

PROPERTY TAX INCENTIVE APPLICATION FOR
THARALDSON ETHANOL
(Ryan Aasheim)

SUGGESTED MOTION:

Move to participate in the request for a payment in lieu of taxes (PILOT) incentive submitted by Tharaldson Ethanol to construct a new processing building for up to a ten-year period.

OR

SUGGESTED MOTION:

Move to **NOT** participate in the request for a payment in lieu of taxes (PILOT) incentive submitted by Tharaldson Ethanol to construct a new processing building for up to a ten-year period.

**Application For Property Tax Incentives For
New or Expanding Businesses**

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

Project Operator's Application To Cass
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>Tharaldson Ethanol</u>
2.	Address of project <u>3549 153rd Ave SE</u> City <u>Casselton</u> County <u>Cass</u>
3.	Mailing address of project operator <u>3549 153rd Ave SE</u> City <u>Casselton</u> State <u>ND</u> Zip <u>58012</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>20-5803864</u>
6.	North Dakota Sales and Use Tax Permit No. <u>20-5803864-01</u>
7.	If a corporation, specify the state and date of incorporation _____
8.	Name and title of individual to contact <u>Corey Aanenson, EH&S Manager or Kari Deery, Controller</u> Mailing address <u>3549 153rd Ave SE</u> City, State, Zip <u>Casselton, ND, 58012</u> Phone No. <u>701-347-4000</u>

Project Operator's Application For Tax Incentives

9.	Indicate the tax incentives applied for and terms. Be specific. <table style="width: 100%;"><tr><td style="width: 50%;"><input type="checkbox"/> Property Tax Exemption _____ Number of years _____ Percent of exemption</td><td style="width: 50%;"><input checked="" type="checkbox"/> Payments In Lieu of Taxes 2023 Beginning year 2033 Ending year \$100 Amount of annual payments (attach schedule if payments will vary)</td></tr></table>	<input type="checkbox"/> Property Tax Exemption _____ Number of years _____ Percent of exemption	<input checked="" type="checkbox"/> Payments In Lieu of Taxes 2023 Beginning year 2033 Ending year \$100 Amount of annual payments (attach schedule if payments will vary)
<input type="checkbox"/> Property Tax Exemption _____ Number of years _____ Percent of exemption	<input checked="" type="checkbox"/> Payments In Lieu of Taxes 2023 Beginning year 2033 Ending year \$100 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 checked="" type="checkbox"/> New business project <input type="checkbox"/> Expansion of a existing business project		

Description of Project Property

11. Legal description of project real property

TOWNSHIP 140 N, RANGE 52 W, Section 33. Two story insulated metal siding Processing Building, Protein Dryer, MCC Room, pipe/ duct/ conveyor supports, and Protein Storage and Loadout of Two (2) 1,200 ton silos or three (3) 700 ton silos with load out facilities for both truck and rail car.

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 November 2021

b. Description of project to be constructed including size, type and quality of construction
High Protein Project (Fluid Quip Technologies) - Two story insulated metal siding Processing Building (approximately 144ft L x 70ft W x 50ft H) with standing seam insulated metal decking roof, a bridge crane. For details, reference the pdf document labeled as "MSC Design Base Document Tharaldson".

c. Projected number of construction employees during the project construction 150 Contract Employees

14. Approximate date of commencement of this project's operations November 2022

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

a. Land \$ _____

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

c. Newly constructed buildings and structures when completed \$ 23,825,875

d. Total \$ 23,825,875

e. Machinery and equipment \$ 32,318,875

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..... \$ 1,191,293.75

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 1,191,293.75

e. Enter the consolidated mill rate for the appropriate taxing district19577
0.27

f. Annual amount of the tax exemption (Line d multiplied by line e) \$ 233,219.57
326,807.61

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).

Fluid Quip Technologies' MSC protein technology will be implemented to improve flexibility and profitability by producing higher-value proteins and corn oil in a sustainable manner that will trade at a value substantially higher than DDGS. The target for this project is to generate a nominal rate of 3.5 lb/bu of protein product at 7-8% moisture and 1.1 lb/bu of corn oil. For details, please reference the pdf document labeled "MSC Design Base Document Tharaldson".

