

PROPERTY TAX INCENTIVE APPLICATION FOR
ROOSEVELT FAMILY LOFTS, LLC

SUGGESTED MOTION:

Move to participate in the request for a payment in lieu of taxes (PILOT) incentive for a new housing facility submitted by Roosevelt Family Lofts, LLC for a 10-year period.

OR

SUGGESTED MOTION:

Move to **NOT** participate in the request for a payment in lieu of taxes (PILOT) incentive for a new housing facility submitted by Roosevelt Family Lofts, LLC for a 10-year period.

OR

SUGGESTED MOTION:

Move to **NOT** participate in the request for a payment in lieu of taxes (PILOT) incentive for a new housing facility submitted by Roosevelt Family Lofts, LLC 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.

THE CITY OF
Fargo
FAR MORE 
ASSESSMENT DEPARTMENT

July 21, 2022

Rick Steen, Chairman
Cass County Commission
211 9th St. S
Fargo, ND 58103

Mr. Steen,

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 Roosevelt Family Lofts, LLC for a payment in lieu of tax (PILOT) incentive on a new housing facility located at 711 10th Ave N, with an estimated improvement value of \$3,015,000.

The request is for a 10 year PILOT exemption consisting of: 100% of the building value for five years and 50% of the building value for an additional 5 years.

The land would be fully taxable with an estimated value of \$250,000 and annual tax of approximately \$3,700.

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

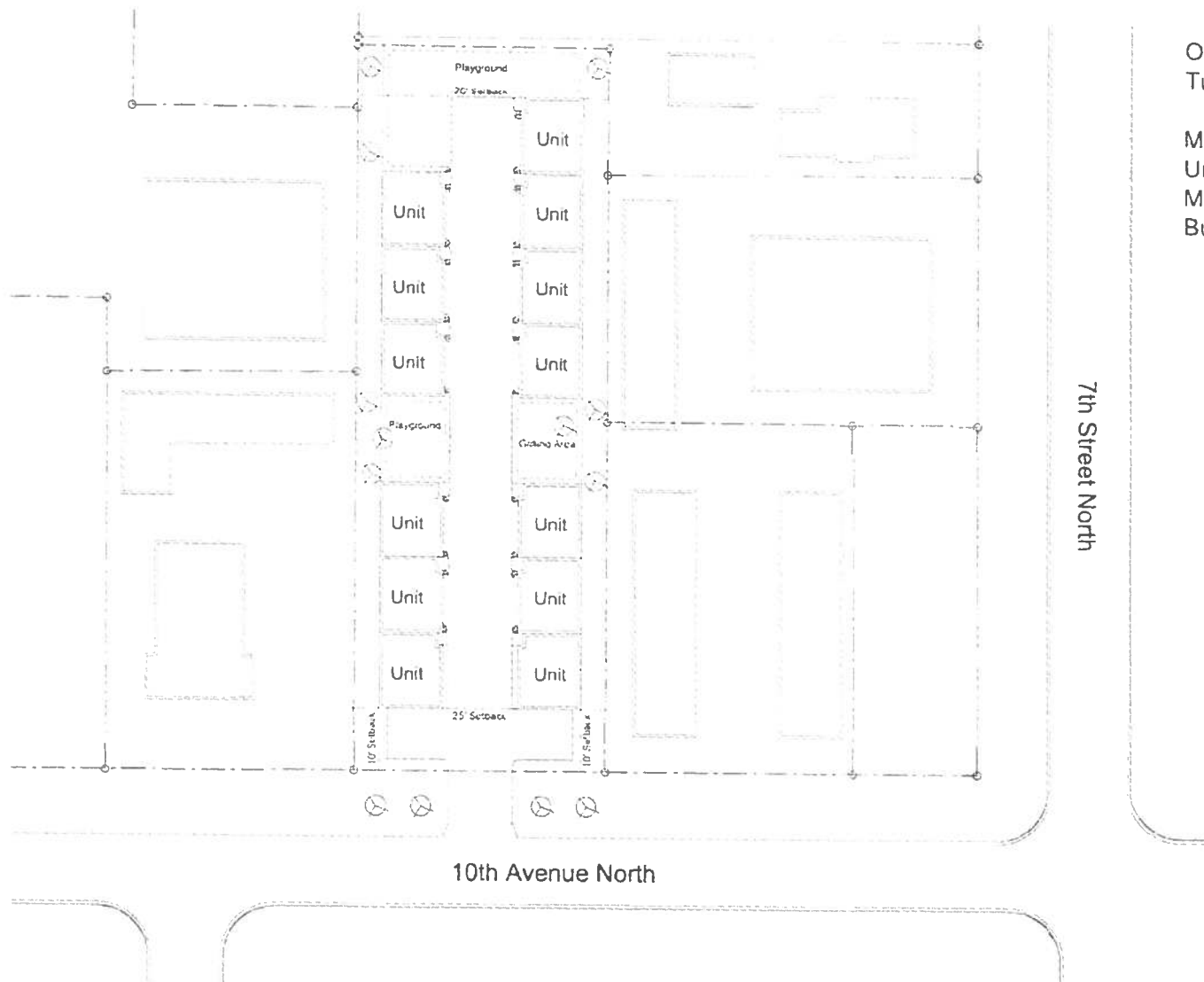
Thank you.

Mike Splonskowski



Fargo City Assessor

cc: Robert Wilson



Option #1
Tuck Under Garages w/2 Stories above.

Max Units:	13 Units
Unit Size:	Apx. 1,615 s.f.
Max Coverage:	10,138 s.f.
Building Footprint:	740 s.f.

