

PROPERTY TAX INCENTIVE APPLICATION FOR
OP MEDICAL GROUP
(Lauren Orchard)

SUGGESTED MOTION:

Move to participate in the request for a payment in lieu of taxes (PILOT) in the City of West Fargo submitted by OP Medical Group to construct an ophthalmology center for up to a ten-year period.

OR

Move to participate in the request for a payment in lieu of taxes (PILOT) in the City of West Fargo submitted by OP Medical Group to construct an ophthalmology center for up to a ten-year period.



RECEIVED
CASS COUNTY COMMISSION

MAR 8 2021

March 5, 2021

To: Chad M. Peterson
Cass County Courthouse
211 9th St. South
Fargo, ND 58103

From: Lauren Orchard, City of West Fargo Economic Development Director

RE: Potential Property Tax Incentive Projects

Dear Chad,

This letter is intended to comply with N.D.C.C. § 40-05-24 law that states:

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.

Enclave Companies has applied for two 10-year tax abatements for two medical groups that would be part of Enclave's construction of a Class A medical campus. This medical campus would be home to an Ambulatory Surgery Center (ASC), clinics, urgent care center, and ophthalmology center. The ASC would perform surgical procedures at 50-60% of the cost of a typical hospital, saving patients healthcare costs while providing equal to or above level care. The facility would provide the most advanced private surgery center in the region which would draw clients to our community and provide our residents with outstanding medical care. Additionally, the center will bring over 203 jobs to West Fargo

with an average full time equivalent salary of \$65,385.04. Compared to other non-profit medical groups, this facility would create future real-estate tax after the retirement of the requested 10-year PILOTs.

To meet current PILOT guidelines of the West Fargo Economic Development Department, qualifying projects may receive a 10-year tax abatement if approved by the County and School District. If awarded, the applicant is granted 5 years of 100% tax abatement with a \$100 payment in lieu of taxes, with the following 5 years scaled down to 50% tax abatement, with 50% of real estate taxes paid in lieu of taxes. Due to the positive impact on our community, the West Fargo Economic Development department recommends approval of the proposed PILOT incentives. Without this incentive, the applicants have stated that they would be unable to complete the project in West Fargo.

A public hearing has been scheduled for the April 5, 2021 West Fargo City Commission meeting for any public comment.

Along with this letter, we are sending the corresponding applications for the requested 10 year PILOTs along with a presentation provided by the applicant and West Fargo PILOT guidelines. We respectfully request the City's Economic Development department to 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.

Sincerely,

Lauren Orchard
Economic Development Director
Email: Lauren.Orchard@westfargond.gov
Phone: 701-433-5311

CITY OF WEST FARGO
ADDITIONAL POLICY AND GUIDELINES FOR PAYMENT IN LIEU OF TAX EXEMPTIONS

The City of West Fargo will consider up to a five-year payment in lieu of tax (PILOT) for a new or expanded business. The following criteria are only guidelines and are in addition to the requirements for the standard tax exemption. Each application should be judged on its own merits. Any application recommended for approval by the Economic Development Advisory Committee that does not meet the guidelines listed below must be justified and documented.

The first five years of the PILOT will mirror the standard business tax exemption.

- A qualified project will receive a 100% exemption in years 1 & 2 with an additional 100% exemption in each of years 3, 4, and 5. However, at the end of year two at least one full-time job has been created for every \$75,000 of the building's market value subject to the tax exemption.
- Annual Reports - On December 1st of each year, the recipient of the exemption will file a West Fargo Economic Development Annual Employment and Financial Report with the City Assessment Department.
- PILOT incentives must be approved prior to occupancy of the property.

