



City of Grand Forks
Staff Report

APPROVED & ACCEPTED
by City Council

12/21/2020

Maureen Storstad
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City Auditor

Committee of the Whole – December 14, 2020
City Council – December 21, 2020

Agenda Item: The Beacon by EPIC Redevelopment Project Tax Incentive

Submitted by: Todd Feland, City Administrator

Staff Recommended Action: Set the City Council Public Hearing for February 1, 2021. Preliminary recommendation is to capture 80 percent of the available tax increment revenues over a 15-25 year period to repay debt service on the City Tax Increment Financing (TIF) revenue bonds that would be issued to finance the public plaza improvements.

December 14, 2020 – Committee Recommended Action: Motion by Weigel second by Vein, to refer to City Council with a recommendation to approve.
Motion carried unanimously.

December 21, 2020 – Council Action: Motion by Kvamme, second by Weigel, to approve the recommendation.
Motion carried unanimously.

BACKGROUND:

The proposed Beacon by EPIC redevelopment project was submitted by EPIC Companies and is proposed as a major mixed use redevelopment with a public plaza at the site of the existing Townhouse Hotel and surrounding properties at 710 North 1st Avenue. The concept and idea is to activate a new community and downtown space with new living and commercial opportunities. Part of the plan includes enhanced parking in the area, a community plaza with an associated programming, financial, and organizational plan, and broadening and connecting to the existing downtown and beyond. The primary partners include the Developer - EPIC Companies and Dakota Commercial, Architectural Manager – EPIC Companies, and Construction Manager – Community Contractors. The proposed plan calls for the demolition of the Townhouse Hotel in the spring of 2021 with the phased construction start of the first mixed use building in the spring/summer of 2021. The proposed and phased mixed use redevelopment project will eventually include three, seven story mixed use buildings that will surround a 40,000 square feet public plaza amenity. The mixed use development buildings are currently proposed as apartments, condominiums, commercial space, underground parking, and connective features with the broader downtown area. The public plaza is an estimated \$7-9 million public amenity that is proposed to have various community programming and events.

The 2020 assessed value of the Townhouse Hotel and surrounding property is approximately \$2.3 million and the estimated construction cost of the completed Beacon by Epic project development is approximately \$50 million. The estimated taxable value of the completed Beacon by EPIC development is approximately \$35 million, which provides a total TIF value of approximately \$32.7 million. The developer is requesting the consideration of a TIF bond and/or exemption for a greater than five (5) year period of time. The community plaza will require an ongoing financial, programming, and management plan to ensure the successful outcome of the community plaza as the development tax incentives are being reviewed and recommended to community policy makers.

On October 19, 2020, the City Council approved The Beacon by EPIC tax incentive pre-application. In the meantime, the applicant has submitted a full tax incentive application. The complete application has been reviewed via Baker Tilly (formerly Springsted) for the required third party financial review and analysis. The preliminary recommendation from Baker Tilly and the City administration is to capture 80

percent of the available tax increment revenues over a 15-25 year to repay debt service on the City TIF revenue bonds that would be issued to finance the public plaza improvements.

On December 10, 2020, the Beacon by EPIC project was presented to the Local Government Advisory Committee (LGAC), which consists of representatives of the four local taxing entities. City Council President Dana Sande and City Council Vice President Jeannie Mock serve as the City's LGAC representatives. LGAC had a general consensus to move the project forward for final review and approval. The City Council Public Hearing is planned to be held on Monday, February 1, 2021. Prior to the City Council Public Hearing on February 1, 2021, the tax incentive request will be heard by the Grand Forks County Commission and Grand Forks School Board, per North Dakota Century Code requirements.