1 Conceptual Site Plan - Option #1
NTS



Application For Property Tax Incentives For New or Expanding Businesses

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

Project Operator's Application To City of 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>Roosevelt Family Lofts, LLC</u>
2.	Address of project <u>711 10th Ave N</u> City <u>Fargo</u> County <u>Cass</u>
3.	Mailing address of project operator <u>509 Oak Ridge Way</u> City <u>West Fargo</u> State <u>ND</u> Zip <u>58078</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. XXXXXXXXXX
6.	North Dakota Sales and Use Tax Permit No. _____
7.	If a corporation, specify the state and date of incorporation _____
8.	Name and title of individual to contact <u>Ryan Downs</u> Mailing address <u>509 Oak Ridge Way</u> City, State, Zip <u>West Fargo, ND 58078</u> Phone No. <u>218-556-9759</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 _____ Number of years _____ Percent of exemption <input checked="" type="checkbox"/> Payments In Lieu of Taxes 2024 Beginning year 2034 Ending year 44,500 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

Lot: A, Block:16 Chapins-Auditors Sub Lot A Blk 16

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 9/1/22

b. Description of project to be constructed including size, type and quality of construction
 Thirteen townhomes, consisting of three bedrooms and two bathrooms per unit. High to mid-grade finishes. Common area outdoor space for playground equipment and entertainment.

c. Projected number of construction employees during the project construction 10-15

14. Approximate date of commencement of this project's operations 9/1/23

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

a. Land \$ 250,000

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

c. Newly constructed buildings and structures when completed \$ 3,015,000

d. Total \$ _____

e. Machinery and equipment \$ 3,265,000

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..... \$ 150,750

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ 150,750

e. Enter the consolidated mill rate for the appropriate taxing district 296.01

f. Annual amount of the tax exemption (Line d multiplied by line e) \$ 44,623

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).
 Market rate multifamily housing and property management services.

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

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	251,188	253,700	256,237	258,799	261,387
Annual expense	268,778	270,169	271,581	273,014	274,468
Net income	(17,590)	(16,469)	(15,344)	(14,215)	(13,081)

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

Year	(Before project)	Year 1	Year 2	Year 3	Year 4	Year 5
No. of Employees	(1) _____	_____	_____	_____	_____	_____
	(2) 0	1	1	1	1	1
Estimated payroll	(1) _____	_____	_____	_____	_____	_____
	(2) 0	6,000	6,100	6,200	6,300	6,400

(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).

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, Ryan Downs, 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 Member/Manager 6/18/22
Title Date

Roosevelt Family Lofts, LLC
711 10th Ave N.
Information for PILOT Application

INVESTOR ROSTER

Brady Nash	brady@nash-capital.com
Ryan Goodman	ryan.goodman@goodnash.com
Derek Brandenburg	derek.brandenburg@exprealty.com
Brandon Raboin	brandon@raboinrealty.com
Ryan Downs	ryandowns07@gmail.com

INVESTMENT SUMMARY

12 Market Rate Townhomes
Unit Mix: 12 3BD/2BA
2 stall garage included with rent

TOTAL PROJECT COST	\$ 3,234,998
HARD CAPITAL COSTS	\$ 3,234,998
CONTRIBUTED EQUITY	\$ 808,750
ANTICIPATED LOAN TERMS	10-Year Term; 25-Year Amortization; 5.0% APR
UNIT MIX	12 3 Bedroom/2 Bathroom Townhouse Style Units
PROPOSED RENT	\$1,750 per unit per month

Roosevelt Family Lofts, LLC
 Project Name Uptown Lofts 2.0
 Project Type Market Rate Multifamily
 Units 13

