



City of Grand Forks Staff Report

City Council – June 3, 2019

City Council – July 15, 2019

Agenda Item: Pure Development TIF Project Amendment

Submitted by: Todd Feland, City Administrator

Staff Recommended Action: Approve the amended Pure Development TIF Project as an 80 percent tax increment exemption for 15 years; send certified letter to Grand Forks School District and Grand Forks County per ND State Law and include Grand Forks Park District for its information; set the public hearing for the City Council Meeting of July 15, 2019; and with review and approval of the City Attorney's Office.

Council Action: Motion by Sande, second by Vein, to give preliminary approval, direct staff to proceed with notifications of other entities, and set a public hearing for July 15, 2019. Motion carried unanimously.

Council Action:

BACKGROUND:

On September 17, 2018, the City Council, and with the concurrence of the Grand Forks School District and Grand Forks County, approved the Firethorn, LLC Development - Pure Development TIF Project as an 80 percent tax increment exemption for 15 years. The original Pure Development Project generally consisted of 25 market rate and 25 affordable rate residential rental units, a Hugo's grocery store, an Alerus drive up branch, and surface and underground parking. Real estate taxes on this site are approximately \$14,000/year based on property's value of \$881,700 and this amount is not subject to the tax exemption. Only value created by the new project in excess of this amount is eligible for exemption. Per the original TIF application, the development costs for this project are estimated at \$10.5 million. Assuming the value of the property upon completion is \$7.8 million, it would generate approximately \$117,000/year in property taxes, thus a maximum of \$103,000/year (\$117,000-\$14,000) is subject to the TIF exemption. Baker Tilly (formerly Springsted), City's third party financial analyst, found the Pure Development Project had sufficient resources for construction so no upfront TIF assistance was needed, however TIF assistance was needed in the form of a partial tax exemption (80% tax exemption/15 years) to maintain the long-term reduced rents in the 25 affordable units and sufficient debt service coverage.

Firethorn, LLC is seeking to amend and update the Pure Development TIF Project in adding a