



City of Grand Forks
Staff Report
Committee of the Whole – June 9, 2025
City Council – June 16, 2025
City Council – July 21, 2025 (Public Hearing)



Agenda Item: Northridge Construction Tax Incentive Application and Set Public Hearing Date

Submitted by: Todd Feland, City Administrator
Dan Gaustad, City Attorney
Maureen Storstad, Finance Director
Tami Lazur, City Assessor

Staff Recommended Action: Approve Northridge Construction Tax Incentive Application and approve moving through the tax incentive final review and approval process to include the preliminary recommendation of a 15 Year Step Down Payment In Lieu of Taxes (PILOT) (Yrs. 1-5 100%; Yrs. 6-10 80%; and Yrs. 11-15 60%) and set the City Council Public Hearing date for July 21, 2025.

June 9, 2025 – Committee Recommended Action:

Motion by Sande, second by Berg to refer to City Council with recommendation to approve the staff recommendation. Motion passed 5-1, with Osowski dissenting.

June 16, 2025 – Council Action:

Motion by Berg, second by Lunski to approve staff recommendation including setting public hearing for July 21, 2025 Motion passed 5-1, with Osowski dissenting.

July 21, 2025 – Council Action (Public Hearing):

Motion by Berg, second by Fridolfs to continue negotiations with applicant. Motion passed 6-1, Osowski dissenting.

BACKGROUND:

The proposed Northridge Construction development, The Reserve, is a multi-family development at 4551 South 17th Street (near the Sanford Clinic and Edgewood Grand Forks) and is currently zoned appropriately. The proposed development is a significant development investment. The development is a private development, and the developer is Northridge Construction.

The development includes the following: approximately 155 residential rental units with underground parking. The start of the development is proposed for August 2025 with March 2027 completion.

The development project is an estimated \$38 million investment. The development project will not require significant public infrastructure development as it is an infill development and served by public infrastructure. The developer is requesting the consideration of a tax incentive exemption for a greater than five (5) year period of time. The development will meet the Grand Forks community’s strategic interest in growing the tax and economic base and provide further and needed housing opportunities.

There has been a lack of multi-family building permits over the last two years and the multi-family developments that are currently wrapping up in 2025 were started and permitted a few years ago. Despite a strong and growing economy in Grand Forks, private developers have provided currently that multi-family and mixed-use developments are financially challenging to move forward in Grand Forks and throughout the region due to higher interest rates and rising and unpredictable construction costs. Mark Schill of Praxis Strategy Group recently examined Zillow’s most recent rents data and found a clear rapid rise in rents in

Grand Forks beginning in early 2022. Mr. Schill advised from an economic competitiveness standpoint; Grand Forks cannot afford to have “expensive” housing. Mr. Schill advised that Grand Forks must:

1. Continue to foster development to build its tax base for the long term. A low tax base per capita is one of the greatest structural shortcomings in the community.
2. Maintain competitive rents in the short-to-medium term to enhance local quality of life and to attract the people needed to sustain the community and maintain economic competitiveness.

ANALYSIS AND FINDINGS OF FACT:

- The proposed Northridge Construction development, The Reserve, is a multi-family development at 4551 South 17th Street (near the Sanford Clinic and Edgewood Grand Forks) and is currently zoned appropriately. The proposed development is a significant development investment. The development is a private development, and the developer is Northridge Construction.

The estimated \$38 million development investment includes the following: approximately 155 residential rental units with underground parking. The start of the development is proposed for August 2025 with March 2027 completion.

- The City Council approved the Northridge Construction Tax Incentive Pre-Application on April 21, 2025 for further review and consideration with the City’s third-party financial advisor, Baker Tilly.
- This Northridge multi-family development is the first of several planned multi-family and mixed-use developments throughout Grand Forks that are currently in the process or will be reviewed by the City’s third-party financial advisor, Baker Tilly, this year and for eventual City Council review and consideration.
- Northridge Construction requested a maximum 20-year/100% PILOT incentive, and the Baker Tilly recommendation reduces the term to 15 years with a blended 80% property tax incentive. Baker Tilly reviewed financing assumptions to include debt coverage, interest rates, capitalization rates, and total project costs/funding sources. The operating revenues and expenditures are considered reasonable. Baker Tilly’s conclusion is that the Northridge Construction project in the current market would not proceed without the recommended tax incentive.
- Based on the estimated \$38 million development investment, the real estate true and full value is estimated at \$28 million, which includes a land value of \$1 million and improvement value of \$27 million.
- Based on its financial analysis, Baker Tilly is recommending a 15-year PILOT that would be stepped down as follows with an overall blended 80% property tax incentive:
 - Years 1-5 (100%) - Approximately \$16,000.00-\$17,000.00/year in incremental property tax value.
 - Years 6-10 (80%) - Approximately \$110,000.00-\$115,000.00/year in incremental property tax value.
 - Years 11-15 (60%) – Approximately \$214,000.00-\$223,269.00/year in incremental property tax value.
 - Year 16 & Beyond (0%) – Approximately \$535,000.00/year in incremental property tax value.
- PILOT Timeline:
 - Monday, June 9– Committee of the Whole review of property tax incentive request.
 - Monday, June 16 – City Council provides further review of property tax incentive, refers request to Local Government Advisory Committee (LGAC), and sets public hearing for July 21, 2025.
 - Prior to LGAC and any further action, the City will consult with the Department of Commerce regarding proposed payment in lieu of taxes option as per N.D.C.C. § 40-57.1-03(3)
 - Wednesday, June 18, 2025 – Send Public Notice to GF Herald as per N.D.C.C. § 40-57.1-03(5).

GF Herald Public Notices posted on June 25 and July 2, 2025

- Week of June 23 - Local Government Advisory Committee (LGAC) review and consideration of payment in lieu of property tax option to meet provision of N.D.C.C. § 40-57.1-03(7) (City/Park District/School District/County).
- Monday, July 14 – Grand Forks School Board Meeting as per N.D.C.C. §§ 40-05-24 and 40-57.1-03(7).
- Tuesday, July 1 – County Commission Meeting as per N.D.C.C. §§ 40-05-24 and 40-57.1-03(7).
- Monday, July 21 – City Council holds public hearing on property tax incentive and takes final action, as per N.D.C.C. 40-57.1-03(3) & (5).

SUPPORT MATERIALS:

- Baker Tilly But-For Analysis – The Reserve Proposed Housing Development By Northridge Development, City of Grand Forks, ND, dated June 5, 2025.
- Northridge PILOT Impact Analysis – 15-Year Step Down PILOT.
- Mark Schill of Praxis Strategy Group Latest Rent Data in Grand Forks Area Memorandum, dated June 6, 2025.
- Northridge Construction Development Area Map.
- City of Grand Forks Staff Report Northridge Construction Tax Incentive Pre-Application with attachments, dated April 21, 2025.