Unit Type	Unit Count	Market Rent	GPR		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Notes
Gross Potential Rent					276,900	279,669	282,466	285,290	288,143	291,025	293,935	296,874	299,843	302,841	
Vacancies					(22,152)	(22,374)	(22,597)	(22,823)	(23,051)	(23,282)	(23,515)	(23,750)	(23,987)	(24,227)	8.0%
Month-to-Month Rent															0.0%
Garage/Parking Rent					-	-	-	-	-	-	-	-	-	-	
Storage Unit Rent					-	-	-	-	-	-	-	-	-	-	
Laundry Rental Income					-	-	-	-	-	-	-	-	-	-	
Pet Rent					692	699	706	713	720	728	735	742	750	757	0.3%
Rental Incentives					(5,538)	(5,593)	(5,649)	(5,706)	(5,763)	(5,820)	(5,879)	(5,937)	(5,997)	(6,057)	2.0%
Net Rental Income					249,902	252,401	254,925	257,475	260,049	262,650	265,276	267,929	270,608	273,314	
NSF Fees					-	-	-	-	-	-	-	-	-	-	0%
Late Fees					415	420	424	428	432	437	441	445	450	454	0.2%
Pet Deposit - Non Refundable					415	420	424	428	432	437	441	445	450	454	0.2%
Application Fees					455	460	464	469	473	478	483	488	493	498	35
Re-Rental Charges					-	-	-	-	-	-	-	-	-	-	0%
Cable/Telecom Income					-	-	-	-	-	-	-	-	-	-	-
Total Operating Income					251,188	253,700	256,237	258,799	261,387	264,001	266,641	269,307	272,001	274,721	
Maintenance Staff Costs					4,056	4,117	4,179	4,241	4,305	4,369	4,435	4,502	4,569	4,638	26.00
Repairs/Maintenance					312	317	321	326	331	336	341	346	351	357	2.00
Turn Cleaning					468	475	482	489	497	504	512	519	527	535	3.00
Carpet Cleaning					250	254	258	261	265	269	273	277	282	286	260.00
Extermination					39	40	40	41	41	42	43	43	44	45	0.25
HVAC					273	277	281	285	290	294	299	303	308	312	1.75
Electrical					78	79	80	82	83	84	85	87	88	89	0.50
Fire					350	355	361	366	371	377	383	388	394	400	360.00
Plumbing					156	158	161	163	166	168	171	173	176	178	1.00
Painting					350	355	361	366	371	377	383	388	394	400	360.00
Appliances					468	475	482	489	497	504	512	519	527	535	3.00
Flooring					234	238	241	245	248	252	256	260	264	268	1.50
Tools & Equipment					78	79	80	82	83	84	85	87	88	89	0.50
Keys/Locks					200	203	206	209	212	215	219	222	225	229	2.00
Lawn Care					1,000	1,015	1,030	1,046	1,061	1,077	1,093	1,110	1,126	1,143	1.500
Grounds Maintenance					500	508	515	523	531	539	547	555	563	572	5.00
Snow Removal					3,200	3,248	3,297	3,346	3,396	3,447	3,499	3,552	3,605	3,659	3,200
Pet Related					156	158	161	163	166	168	171	173	176	178	1.00
Parking Areas Maintenance					300	305	309	314	318	323	328	333	338	343	300.00
Other Maintenance					156	158	161	163	166	168	171	173	176	178	1.00
Resident Chargebacks					(624)	(633)	(643)	(653)	(662)	(672)	(682)	(693)	(703)	(713)	(4.00)
Total Maintenance Exp.					12,000	12,180	12,363	12,548	12,736	12,927	13,121	13,318	13,518	13,721	
Staff Costs					2,808	2,850	2,893	2,936	2,980	3,025	3,070	3,116	3,163	3,211	18.00
Property Management					3,500	3,553	3,606	3,660	3,715	3,770	3,827	3,884	3,943	4,002	-
Advertising & Promotion					1,326	1,346	1,366	1,387	1,407	1,428	1,450	1,472	1,494	1,516	8.50
Legal					-	-	-	-	-	-	-	-	-	-	-
Accounting					1,000	1,015	1,030	1,046	1,061	1,077	1,093	1,110	1,126	1,143	1,000.00
Other Professional Fees					78	79	80	82	83	84	85	87	88	89	0.50
Asset Management					-	-	-	-	-	-	-	-	-	-	0.02
Tenant Screening					300	305	309	314	318	323	328	333	338	343	1.00
Security Deposit Interest					156	158	161	163	166	168	171	173	176	178	1.00
Insurance					16,000	16,240	16,484	16,731	16,982	17,237	17,495	17,758	18,024	18,294	0.0025
Real Estate Taxes					45,500	46,183	46,875	47,578	48,292	49,016	49,752	50,498	51,255	52,024	
Specials Installments					-	-	-	-	-	-	-	-	-	-	-
Electricity - Apts					234	238	241	245	248	252	256	260	264	268	1.50
Electricity - Bldg					1,716	1,742	1,768	1,794	1,821	1,849	1,876	1,904	1,933	1,962	11.00
Natural Gas - Apts					312	317	321	326	331	336	341	346	351	357	2.00
Natural Gas - Bldg					1,248	1,267	1,286	1,305	1,325	1,344	1,365	1,385	1,406	1,427	8.00
Water and Sewer					4,680	4,750	4,821	4,894	4,967	5,042	5,117	5,194	5,272	5,351	3.00
Garbage Removal					1,872	1,900	1,929	1,958	1,987	2,017	2,047	2,078	2,109	2,140	12.00
Total Admin & Utility Exp.					80,730	81,941	83,170	84,418	85,684	86,969	88,274	89,598	90,942	92,306	
Total Operating Exp.					92,730	94,121	95,533	96,966	98,420	99,897	101,395	102,916	104,460	106,027	
Net Operating Income					158,458	159,579	160,704	161,833	162,967	164,105	165,246	166,392	167,541	168,694	
					63%	63%	63%	63%	62%	62%	62%	62%	62%	61%	
Less: Cap Project Reserves					3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	300.00
Primary Debt Service					172,148	172,148	172,148	172,148	172,148	172,148	172,148	172,148	172,148	172,148	
Second Debt Service					-	-	-	-	-	-	-	-	-	-	
Cash Flow					(17,590)	(16,469)	(15,344)	(14,215)	(13,081)	(11,944)	(10,802)	(9,657)	(8,507)	(7,354)	
Cash on Cash Return					-2.18%	-2.04%	-1.90%	-1.76%	-1.62%	-1.48%	-1.34%	-1.19%	-1.05%	-0.91%	

Roosevelt Family Lofts, LLC
711 10th Ave.

Construction Costs					
	Original Budget	Changes	Revised Budget		
Hard Direct Costs	2,652,000			204,000	Per unit
Clubhouse	-			-	Per unit FFE included above
Contingency	92,820			3.50%	% of Hard Construction Cost
General Contractors Fee	137,241			5.00%	% of Hard Construction Cost + Cont.
Allocated OH Fee	-			0.00%	" "
Total Construction Cost	2,882,061			221,697	Per unit
Land Costs					
Land Cost Per Recap	250,000			19,231	Per unit
Specials Buy Down	-			-	Per unit
Total Land Cost	250,000			1,316	Per unit
City Costs					
SAC	-			-	Per Unit
WAC	-			-	Per Unit
PAC - Res High	-			-	Per Unit
PAC - Res Med	-			-	Per Unit
PAC - Res Low	-			-	Per Unit
Trunk Sewer/Trunk Water/Storm	-			-	Per Acre
City Fee Contingency	-			-	Added SAC/WAC Units
TIF	-			-	Per Unit
Total City Fees	-			-	Per unit
Consultant Costs					
Architecture	14,000			778	Per Unit
Civil	3,500			194	Per Unit
Structural	3,500			194	Per Unit
Geotechnical	1,000			56	Per Unit
Interiors	1,000			56	Per Unit
Landscape	-			-	Per Unit
Brand	-			-	Per Unit
Rendering	500			28	Per Unit
Feasibility	-			-	Per Unit
Traffic Study	-			-	Per Unit
Pre-Con Fee	-			-	Per Unit
Contingency	1,000			56	Per Unit
Total Consultant Costs	24,500			1,885	Per Unit
Financing Costs					
Interest Expense (1st)	26,837				1 Year of I/O
Interest Expense (Mezz)	-				0.5% of Mortgage
Origination Mortgage	10,000				0.125% of Mortgage
Accounting Finance Fee	2,500				
Legal	-				
Registration/Placement Fee	20,000				1% of Mortgage
Appraisal	1,000				
Settlement Fee	250				
Title Search	1,000				
Title Exam	500				
Doc Prep	150				
Title Insurance	2,000				0.1% of Mortgage
Other Closing Fees	200				
Total Financing Costs	64,437			4,956.73	Per Unit
Other Soft Costs					
Real estate taxes	5,000				50% (due X/X & X/X)
Property Insurance	5,000				Full Year
Marketing - Lease Up	3,000				
Management - Lease Up	1,000				
Total Other Soft Costs	14,000			73.68	Per unit
Developer's Fee	-			0.00%	% on all costs
DISCOUNTED FEE	-				Fixed Cost Per Agreement
Total Development Cost	3,234,998			248,846.03	Per unit