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

Wet Scrubber, Fluid Quip MZSA Paddle Screens, Pressure Screens, Clarifier Centrifuges, Centrifuges, Alfa Laval Protein Decanters, DXP Pumps, JT Cullen Tanks, Proquip Agitators, BCI Drag Conveyors, and Engineering Screw Conveyors. Please see the pdf document labeled as "MSC Design Base Document Tharaldson" for details.

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	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000
Annual expense	8,000,000	8,600,000	8,600,000	8,600,000	8,600,000
Net income	34,500,000	34,600,000	34,600,000	34,600,000	34,600,000

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
				13	1	1

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) 0	13	15	15	15	15
	(2) _____	_____	_____	_____	_____	_____
Estimated payroll	(1) 0	975,000	1,001,400	1,028,400	1,056,200	1,084,700
	(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).
~~Tharaldson Ethanol has received tax exemption for the build of the original facility, 2008 to 2018, for first 10 years.~~

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, Corey Ahenson, 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.

Corey Ahenson Signature EH+S Manager Title 10-20-21 Date

PRIVACY ACT NOTIFICATION

In compliance with the Privacy Act of 1974, disclosure of a social security number or Federal Employer Identification Number (FEIN) on this form is required under N.D.C.C. §§ 40-57.1-03, 40-57.1-07, and 57-01-15, and will be used for tax reporting, identification, and administration of North Dakota tax laws. Disclosure is mandatory. Failure to provide the social security number or FEIN may delay or prevent the processing of this form.

Certification of Governing Body (To be completed by the Auditor of the City or County)

The municipality shall, after granting any property tax incentives, certify the findings to the State Tax Commissioner and Director of Tax Equalization by submitting a copy of the project operator's application with the attachments. The governing body, on the _____ day of _____, 20____, granted the following:

Property Tax Exemption

Payments in lieu of taxes

_____ Number of years

_____ Beginning year _____ Ending year

_____ Percent of exemption

_____ Amount of annual payments (Attach schedule if payments will vary)

Auditor

From: [Wilson, Robert](#)
To: [Albrecht, Taylor](#)
Subject: FW: PILOT - Tharladson
Date: Thursday, December 16, 2021 8:21:32 AM

From: Fracassi, Paul <FracassiP@casscountynd.gov>
Sent: Monday, December 13, 2021 9:31 AM
To: Wilson, Robert <WilsonRo@casscountynd.gov>
Subject: FW: PILOT - Tharladson

Hey Robert,

Here's the email. Sounds like they will go along with our decision.

From: Pam Utt <Pam.Utt@k12.nd.us>
Sent: Monday, December 13, 2021 8:25 AM
To: Fracassi, Paul <FracassiP@casscountynd.gov>
Subject: Re: PILOT - Tharladson

CAUTION: EXTERNAL EMAIL

Paul, our school board met this morning, and here is how they voted:

Jayne Steig moved, Dale Muchow second the following motion: Recognizing that growth is good but also the challenges we have as a growing district and that the County has objective criteria to evaluate these requests, I move that Central Cass School District defer to follow suite with the County's decision to approve, negotiate, or decline the request as per their guidelines. Dave Glennon abstained from voting due to a conflict of interest. Assuming a roll call vote, all members voted "Yes". Motion carried.

If you have any questions, please let me know. FYI, I am in the office today and tomorrow and then I will be out through the rest of December. After that first week, I will have email access and intend to check it regularly after that time until I return in early January.

Pamela Utt, Business Manager

Central Cass School District #17

802 5th St North

Casselton ND 58012

701-347-5352 District Office

701-346-2007 Direct line

December 14, 2021

Cass County Board of Commissioners
Cass County Courthouse
211 9th Street S
Fargo, ND 58103

Subject: Property tax relief for the proposed Tharaldson Ethanol project in Casselton Township

Dear Board of Commissioners,

The Casselton Township Board of Officers is pleased that the current Tharaldson Ethanol plant is located in Casselton Township. This facility provides an alternative marketing venue for both local and out-of-state corn producers and pays a premium price to those growers. Importantly, it provides significant tax revenue to the township that allows us to maintain the roads used by these producers.

However, the Casselton Township Board does not support the request for tax relief for the new project because the tax relief will deprive both the township and the Central Cass school district of much needed funds. The estimated \$326,807 yearly tax break will deprive the township of \$31,046 (9.5%) and the Central Cass School District of \$196,804 (60%) each year.

