

PROPERTY TAX INCENTIVE APPLICATION FOR
ENCLAVE DEVELOPMENT

(Jim Gilmour)

SUGGESTED MOTION:

Move to participate in the request for a Tax Increment Finance (TIF) District in the City of Fargo submitted by Enclave Development for new housing on property located southeast of Oak Street and 6th Avenue North for up to a fifteen-year period.

OR

Move to **NOT** participate in the request for a Tax Increment Finance (TIF) District in the City of Fargo submitted by Enclave Development for new housing on property located southeast of Oak Street and 6th Avenue North for up to a fifteen-year period.



ADMINISTRATION DEPARTMENT

September 28, 2020

RECEIVED
CASS COUNTY COMMISSION

SEP 30 2020

Chad Peterson, Chairman
Cass County Commission
211 9th Street South
Fargo, ND 58103

Mr. Peterson,

According to N.D.C.C. Chapter 40-05-24, 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 Enclave Development for Tax Increment Financing (TIF) incentives for new housing on property that would be in a renewal plan. The property is located southeast of Oak Street and 6th Avenue North.

The incentive would be granted in the form of a TIF note that would repay the developer from TIF property taxes for approved TIF costs. The TIF request is for extraordinary costs to make the site suitable for development. These include:

- Soil Correction and Remediation
- Public Infrastructure
- Land Acquisition/Write Down
- Flood Associated Levee Design and Construction
- Building Demolition
- Access road
- Legal and TIF Fees

Tax Increment Financing costs have been estimated at a present value of \$3,589,204. The maximum period of the TIF district would be 15 years. The property has a value now of \$1,278,900. The value of the completed project is estimated at more than \$21 million.

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


Thank you.


Jim Gilmour

CC: Robert Wilson

**MEMORANDUM**

TO: TAX EXEMPT REVIEW COMMITTEE

FROM: JIM GILMOUR, STRATEGIC PLANNING DIRECTOR 

DATE: SEPTEMBER 15, 2020

SUBJECT: REQUEST FOR TAX INCREMENT FINANCING – RIVER LOFTS

The Fargo City Commission authorized a financial review of a proposed housing project at 505 Oak Street North. The developer is requesting Tax Increment Financing. Preparation of the renewal plan and development agreement are dependent on the recommendation of the Tax Exempt Review Committee. I have attached the following information for your review.

1. Request for TIF, City Commission memo and project location map.
2. Application for TIF and site plans.
3. TIF Program "But-For" Report prepared by PFM.
4. Statement from Engineering Department on proposed levee.

The proposed development would include about 117 apartments and 14 condominiums. Several factors make it very expensive to develop the site. The factors include very poor soils, demolition costs, public infrastructure costs, land acquisition costs and the need for a flood protection levee.

Some key aspects of the project include:


- Project cost of \$25 million
- 131 housing units, including 14 condos
- Project completion in 2022
- \$3.2 million TIF costs
- TIF district needs to last for 15 years
- Developer takes on debt for TIF costs and is repaid from TIF income
- Flood protection benefits
- Potential to encourage investment in the neighborhood

PFM, the City's financial adviser, concluded, "The project would not be feasible without public assistance."

(45)

MEMORANDUM

TO: FARGO CITY COMMISSION

FROM: JIM GILMOUR, STRATEGIC PLANNING DIRECTOR 

DATE: JULY 22, 2020

SUBJECT: REQUEST FOR TAX INCREMENT FINANCING

The City of Fargo received a request for Tax Increment Financing (TIF) for a proposed project to be located southeast of 6th Avenue North and Oak Street. A copy of the request is attached.

The block is mostly vacant. There is one 4-unit apartment building and a single-family rental house that are occupied. Three vacant houses are in poor condition and not suitable to occupy. Two houses and a small apartment building were demolished 3 or 4 years ago because of their poor condition, and that land has remained vacant.

The proposed project would redevelopment of the site, demolishing the existing buildings and preparing the site for redevelopment. The plan is to construct a building of about 130 housing units, with the top floor being about 14 condominiums.

The site appears to have blighted conditions, need for infrastructure and the need to remove debris prior to redevelopment. Tax Increment Financing may be needed for the redevelopment of this site. The property is zoned DMU that allows high-density residential.

Fargo TIF policy calls for the City Commission to review the request to determine if staff should proceed to work with the developer on a renewal plan, and forward an application to the City financial advisors for review.

RECOMMENDED MOTION: Authorize staff to submit a TIF application to the financial advisor for review, prepare a renewal plan and a development agreement for redevelopment of property southeast of 6th Avenue North and Oak Street.

Attachments

Current Value \$ 1,278,900
 New Value \$ 21,592,000
 Incremental Increase \$ 20,313,100

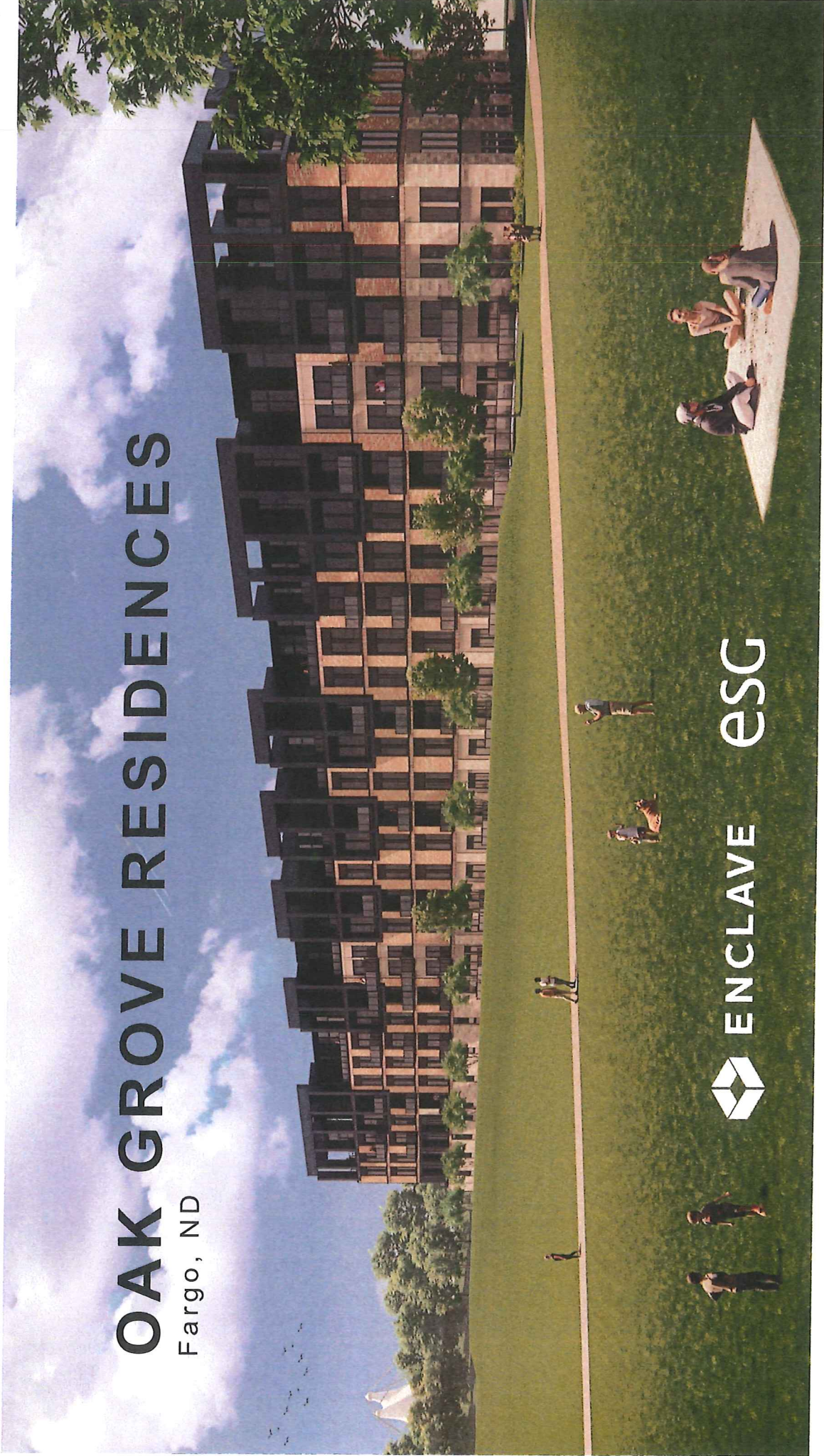
Year	Annual Tax Increment Financing					TOTAL
	City of Fargo	Fargo Parks	Cass County	Fargo Schools	Other	
1	\$ 51,138.23	\$ 27,662.89	\$ 47,278.74	\$ 148,956.98	\$ 7,130.41	\$ 282,167.24
2	\$ 51,905.30	\$ 28,077.83	\$ 47,987.92	\$ 151,191.33	\$ 7,237.36	\$ 286,399.75
3	\$ 52,683.88	\$ 28,499.00	\$ 48,707.74	\$ 153,459.20	\$ 7,345.92	\$ 290,695.75
4	\$ 53,474.14	\$ 28,926.48	\$ 49,438.36	\$ 155,761.09	\$ 7,456.11	\$ 295,056.18
5	\$ 54,276.25	\$ 29,360.38	\$ 50,179.93	\$ 158,097.51	\$ 7,567.95	\$ 299,482.02
6	\$ 55,090.40	\$ 29,800.79	\$ 50,932.63	\$ 160,468.97	\$ 7,681.47	\$ 303,974.25
7	\$ 55,916.75	\$ 30,247.80	\$ 51,696.62	\$ 162,876.00	\$ 7,796.69	\$ 308,533.87
8	\$ 56,755.50	\$ 30,701.51	\$ 52,472.07	\$ 165,319.14	\$ 7,913.64	\$ 313,161.88
9	\$ 57,606.84	\$ 31,162.04	\$ 53,259.15	\$ 167,798.93	\$ 8,032.35	\$ 317,859.30
10	\$ 58,470.94	\$ 31,629.47	\$ 54,058.04	\$ 170,315.92	\$ 8,152.83	\$ 322,627.19
11	\$ 59,348.00	\$ 32,103.91	\$ 54,868.91	\$ 172,870.65	\$ 8,275.13	\$ 327,466.60
12	\$ 60,238.22	\$ 32,585.47	\$ 55,691.94	\$ 175,463.71	\$ 8,399.25	\$ 332,378.60
13	\$ 61,141.80	\$ 33,074.25	\$ 56,527.32	\$ 178,095.67	\$ 8,525.24	\$ 337,364.28
14	\$ 62,058.92	\$ 33,570.36	\$ 57,375.23	\$ 180,767.10	\$ 8,653.12	\$ 342,424.74
15	\$ 62,989.81	\$ 34,073.92	\$ 58,235.86	\$ 183,478.61	\$ 8,782.92	\$ 347,561.12

	2019 Mill Levy	Continuing Taxes
Fargo Schools	154.38	\$ 9,378.24
City of Fargo	53.00	\$ 3,219.63
Fargo Parks	28.67	\$ 1,741.64
Cass County	49.00	\$ 2,976.64
Other	7.39	\$ 448.93
Total	292.44	\$ 17,765.07

Assumens 1.5% Per Year Growth in TIF income

OAK GROVE RESIDENCES

Fargo, ND



 ENCLAVE ESG

PROJECT HIGHLIGHTS

Located in the historic Oak Grove neighborhood, The River Lofts apartment and condominium is blocks from Downtown Fargo. The property borders the Wildflower Grove Park offering convenient access to the Riverwalk trails and scenic views of Downtown Fargo.