Roosevelt Family Lofts, LLC

Project Value	3,234,998
Price Per Unit	248,846
YR 1 Total Operating Income	251,188
YR 1 Total Operating Exp.	92,730
YR 1 Net Operating Income	158,458
YR 1 Debt Service	172,148
YR 1 Annual Cash Flow	(13,690)
Stabilized Cap Rate	4.90%
First Mortgage (75% Non-recours PMT (P&I) DSCR	2,426,249 172,148 0.92
Cash Flow	
Equity Invested	808,750
Cash on Equity Return	
Est. Sale Value at Year 10	3,100,000
Development Cost Basis	3,234,998
Proceeds From Sale	(134,998)

CAPITAL STRUCTURE

Total Development Cost	3,234,998
1st Mortgage (75%)	2,426,249
2nd Mortgage (20%)	-
Equity	808,750

INVESTMENT STATS

EQUITY INVESTMENT	808,750
10-YEAR IRR	4.30%
10-YR AVG CASH-ON-CASH	-1.5%
10-YR ROI	6.24%

EXIT SCENARIO

Sale at Year 10	3,100,000
1st Mortgage	1,761,498
2nd Mortgage	-
Partner Equity Return	808,750
	<u>529,752</u>
Year 5	
Cash Return	(13,081)
Principle Reduction	63,531
Taxable Loss (28%)	
	<u>50,449</u>
ROI	6.24%

AMORTIZATION SCHEDULE

Re:	Roosevelt Lofts	Principal Amount	2,426,248.83
			14,345.69
Payor:	Roosevelt Lofts	Interest Rate	5.00%
	TBD		25
Payee:	Roosevelt Lofts	Amortization Term	25
	TBD		Feb-01-2022
		Mortgage Start Date	Feb-01-2022
		First Payment Starts	Mar-01-2022
		Balloon Date	Mar-01-2032

No.	Payment Dates	Monthly payment	Interest	Principal	Principal Balance	Annual Interest	Annual Prin Red	Annual Payment
	Feb-01-2022				2,426,248.83			
1	Mar-01-2022	14,345.69	9,306.16	5,039.53	2,421,209.29			
2	Apr-01-2022	14,345.69	10,281.85	4,063.84	2,417,145.45			
3	May-01-2022	14,345.69	9,933.47	4,412.22	2,412,733.23			
4	Jun-01-2022	14,345.69	10,245.85	4,099.84	2,408,633.38			
5	Jul-01-2022	14,345.69	9,898.49	4,447.20	2,404,186.18			
6	Aug-01-2022	14,345.69	10,209.56	4,136.13	2,400,050.05			
7	Sep-01-2022	14,345.69	10,191.99	4,153.70	2,395,896.34			
8	Oct-01-2022	14,345.69	9,846.15	4,499.54	2,391,396.80			
9	Nov-01-2022	14,345.69	10,155.25	4,190.44	2,387,206.36			
10	Dec-01-2022	14,345.69	9,810.44	4,535.25	2,382,671.11			
11	Jan-01-2023	14,345.69	10,118.19	4,227.50	2,378,443.60			
12	Feb-01-2023	14,345.69	10,100.24	4,245.45	2,374,198.15	120,097.64	52,050.68	172,148.32
13	Mar-01-2023	14,345.69	9,106.51	5,239.18	2,368,958.97			
14	Apr-01-2023	14,345.69	10,059.96	4,285.73	2,364,673.23			
15	May-01-2023	14,345.69	9,717.84	4,627.85	2,360,045.38			
16	Jun-01-2023	14,345.69	10,022.11	4,323.58	2,355,721.80			
17	Jul-01-2023	14,345.69	9,681.05	4,664.64	2,351,057.15			
18	Aug-01-2023	14,345.69	9,983.94	4,361.75	2,346,695.40			
19	Sep-01-2023	14,345.69	9,965.42	4,380.27	2,342,315.13			
20	Oct-01-2023	14,345.69	9,625.95	4,719.74	2,337,595.39			
21	Nov-01-2023	14,345.69	9,926.77	4,418.92	2,333,176.46			
22	Dec-01-2023	14,345.69	9,588.40	4,757.29	2,328,419.17			
23	Jan-01-2024	14,345.69	9,887.81	4,457.88	2,323,961.29			
24	Feb-01-2024	14,345.69	9,868.88	4,476.81	2,319,484.47	117,434.64	54,713.68	172,148.32
25	Mar-01-2024	14,345.69	9,214.39	5,131.30	2,314,353.17			
26	Apr-01-2024	14,345.69	9,828.08	4,517.61	2,309,835.56			
27	May-01-2024	14,345.69	9,492.47	4,853.22	2,304,982.33			
28	Jun-01-2024	14,345.69	9,788.28	4,557.41	2,300,424.92			
29	Jul-01-2024	14,345.69	9,453.80	4,891.89	2,295,533.03			
30	Aug-01-2024	14,345.69	9,748.15	4,597.54	2,290,935.49			
31	Sep-01-2024	14,345.69	9,728.63	4,617.06	2,286,318.42			
32	Oct-01-2024	14,345.69	9,395.83	4,949.86	2,281,368.56			
33	Nov-01-2024	14,345.69	9,688.00	4,657.69	2,276,710.87			
34	Dec-01-2024	14,345.69	9,356.35	4,989.34	2,271,721.52			
35	Jan-01-2025	14,345.69	9,647.04	4,698.65	2,267,022.87			
36	Feb-01-2025	14,345.69	9,627.08	4,718.61	2,262,304.26	114,968.10	57,180.22	172,148.32
37	Mar-01-2025	14,345.69	8,677.33	5,668.36	2,256,635.89			
38	Apr-01-2025	14,345.69	9,582.97	4,762.72	2,251,873.17			
39	May-01-2025	14,345.69	9,254.27	5,091.42	2,246,781.75			
40	Jun-01-2025	14,345.69	9,541.13	4,804.56	2,241,977.18			
41	Jul-01-2025	14,345.69	9,213.60	5,132.09	2,236,845.09			
42	Aug-01-2025	14,345.69	9,498.93	4,846.76	2,231,998.33			
43	Sep-01-2025	14,345.69	9,478.35	4,867.34	2,227,130.99			
44	Oct-01-2025	14,345.69	9,152.59	5,193.10	2,221,937.88			
45	Nov-01-2025	14,345.69	9,435.63	4,910.06	2,217,027.82			
46	Dec-01-2025	14,345.69	9,111.07	5,234.62	2,211,793.20			
47	Jan-01-2026	14,345.69	9,392.55	4,953.14	2,206,840.05			
48	Feb-01-2026	14,345.69	9,371.51	4,974.18	2,201,865.87	111,709.93	60,438.39	172,148.32
49	Mar-01-2026	14,345.69	8,445.51	5,900.18	2,195,965.69			
50	Apr-01-2026	14,345.69	9,325.33	5,020.36	2,190,945.32			
51	May-01-2026	14,345.69	9,003.88	5,341.81	2,185,603.51			
52	Jun-01-2026	14,345.69	9,281.33	5,064.36	2,180,539.15			
53	Jul-01-2026	14,345.69	8,961.12	5,384.57	2,175,154.58			
54	Aug-01-2026	14,345.69	9,236.96	5,108.73	2,170,045.84			
55	Sep-01-2026	14,345.69	9,215.26	5,130.43	2,164,915.41			
56	Oct-01-2026	14,345.69	8,896.91	5,448.78	2,159,466.63			
57	Nov-01-2026	14,345.69	9,170.34	5,175.35	2,154,291.27			
58	Dec-01-2026	14,345.69	8,853.25	5,492.44	2,148,798.83			
59	Jan-01-2027	14,345.69	9,125.04	5,220.65	2,143,578.18			