The township must purchase gravel, maintain gravel roads, replace signage, repair culverts and township bridges, and remove snow. For example, each year we attempt to gravel one-half our roads:

- Gravel cost varies yearly from \$45,000 to \$60,000
- Road grader/maintainer yearly cost is \$12,000
- Purchasing and replacing two culverts cost \$20,000 this year. Culverts need to be replaced every year and we typically save over two years to replace a set of culverts at an intersection.

The fact that we can't gravel all our roads each year, coupled with truck traffic to the ethanol plant, results in a funding problem (if the shortest route to the plant is gravel, then forget about using a paved road). We also have non-farming residents that utilize these same roads for their Fargo commute.

The Central Cass school district is in need of building maintenance funds, but their recent 20-mil tax proposal was rejected by the district residents. The additional tax revenue would provide needed funding for education.

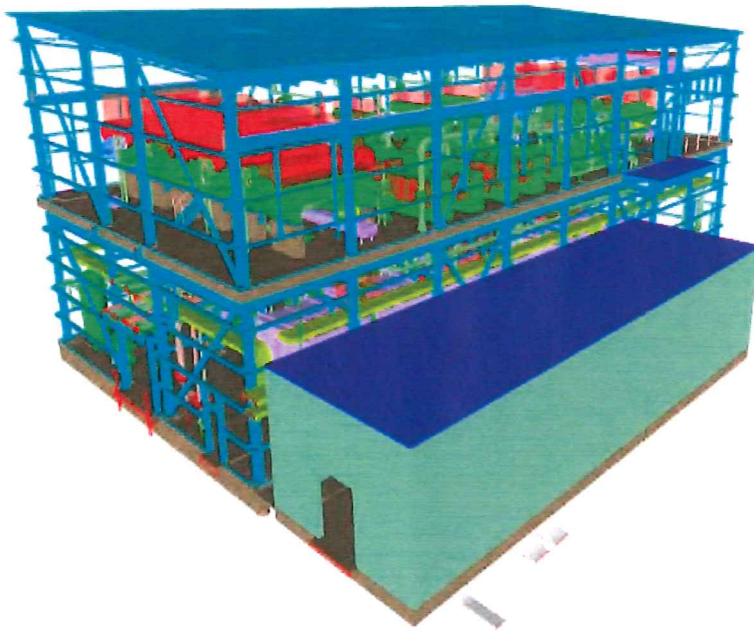
In summary, the Casselton Township Board can support a five-year graduated tax relief for the proposed Tharaldson Ethanol project, but does not support ten years of tax relief.

Respectfully,

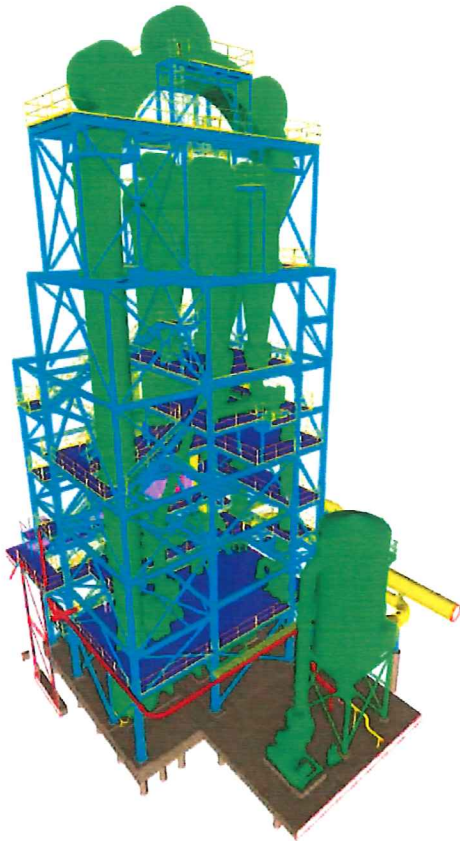
Ryan Radermacher, Chairman
Brad McIntyre, Township Officer
Ralph Johnson, Township Officer
Robert Runck, Secretary-Treasurer