- Carefully planned site to maximize riverscape setting and connectivity to area parks
- Artfully designed to fit within the context of the neighborhood
- **117** apartment units - **14** top floor condo units
- 220 onsite parking spaces including 145 underground to fully accommodate all residents
- Clubroom, fitness center, roof top patio, bike storage and pet spa
- Distinctive interiors, stainless steel appliances and central heating/cooling
- Construction is expected to start **spring of 2021**

SITE HISTORY

TIMELINE

2003

First development project proposed; 3-story apartment – zone change from MR-2 to DMU

2007

New owner/development proposal – no movement

2015

New owner; 42-plex apartment proposal – zone change from MR-2 to DMU with CO

2016

New developer; townhome project proposal – zone change, PUD

2018

Condominium project proposal; start of intentional neighborhood collaboration

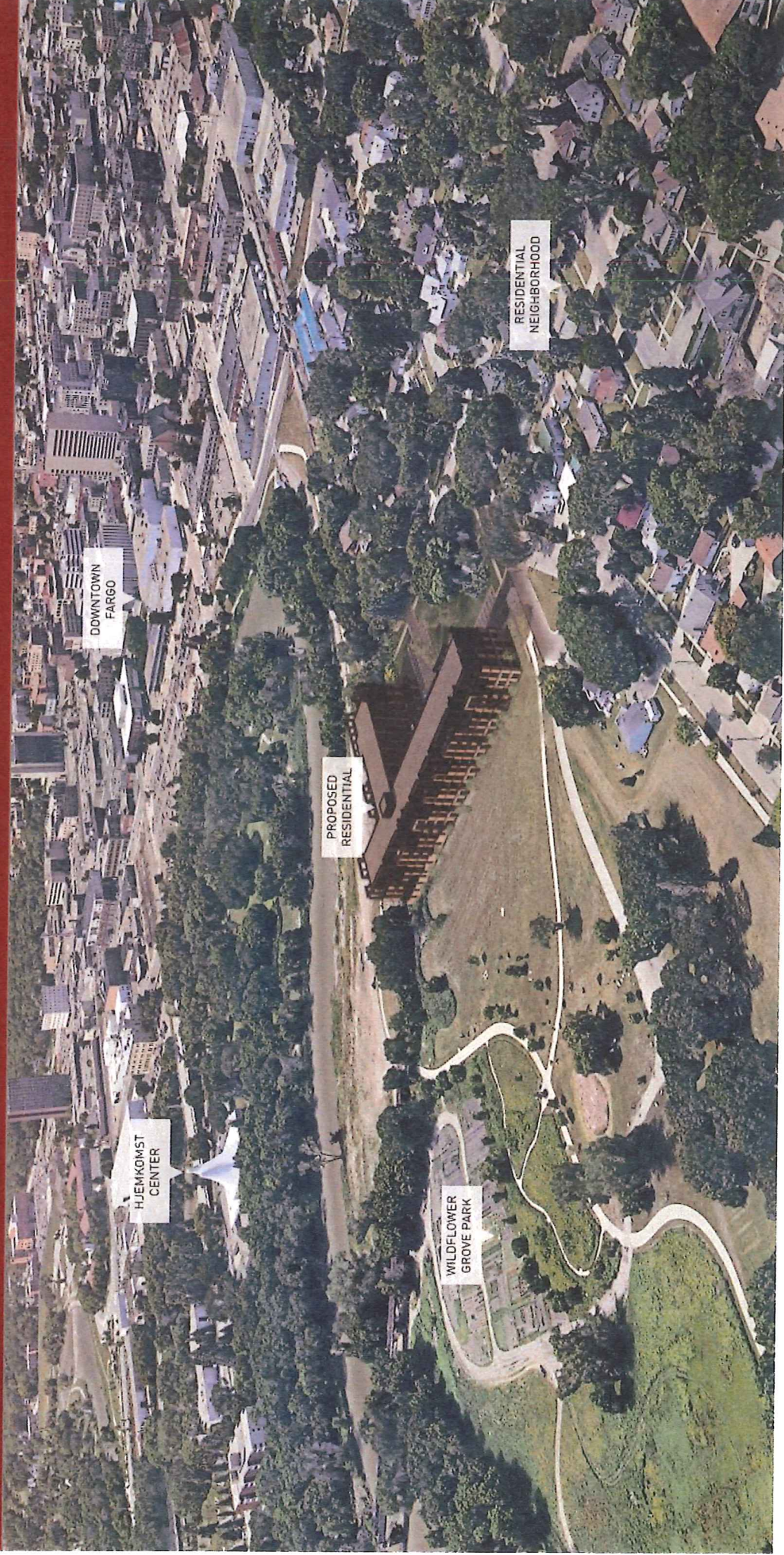
2019

Apartment project proposal; no traction

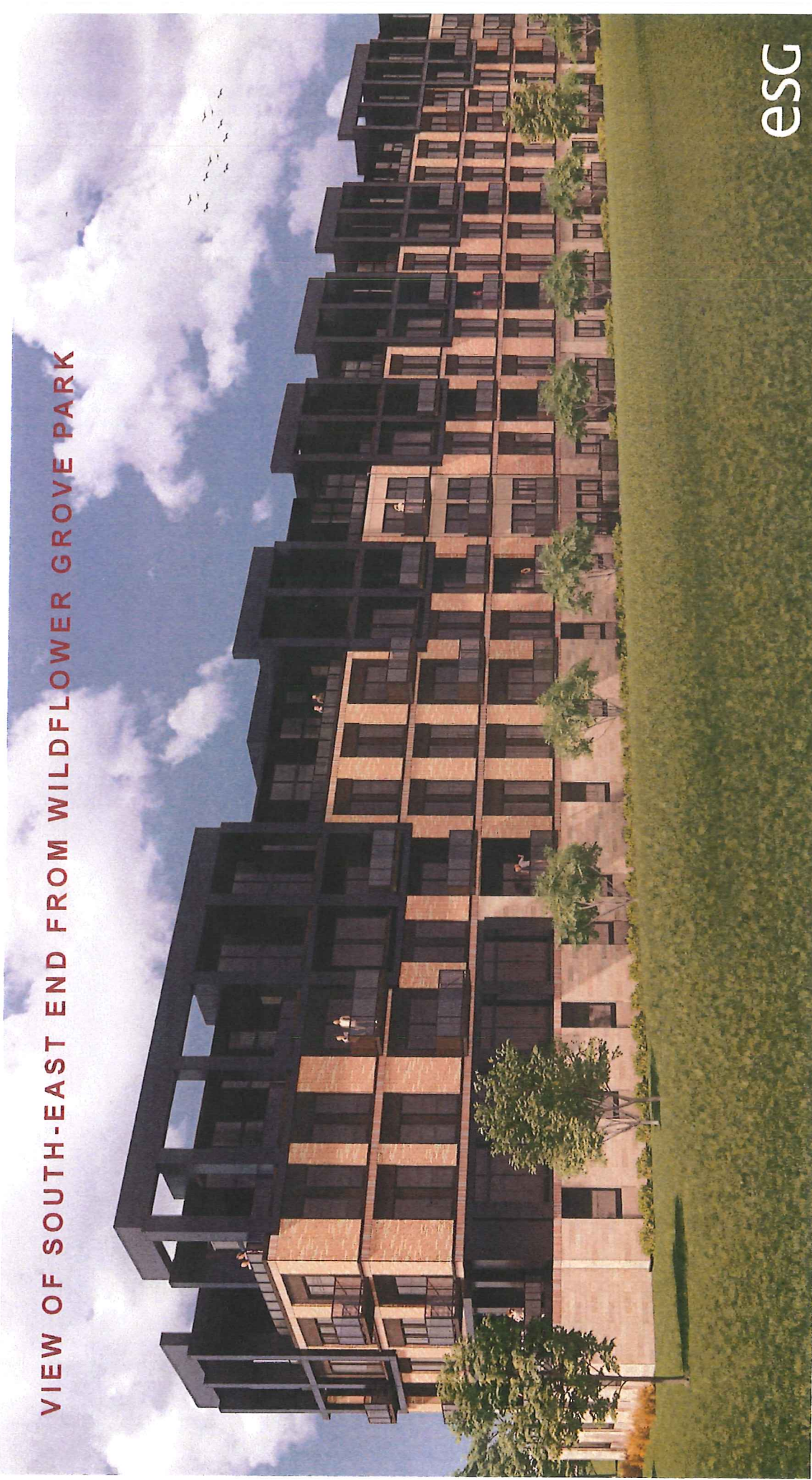
2020

**New partnership with Enclave; Zone change to extend DMU;
14 condominium units with 117 apartment units**

SITE CONTEXT

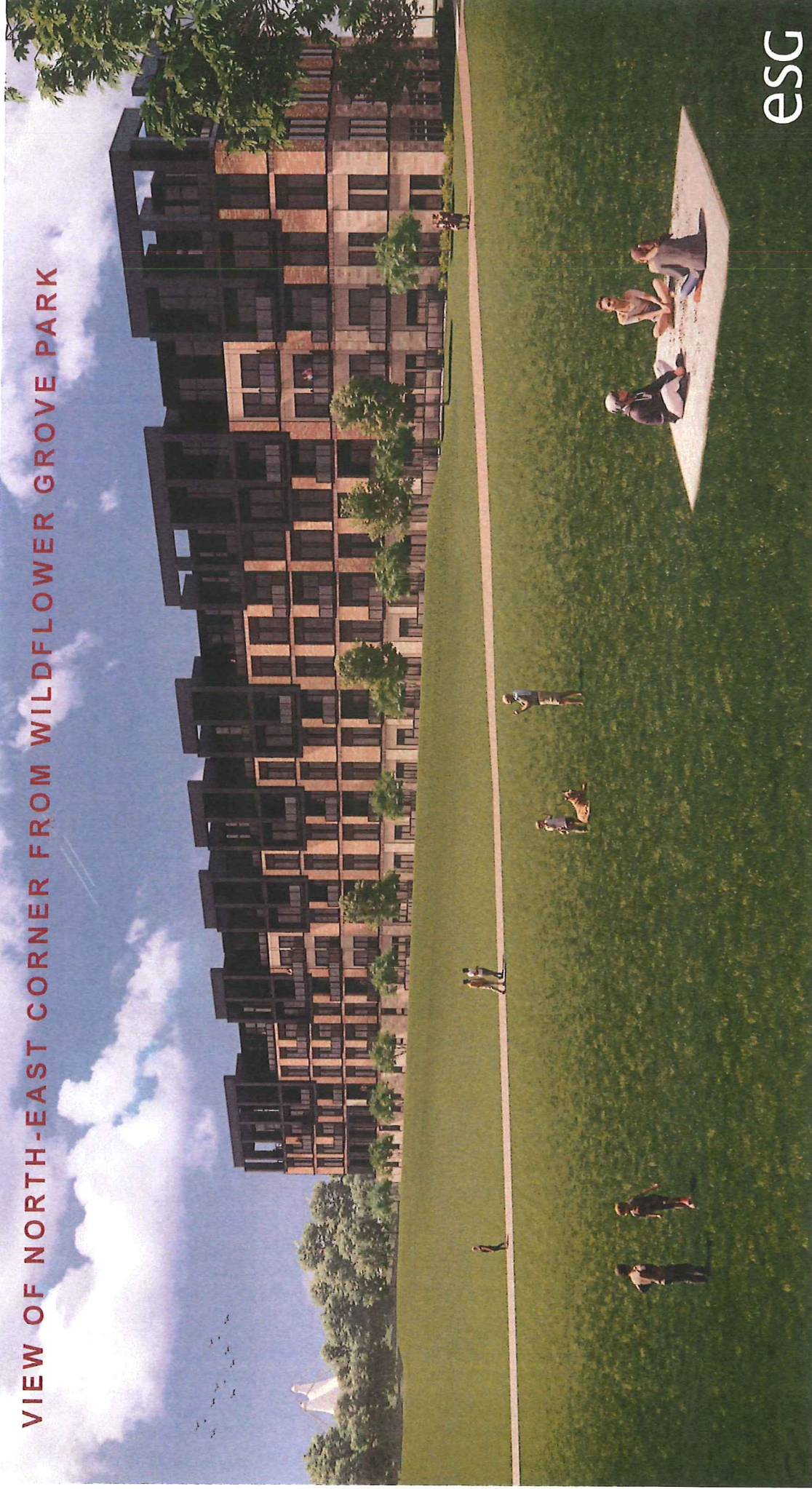


VIEW OF SOUTH-EAST END FROM WILDFLOWER GROVE PARK

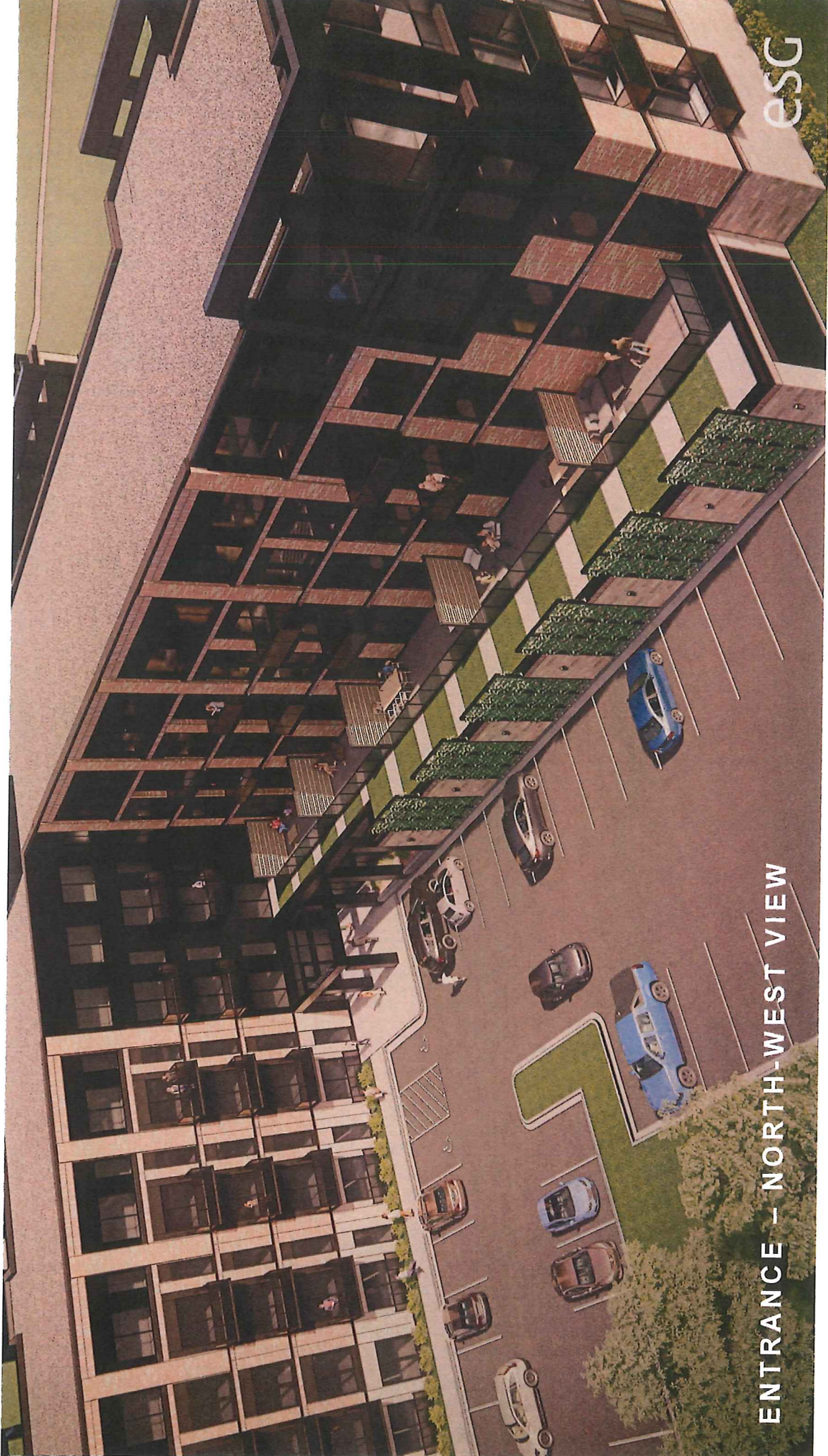


esg

VIEW OF NORTH-EAST CORNER FROM WILDFLOWER GROVE PARK

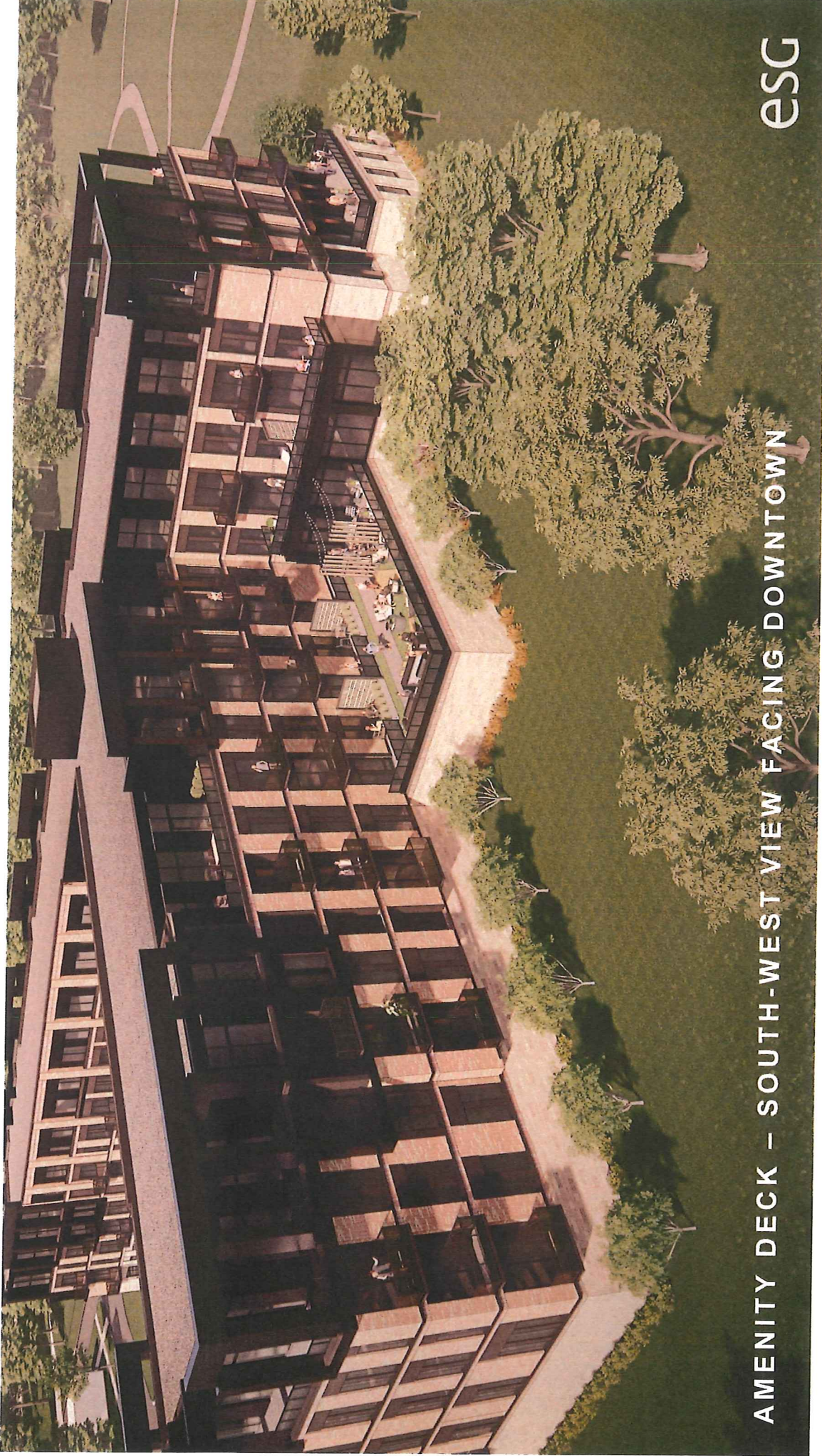


esg



ENTRANCE - NORTH-WEST VIEW

esg



AMENITY DECK – SOUTH-WEST VIEW FACING DOWNTOWN

esg

City of Fargo
Application for TIF