ANALYSIS AND FINDINGS OF FACT:

- The pre-application is the first step to allow further financial review of a tax incentive request to proceed.
- The third-party financial review takes into consideration appropriate financial industry standards and expected rates of return and the like, which helps to depoliticize the decision-making process and “right-size” the tax incentive structures. Baker Tilly performs this due diligence service for other regional communities and has assisted the City in this process for other incentive projects.
- The timeline of the tax incentive process is approximately three months from beginning to end and includes City Council Pre Application tax incentive approval; third party financial analysis; LGAC review and recommendation; City Council preliminary recommendation and public hearing date setting; Grand Forks County Commission, Grand Forks Public School Board, and City Council final actions.
- The Beacon by EPIC project is in a Grand Forks Opportunity Zone as certified by the State of North Dakota and United States Department of Treasury and the applicant may also propose to use this Federal tax incentive on a portion of the project as a complement to the local tax incentive.
- The Beacon by EPIC project is in the Renaissance Zone and is eligible to use this state and local tax incentive program.
- The Beacon by EPIC project meets and is aligned with the public purpose benefits requirements of the use of tax increment financing to include:
 - Achieving high quality redevelopment and private investment on sites, which would not be redeveloped otherwise
 - Removing slum/blight and/or rehabilitate a high visibility/high priority site
 - Offsetting increased costs of infill development (e.g. demo, site remediation) over and above the costs normally incurred in “greenfield” development
 - Enhancing and diversifying City’s economic base
 - Making meaningful contribution to the City’s tax base
 - Retaining and/or increasing number and diversity of jobs that offer stable employment and/or attractive wages and benefits
- The Beacon by EPIC project meets and is aligned with Downtown Action Plan’s Principles:
 - Identify priorities and strategic opportunities to encourage appropriate development, improve underutilized spaces, and activate civic assets to their highest and best use.
 - Identify best practices for continued efforts to make downtown Grand Forks a more livable, walkable, and thriving urban center.
 - Drive investment to Grand Forks, and maximize return on both public and private sector investments.
 - Integrate and synchronize the aesthetics and amenities of anticipated public and private sector projects.
 - Develop high impact action steps that provide an ongoing roadmap to the future.
 - Encourage broad public engagement and support throughout the community
- The Beacon by EPIC project meets and is aligned with the Downtown Action Plan’s Big Ideas:
 - Create bold public spaces.
 - Animate street life downtown.

- Improve access to and around downtown.
- Spur development in key emerging areas.
- Mobilize the right community policies, partners, and resources to improve downtown.
- The Beacon by EPIC meets and is aligned with the Demers Avenue experiences and themes of the “The Arrival”:
 - The Arrival – 6th Street.
 - Lifestyle – 5th Street.
 - Learning + Creativity – 4th Street.
 - Attractions – 3rd Street.
 - Nature and Health – Greenway and Red River
- The Public Plaza is aligned with the Town Square renewal strategy:
 - Activated – e.g. interactive water feature, open lawn/ice rink, performance stage, play area, lighting.
 - Programming – e.g. farmers market, festivals, concerts, performances, food trucks.
 - Nightlife – day and night.
 - In Season – 300+ days.
- As an infill development project, the Beacon by EPIC does not require significant City infrastructure development and investment.
- Preliminary recommendation is to consider capturing 80 percent of the available tax increment revenues over a 15-25 year period to repay debt service on the City TIF bond that would be issued to finance the public plaza improvements. The City TIF bond is estimated to support the debt service of an approximate \$7 million public plaza improvement project.

The estimated available 20 percent tax increment provides for an additional \$98,072 in additional local taxable value.

SUPPORT MATERIALS:

- City of Grand Forks Staff Report Tax Incentive Pre-Application from Epic Holdings II of October 19, 2020
- The Beacon by EPIC Power Point Presentation
- Tax Incentive Update and Timeline
- Draft Memo for Review – Summary Financial Review of Development Requests for Public Financial Assistance through Tax Incentives and TIF Funding dated December 9, 2020
- Memo for Review – The Beacon EPIC Companies Development Proposal: Project Review of Developer Request for Tax Increment Financing dated December 9, 2020