Appendix D: 3D Models

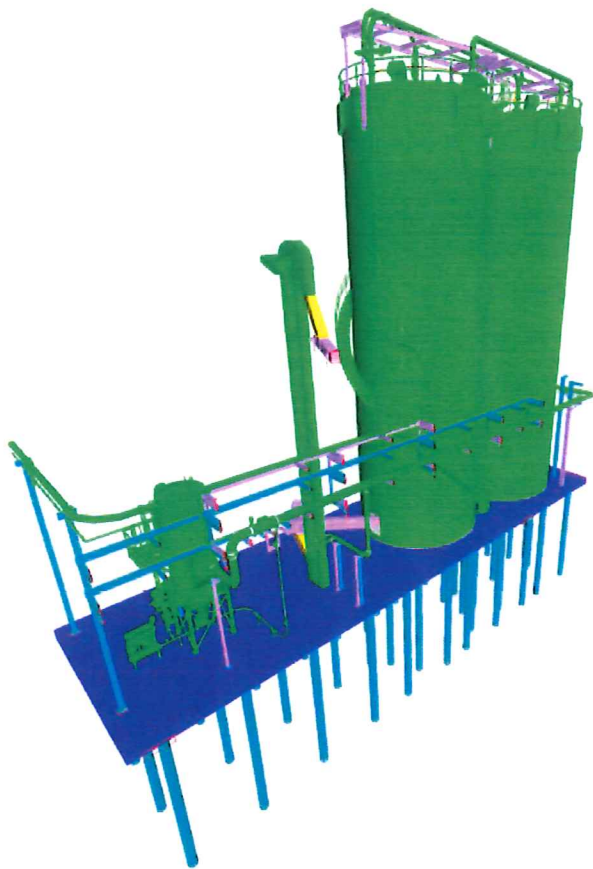
MSC:



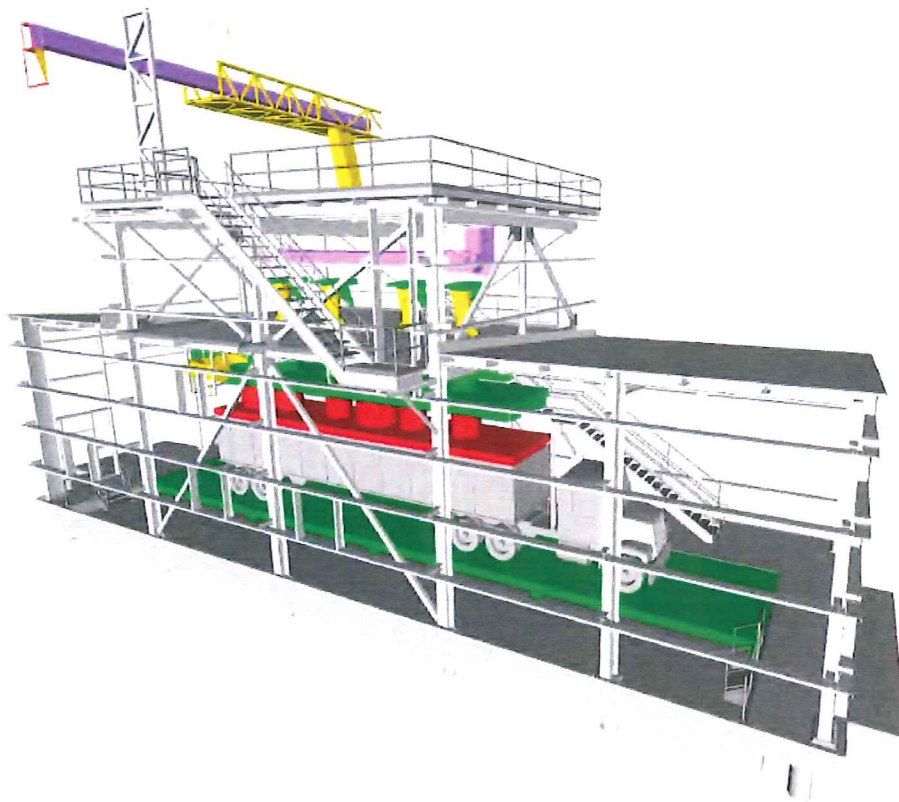
Dryer / Cooling:



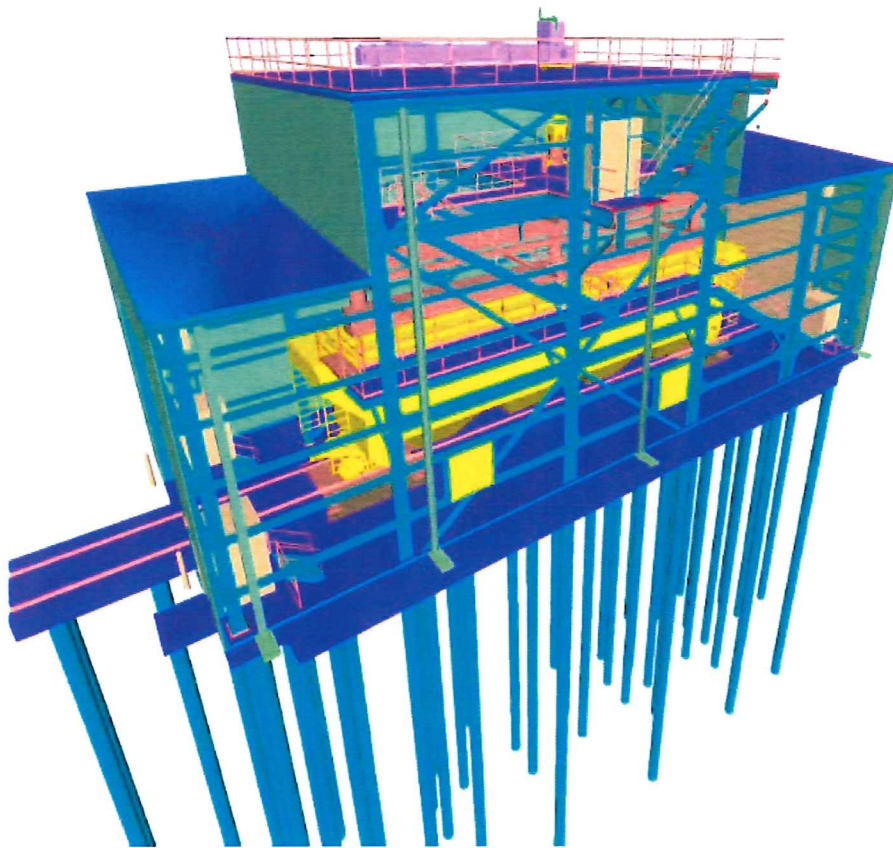
Protein Storage:



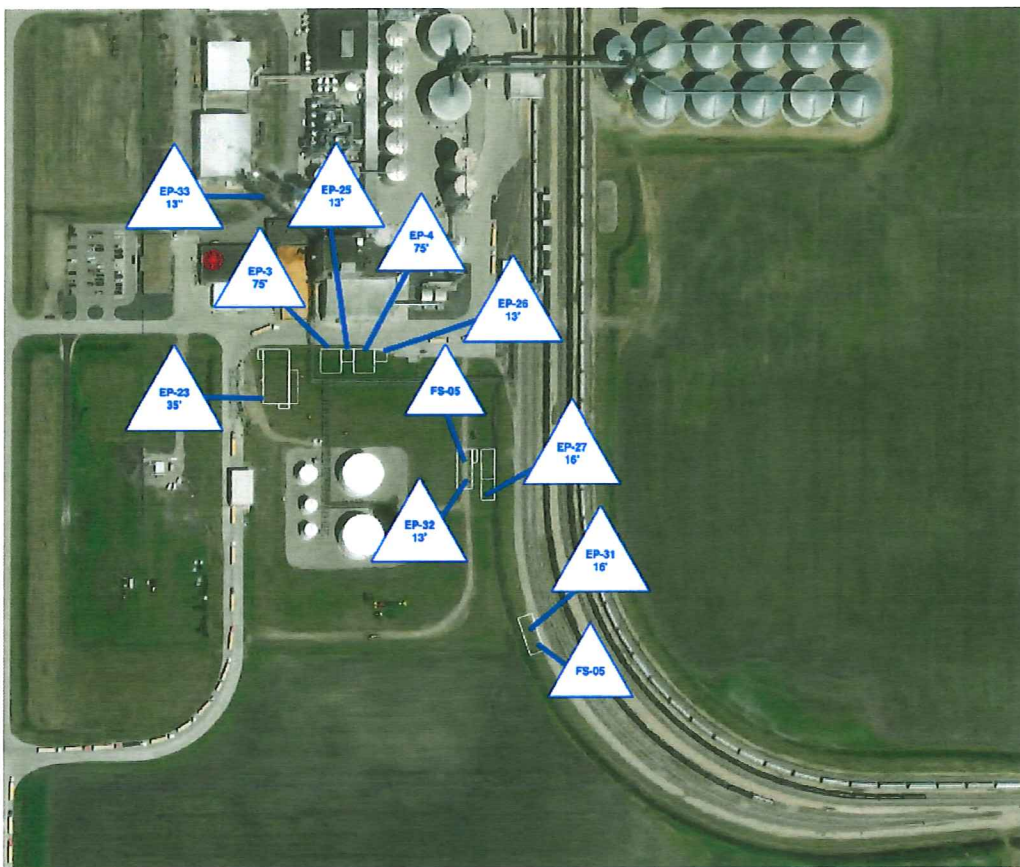
Truck Loadout:



Rail Loadout:



Appendix E: Site Plan with Emission Sources





NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER GUIDELINE - PROPERTY TAX: INCENTIVES FOR NEW OR EXPANDING BUSINESSES

DECEMBER 2017

North Dakota Century Code ch. 40-57.1 provides incentives in the form of property tax exemptions, payments in lieu of taxes, or a combination of both to a qualifying business. The incentives are granted at the discretion of the city or county in which the property is located.

Before a municipality may grant a property tax exemption under N.D.C.C. § 40-57.1-03, the project must be certified as a primary sector business by the Commerce Department.

A city or county with fewer than 40,000 population may grant an exemption to a project operating in the retail sector if the governing body has obtained approval from a majority of the qualified electors voting on the question at a city or county election held in conjunction with a statewide general election and if that governing body has established by resolution or ordinance the criteria that will be applied by the governing body to determine whether it is appropriate to grant an exemption for a project operating in the retail sector. Minimum criteria are specified in N.D.C.C. § 40-57.1-03(1). A city or county may not supersede or expand the provisions of this section under home rule authority.

- * Before a city grants a property tax incentive on a parcel that is anticipated to receive a property tax incentive for more than five years, the governing body of the city is required to send a letter, by certified mail, to the chairman of each county commission and the president of each school district affected by the tax incentive. The letter must provide terms of the proposed property tax incentive.
- * Within 30 days of receipt of the notice, each affected county and school district must notify the city, in writing, whether it elects to participate in granting the tax incentive on the county or school district portion of the property tax. If no letter is received, the city must treat each county or school district as participating in the property tax incentive.

DEFINITIONS

1. Commencement of construction means the building or erecting of any improvements other than site preparation or excavation.
2. Commencement of project operation means “the date the plant actually goes into its planned operations. To use the example..., if a manufacturing plant actually begins manufacturing of its products in December, 1970, that would be the date of commencement of project operations. The Act does not purport to authorize granting of tax exemptions for the time of construction of plants.” 1969 N.D. Op. Att’y Gen. 415.
3. Local Development Corporation means a profit or nonprofit corporation incorporated in this state for the purpose of furthering the economic development of a specified community or area.

4. Municipality means a city or a county.
5. Primary sector means a business that adds value to a product, process, or service that results in the creation of new wealth. New wealth means revenues to a North Dakota business generated by sales of products or services to customers outside North Dakota, or revenues to a North Dakota business from sales in North Dakota, if the product or service was previously unavailable or of limited availability.
6. Project means any new revenue-producing business or an expansion to an existing business.
7. Project operator means the individual, partnership, limited liability company (LLC), corporation, or association that owns or operates the project.
8. Statewide general election, as provided in N.D.C.C. § 16.1-13-01, means the general election held on the first Tuesday after the first Monday in November of each even-numbered year.
9. Structure means any property where a business is conducted. The structure might be an entire building, if occupied by one business, or individual quarters within a larger building.

WHAT QUALIFIES

10. New and existing buildings, structures, and improvements owned or leased by a qualifying project may receive property tax incentives.
11. New buildings, structures, and improvements constructed and owned by a local development corporation may receive a partial or complete exemption from ad valorem taxation while unoccupied. Once occupied, the exemption continues until the next assessment date following the first occupancy. A qualifying project that locates in a building owned by a local development corporation qualifies for the property tax incentives, provided application is made and granted prior to occupancy.

ALLOWABLE INCENTIVES

12. A qualifying project may receive a complete or partial exemption from ad valorem taxation on structures used in or necessary to the operation of a project for up to five years following the commencement of project operations.
13. The exemption period begins with the assessment date immediately following the date of commencement of project operations.
14. Projects that produce or manufacture a product from agricultural commodities may receive a complete or partial property tax exemption on structures for up to ten years.
15. A project located in a structure leased from a governmental entity and which received a five-year property tax exemption qualifies for additional exemptions for up to five years. For the additional exemptions, the municipality grants the exemption one year at a time upon annual application.
16. Payments in lieu of taxes may be used in place of, or in combination with, property tax exemptions for qualifying projects. The municipality and project operator negotiate the amount of annual payments, when the payments begin, and the ending date, which may be no later than twenty years from the date project operations began.