Contact Information

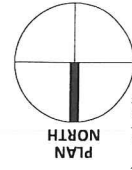
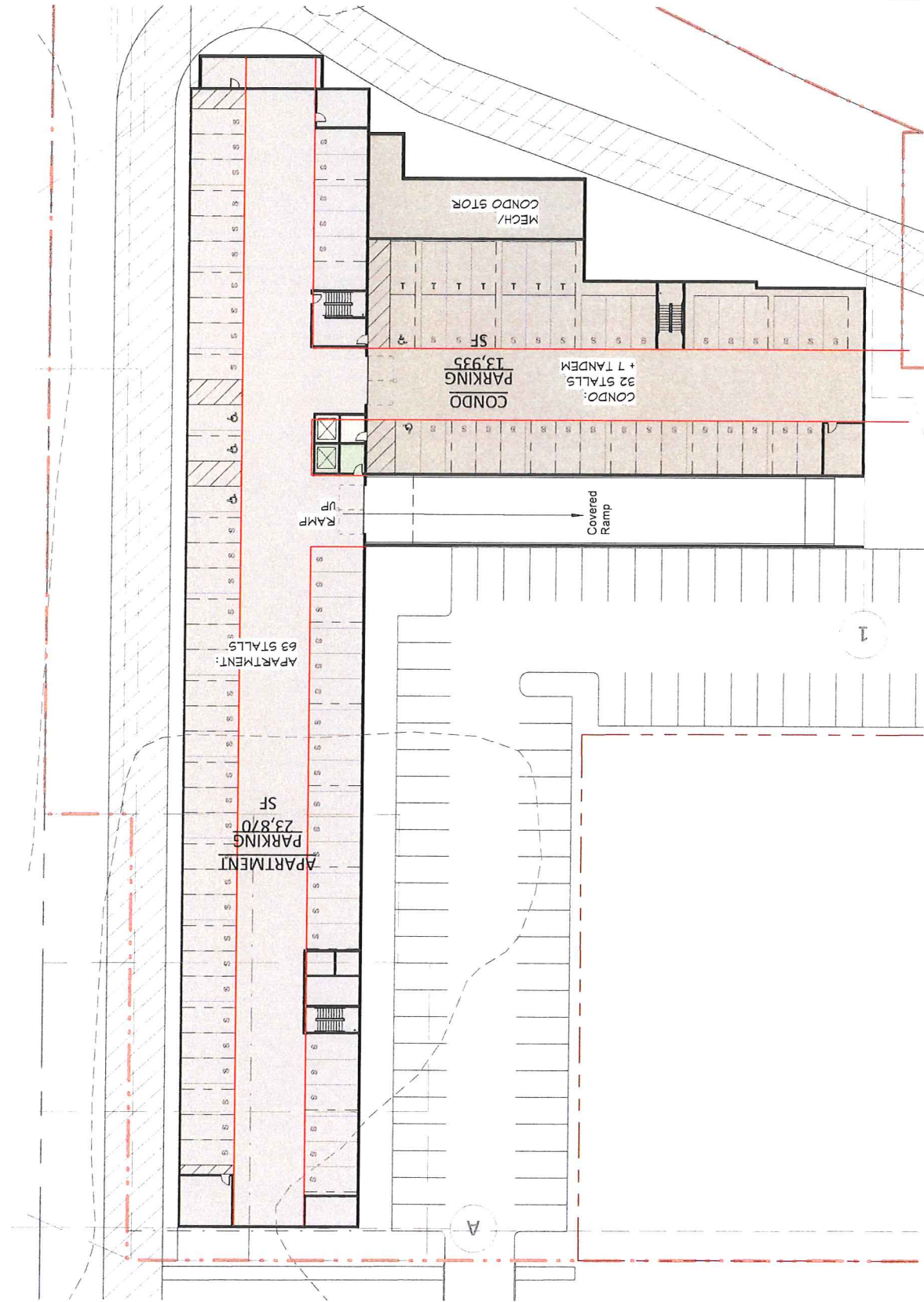
Primary Contact: Austin Morris, Enclave Development
1 2nd St N #102 Fargo, ND 58102
(701) 478-4300; austin@enclavecompanies.com

General Information

Project Location 505 Oak St N Fargo, ND 58102
Project Description with conceptual plans See attached
Propose Schedule Construction start contingent on TIF determination
Estimated Completion Spring 2022

Project Financials and Financing

Name of Developer Enclave Development, LLC & Craig Development, LLC
Ultimate owner of development Craig Enclave OG, LLC
Type of Exemption Tax Increment Financing
Dollar request of TIF assistance See Pro Forma for Delta
Term of request property tax payments Fifteen (15) year property tax increment exemption
Minimum of a 10-Year Proforma See Confidential Pro Forma provided to third party consultant
Total project cost See Confidential Pro Forma
Hard Capital Costs per Policy & Guidelines See Confidential Pro Forma
Contributed equity See Confidential Pro Forma
Loan amount(s) with terms See Confidential Pro Forma. 5 Year Term.
Number of housing units by type 117 Multifamily Rental Units, 14 Condominium Units
Square footage of commercial space None
Proposed rents by housing unit types See Confidential Pro Forma
Detailed assumptions for any other revenues See Confidential Pro Forma
Expenditures broken out by category See Confidential Pro Forma
Extraordinary Costs per Policy & Guidelines See Confidential Pro Forma