60	Feb-01-2027	14,345.69	9,102.87	5,242.82	2,138,335.35	108,617.80	63,530.52	172,148.32
61	Mar-01-2027	14,345.69	8,201.83	6,143.86	2,132,191.49			
62	Apr-01-2027	14,345.69	9,054.51	5,291.18	2,126,900.31			
63	May-01-2027	14,345.69	8,740.69	5,605.00	2,121,295.31			
64	Jun-01-2027	14,345.69	9,008.24	5,337.45	2,115,957.85			
65	Jul-01-2027	14,345.69	8,695.72	5,649.97	2,110,307.88			
66	Aug-01-2027	14,345.69	8,961.58	5,384.11	2,104,923.77			
67	Sep-01-2027	14,345.69	8,938.72	5,406.97	2,099,516.79			
68	Oct-01-2027	14,345.69	8,628.15	5,717.54	2,093,799.25			
69	Nov-01-2027	14,345.69	8,891.48	5,454.21	2,088,345.04			
70	Dec-01-2027	14,345.69	8,582.24	5,763.45	2,082,581.58			
71	Jan-01-2028	14,345.69	8,843.84	5,501.85	2,077,079.73			
72	Feb-01-2028	14,345.69	8,820.48	5,525.21	2,071,554.52	105,367.48	66,780.84	172,148.32
73	Mar-01-2028	14,345.69	8,229.46	6,116.23	2,065,438.29			
74	Apr-01-2028	14,345.69	8,771.04	5,574.65	2,059,863.63			
75	May-01-2028	14,345.69	8,465.19	5,880.50	2,053,983.13			
76	Jun-01-2028	14,345.69	8,722.39	5,623.30	2,048,359.83			
77	Jul-01-2028	14,345.69	8,417.92	5,927.77	2,042,432.05			
78	Aug-01-2028	14,345.69	8,673.34	5,672.35	2,036,759.70			
79	Sep-01-2028	14,345.69	8,649.25	5,696.44	2,031,063.26			
80	Oct-01-2028	14,345.69	8,346.84	5,998.85	2,025,064.40			
81	Nov-01-2028	14,345.69	8,599.59	5,746.10	2,019,318.30			
82	Dec-01-2028	14,345.69	8,298.57	6,047.12	2,013,271.18			
83	Jan-01-2029	14,345.69	8,549.51	5,796.18	2,007,475.00			
84	Feb-01-2029	14,345.69	8,524.89	5,820.80	2,001,654.19	102,247.99	69,900.33	172,148.32
85	Mar-01-2029	14,345.69	7,677.58	6,668.11	1,994,986.08			
86	Apr-01-2029	14,345.69	8,471.86	5,873.83	1,989,112.25			
87	May-01-2029	14,345.69	8,174.43	6,171.26	1,982,940.98			
88	Jun-01-2029	14,345.69	8,420.71	5,924.98	1,977,016.00			
89	Jul-01-2029	14,345.69	8,124.72	6,220.97	1,970,795.03			
90	Aug-01-2029	14,345.69	8,369.13	5,976.56	1,964,818.46			
91	Sep-01-2029	14,345.69	8,343.75	6,001.94	1,958,816.52			
92	Oct-01-2029	14,345.69	8,049.93	6,295.76	1,952,520.76			
93	Nov-01-2029	14,345.69	8,291.53	6,054.16	1,946,466.60			
94	Dec-01-2029	14,345.69	7,999.18	6,346.51	1,940,120.08			
95	Jan-01-2030	14,345.69	8,238.87	6,106.82	1,934,013.26			
96	Feb-01-2030	14,345.69	8,212.93	6,132.76	1,927,880.50	98,374.62	73,773.70	172,148.32
97	Mar-01-2030	14,345.69	7,394.61	6,951.08	1,920,929.41			
98	Apr-01-2030	14,345.69	8,157.37	6,188.32	1,914,741.09			
99	May-01-2030	14,345.69	7,868.80	6,476.89	1,908,264.20			
100	Jun-01-2030	14,345.69	8,103.59	6,242.10	1,902,022.09			
101	Jul-01-2030	14,345.69	7,816.53	6,529.16	1,895,492.93			
102	Aug-01-2030	14,345.69	8,049.35	6,296.34	1,889,196.59			
103	Sep-01-2030	14,345.69	8,022.62	6,323.07	1,882,873.51			
104	Oct-01-2030	14,345.69	7,737.84	6,607.85	1,876,265.66			
105	Nov-01-2030	14,345.69	7,967.70	6,377.99	1,869,887.67			
106	Dec-01-2030	14,345.69	7,684.47	6,661.22	1,863,226.45			
107	Jan-01-2031	14,345.69	7,912.33	6,433.36	1,856,793.08			
108	Feb-01-2031	14,345.69	7,885.01	6,460.68	1,850,332.40	94,600.22	77,548.10	172,148.32
109	Mar-01-2031	14,345.69	7,097.17	7,248.52	1,843,083.88			
110	Apr-01-2031	14,345.69	7,826.79	6,518.90	1,836,564.97			
111	May-01-2031	14,345.69	7,547.53	6,798.16	1,829,766.81			
112	Jun-01-2031	14,345.69	7,770.24	6,575.45	1,823,191.36			
113	Jul-01-2031	14,345.69	7,492.57	6,853.12	1,816,338.23			
114	Aug-01-2031	14,345.69	7,713.22	6,632.47	1,809,705.76			
115	Sep-01-2031	14,345.69	7,685.05	6,660.64	1,803,045.12			
116	Oct-01-2031	14,345.69	7,409.77	6,935.92	1,796,109.20			
117	Nov-01-2031	14,345.69	7,627.31	6,718.38	1,789,390.81			
118	Dec-01-2031	14,345.69	7,353.66	6,992.03	1,782,398.78			
119	Jan-01-2032	14,345.69	7,569.09	6,776.60	1,775,622.18			
120	Feb-01-2032	14,345.69	7,540.31	6,805.38	1,768,816.79	90,632.71	81,515.61	172,148.32
121	Mar-01-2032	14,345.69	7,026.81	7,318.88	1,761,497.91	14,567.12	14,124.27	28,691.39