A qualified project may receive a 50% exemption for years 6 - 10 provided the following guidelines are met:

- The project size must have at least a \$700,000 market value of newly constructed buildings and structures.
- A minimum of 20 new full time jobs providing an average wage of \$9.00 per hour excluding benefits must be created by the end of year 5. These jobs must be maintained in years 6-10.
- Annual reporting requirements by the recipient of the exemption will also continue in years 6-10.
- An inflation factor may be included in the payment schedule and also in the average hourly wage. This inflation factor will be determined at the time the payment schedule is set.
- If the project fails to meet any of the above listed guidelines in years 6-10, the project will not be eligible for any percentage of the exemption. The exemption on this project cannot be reapplied for if the requirements are again met at a future time and the initial 10-year period has not expired.

Application For Property Tax Incentives For New or Expanding Businesses

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

Project Operator's Application To 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

1.	Name of project operator of new or expanding business	<u>OP Medical Group</u>	
2.	Address of project	<u>350 23 Ave E - Project will be an address with the replat of the lot</u>	
	City	<u>West Fargo</u> County <u>Cass</u>	
3.	Mailing address of project operator	<u>1 2nd St North, STE 102</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 type="checkbox"/> Corporation	<input type="checkbox"/> Cooperative	<input checked="" type="checkbox"/> Limited liability company
5.	Federal Identification No. or Social Security No.	<u>Wish to be anonymous for now</u>	
6.	North Dakota Sales and Use Tax Permit No.	<u>" " "</u>	
7.	If a corporation, specify the state and date of incorporation	<u></u>	
8.	Name and title of individual to contact	<u>Austin Morris</u>	
	Mailing address	<u>1 2nd St North, STE 102</u>	
	City, State, Zip	<u>Fargo, ND 58102</u> Phone No. <u>701-478-4300</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>2024</u> Beginning year <u>2034</u> Ending year
	<u></u> Percent of exemption	<u>\$100</u> Amount of annual payments (attach schedule if payments will vary)
		See schedule
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

Lot 1 Blk 1 North Pond at the Preserve 2nd Addition

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 June 1, 2022

b. Description of project to be constructed including size, type and quality of construction
A class A medical clinic building with Class A materials. To be described further in supplementary materials


c. Projected number of construction employees during the project construction 75 +

14. Approximate date of commencement of this project's operations June 1, 2024

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

- a. Land..... \$ 1,364,000
- b. Existing buildings and structures for which an exemption is claimed..... \$ _____
- c. Newly constructed buildings and structures when completed \$ 6,475,000
- d. Total..... \$ 7,839,000
- e. Machinery and equipment \$ 200,000

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..... \$ _____
- c. Newly constructed buildings and structures when completed..... \$ 323,000
- d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 323,000
- e. Enter the consolidated mill rate for the appropriate taxing district 299.91
- f. Annual amount of the tax exemption (Line d multiplied by line e) \$ 97,096.00

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).

We see patients for a variety of medical eye needs. Patients are seen by both optometrists and an ophthalmologist.

Services included are procedures for glaucoma, various cornea issues, pre-surgery for LASIK. Regractive laser surgery

will be done in our facility and cataract and glaucoma surgeries will be done in a surgery center.

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

State of the art equipment and technologies for evaluating extensive types of vision issues plus state of the art technologies and equipment for refractive laser and other eye surgeries.

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.

See Attachment for expanded years	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only
Year (12 mo. periods)	Year 1	Year 2	Year 3	Year 4	Year 5
Annual revenue	<u>5,400,000</u>	<u>5,940,000</u>	<u>6,534,000</u>	<u>10,900,000</u>	<u>12,535,000</u>
Annual expense	<u>4,600,000</u>	<u>4,752,000</u>	<u>4,965,840</u>	<u>8,720,000</u>	<u>9,526,600</u>
Net income	<u>800,000</u>	<u>1,188,000</u>	<u>1,568,160</u>	<u>2,180,000</u>	<u>3,008,400</u>

21. Projected annual average number of persons to be employed by the project itself at the project location for each year for the first five years and the estimated annual payroll.

