

PROPERTY TAX INCENTIVE APPLICATION FOR
PRx PERFORMANCE

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

SUGGESTED MOTION:

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.

7. **FARGO TAX INCENTIVE PROJECT FOR ELLIOTT PLACE 4 AND ELLIOTT PLACE 9, County to participate in PILOT for 17 years**

The Fargo City Assessor forwarded information to the Cass County Commission regarding applications received from Elliott Place 4 and Elliott Place 9 for two payment in lieu of taxes (PILOT) requests. Jim Gilmour, Fargo Director of Strategic Planning & Research, said the projects will be located at 4462 30th Avenue South and will include 84 housing units for senior affordable housing. The projects are sponsored by the Fargo Housing and Redevelopment Authority in partnership with Blue Line Development. There are two PILOT applications because there are two different ownership groups for the one project. The project will use 9% in Low Income Housing Tax Credits (LIHTC) funding, and both PILOT applications are for a 17-year period. Mr. Gilmour said taxes will be paid on the land but not on the building. The Fargo High Rise will be demolished or repurposed within the next two years, so low income housing for senior citizens is needed. The project is not feasible without property tax incentives and tax credits. The Fargo City Commission voted unanimously to approve the PILOT requests.

Matthew Pike, Executive Director of the Fargo Housing and Redevelopment Authority, said 84 vouchers through the LIHTC program will be committed to this building for senior affordable housing.

Mr. Pawluk asked about the design life of the new building. Mr. Pike said it will be constructed for long-term use, which he estimates at 30 to 50 years. Mr. Pawluk asked about future use of the Fargo High Rise. Mr. Pike said the building has cast iron wastewater pipes with asbestos that needs to be removed and it most likely will be cost prohibitive to rehabilitate the building and it may need to be demolished.

Mr. Peterson asked about the \$2.4 million in developer fees. Mr. Pike said the cost will be split with Blue Line Development. The Fargo Housing Authority will reinvest the fees back into affordable housing in Fargo. Mr. Pike said Blue Line Development was chosen through a Request for Proposals process, and the local architect and contractor for the project were publicly bid.

MOTION, passed

Mr. Steen moved and Mr. Breitling seconded to participate in the request for a payment in lieu taxes (PILOT) incentive for two low income housing projects in partnership with the Fargo Housing and Redevelopment Authority submitted by Elliott Place 4 and Elliott Place 9 for a 17-year period. On roll call vote, the motion carried unanimously.

8. **FARGO TAX INCENTIVE PROJECT FOR PRx PERFORMANCE, County to not participate in PILOT and to negotiate terms with the city**

The Fargo City Assessor forwarded information to the Cass County Commission regarding an application received from PRx Performance for a payment in lieu of taxes (PILOT) project located at 4125 24th Avenue North to construct a 140,000 square foot headquarters, industrial and manufacturing facility. Mr. Gilmour said the application is for a 10-year exemption at 100% for the first five years with incremental reductions in the percentages for years five through ten.

Brian Brasch, CEO of PRx Performance, said their business has an opportunity to further expand their building to include additional equipment. He asked for additional time on his request. Mr. Gilmour said a new application will be filed by Mr. Brasch to include the project changes for consideration by the Fargo Tax Exempt Review Committee, Fargo City Commission and Cass County Commission.

MOTION, passed

Mr. Steen moved and Mr. Breitling seconded to not participate in the request for a payment in lieu of taxes (PILOT) 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. On roll call vote, the motion carried unanimously.

THE CITY OF
Fargo
FAR MORE 
ASSESSMENT DEPARTMENT

July 16, 2020

RECEIVED
CASS COUNTY COMMISSION

JUL 20 2020

Chad Peterson, Chairman
Cass County Commission
211 9th 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 170,000 sq. ft. headquarters, industrial, and manufacturing facility with an estimated improvement value of \$10,200,000. 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.

Mike Splonskowski



Fargo City Assessor

cc: Robert Wilson

Payment In Lieu of Property Tax
Payment Schedule

Pursuant to N.D.C.C. Chapter 40-51.7

PROJECT OPERATOR: PRx Performance

ASSUMPTIONS: **\$10,200,000 Improvement Value**

Year 1-5	100% improvement exemption
Year 6	90% improvement exemption
Year 7	70% improvement exemption
Year 8	50% improvement exemption
Year 9	30% improvement exemption
Year 10	10% improvement exemption

PAYMENT SCHEDULE:

YEAR	IN LIEU PAYMENT
1	\$0
2	\$0
3	\$0
4	\$0
5	\$0
6	\$14,041
7	\$42,124
8	\$70,207
9	\$98,289
10	\$126,372

**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)

ASSESSMENT DEPARTMENT
225 4 ST N W234
FARGO ND 58102



1000



58103

U.S. POSTAGE PAID
FCM LG ENV
FARGO, ND
58102
JUL 17, 20
AMOUNT
\$4.75
R2305H129036-09

CHAD PETERSON
CASS COUNTY COMMISSION
211 9 ST S
FARGO ND 58103

Application For Property Tax Incentives For New or Expanding Businesses

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

Project Operator's Application To Fargo
City or County

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

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

This application is a public record

Identification Of Project Operator

1.	Name of project operator of new or expanding business	<u>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>[REDACTED]</u>	
6.	North Dakota Sales and Use Tax Permit No.	<u>[REDACTED]</u>	
7.	If a corporation, specify the state and date of incorporation	<u>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"/> Property Tax Exemption	<input checked="" type="checkbox"/> Payments In Lieu of Taxes
	<u> </u> Number of years	<u>2022</u> Beginning year <u>2031</u> Ending year
	<u> </u> Percent of exemption	<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 1, 2, 3, 4, 5 Block 3 Laverne's Addition, Cass County, Fargo ND~~

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 a 30,000 Sq ft manufacturing facility for a total of 170,000 sq ft.
Steel or concrete construction.

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

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

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

a. Land..... \$ 1,264,105


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

c. Newly constructed buildings and structures when completed \$ 10,200,000

d. Total \$ 11,464,105

e. Machinery and equipment \$ 3-5,000,000

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..... \$ 510,000
573,205

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 510,000
573,205

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) \$ 140,413
157,815.00

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 proces, Tube Lasers, Powder Coat set up and Brake Press.

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</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>2,017,944</u>	<u>3,990,004</u>	<u>4,433,324</u>	<u>4,925,924</u>	<u>5,473,224</u>	<u>6,081,394</u>
	(2) _____	_____	_____	_____	_____	_____

(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).

~~Current location is:~~ 2402 8th Ave N, Fargo ND _____

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

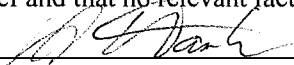
28. The project operator is reapplying for property tax incentives for the following reason(s):

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


Signature

Project Manager
Title

7/13/20
Date

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%	\$ 15,781.50	\$14,041
Year 7	30%	\$ 47,344.50	\$42,124
Year 8	50%	\$ 78,907.50	\$70,207
Year 9	70%	\$ 110,470.50	\$98,289
Year 10	90%	\$ 142,033.50	\$126,372

July 30, 2020

Cass County Commission
Cass County Courthouse
211 9th St S,
Fargo, ND 58103

Honorable Commissioners:

The Greater Fargo Moorhead Economic Development Corporation (GFMEDC) respectfully requests to submit our support for the property tax incentive request by PRx Performance being considered by the Cass County Commission on August 3, 2020.

The tremendous market growth experienced by PRx Performance has led this company to choose to expand their current operations by building a new 170,000 square foot warehouse, fulfillment, office, and manufacturing facility to begin construction in September 2020. The economic and tax impacts to local business and jurisdictions will be significant both during the construction phase and under ongoing operations.

To demonstrate the broader economic impacts of this project throughout our local economy, the GFMEDC has enlisted the services of Dean Bangsund, Research Scientist with North Dakota State University using nationally recognized economic impact modeling tool IMPLAN. Dean has 30 years of experience conducting economic impact assessments and is currently employed by North Dakota State University as a Research Scientist in the Department of Agribusiness and Applied Economics.

The following is a brief synopsis of the economic and tax impacts reference above:

- **The 99 jobs added by PRx Performance support the addition of 57 indirect and induced jobs (156 total jobs).**
- **The project supports \$2.6 million annually in indirect and induced employee compensation across all sectors.**
- **\$17.9 million increase in regional sales from operations, of this \$9.1 million is direct and \$8.8 million is indirect and induced.**
- **The direct construction jobs for the project, support 67 indirect and induced jobs in other sectors.**
- **From PRx's 14.2 million investment in building and equipment, \$7.7 million in indirect and induced sales is supported in other sectors.**
- **Tax revenues supported by the operations of PRx's project amount to \$13,000 each year, excluding their direct property tax.**
 - (such as sales tax, indirect and induced property tax and indirect and induced special assessments)
- **After 10 years of operating at full capacity, PRx will have generated about \$353,000 in county tax revenues.**
- **After exemptions expire, PRx Performance operations will yield about \$45,000 in tax revenues each year to the county.**

- **Tax revenue supported by one-time construction activities amounts to about \$21,000 to Cass County.**

We appreciate the thoughtful consideration by the Commission for this request and look forward to answering any questions you might have regarding the broader economic and tax impacts of this project.