City of Fargo, North Dakota

Payment in Lieu of Taxes Program

“But-For” Report

711 10th Avenue North

Downtown District



July 14, 2022



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Purpose

The purpose of this report is to establish and determine the allowable value of the payment in lieu of taxes (PILOT) tax exemption for Roosevelt Family Lofts, LLC (the “Developer”).

PFM first reviewed the application/proforma to ensure that appropriate assumptions regarding property value, rent, vacancy, and expenses were used by the Developer. Based on those assumptions, PFM projected a 10-year cash flow, calculating an internal rate of return. The following report details PFM’s analysis and conclusions concerning the viability of the proposed project without the subsidy. The proposed project will be an investment of the Developer so PFM also calculated an internal rate of return for the project.

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Project

The project being proposed by Roosevelt Family Lofts, LLC (the “Developer”) includes constructing 13 townhome units at 711 10th Avenue North. The townhomes will all be three-bedroom, two-bathroom units. As noted in the previous section, the proposed project is to be an investment property for the Developer.

The Developer has stated that the construction will be completed by September 2023 with occupancy immediately following. The Developer has requested PILOT financing assistance in an amount of \$233,418 on a present value basis to complete the project. This amount is based on projections of the future tax payments less the projected PILOT payments. Both the estimated tax payments and estimated PILOT payments assume a property value increase of 1.00% per year. This amount assumes five years of 100% exemption, followed by five years of 50% exemption.

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Project Financing

The Developer is investing 25% equity, or \$808,750, and will be privately financing \$2,426,249. The Developer is additionally requesting PILOT assistance through annual property tax savings. The private financing is estimated to be a 25-year loan at a 5.00% interest rate resulting in an annual principal and interest payment of \$172,148.

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Return Analysis

In calculating the internal rate of return, PFM first analyzed the Developer's assumptions including expected monthly rent, vacancy rate, and the operating expenses. The Developer is proposing a rent of \$1,175 per month for each unit. The Developer provided estimates of annual operating expenses, as follows; Maintenance - \$12,000, Administration - \$25,168, Property Tax (PFM adjusted estimate) - \$40,450, Utilities - \$10,062. The total expenses, assuming the Developer pays full real estate taxes, are approximately 35% of gross operating income. PFM used the given assumptions for Year 1 and, using a 1.5% inflationary factor for expenses and 1.00% for revenues, developed a 10-year cash flow. PFM assumed a vacancy rate of 8% for each year the project is operating.

The second step in determining the internal rate of return is to determine the earned incremental value of the property over the 10-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 PILOT assistance the Developer would have about a 3.90% internal rate of return. The Developer would have about a 7.15% internal rate of return if it received the public assistance for the full 10years. A reasonable rate of return for the proposed project is 10% - 15%.

Another measure of feasibility and project viability is the debt coverage ratio. PFM has projected a maximum debt coverage ratio of 1.01x without assistance in the first 10 years with a Year 4 coverage of 0.97x. If the City provided assistance to the project the maximum debt coverage is projected to be 1.20x with a Year 4 coverage of 1.19x. The minimum coverage of 1.08x occurs in Year 6 when the exemption drops from 100% to 50%. Debt coverage is important to developers when securing financing for their projects. Many times banks will require a minimum coverage in the range of 1.10x – 1.50x. The debt service coverage is low for this project due to the minimum, upfront equity contribution which results in more debt.

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 minimum internal rate of return of 7.15%.

Sensitivity Scenario 1 – Project Costs

The project would have to be reduced by \$224,999 or 6.96% in order for the project to become viable without assistance. This reduces the amount to be financed from \$2,426,249 to \$2,257,500 and reduces the annual debt service payment from \$172,148 to \$160,175. In order to obtain a higher IRR of 10% without assistance, project costs would have to be reduced by \$416,999 or 12.89%. This scenario would reduce the amount to be financed from \$2,426,249 to \$2,113,500 and reduce the annual debt service payment from \$172,148 to \$149,958. It is somewhat unlikely that a reduction in project costs of this magnitude would occur at this stage in the process, especially in the current inflationary market.

Sensitivity Scenario 2 – Rental Rates

In order for the project to be viable without public assistance, the rental rate would have to increase by 11.00%. This increases annual revenue from \$261,386 to \$289,992 in Year 5. In order to obtain a higher IRR of 10% without assistance, the rental rate would have to increase by 20.25%. This increases annual revenue from \$261,386 to \$314,046 in Year 5. PFM believes this is a large increase to rents and is unlikely to 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 \$138,499 or 4.28% and rental rates would have to increase by 4.20%. In order to obtain a higher IRR of 10% without assistance, project costs would have to be reduced by \$255,999 or 7.91% and rental rates would have to increase by 7.80%. Both of these options occurring is unlikely, but it is possible so it should be considered.