See Attachment for expanded years		New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only	New/Expansion Project only
Year	Company-wide (before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) <u>22</u>	<u>25</u>	<u>27</u>	<u>30</u>	<u>35</u>	<u>38</u>
	(2) <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Estimated payroll	(1) <u>1,100,000</u>	<u>1,600,000</u>	<u>1,779,840</u>	<u>1,864,200</u>	<u>3,026,000</u>	<u>3,803,370</u>
	(2) <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

Previous Business Activity

22. Is the project operator succeeding someone else in this or a similar business? Yes No
23. Has the project operator conducted this business at this or any other location either in or outside of the state?
 Yes No
24. Has the project operator or any officers of the project received any prior property tax incentives? Yes No
- If the answer to 22, 23, or 24 is yes, give details including locations, dates, and name of former business (attach additional sheets if necessary).
- We wish to remain anonymous at this time.

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
- We wish to remain anonymous at this time.

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, Austin Morris, 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.

Agent

 Signature Title Date

PILOT Application: OP Medical Group
Schedule : Question 9 - Amount of Annual Payments

	<u>% of Tax</u>	<u>Amount</u>
Year 1-5		\$100.00
Year 6	50% \$	48,548.00
Year 7	50% \$	48,548.00
Year 8	50% \$	48,548.00
Year 9	50% \$	48,548.00
Year 10	50% \$	48,548.00