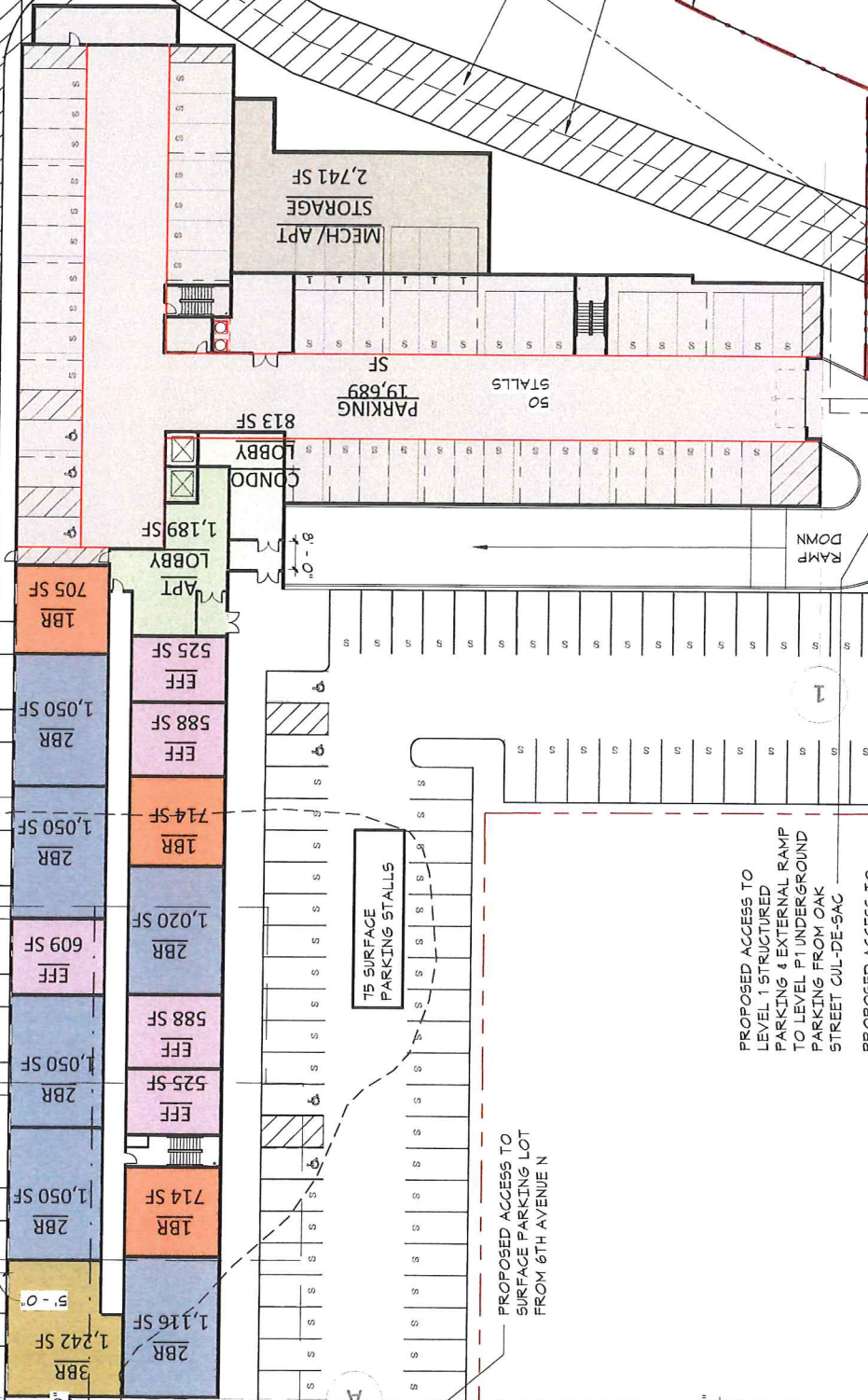
Scale: 1/32" = 1'-0"

R.O.W. USE AGREEMENT NEEDED FOR FIRE ACCESS ACROSS CITY OF FARGO PARCEL

PROPERTY BOUNDARY

DIAG HATCHED AREA INDICATES 20' FIRE ACCESS

6TH AVE. N



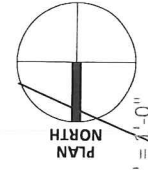
10'-0" UTILITY EASEMENT

PROPOSED ACCESS TO SURFACE PARKING LOT FROM 6TH AVENUE N

PROPOSED ACCESS TO LEVEL 1 STRUCTURED PARKING & EXTERNAL RAMP TO LEVEL P1 UNDERGROUND PARKING FROM OAK STREET CUL-DE-SAC

PROPOSED ACCESS TO SURFACE PARKING LOT FROM OAK STREET N

10' UTILITY EASEMENT



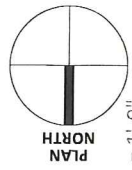
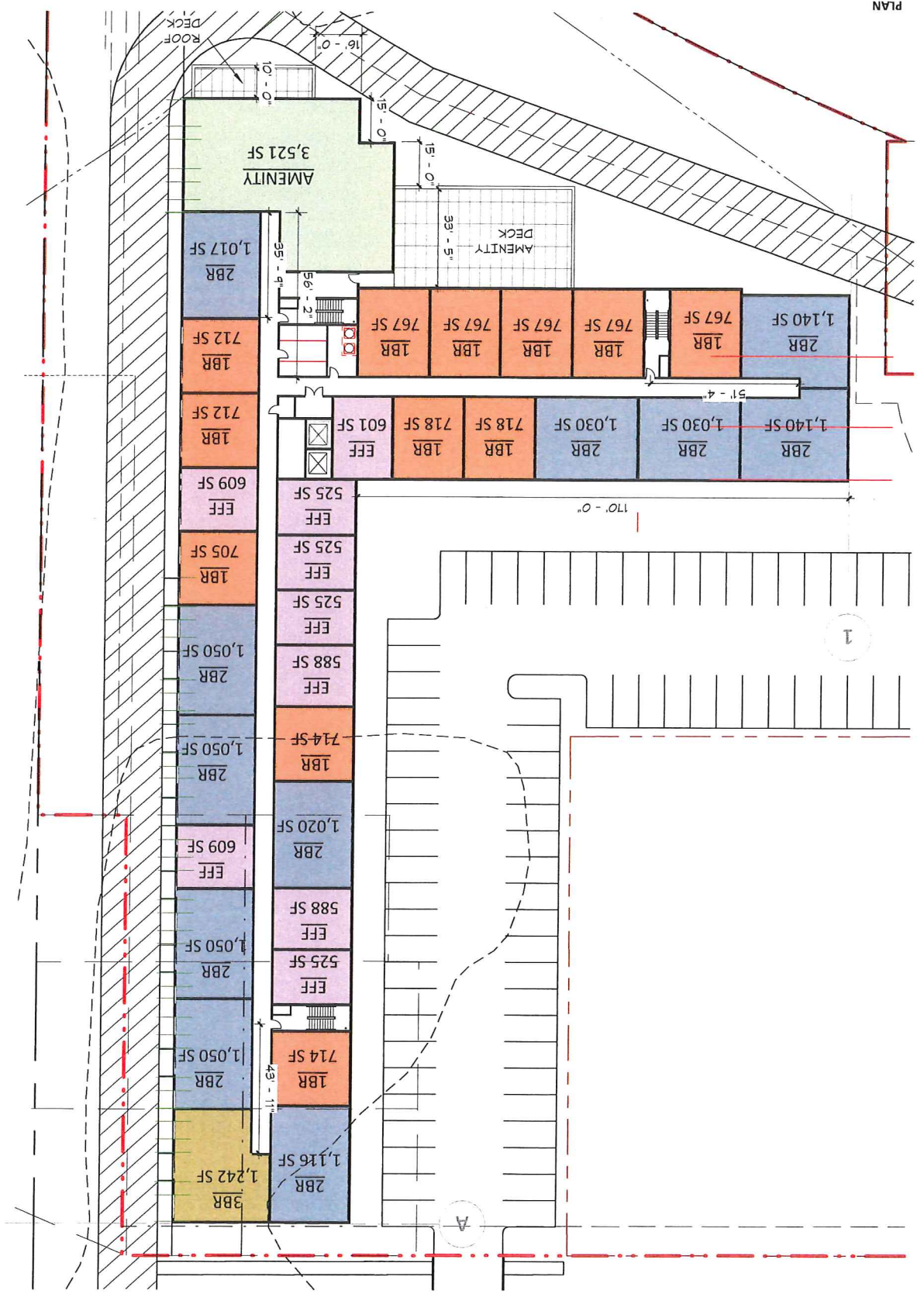
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LEVEL 1 FLOOR PLAN

OAK GROVE RESIDENTIAL CONCEPT
FARGO, ND

07.23.20





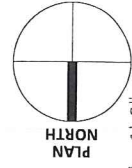
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LEVEL 2 FLOOR PLAN