Most sincerely,



Ryan Aasheim
Chief Business Development Officer



FARGO MOORHEAD

ECONOMIC DEVELOPMENT

Smart Move[™]

Cass County Commission

August 3, 2020

PRx – Regional Economic Impacts



- **The 99 jobs added by PRx Performance support the addition of 57 indirect and induced jobs (156 total jobs).**
- **The project supports \$2.6 million annually in indirect and induced employee compensation across all sectors.**
- **\$17.9 million increase in regional sales from operations, of this \$9.1 million is direct and \$8.8 million is indirect and induced.**

PRx – Construction Impacts



- **The direct construction jobs for the project, support 67 indirect and induced jobs in other sectors.**
- **From PRx’s 14.2 million investment in building and equipment, \$7.7 million in indirect and induced sales is supported in other sectors. Tax revenues supported by the operations of PRx’s project amount to \$13,000 each year, excluding their direct property tax.**
- **(such as sales tax, indirect and induced property tax and indirect and induced special assessments)**

PRx – Cass County Tax Impacts



- **tax revenues supported by the operations of PRx’s project amount to \$13,000 each year**
 - (such as sales tax, indirect and induced property tax and indirect and induced special assessments)
- **After 10 years of operating at full capacity, PRx will have generated about \$353,000 in county tax revenues**
- **After exemptions expire, PRx Performance’s project will yield about \$45,000 in tax revenues each year to the county**
- **Tax revenue supported by one-time construction activities amounts to about \$21,000 to Cass County.**

Local businesses benefit from GFMEDC’s successful projects in 2019.

In 2019, the Greater Fargo Moorhead Economic Development Corporation successfully supported 29 projects, which created 557 direct jobs, utilized 521,000 square feet of space and injected \$123.6M in capital investment for the region.

Using economic impact modeling software, we can better understand the direct, indirect and induced ripple effects of this primary sector growth (ongoing operations impacts + construction impacts) on our region. Because of the GFMEDC’s successful projects, the industries below will see the following increase in their sales once expansion projects are at the full employment capacity and construction activities are concluded. While varying somewhat by economic sector, **recurring impacts year after year represent 50 to 60 percent of the sales values shown below.**

Accommodations	\$340,000	Motor Vehicle & Parts Dealers	\$4,100,000
Administrative & Support Services	\$11,800,000	Museums/Historical Sites & Similar	\$380,000
Air Transportation	\$680,000	Non-store Retailers	\$670,000
Ambulatory Health Care	\$3,100,000	Nursing & Residential Care	\$4,200,000
Amusement/Gambling/Recreation	\$850,000	Other Information Services	\$2,100,000
Broadcasting	\$200,000	Performing Arts & Spectator Sports	\$9,300,000
Building Materials & Garden Dealers	\$1,900,000	Personal & Laundry Services	\$6,900,000
Clothing & Accessories Stores	\$530,000	Professional/Scientific/Tech Services	\$35,800,000
Construction	\$78,400,000	Publishing Industries	\$18,600,000
Credit Intermediation & Related	\$210,000	Rail Transportation	\$1,100,000
Data Processing, Hosting & Related Services	\$40,000	Real Estate	\$7,000,000
Educational Services	\$3,700,000	Religious/Grantmaking/Civic/Professional	\$2,200,000
Electronics & Appliances Stores	\$1,500,000	Rental & Leasing Services	\$10,800,000
Food & Beverage Stores	\$3,200,000	Repair & Maintenance	\$390,000
Food Services & Drinking Places	\$420,000	Scenic and Sightseeing Transportation	\$100,000
Funds/Trusts/Other Financial	\$10,600,000	Securities, Commodity Contracts & Other Financial	\$2,200,000
Furniture & Home Furnishings	\$9,400,000	Social Assistance	\$980,000
Gasoline Stations	\$940,000	Sports/Hobby/Book/Music	\$520,000
General Merch Stores	\$5,500,000	Telecommunications	\$2,900,000
Government	\$1,400,000	Transit & Ground Passenger Transportation	\$2,200,000
Health & Personal Care Stores	\$120,000	Truck Transportation	\$1,200,000
Hospitals	\$200,000	Utilities	\$3,900,000
Insurance Carriers & Related	\$50,000	Waste Management & Remediation Services	\$78,000
Lessor Nonfinance Intangible	\$770,000	Water Transportation	\$430,000
Misc. Store Retailers	\$1,000,000	Wholesale Trade	\$1,900,000

Source: Bangsund, Dean. A. 2020. Analysis of Recent GFMEDC Business Expansions on FM Area Economy.

Special Notes:

To conservatively model non-primary sector impacts for the Publishing Industry; direct impacts were removed from the sales calculation. Indirect and induced impacts remain.



**FARGO
MOORHEAD**

ECONOMIC DEVELOPMENT

Smart Move™

Thank you

GFMEDC.com

701-364-1900