MEDICAL SPECIALTY CAMPUS

HEALTHCARE GROUP + OP MEDICAL GROUP

An ENCLAVE Project

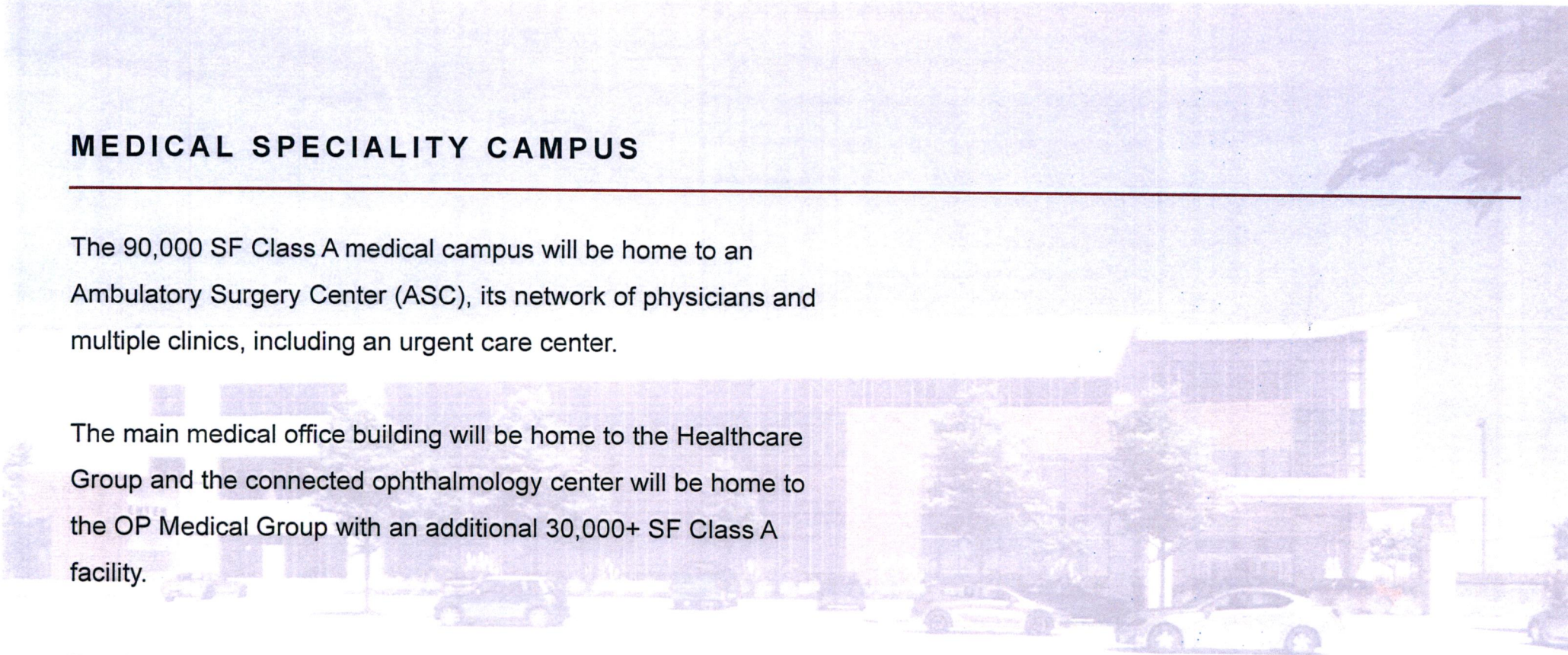


MEDICAL SPECIALITY CAMPUS

The 90,000 SF Class A medical campus will be home to an Ambulatory Surgery Center (ASC), its network of physicians and multiple