OAK GROVE RESIDENTIAL CONCEPT
FARGO, ND

07.23.20



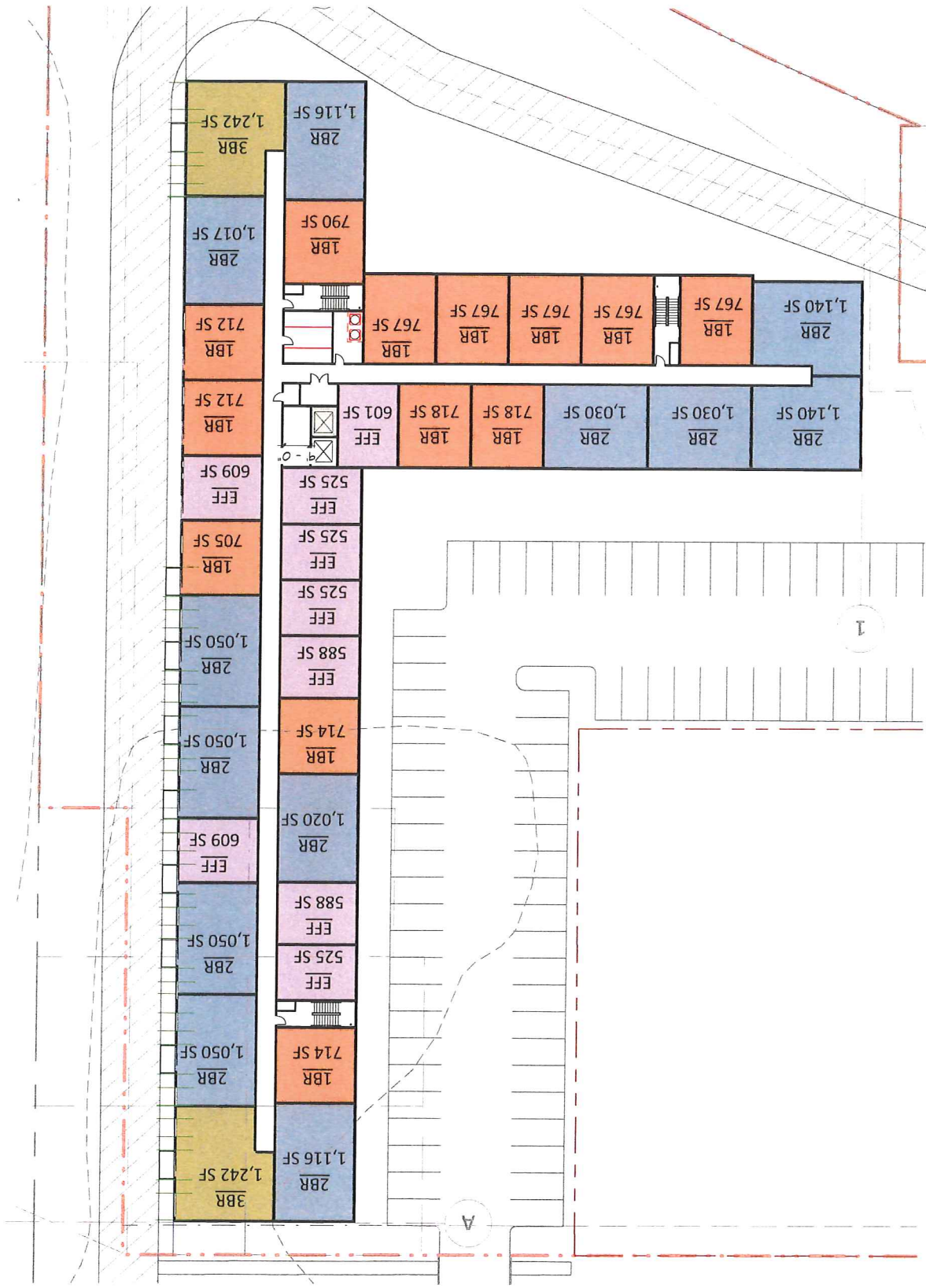


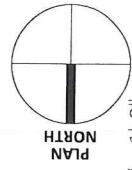
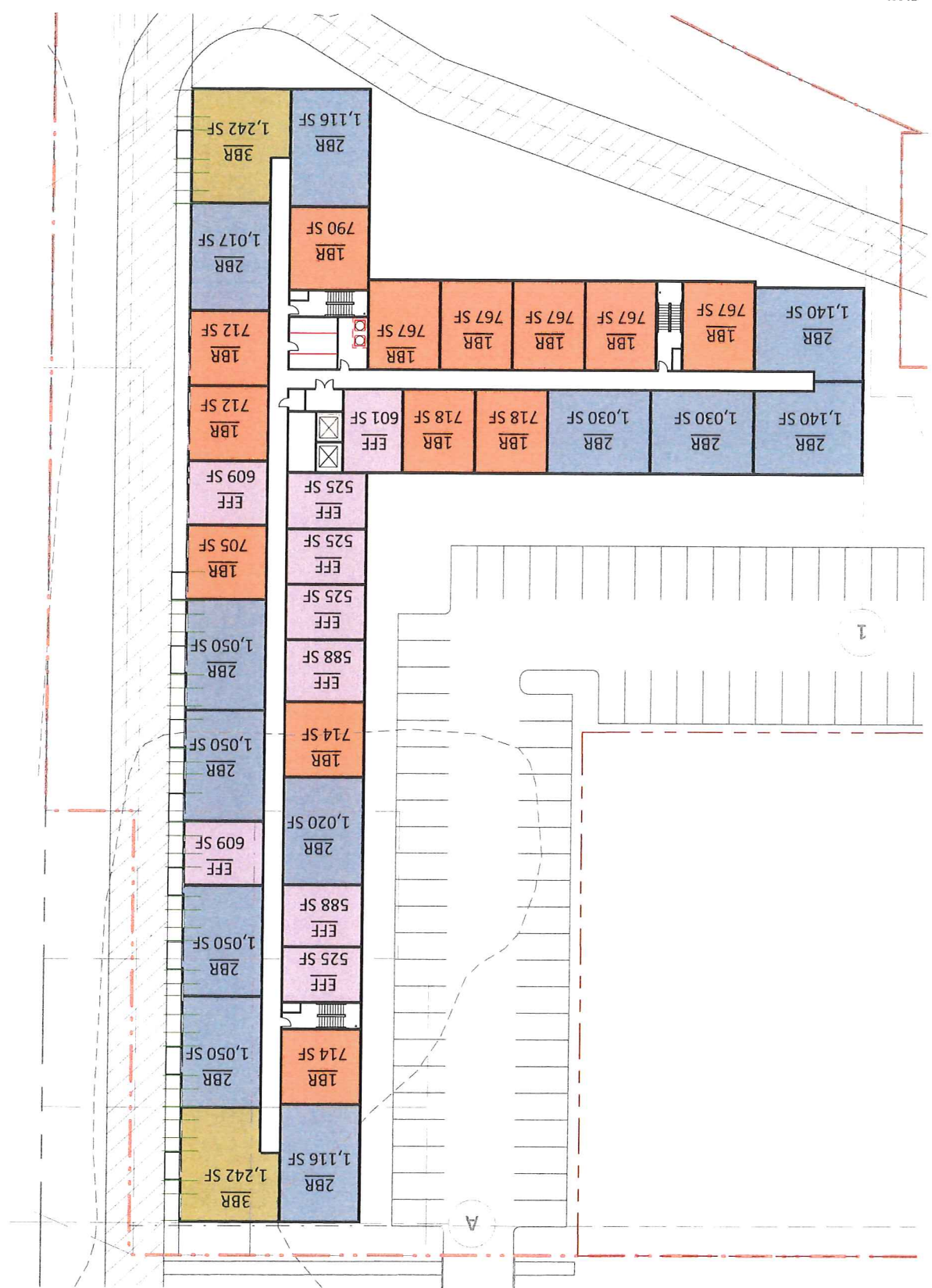
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LEVEL 3 FLOOR PLAN

OAK GROVE RESIDENTIAL CONCEPT
FARGO, ND

07.23.20





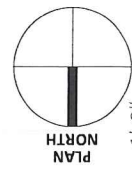
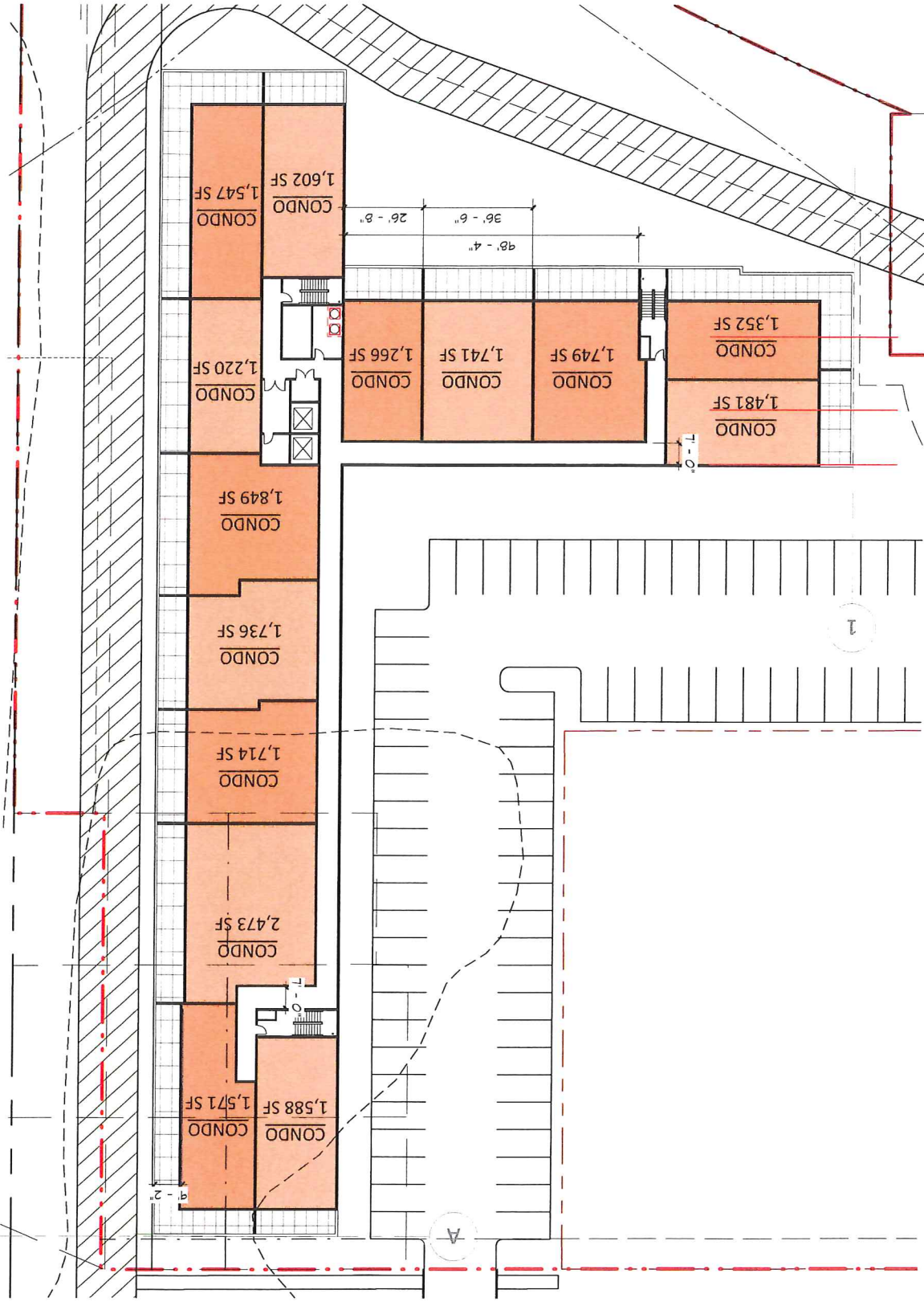
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LEVEL 4 FLOOR PLAN

OAK GROVE RESIDENTIAL CONCEPT
FARGO, ND

07.23.20





Scale: 1/32" = 1'-0"

LEVEL 5 FLOOR PLAN

OAK GROVE RESIDENTIAL CONCEPT
FARGO, ND

Property
Ownership
Location
Revision
Note:

River Lofts
Craig Enclave OG, LLC
Fargo, ND
8/6/20
PUPM for \$ and % of GPR unless otherwise noted

	MULTIFAMILY										
	Y1 - Multi Stabilized										
	Y2 - Condos Sold	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	
INCOME											
Gross Potential Rent	\$ 1,722,000	\$ 1,756,612	\$ 1,774,178	\$ 1,791,920	\$ 1,809,639	\$ 1,827,938	\$ 1,846,217	\$ 1,864,679	\$ 1,883,326	\$ 1,902,159	
Total Operating Income	\$ 1,547,897	\$ 1,651,014	\$ 1,657,624	\$ 1,714,802	\$ 1,731,950	\$ 1,749,270	\$ 1,766,763	\$ 1,784,430	\$ 1,802,275	\$ 1,820,287	
EXPENSES											
Maintenance Expenses											
Total Maintenance Exp.	\$ 78,003	\$ 79,187	\$ 80,779	\$ 81,587	\$ 82,403	\$ 83,227	\$ 84,059	\$ 84,900	\$ 85,749	\$ 86,606	
Admin & Utility Expenses											
Total Admin & Utility Exp.	\$ 579,510	\$ 585,038	\$ 590,880	\$ 596,797	\$ 602,765	\$ 608,793	\$ 614,881	\$ 621,029	\$ 627,240	\$ 633,512	
Total Operating Exp.	\$ 651,514	\$ 664,225	\$ 671,859	\$ 678,384	\$ 685,168	\$ 692,019	\$ 698,940	\$ 705,929	\$ 712,988	\$ 720,118	
Net Operating Income	\$ 896,383	\$ 986,789	\$ 985,765	\$ 1,036,418	\$ 1,046,783	\$ 1,057,251	\$ 1,067,823	\$ 1,078,501	\$ 1,089,286	\$ 1,100,179	
Less: Cap Project Reserves	\$ 11,700	\$ 11,700	\$ 11,700	\$ 11,700	\$ 11,700	\$ 11,700	\$ 11,700	\$ 11,700	\$ 11,700	\$ 11,700	
Debt Service	\$ 1,125,970	\$ 984,848	\$ 984,848	\$ 984,848	\$ 984,848	\$ 984,848	\$ 984,848	\$ 984,848	\$ 984,848	\$ 984,848	
Net Cash Flow	\$ (141,687)	\$ 9,350	\$ 29,609	\$ 39,871	\$ 50,235	\$ 60,703	\$ 71,275	\$ 81,954	\$ 92,739	\$ 103,652	
Cash on Cash Return Multifamily	-2.19%	0.14%	0.30%	0.46%	0.62%	0.77%	0.94%	1.10%	1.26%	1.43%	

CONDO SALES	
Condo Sales	2,838,325
Condo HOA (covers expenses below)	27,300
Garbage, Water, Sewer, Heat, Lawn, Snow,	
Internet, Insurance, Reserves	(54,600)
Unsold Condo Shell RE Taxes	(2,777,887)
Gross Condo Income	12,533%
Condo Sales Total ROI (2.5 year Investment)	750,000
Net Condo Profit	

50% Sold During Lease-Up, 50% Sold Year 1 after Multifamily Stabilization

Return Statistics
 River Lofts
 8/6/2020

River Lofts	
Year Built	2021
# of Buildings	1
# of Units	117
# of Units	14

Multifamily
 Condo

Cost and Loan Details	
Total Cost	25,931,798
Down Payment	6,482,949
Loan Amount	19,448,848
Rate	4.55%
Amortization (Years)	25
Monthly Payment w/o Condo Sales	109,864
Annual P&I	1,318,370

Construction & Development Cost
 River Lofts
 8/6/2020

Construction Costs			
Total Construction Cost	20,305,250		97 Per Gross SF
Land Costs			
Land Cost	2,850,000		13.58 Per Gross SF
Specials Buy Down	-		- Per Gross SF
Total Land Cost	2,850,000		13.58 Per Gross SF
City Costs			
Total City Fees	15,000.00		0.07 Per Gross SF
Consultant Costs			
Total Consultant Costs	523,000		2.49 Per Gross SF
Funding Costs			
Total Funding Costs	49,563		0.24 Per Gross SF
Financing Costs			
Total Financing Costs	748,610		3.57 Per Gross SF
Other Soft Costs			
Total Other Soft Costs	1,440,375		6.86 Per Gross SF
Total Development Cost	25,931,798		123.58 Per Gross SF

City of Fargo, North Dakota

Tax Increment Financing Program

“But-For” Report

505 Oak Street North



September 11, 2020



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Purpose

The purpose of this report is to establish and determine the allowable value of the tax increment financing (TIF) for 505 Oak Street North, a development by Enclave Development (the "Developer").

PFM first reviewed the application to ensure that appropriate assumptions regarding property value, rent, condo sales, vacancy, expenses, and debt were used by the Developer. Based on those assumptions, PFM projected a 15-year cash flow, calculating an internal rate of return ("IRR"). We also made sure the Developer followed the City of Fargo's (the "City") Tax Increment Financing Policy (the "Policy") including the allowable costs and the Developer's calculations for determining the amount of allowable subsidy financing. The following report details PFM's analysis and conclusions concerning the viability of the proposed project without the subsidy.



Project

The project being proposed by the Developer includes the development of an 117-unit rental apartment building and 14 condos located at Oak Street North and 5th Avenue North. The intent of the Developer is to sell the condos upon completion.

The Developer estimates the construction will be completed in the Spring of 2022 with occupancy immediately following. The Developer has requested TIF assistance in the amount of approximately \$4,450,000 to complete the project.



Assistance Request

The Developer is requesting assistance in the form of tax increment financing under the City's Tax Increment Financing Policy. The Policy provides public assistance to a development through tax increment financing for private development. According to Policy #3, the maximum TIF assistance is 15 years and the Developer is asking for a 15-year exemption.

Requested Reimbursement

Below is the detailed requested cost of the proposed project to be reimbursed.