17. Payments in lieu of taxes are apportioned in the same manner as the general real estate taxes unless a taxing district enters into a written agreement for an alternate method. Any agreement entered into between the municipality and other taxing districts for an alternate method of apportioning the payments in lieu of taxes may not affect the apportionment to any taxing district that is not a party to the agreement.
18. The tax incentives are valid as long as the property is used for the purposes stated in the application. If there is a change in use or project operator, a new application for the incentives must be filed with and approved by the municipality to receive the remainder of the incentives.

LIMITATIONS

19. A project is not eligible for the property tax incentives if the project received a tax exemption under tax increment financing.
20. The tax exemption and the payments in lieu of taxes are limited to the new or existing buildings or structures used in the qualifying project.
21. Tax incentives may not be granted for land.
22. Payments in lieu of taxes are not eligible for the 5% discount for early payment.

PROCEDURES

23. The project operator applies to the governing body of the municipality where the potential project is to be located. If the project will be within city limits, the project operator applies to the city governing body. If the project is outside city limits, application is made to the county commission.
24. The municipality forwards the application to the Department of Commerce, Division of Economic Development and Finance, P.O. Box 2057, Bismarck, ND 58502-2057, for its review and recommendation as to the eligibility of the project as a primary sector business.
25. Application for the property tax exemption must be made *and* granted prior to the commencement of construction if the project locates in a new structure. If the project locates in an existing structure, application must be made *and* granted before the structure is occupied.

For qualifying projects, applications for payments in lieu of property taxes may be made after construction or occupancy of the structure.

A representative appointed by the board of each affected school district and of each affected township is included as a non-voting member during the negotiation and deliberation of granting tax incentives.

26. The project operator publishes two notices to competitors of hearing on the application. The notices are published in the official newspaper of the city or county at least one week apart. The last notice must be published at least 15 days, but not more than 30 days, before the city or county considers the application. For example, notices published one week apart on May 1 and May 8 would be appropriate for a hearing scheduled any time between May 23 and June 7. An affidavit of publication is presented to the governing body prior to the hearing as proof of publication. Publication of notices is not required if the municipality determines that project competitors do not exist in the municipality.
27. The city or county holds a public hearing on the application and takes testimony both in favor of and in opposition to the granting of the tax incentives.

28. After the public hearing, the governing body determines the best interests of the municipality and approves or denies, in whole or in part, the application for tax incentives.
29. The municipality certifies the tax incentives granted by submitting a copy of the project operator's application with the attachments to the State Tax Commissioner and county director of tax equalization. The county director of tax equalization advises the local assessor when the property is taxable or exempt.
30. Political subdivision grantors shall maintain records of business incentives provided to recipients. They shall prepare an annual political subdivision grantor report to the Department of Commerce before April 1 each year that includes:
 - The name of the business receiving business incentives during that year;
 - The number of jobs expected to be created or retained by each business as a result of the business incentives;
 - The average compensation expected to be provided by the employer for the jobs expected to be created or retained as a result of the business incentives, including identification of the average benefits and average earnings to be provided by the employer for these jobs; and
 - The total dollar value of all business incentives provided by the political subdivision during that year.

ADDITIONAL CONDITIONS

North Dakota Century Code § 40-57.1-03 provides that the governing body of a municipality, before the beginning of a taxable year for which a property tax exemption or the option to make payments in lieu of taxes has previously been approved by the governing body, may revoke or reduce an exemption, or revoke or increase payments in lieu of taxes for that taxable year for reasons specified in a negotiated agreement or if the governing body finds that:

- a. Information provided by the project operator has proven to be inaccurate or untrue;
- b. Use of the property by the project operator does not comply with the reasonable expectations of the governing body at the time the property tax exemption or the option to make payments in lieu of taxes was approved;
- c. The property has been improved to a substantially greater extent than the governing body reasonably anticipated at the time the property tax exemption or the option to make payments in lieu of taxes was approved; or
- d. There has been a change of ownership of the property since the property tax exemption or the option to make payments in lieu of taxes was approved.

* Indicates significant change since last revised.