clinics, including an urgent care center.

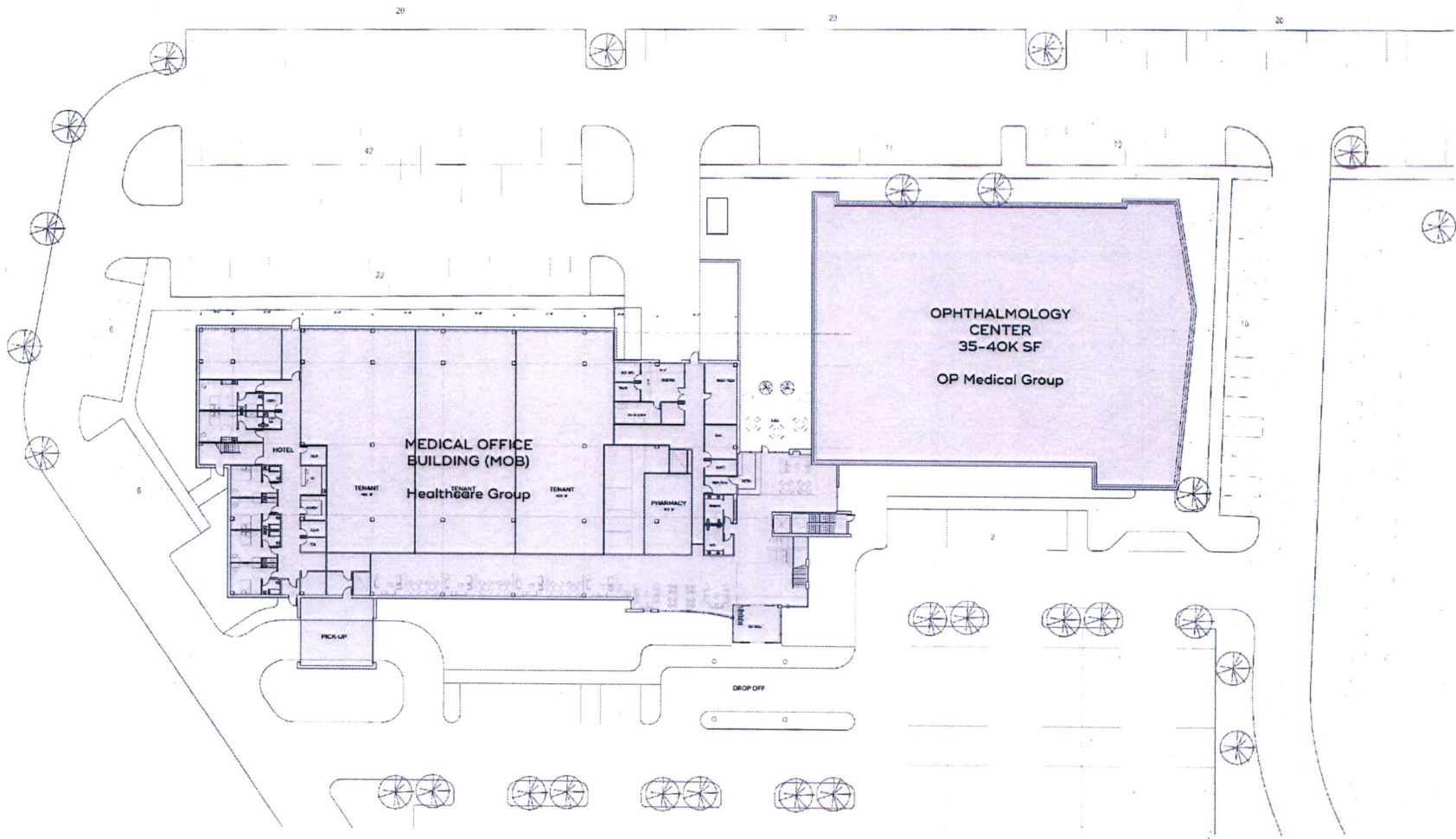
The main medical office building will be home to the Healthcare Group and the connected ophthalmology center will be home to the OP Medical Group with an additional 30,000+ SF Class A facility.