Soil Correction and Remediation	\$1,125,000
Public Infrastructure	425,000
Land Acquisition/Write Down	1,650,000
Flood Associated/Levee Design & Construction	625,000
Building Demo, Clearing, Tree Removal	275,000
Site Constraints/Access Road	265,000
Legal and TIF Fees	85,000
Total Requested Cost to be Reimbursed	\$4,450,000

The Developer is requesting a total of approximately \$4,450,000 of costs to be reimbursed.

Policy #8

Policy #8 limits the TIF assistance to 15% of hard construction costs, including the costs of acquisition. Based on total hard construction costs of \$21,625,081 the Developer can receive up to \$3,243,762. The Developer is requesting \$4,450,000 which is well above the maximum allowed. Policy #8 also states that the Developer must provide at least 10% of total capital costs as Developer's equity in the project. It is estimated the Developer will contribute \$6,482,949 as equity which is 25% of the total capital costs.

Land Cost

The Developer states the purchase price to acquire the property for the project is \$2,850,000 including the land value at \$952,300. The price is based on the actual purchase agreement of the property. Land acquisition is reimbursable under the Policy. The Developer is requesting to be reimbursed \$103,199 for the land acquisition which complies with Policy #5.

Policy #6

The Policy states that the maximum eligible land costs to be recouped by the Developer should be limited to the lesser of:

- 1.) **The total acquisition cost for the property, provided that the acquisition cost is no more than 150% of the assessor's market value of the property.** The Developer's cost to acquire the property is \$2,850,000. The assessor's market value for the property totals \$1,278,300. The eligible amount for reimbursement is 150% of \$1,278,300 which totals \$1,917,450. The Developer's reimbursement request of \$1,650,000 is within the allowable reimbursable amount under this policy.



- 2.) **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 current assessor's land value is \$952,300. Based on an acquisition price of \$2,850,000 the maximum reimbursement is \$1,897,700.

The lesser of the two tests detailed above is \$1,897,700. The requested reimbursement for land acquisition of \$1,650,000 is allowable under Policy #6.

Policy #3

Policy #3 states the length of the term will be limited to 15 years or less. The Developer is requesting the full 15-year term.

TIF Estimate

PFM estimates that \$4,984,046 of TIF will be generated over the 15 years assuming a 1.50% market growth rate. Based on a discount rate of 4.55%, the present value of the estimated TIF cash flow is \$3,589,204.



Project Financing

The Developer is investing 25% equity, or \$6,482,949, and will be privately financing \$19,448,848. The Developer expects to pay down the loan principal with the condo profits in the estimated amount of \$4,926,650. The Developer is additionally requesting annual TIF assistance in the total amount of approximately \$4,450,000. The private financing is estimated to be a 25-year loan with an estimated interest rate of 4.55% resulting in an annual principal and interest payment of \$981,955, after the principal paydown. The application states the project will be completed by the Spring of 2022.



Return Analysis

In calculating the internal rate of return, PFM first analyzed the Developer's assumptions including expected monthly rent, vacancy rate, operating expenses, and the sale of the condos. The Developer is proposing rents of \$925 for studio, \$1,125 for a one-bedroom unit, \$1,450 for a two-bedroom unit and \$1,850 for a three-bedroom unit. The Developer has proposed a reasonable amount for rent for the current market and location. The Developer also provided estimates of sale prices and fit up allowances for the condos which range from a sale price of approximately \$360,000 with a \$60,000 fit up allowance for a 1,240 square foot condo to approximately \$765,000 with a fit up allowance of \$105,000 for a 2,470 square foot condo. Annual estimates of operating expenses for the 117-unit rental development were provided, as follows; Maintenance Costs - \$39,602, Utilities - \$133,861, Miscellaneous fees - \$52,138, Real Estate Taxes - \$215,558 (apartments), \$33,338 (seven unsold condos), and Administration Costs - \$210,985. The total expenses are approximately 34% of gross operating income, excluding the real estate taxes for the unsold condos and the revenue gained from selling the condos.

The second step in determining the internal rate of return is to determine the earned incremental value of the property over a 10- and 15-year period. That value, along with the net operating income cash flows, was used to calculate the internal rate of return. PFM determined that without TIF assistance the Developer would have about a 9.00% internal rate of return based on 15 years and 10.04% for a 10-year internal rate of return. The Developer would have about a 12.52% internal rate of return for 15 years and 13.91% for 10 years, if it received the public assistance. In addition, PFM also looked at the internal rate of return if Cass County was excluded from the property tax exemption starting in Year 6. In that case, the 15-year IRR is estimated to be 12.22% while the 10-year IRR is estimated to be 13.67%. A reasonable rate of return for the proposed project is 13% - 20%.

Another measure of feasibility and project viability is the debt coverage ratio. PFM has projected a maximum debt coverage ratio (not accounting for the one-time revenue from the condo sales) in Year 15 of 1.22x without assistance, with a Year 6 coverage of 1.06x. If the City provided assistance to the project the maximum debt coverage is projected to be 1.59x in Year 15, with a Year 5 coverage of 1.39x. The maximum debt coverage ratio if the County did not participate after Year 5 would be 1.53x in Year 15, with a Year 6 coverage of a 1.34x

Using PFM's "without assistance" cash flow as the base scenario, PFM ran sensitivity analyses in order to determine if the project would be likely to occur without public assistance. For the first sensitivity analysis, PFM analyzed how much project funds would have to decrease in order to produce a reasonable internal rate of return. We also looked at how much the rental rates would have to fluctuate in order to achieve a reasonable internal rate of return. Lastly, we looked at a combination of the two scenarios. For the sensitivity analyses, we assumed a reasonable internal rate of return of 16.50%.

Sensitivity Scenario 1 – Project Costs

The project would have to be reduced by \$4,160,000 or 16.0% in order for the project to become viable without assistance. This reduces the amount to be financed from \$16,610,523 to \$13,490,523 and reduces the annual payment from \$981,955 to \$914,476 for the loan. It is unlikely that a reduction in project costs of this magnitude would occur at this stage in the development.

Sensitivity Scenario 2 – Rental Rates

In order for the project to be viable without public assistance, the rental rates would have to increase by 30.5%. PFM believes this is a high increase to the Developer's proposed rents. This increases annual rental revenue from \$1,644,900 to \$2,140,139. PFM believes the proposed rents are reasonable rental rates and does not believe an increase this large would occur.



Sensitivity Scenario 3 – Combination of Project Costs and Rental Rates

The final scenario looks at both a reduction of project costs and an increase in rental rates. The analysis showed that project costs would have to be reduced by \$2,000,000 or 7.7% and rental rates would have to increase by about 16%. While either of these events could occur, PFM does not believe they are likely to occur, especially together.

The above scenarios show the circumstances in which the project would become viable without public assistance. PFM has determined that the project is unlikely to occur “but-for” the public assistance.



Conclusion

The Developer will bear all the risk involved with the project. The Developer is dependent on a number of factors before and after the project is completed, including project costs, occupancy of the buildings, the rental market, monthly expenses, and the ability to sell the condos at the projected sales price. The base scenario without assistance along with the sensitivity analyses demonstrates that the project would be unlikely to be feasible without assistance.

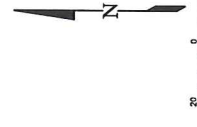
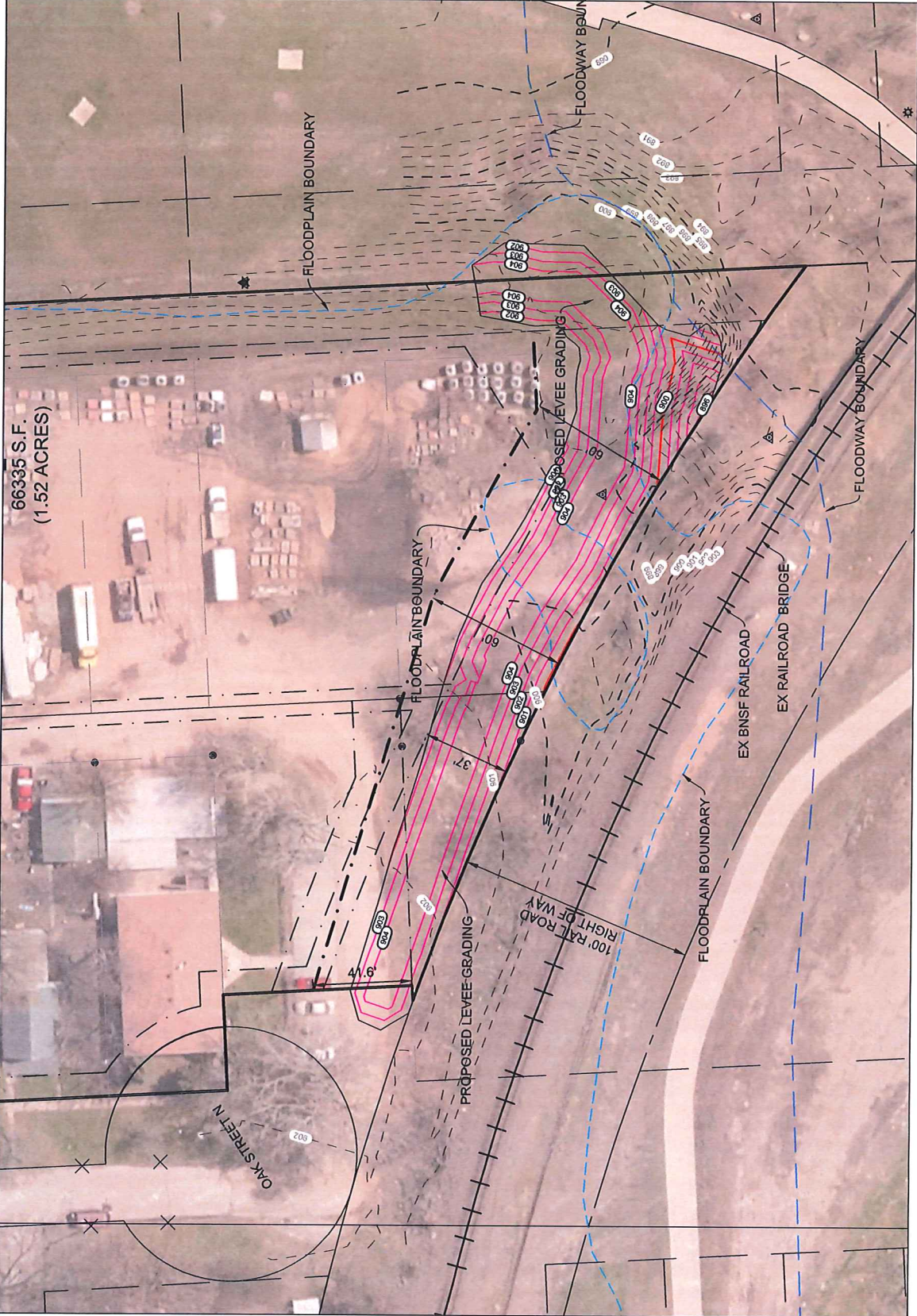
PFM has calculated that with public assistance, and based on the assumptions outlined in this report, a 10-year internal rate of return is estimated to be 13.91%. In addition, the coverage ratio in Year 10 is estimated to be 1.48x. The estimated internal rate of return is low given the risk level for this type of project. Based on the internal rate of return and the coverage requirements, PFM concludes the project would not be feasible without public assistance.