The above scenarios show the circumstances in which the project would become viable without public assistance. Based on the information provided PFM's analysis demonstrates that the project as currently anticipated is unlikely to occur "but-for" the public assistance.

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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 units, the rental market, and monthly expenses. Both the internal rate of return without assistance and the debt service coverage are very low. The base scenario without assistance along with the sensitivity analyses demonstrate that the project would likely not be feasible without assistance.

PFM determines that with public assistance, based on 5 years of 100% property tax exemption followed by 5 years of 50% exemption, the Developer's internal rate of return, based on the assumptions outlined in this report, would be 7.15%. Furthermore, the Year 4 debt coverage ratio increases from 0.97x to 1.19x when assistance is provided. Based upon the information provided, the project would not be feasible "but-for" public assistance as it is currently shown by the Developer.

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DEVELOPMENT AGREEMENT

between

ROOSEVELT FAMILY LOFTS, LLC

and

CITY OF FARGO, NORTH DAKOTA

regarding

Payment in Lieu of Taxes (PILOT) Project

AGREEMENT

THIS AGREEMENT, Made and entered into this ____ day of _____, 2022, by and between **ROOSEVELT FAMILY LOFTS, LLC**, a North Dakota limited liability company, of Fargo, North Dakota, ("Developer"), and the **CITY OF FARGO** a North Dakota municipal corporation ("City"),

WHEREAS, Developer owns certain real property and has submitted a proposal to the City for development of said property, which is situate in the City of Fargo, County of Cass and State of North Dakota, more fully described as:

[[Legal description of Development Property]].

WHEREAS, Developer seeks to utilize payment in lieu of taxes to finance and provide for amortization of the costs of certain portions of the eligible expenses for said improvements, as provided in §40-57-1-03, N.D.C.C.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Representations, Warranties and Covenants by Developer. The Developer represents and warrants that as of the date of execution of this Agreement by Developer, and throughout the period that this Agreement is in effect:

(a) The Developer is a corporation duly organized and in good standing under the laws of the State of North Dakota, and is not in violation of any provisions of its Operating Agreement or the laws of the State of North Dakota and is authorized to enter into and perform its obligations under this Agreement.

(b) The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of or compliance with the terms and conditions of this Agreement are not prevented or limited by and will not conflict with or result in a breach of any provision or requirement applicable to the Developer or of any provision of any evidence of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound.

(c) The Developer, with respect to its construction, operation and maintenance of the Improvements upon the Developer's Property, will cause the same to occur in accordance in all material respects with this Agreement and all local, state and federal laws and regulations (including without limitation environmental, zoning, building code and public health laws and regulations).

(d) The Developer has received no notice or communication from any local, state or federal official or body that any activities of the Developer respecting the

Developer's Property contemplated by this Agreement, including the construction of the Improvements on the Developer's Property, may be or will be in violation of any law or regulation.

(e) The Developer will use its reasonable efforts to obtain, in a timely manner, all required permits, licenses and approvals, and to meet, in a timely manner, all requirements of all applicable local, state and federal laws and regulations which must be obtained or met before the Improvements may be lawfully constructed and completed.

(f) To the best knowledge and belief of the Developer, the construction of the Improvements on the Developer's Property within the reasonably foreseeable future is conditioned on the assistance and benefit to the Developer provided for in this Agreement. The Developer would not undertake the Project without the financing provided by the City pursuant to this Agreement.

(g) RESERVED.

(h) The Developer will cooperate fully with the City and City with respect to any litigation commenced by third parties or by the City or City or both against third parties with respect to the Project.

(i) The Developer has not received any notice from any local, state or federal official that the activities of the Developer with respect to the Project may or will be in violation of any Environmental Law or regulation, and the Developer, without any duty of inquiry, is not aware of any state or federal claim filed or planned to be filed by any party relating to any violation of any Environmental Law.

(j) The Developer understands that the City will or may subsidize or encourage the development of other properties in the City, including properties that compete with the Developer's Property and any improvements thereon, and that such subsidies or encouragements may be more favorable than the terms of this Agreement, and that the City has not represented that development of the Developer's Property will be favored over the development of other properties.

(m) As of the date of execution of this Agreement by Developer, the Developer has arrangements for all the equity and loan financing necessary to complete the improvements as described herein.

(n) The written disclosure to City by Developer of the names and addresses of each of Developer's members is true and correct, including, in the case of any members of Developer that are partnerships, corporations or limited liability companies, the names and addresses of partners, stockholders or members thereof.

(o) No relocation payments shall be made to Developer nor to any shareholder of Developer.

(p) Developer has disclosed all relevant information that might have a negative impact on this transaction.

2. Payment in Lieu of Taxes Exemption. The City has taken the necessary steps to establish a payment in lieu of taxes exemption for Developer's project, pursuant to the provision of Chapter 40-57.1-03, N.D.C.C. Such exemption shall apply in accordance with the terms of this agreement.

3. Public Assistance. The parties hereto agree that the amount of public assistance which shall be expended for the improvements and other expenses eligible to be off set against the exemption granted by the City shall be a maximum amount of \$250,000. The said public assistance shall be a One Hundred Percent (100%) property tax exemption in years one (1) through five (5) and a Fifty Percent (50%) property tax exemption for years six (6) through ten (10)

3.1 Approval of Eligible Costs. Developer shall submit requests for approval of eligible costs identified herein upon such forms as the City may require, and shall provide such documentation as may be required by the City. It is understood and agreed that \$250,000 is the maximum amount of public assistance to be provided for this project and that the City's approval of such eligible expenses will be limited to actual expenses incurred, as approved by the City, that are equal to, or less than, the maximum amounts set forth herein.

4. Development of Property. Developer plans to have at a minimum twelve (12) dwelling units. Said project shall be constructed to comply with applicable building codes of the City of Fargo.

5. Release and Indemnification Covenants.

(a) The Developer releases the City and the governing body members, officers, agents, including independent contractors, consultants and legal counsel and employees thereof (hereinafter, for purposes of this Section, collectively the "Indemnified Parties") from, covenants and agrees that the Indemnified Parties shall not be liable for, and agrees to indemnify and hold harmless the Indemnified Parties against, any loss or damage to property or any injury to or death of any person occurring at, about or in connection with the Developer's Property and/or Improvements, or the Developer's

undertaking and completion thereof, or resulting from any defect therein, except to the extent such loss, damage or death is caused by the negligence or other wrongful acts of the Indemnified Parties.