The facility's healthcare providers will have access to advanced healthcare amenities and state-of-the-art equipment, including MRI imaging.





PROPOSED CAMPUS: SITE MAP





MEDPARK MEDICAL CENTER
An ENCLAVE Project

ABOUT THE AMBULATORY SURGERY CENTER

A modern outpatient surgical facility with fully equipped operating rooms and private recovery space, the ASC will perform surgical procedures at 50-60% of the cost of what hospitals do, saving patients healthcare costs while providing equal to or above level care. The physicians at an ASC are uniquely positioned with greater autonomy, resulting in enhanced care and a personalized approach for patients. The ASC will be utilized by the area's leading physicians and serve a wide audience with specialties that include, but are not limited to:

- **Ear, Nose and Throat (ENT)**
- **Orthopedics**
- **Ophthalmology**
- **Neurosurgery and Spine**
- **Plastics and Hand**

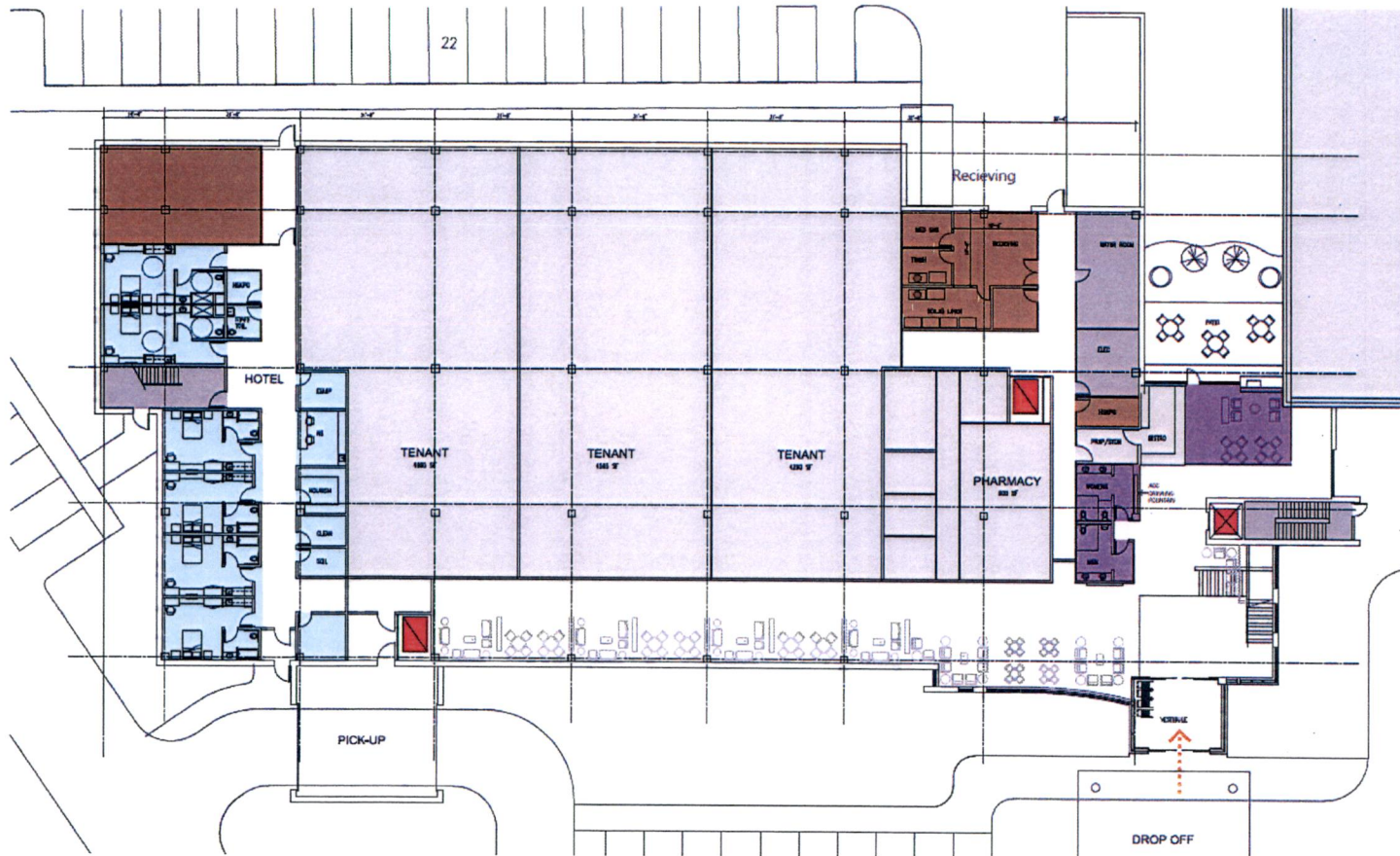
The proposed Medical Campus will support the continued growth of forward-thinking physicians with advanced technology to care for patients across the region. The ASC will be an incubator for revolutionizing what has historically been considered "outpatient surgery," in our community of West Fargo.

MEDICAL SPECIALITY CAMPUS

- Second-floor ASC: Same-day procedure center complete with OR, PACU and Pre and Post-Op recovery space.
- Hotel style accommodations will be offered for extended stay and out-of-town patients on floor 1.
- The building offers five build-to-suit tenant spaces ranging from 4,425 SF to 11,135 SF on floors 1 and 3 with superior visibility.
- An on-site pharmacy will provide physicians and patients with added convenience.
- Ample staff and visitor parking, with heated sidewalks and covered canopy drop-off and pick-up zones.
- Site offers outdoor connectivity for staff and visitors.



MEDICAL OFFICE BUILDING: FIRST FLOOR



FEATURES

Hotel accommodations for traveling patients

3 build-to-suit tenant spaces (4,565 SF)