OAK STREET
 LEVEE EXTENSION
 COMPLETELY ON
 PROPERTY

1/12/2018
 KLP# 14617121

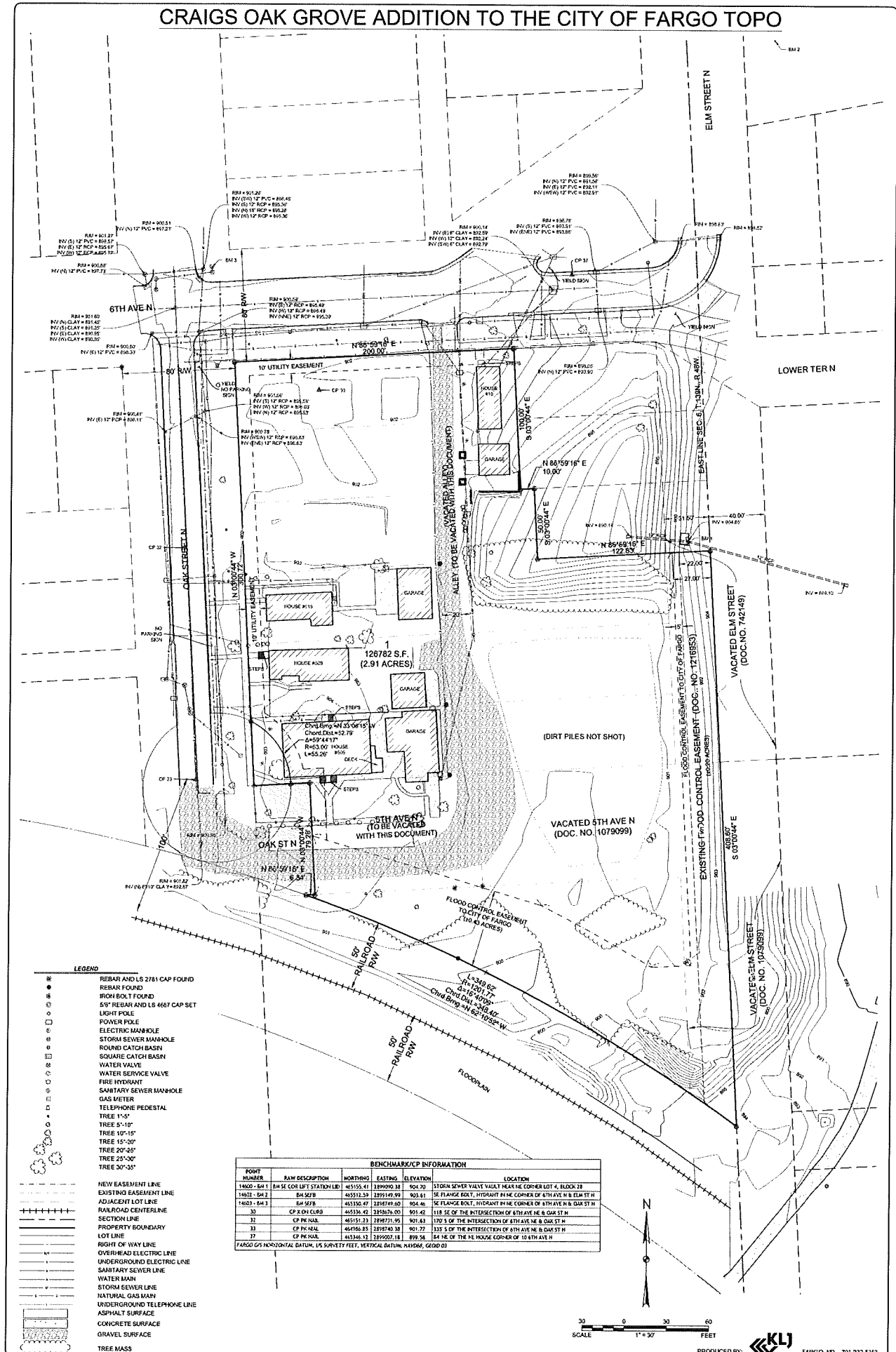
EASEMENT AS SHOWN
 ON PLAT @ 37' PLUS
 CORNER 17,300 SF
 MODIFIED EASEMENT
 FOR GRADING SHOWN
 20,201 SF



PRELIMINARY - NOT FOR CONSTRUCTION © KLP 2017

Jan 12, 2018 - 8:28am - P:\Phase\ND\Civil\Fargo\14617121-OakStLevee\CAD\14617121-grading.dwg (Layout3)

CRAIGS OAK GROVE ADDITION TO THE CITY OF FARGO TOPO

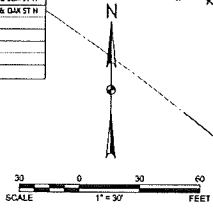


- LEGEND**
- REBAR AND LS 2781 CAP FOUND
 - REBAR FOUND
 - IRON BOLT FOUND
 - 5" REBAR AND LS 4687 CAP SET
 - LIGHT POLE
 - POWER POLE
 - ELECTRIC MANHOLE
 - STORM SEWER MANHOLE
 - ROUND CATCH BASIN
 - SQUARE CATCH BASIN
 - WATER VALVE
 - FIRE HYDRANT
 - SANITARY SEWER MANHOLE
 - GAS METER
 - TELEPHONE PEDESTAL
 - TREE 1'-5"
 - TREE 5'-10"
 - TREE 10'-15"
 - TREE 15'-20"
 - TREE 20'-25"
 - TREE 25'-30"
 - TREE 30'-35"

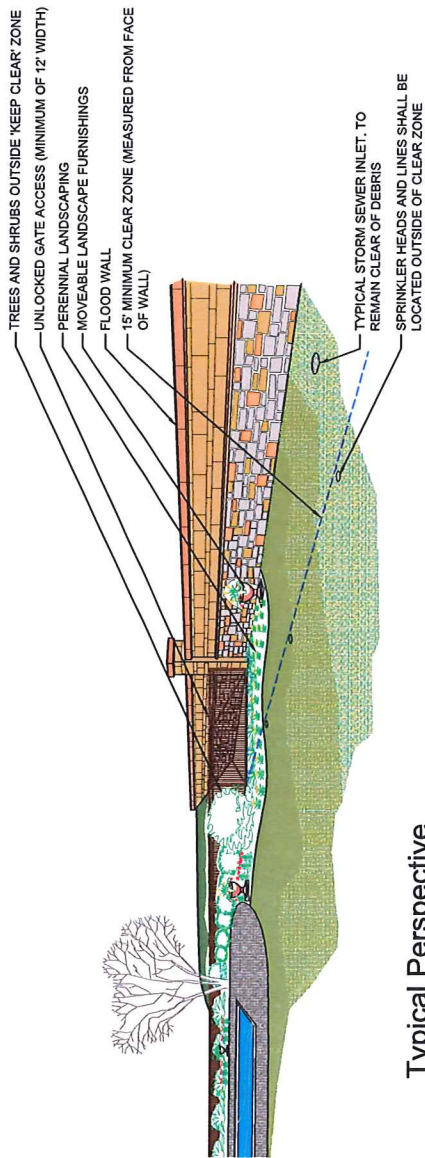
BENCHMARK/CP INFORMATION

POINT NUMBER	RAW DESCRIPTION	NORTHING	EASTING	ELEVATION	LOCATION
14600 - 641	BM FOR CON LIFT STATION LB	45355.41	289902.31	902.70	STORM SEWER VALVE VALVE NEAR THE CORNER LOT 4, BLOCK 18
14602 - 642	BM SEFB	45352.59	289919.99	903.61	SE FLANGE BOLT, HYDRANT IN THE CORNER OF 6TH AVE & ELM ST N
14603 - 643	BM SEFB	45352.47	289919.60	904.46	SE FLANGE BOLT, HYDRANT IN THE CORNER OF 6TH AVE & OAK ST N
30	CP X ON CLON	44539.42	289585.00	901.42	118 SE OF THE INTERSECTION OF 6TH AVE & OAK ST N
31	CP PK NAL	44539.23	289775.91	901.43	170 S OF THE INTERSECTION OF 6TH AVE & OAK ST N
32	CP PK NAL	44536.85	289740.33	901.77	135 S OF THE INTERSECTION OF 6TH AVE & OAK ST N
37	CP PK NAL	45336.12	289920.18	899.56	84 NE OF THE NE HOUSE CORNER OF 10 6TH AVE N

FARGO GCS HORIZONTAL DATUM, US SURVEY FEET, VERTICAL DATUM: NAD83, GGDG 01

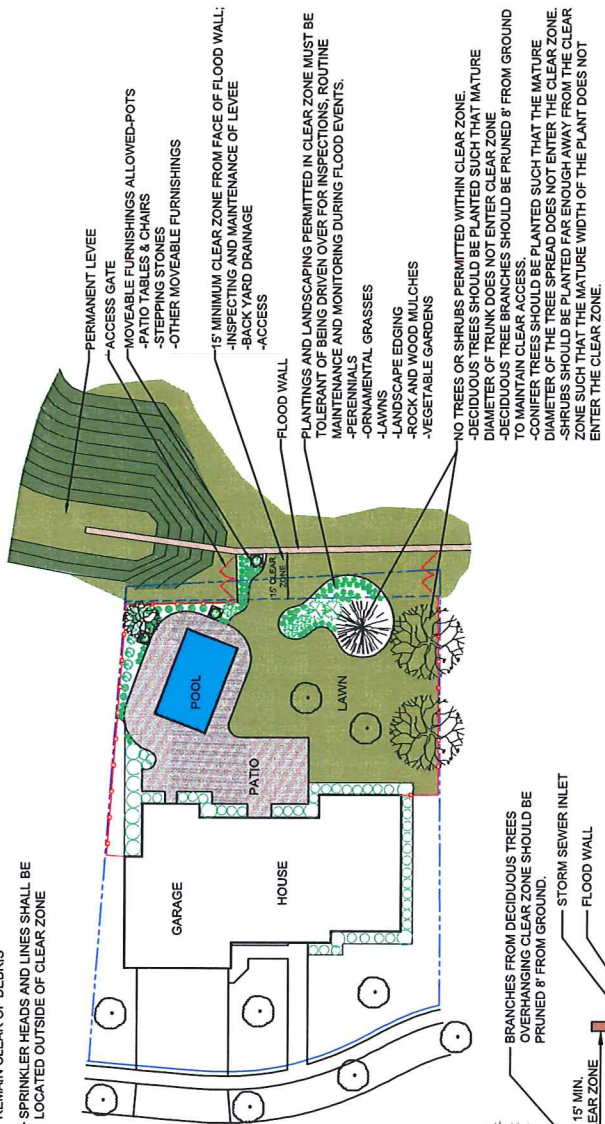


CITY OF FARGO
**STANDARD FLOODWALL
 ALLOWABLE USE EXAMPLE**



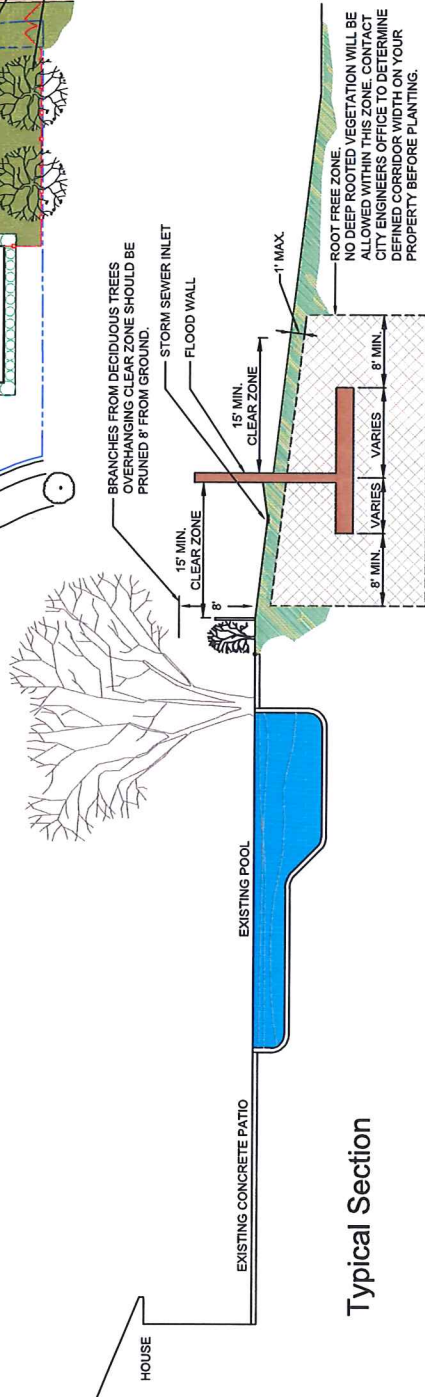
Typical Perspective

DRAINAGE NOTE: DRAINAGE OF RUNOFF ADJACENT TO FLOODWALLS AND LEVEES IS IMPORTANT IN MAINTAINING THE INTEGRITY OF THE STRUCTURES. AS A RESULT, LANDSCAPING OR OTHER ADDED FEATURES SHOULD NOT CHANGE OR BLOCK THE DESIGN DRAINAGE GRADES AND FLOW PATHS.



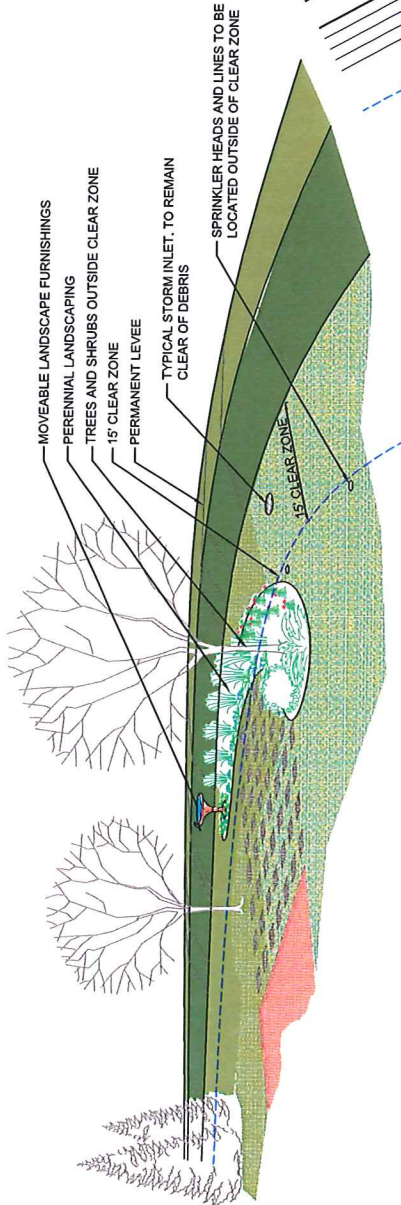
Typical Plan View

Warning: The primary purpose of the Identified Clear Zone is to provide a reliable corridor of access along the levees and floodwalls. As a result, this corridor must be free of obstructions to assure adequate access by personnel and equipment for inspection, routine maintenance, monitoring, and floodlighting. The property owner will be solely responsible for ensuring that the plants and shrubs within the identified clear zone area. The City of Fargo will not be responsible for damages associated with any damage to features within this area resulting from the required access.



