 0
6	\$ 11,563
7	\$ 34,690
8	\$ 57,817
9	\$ 80,944
10	\$ 104,071

**\*\*Note** - The applicant will pay property tax on the land in addition to these in lieu payments.

#### **40-05-24. Duties of cities granting property tax incentives.**

1. 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.
2. 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.
3. 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.
4. The term "negotiation" as used in this section means the governing body of an affected county or school district may negotiate the terms of participating in the tax incentive, including the duration of the tax incentive and the taxable value selected for the base year for purposes of computing tax increments.
5. If an agreement is reached through negotiation under this section, the property tax incentive must be applied in accordance with the agreement.
6. Property subject to a development agreement entered pursuant to section 40-58-20.1 before August 1, 2017, and all amendments to the development agreement, is not subject to the requirements under this section. (Effective for property tax incentives approved after July 31, 2017)

**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

**RECEIVED**  
**6/18/2020**

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

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

**This application is a public record**

**Identification Of Project Operator**

1.	Name of project operator of new or expanding business <u>PRx Performance</u>
2.	Address of project <u>4125 24th Ave N</u> City <u>Fargo</u> County <u>Cass</u>
3.	Mailing address of project operator <u>2402 8th Ave N</u> City <u>Fargo</u> State <u>ND</u> Zip <u>58102</u>
4.	Type of ownership of project <input type="checkbox"/> Partnership <input type="checkbox"/> Subchapter S corporation <input type="checkbox"/> Individual proprietorship <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Cooperative <input type="checkbox"/> Limited liability company
5.	Federal Identification No. or Social Security No. <u>81-0960860</u>
6.	North Dakota Sales and Use Tax Permit No. <u>329290 00</u>
7.	If a corporation, specify the state and date of incorporation <u>12/17/2013 North Dakota</u>
8.	Name and title of individual to contact <u>Mike Harlan</u> Mailing address <u>2402 8th Ave N</u> City, State, Zip <u>Fargo, ND 58102</u> Phone No. <u>701-566-0452</u>

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

9.	Indicate the tax incentives applied for and terms. Be specific. <input type="checkbox"/> <b>Property Tax Exemption</b> _____ Number of years _____ Percent of exemption		<input checked="" type="checkbox"/> <b>Payments In Lieu of Taxes</b> <u>2022</u> Beginning year <u>2031</u> Ending year <u>10</u> Amount of annual payments (attach schedule if payments will vary)
10.	Which of the following would better describe the project for which this application is being made: <input type="checkbox"/> New business project <input checked="" type="checkbox"/> Expansion of a existing business project		

**Description of Project Property**

11. Legal description of project real property

~~Lots 3, 4, 5 Block 3 Laverne's Addition, Cass County, Fargo ND~~

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

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

Yes     No

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

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

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

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application    09/01/20

b. Description of project to be constructed including size, type and quality of construction  
140,000 sq ft headquarters, industrial, and manufacturing facility. Steele or concrete construction.

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c. Projected number of construction employees during the project construction    75-100

14. Approximate date of commencement of this project's operations    September 2021

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

a. Land ..... \$ 1,264,950

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

c. Newly constructed buildings and structures when completed ..... \$ 8,400,000

d. Total ..... \$ 9,664,950

e. Machinery and equipment ..... \$ 230,000

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..... \$ 420,000

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 420,000

e. Enter the consolidated mill rate for the appropriate taxing district ..... 275.32

f. Annual amount of the tax exemption (Line d multiplied by line e) ..... \$ 115,634.00

**Description of Project Business**

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

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

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

PRx is primarily an e-commerce business that ships to customers across all 50 states and is currently one of FedEx's largest clients in the Fargo area. We are in the process of launching in Europe within the next year. Products consist of: steel weight lifting racks, steel rack accessories, barbells, dumbbells, and other fitness related products. Most steel products are sourced from local manufacturers as individual pieces which are assembled/kitted/boxed onsite for order fulfillment and shipping.

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

Pallet racking system to house all product inventory. Workstations will be installed for product assembly/kitting. Several forklifts will be purchased for use in daily operations. Conveyer belt system in second phase of expansion for product picking process.

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	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only
	Year 1	Year 2	Year 3	Year 4	Year 5
Annual revenue	<u>42,000,000<sup>(1)</sup></u>	<u>46,666,667</u>	<u>51,851,852</u>	<u>57,613,169</u>	<u>64,014,632</u>
Annual expense	<u>37,380,000</u>	<u>41,533,333</u>	<u>46,148,148</u>	<u>51,275,720</u>	<u>56,973,022</u>
Net income	<u>4,620,000</u>	<u>5,133,334</u>	<u>5,703,704</u>	<u>6,337,449</u>	<u>7,041,610</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
50		57	21	17	4	

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) <u>50</u>	<u>73</u>	<u>96</u>	<u>117</u>	<u>138</u>	<u>149</u>
	(2) _____	_____	_____	_____	_____	_____
Estimated payroll	(1) <u>2,017,941<sup>(1)</sup></u>	<u>3,990,000<sup>(1)</sup></u>	<u>4,433,321<sup>(1)</sup></u>	<u>4,925,921<sup>(1)</sup></u>	<u>5,473,261<sup>(1)</sup></u>	<u>6,081,390<sup>(1)</sup></u>
	(2) _____	_____	_____	_____	_____	_____

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





**PILOT Application: PRx Performance**  
**Schedule : Question 9 - Amount of Annual Payments**

	<u>% of Tax</u>	<u>Amount</u>
Year 1-5		\$0.00
Year 6	10%	\$ 11,563.40
Year 7	30%	\$ 34,690.20
Year 8	50%	\$ 57,817.00
Year 9	70%	\$ 80,943.80
Year 10	90%	\$ 104,070.60

<b>Exemption Evaluation Calculator 2020</b>			<b>105.1</b>
PRx Performance			<b>Points</b>
Project Type Code (Ctrl-C to view)		1	<b>38.0</b>
Current Number Of Employees		50	
<b>Hourly Salary Without Benefits</b>	<b># Jobs</b>		
Under \$13.00	0		
\$13.01-\$15.00	57		
\$15.01-\$20.00	21		
\$20.01-\$28.00	17	Pts. For # Jobs->	<b>20.0</b>
\$28.01-\$35.00	4	Pts. For \$ Jobs->	<b>7.1</b>
Over \$35.00	0		
<b>TOTAL # OF JOBS CREATED</b>	<b>99</b>		
% GI w/ Local Competition (not downtown)		0%	<b>25.0</b>
Value of Proposed Buildings		\$ 8,400,000	<b>15.0</b>
Downtown Location (Y/N)		N	<b>0.0</b>
Exemption Needed (Y/N)		N	
Startup Firm (Y/N)		N	<b>0.0</b>
Has Const Started or Has Bldg Been Occupied If Existing (Y/N)		N	<b>0.0</b>
Number of Years (Exemption)		5	
Building Age (if substantial renovation)		0	<b>0.0</b>
<b>RECOMMENDATION IS TO APPROVE</b>			
Description		Manufacturing	
Estimated New Annual Payroll		\$3,539,120	
Estimated Annual Real Estate Tax		\$196,245	
Estimated PV of Exemption		\$849,638	
Payroll / PV of Exemption		4.2	
Property Value / # of Jobs		\$ 84,848	