On-site pharmacy

Designated drop-off and pick-up zones

Access to outdoor terrace

SQUARE FOOTAGE

Residential (Hotel)
4,625 SF

Tenant Space, Pharmacy,
Mechanical, Waiting,
Garage 28,445 SF

MEDICAL OFFICE BUILDING: SECOND FLOOR



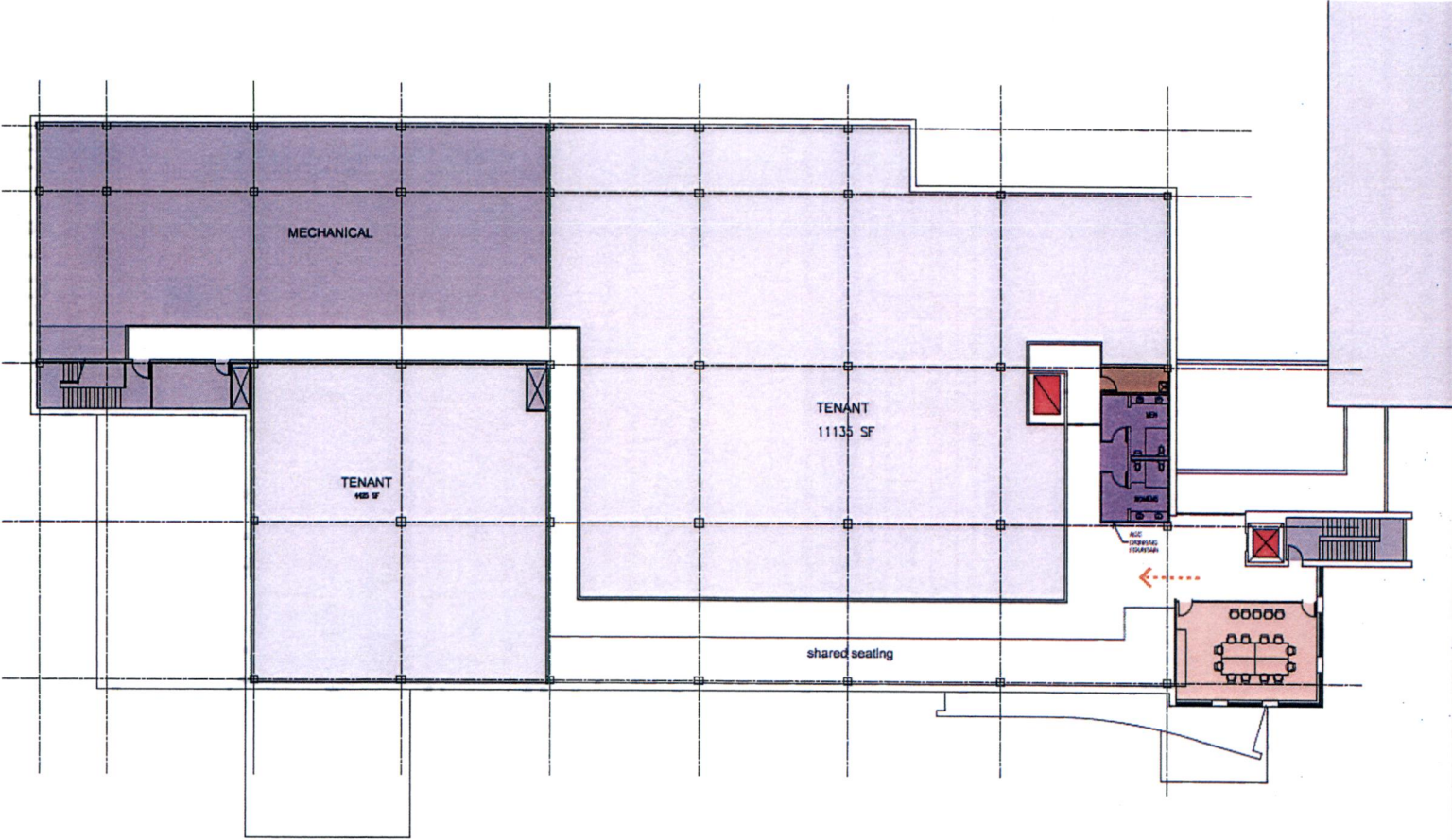
FEATURES

- ASC
- Six Operating Rooms
- PACU, Pre/Post Op
- Staff and admin office & breakroom
- Reception & waiting room