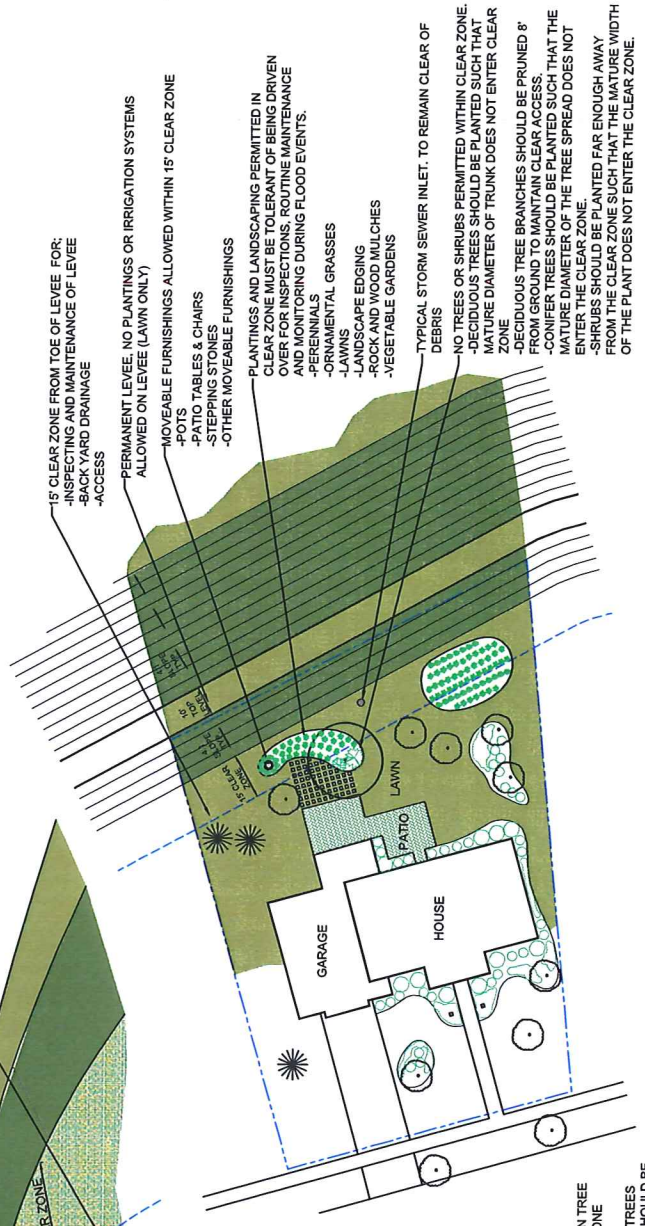
Typical Section

STANDARD LEVEE ALLOWABLE USE EXAMPLE



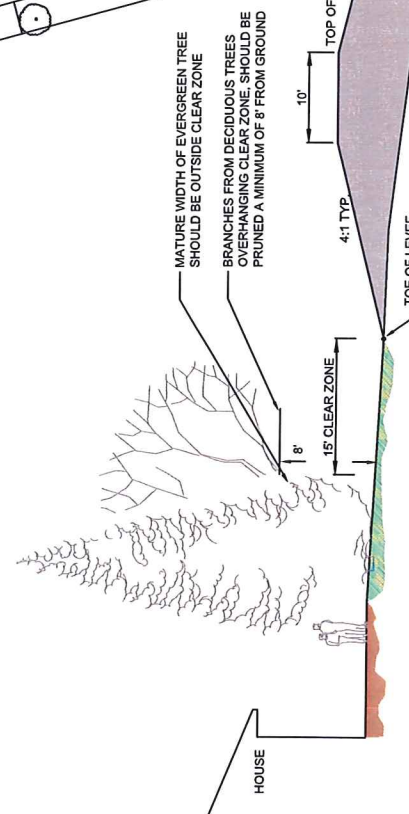
Typical Perspective

DRAINAGE NOTE: DRAINAGE OF RUNOFF ADJACENT TO FLOODWALLS AND LEVEES IS IMPORTANT IN MAINTAINING THE STRUCTURES. AS A RESULT, LANDSCAPING OR OTHER ADDED FEATURES SHOULD NOT CHANGE OR BLOCK THE DESIGN DRAINAGE GRADES AND FLOW PATHS.



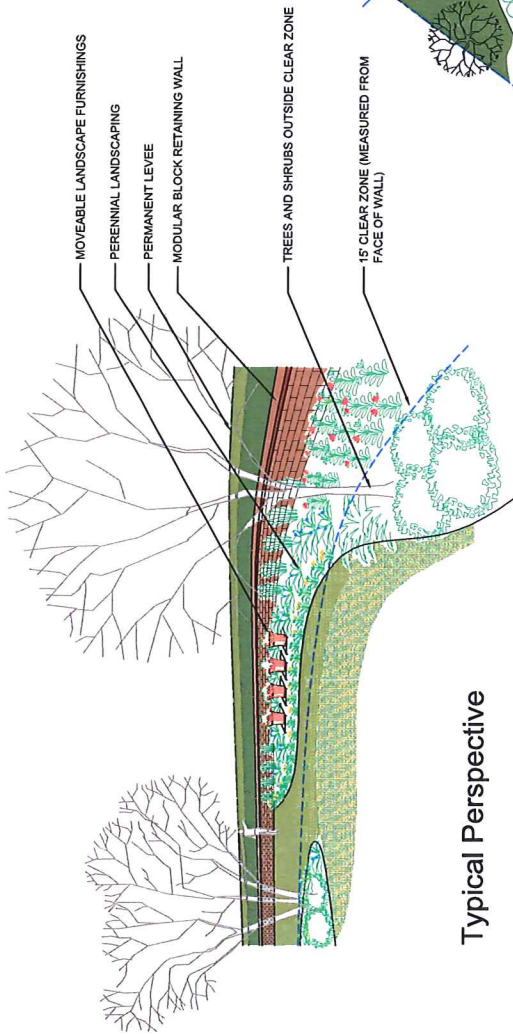
Typical Plan View

Warning: The primary purpose of the Identified Clear Zone is to provide a reliable corridor of access along the levees and floodwalls. As a result, this corridor must be free of obstructions to assure adequate access by personnel and equipment for inspection, routine maintenance, monitoring, and flood-fighting. The property owner will be solely responsible for the repair and/or replacement of any feature placed within the identified clear zone area. The City of Fargo will not be responsible for costs associated with any damage to features within this area resulting from the required access.



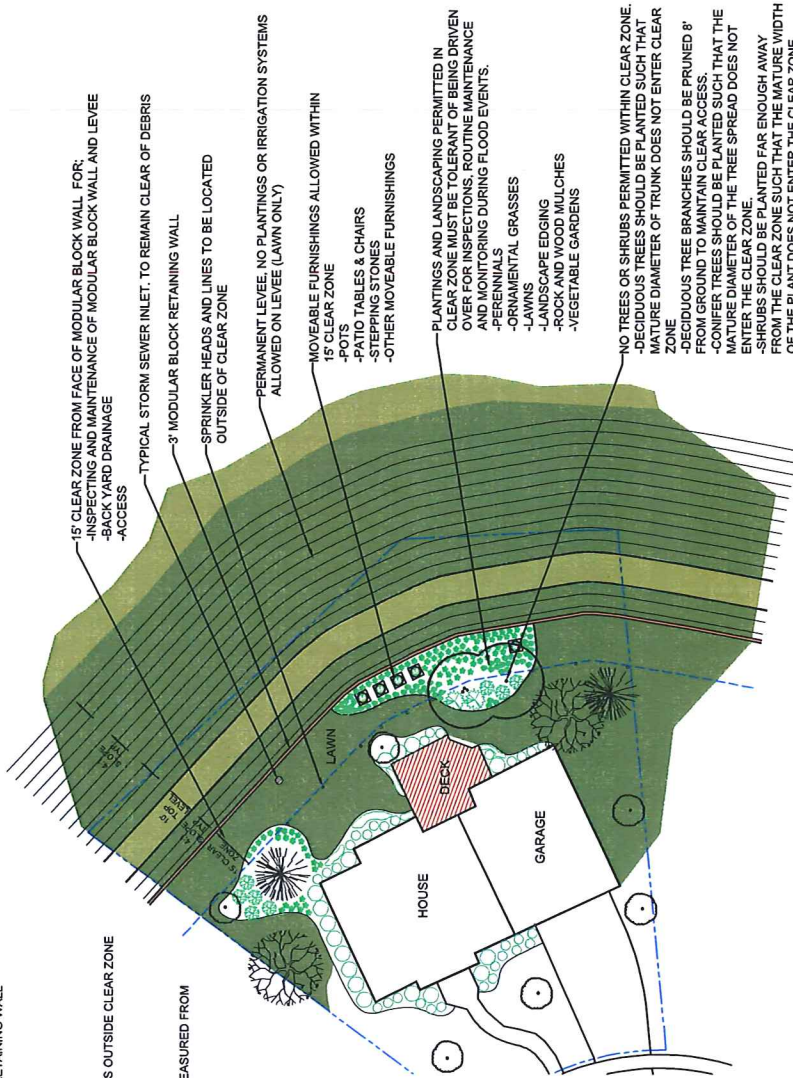
Typical Section

CITY OF FARGO
STANDARD COMBINATION LEVEE
WITH MODULAR BLOCK WALL
ALLOWABLE USE EXAMPLE

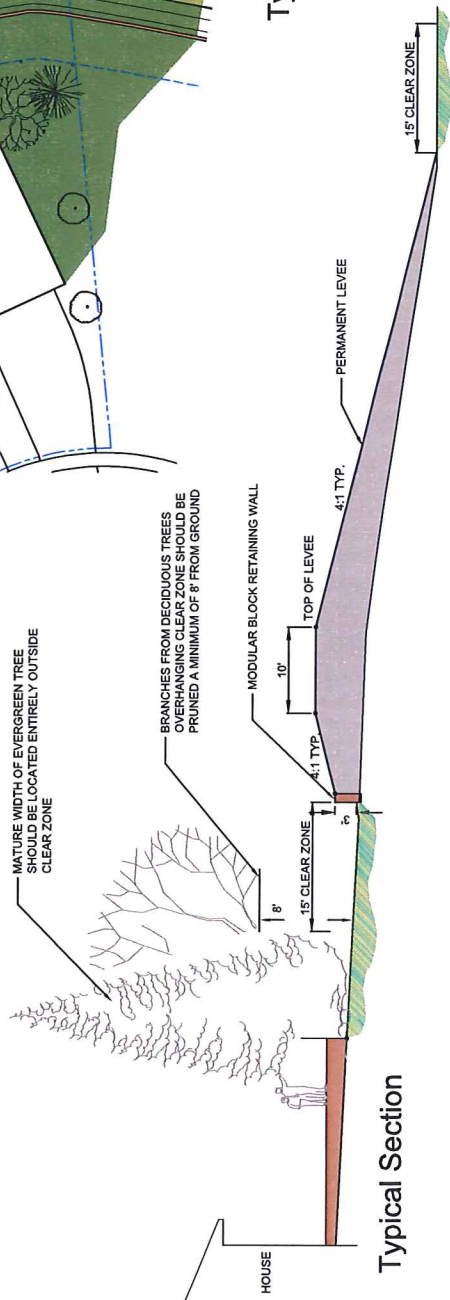


Typical Perspective

DRAINAGE NOTE: DRAINAGE OF RUNOFF ADJACENT TO FLOODWALLS AND LEVEES IS IMPORTANT IN MAINTAINING STABILITY OF THE STRUCTURES. AS A RESULT, LANDSCAPING OR OTHER ADDED FEATURES SHOULD NOT CHANGE OR BLOCK THE DESIGN DRAINAGE GRADES AND FLOW PATHS.



Typical Plan View



Typical Section

Warning:
The primary purpose of the Identified Clear Zone is to provide a reliable corridor of access along the levees and floodwalls. As a result, this corridor must be free of obstructions. The property owner is responsible for the repair and/or replacement of any feature placed within the identified clear zone area. The City of Fargo will not be responsible for costs associated with any damage to features within this area resulting from the required access.