(b) Except for any willful misrepresentation or any willful or wanton misconduct or negligence of the Indemnified Parties, the Developer agrees to protect and defend the Indemnified Parties, now and forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Improvements, provided that this indemnification shall not apply to the warranties made or obligations undertaken by the City in this Agreement.

(c) The Indemnified Parties shall not be liable for any damage or injury to the persons or property of the Developer or its officers, agents, servants or employees or any other person who may be about the project due to any act of negligence of any person, other than any act of negligence on the part of any such indemnified party or its officers, agents, servants or employees.

(d) All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any governing body member, officer, agent, servant or employee of the City.

(e) This Agreement shall not create nor be construed to create any partnership, joint venture, agency, or employment relationship between the Parties.

6. Hazardous Substance Indemnity by Developer.

(a) The Developer hereby agrees to defend, indemnify and hold harmless the City, their officers, employees, agents, successors and assigns (hereinafter collectively referred to as the “Indemnitees”) from and against, and shall reimburse each such Indemnitee for, any and all loss, claim, liability, damage, judgment, penalty, injunctive relief, injury to person, property or natural resources (including all costs associated therewith), cost, expense, action or cause of action arising as a direct result of any past, present or future existence, use, handling, storage, transportation, manufacture, release or disposal (collectively the “Occurrence”) of any Hazardous Substance in, on or under the Developer’s Property whether the Occurrence is foreseeable or unforeseeable, regardless of the source (provided that the source must have been later in time than the conveyance of the Developer’s Property to the Developer), the time of the Occurrence or the time of discovery (hereafter collectively referred to as “Loss”). The foregoing indemnification against Loss includes, without limitation, indemnification against all costs at law or in equity of removal, response, investigation, or remediation of any kind, and disposal of such Hazardous Substances, all costs of determining whether the Developer’s Property is in compliance with, and of causing the Developer’s Property to be in compliance with, all applicable Environmental Laws, and the Indemnitees’ reasonable attorneys’ and consultants’ fees, court costs and expenses incurred in connection with any thereof.

(b) The obligations of the Developer to indemnify the Indemnitees shall survive termination of this Agreement. The rights of the Indemnitees hereunder shall be in addition to any other rights or remedies which the Indemnitees may have against the Developer’s Property and Developer under this Agreement or any other document or at law or in equity.

(c) Notwithstanding anything in this Agreement to the contrary, this indemnity shall not apply to:

(1) Any Loss incurred by any of the Indemnitees as a direct result of affirmative actions or inactions of any of the Indemnitees or their respective agents, employees and contractors as owner and operator of the Developer's Property if and to the extent such affirmative actions or inactions of the Indemnitee are a direct cause of the introduction and initial release of a Hazardous Substance in, on or under the Developer's Property.

(2) Anything which is the subject matter of an indemnity given by the City to the Developer, whether such indemnity arises under an agreement or by operation of law; and

(3) Any Occurrences which arise from property owned by the City or with respect to which the City has an obligation to cause compliance with all applicable Environmental Laws.

7. Assignability. It is understood and agreed by the parties that the Developer will retain an interest in the Developer's Property until completion of the project as proposed by Developer unless City shall otherwise agree with Developer in writing. City's approval shall not be unreasonably withheld.

8. Design Requirements. Developer's construction shall meet the design requirements below:

- (a) A minimum of twelve (12) dwelling units consisting of dwelling units with at least two bedrooms.
- (b) A minimum of Two Million Four Hundred Thousand and no/100 Dollars (\$2,400,000.00) in building improvements.
- (c) The building design shall meet the University Mixed Use zoning district design standards.
- (d) The front (south-facing) elevation shall be substantially in conformance

with the rendering attached hereto as Exhibit A.

Should Developer fail to substantially in compliance with these minimum requirements the City may revoke the PILOT exemption described herein. The Director of the Department of Planning and Development shall determine whether substantial compliance with the said minimum requirements has been met, such determination being subject to review upon request by Developer to the board of city commissioners. Revocation of the PILOT exemption shall be determined by the board of city commissioners.

9. Execution of Documents. The parties agree to execute such instruments as necessary to effect the terms of this agreement, including a Memorandum of Agreement prepared in such form as to be acceptable for recording in the Cass County Recorder's office containing the essential terms hereof necessary to place subsequent owners, lienholders and mortgagees on notice as to the existence of this agreement and the essential terms hereof.

10. Entire Agreement. This agreement contains all of the terms of the agreement between City and Developer and supersedes all oral negotiations. The provisions hereof shall be binding upon the successors and assigns of the parties hereto. Developer agrees to apprise any buyers or intended assigns of the existence and content of this agreement.

11. Amendments. This Agreement may be amended, modified, superceded, or canceled, and any of the terms, covenants, representations, warranties, or conditions hereof may be waived, only be a written instrument executed by the parties hereto or, in the case of a waiver, by the party waiving compliance.

12. Binding Agreement. All of the terms, covenants, representations, warranties and conditions of this Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors, but this Agreement and the rights and obligations hereunder shall not be assignable by any party hereto without the express written consent of the other party.

13. Severability. If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting

such provision it would become valid or enforceable, then such provision shall be deemed to be written, construed and enforced as so limited.

14. Non-waiver of contractual right. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

15. Applicable law, jurisdiction and venue. This agreement shall be governed by the laws of the State of North Dakota and any dispute resulting in a lawsuit shall be heard in the Cass County District Court, State of North Dakota. The parties hereby submit to the personal jurisdiction of said Court.

DATED the day and year first above written.

ROOSEVELT FAMILY LOFTS, LLC,
a North Dakota limited liability company

By _____

Its _____

CITY OF FARGO
a North Dakota municipal corporation

By _____

Timothy J. Mahoney, M.D., Mayor

ATTEST:

Steven Sprague, City Auditor

EXHIBIT A

Rendering -- Front (south-facing) Elevation

(attached)