SQUARE FOOTAGE

ASC: 26,264

MEDICAL OFFICE BUILDING: THIRD FLOOR

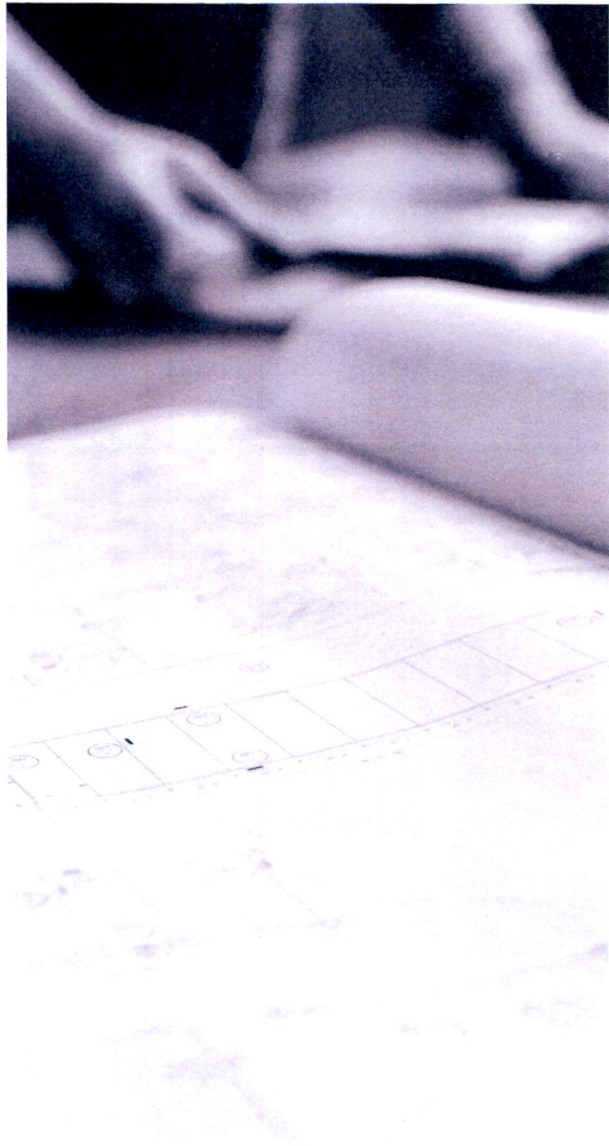


FEATURES

- Tenant space
- Community seating area
- Conference room

SQUARE FOOTAGE

Tenant & Mechanical:
28,284 SF



ECONOMIC IMPACT

The new Medical Campus would be the most advanced private surgery center in the region, and the largest between Bismarck and St. Cloud, caring for up to 200 patients in a single day.

The ASC alone would be home to more than 50 team members in year one. The unique medical campus allows for continued growth and supports individual ownership with available tenant spaces for lease. Once fully leased, the Medical Office Building will support the employment of 116 team members in year five. Together with the OP Medical Group, the entire facility will accommodate 154 employees by year 5 – 203 in year 10.

Above all else, the new facility will continue to advance same-day surgery, diagnostics and preventative care, while transforming the outpatient experience through convenience and comfort.

ECONOMIC IMPACT

- Increased specialty healthcare options and access for West Fargo's residents
- Regionally draws patients from a 100 mile radius – 200 patients per day by year 10
- 200+ employees by year 10
- Catalyst to increased retail spend along the Veterans corridor and in West Fargo
- Privately owned campus creates future real estate tax increment, as opposed to non-profit medical groups
- Available land options in Fargo, Moorhead, and West Fargo with a track record of identical PILOT or real estate tax abatement potential
- West Fargo is the top choice as a result of I-94 visibility, easy access to Veterans interchange, and retail activity along Veterans, pending PILOT approval



THANK YOU

AUSTIN MORRIS
CEO OF DEVELOPMENT
austin@enclavecompanies.com

DEVELOP • CONSTRUCT • MANAGE