



City of Grand Forks
Staff Report

City Council – September 2, 2025

Agenda Item: Northridge Construction Tax Incentive – The Reserve

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 for The Reserve as Payment In Lieu of Taxes (PILOT) as follows: Years 1-5 - 100%, subject to City Attorney final review and development agreement.

Committee Recommended Action: N/A

September 2, 2025 – Council Action:

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 the fall of 2025 with a 2027 completion.

The development project is an estimated \$37 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. 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 \$37 million development investment includes the following: approximately 155 residential rental units with underground parking. The start of the development is proposed for the fall of 2025 with a 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. The additional multifamily and mixed-use developments that are currently being reviewed and considered are as follows and will likely need property tax incentives beyond five (5) years.
 - The Domain – development near proposed Hugo's Family Marketplace near 47th Avenue/Washington Street South.
 - Kingsview – development near 62nd Avenue South.
 - Brookstone – low and moderate income development near Furniture Row.
 - Beacon – consideration of transitioning from a 25-year Tax Increment Financing (TIF) revenue bond (80/20) to a PILOT incentive for 15 years/80%.
 - UND Ray Richards Development – awaiting UND request to move forward with the alternative development plan.
- Originally Northridge Construction requested a maximum 20-year/100% PILOT incentive, and Baker Tilly recommended reducing 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 concluded that the Northridge Construction project in the current market would not proceed without a property tax incentive.
- Based on the estimated \$37 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 recommended 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 and July 15 – 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).
- The Grand Forks School Board and Grand Forks County Commission at their meetings on July 14, 2025 and July 15, 2025 respectively recommended to continue negotiations regarding the Northridge Construction – The Reserve project.
- On July 21, 2025, the City Council approved continuing negotiations with Northridge Construction and The Reserve project.
- In August 2025, Northridge Construction resubmitted financial information on The Reserve project and Baker Tilly provided additional financial analysis on the resubmitted data. Subject to City Council approval, the City administration and Northridge Construction have reached a PILOT tax incentive agreement for a five (5) year/100% property tax incentive. The five (5) year/100% PILOT tax incentive is within the authority of the City Council and does not require Grand Forks School Board and Grand Forks County Commission approval. The significant changes to The Reserve project are as follows.
 - Through an additional capital partner, Northridge Construction is providing more equity investment in The Reserve project of 35% instead of 30% and in turn a lower mortgage of 65% instead of 70%. The capital partners are willing to take on more financial risk with the assumption The Reserve project will be able to be refinanced with the five-year PILOT incentive period. The current assumed mortgage percentage rate is 6.5% over 25 years.
 - The Reserve project apartment mix is changed as follows.
 - Studio – 20 (previous 16)
 - 1 BR – 54 (previous 64)
 - 2 BR – 62 (previous 51)
 - 3 BR – 19 (previous 16)
 - 4 BR – 0 (previous 8)
 - With five (5) year/100% PILOT assistance, The Reserve project meets the minimum debt coverage of 1.2x assuming financing terms of 25 years and 6.5% interest rate.
 - Assuming a 25-year amortization, a hypothetical reduction in the interest rate down to 4.4% would result in an elimination of a PILOT tax incentive and meet minimum debt coverage of 1.2x. An alternative option illustrating a 30-year amortization, a hypothetical reduction in the interest down to 5.2% would result in an elimination of a PILOT tax incentive and meet the minimum debt coverage of 1.2x.
 - Communication has been provided to both Grand Forks County and Grand Forks School District that the proposed tax incentive is for a time period that does not necessitate further action from their respective parts. Accordingly, with the acceptance by the Developer of such shorter time period, it effectively has mooted the statutory requirement for such negotiations.

SUPPORT MATERIALS:

- Baker Tilly Director Mikaela Huot Email Dated August 29, 2025, and Grand Forks The Reserve Financial Summary.
- Northridge Construction – The Reserve - PILOT Impact Analysis Five Year/100%.