



City of Grand Forks

Staff Report

Committee of the Whole – October 27, 2025

City Council – November 3, 2025

City Council (Public Hearing) – December 1, 2025



Agenda Item: Brookstone Apartments, LLC 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 the Brookstone Apartments, LLC Tax Incentive Application and approve moving through the tax incentive final review and approval process to include the preliminary recommendation of a 20 year and 90% Payment In Lieu of Taxes (PILOT) and set the City Council Public Hearing date for Monday, December 1, 2025.

October 27, 2025 – Committee Recommended Action: Motion by Fridolfs, second by Vein to move staff recommendation to City Council with a recommendation to approve. Motion carried 6-1 with Osowski dissenting.

November 3, 2025 – Council Action: Motion by Sande, second by Berg to approve and set public hearing for December 1, 2025. Motion carried 5-1, with Osowski dissenting.

December 1, 2025 – Council Action (Public Hearing):

Motion by Berg, second by Sande to approve the 90% 20 year PILOT, contingent on County Action December 2. Motion passed 6-1, with Osowski dissenting.

BACKGROUND:

The proposed Brookstone Apartments, LLC project is a partnership between Dakota Commercial, MAK Capital/Construction, and Red River Regional Council. Dakota Commercial is the lead developer and will be the property management company. MAK Capital/Construction is the lead general contractor and will assist with capital raising and development. The Red River Regional Council is a non-profit developer who will support the project through the application for North Dakota Housing & Finance Agency Funds (HIF) and Federal Low Income Housing Tax Credits (LIHTC).

HIF and LIHTC programs provide equity for the developers in exchange for a 15-25 year commitment to rent and income restrictions in the development. The project aims to have 100 percent of the units restricted to moderate income and rent levels to help fill the gap of workforce housing in Grand Forks. The developer is requesting a property tax incentive in the form of a PILOT based on the restriction on rents for a duration of the restricted period.

Phase 1 of the Brookstone Apartments, LLC development has an estimated market value of \$33 million and includes 160 income and rent restricted apartment units located at 3810, 3900, and 3950 39th Avenue South. The master plan for the site includes an additional 130-140 units directly south of phase 1.

The proposed phase 1 timeline is as follows:

- City Council Tax Incentive Pre-Application Approval – 7/21/25
- City Council Rezoning from PUD Commercial (B-3) to PUD Light Commercial (B-1) – 8/18/25.
- City Council Property Tax Incentive (PILOT) Final Review and Approval – September 2025.

- HIF/LIHTC Application Submission – August/September 2025.
- HIF/LIHTC Application Notification – Fall 2025.
- Construction Start – June 2026.
- Construction Completion – Spring 2028

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 property tax incentive in the form of a PILOT for a greater than five (5) year period. 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.

ANALYSIS AND FINDINGS OF FACT:

- The proposed Brookstone Apartments LLC is an estimated \$33 million and 160 unit affordable housing project that proposes to utilize Federal LIHTC and North Dakota Housing & Finance Agency HIF Programs to ensure all the apartment units are rent and income restricted. The apartment units are restricted at moderate rent/income levels and the market is for young professionals, teachers, nurses, and recent college graduates.
- The following are key drivers for the Brookstone Apartments LLC development related to the affordable housing component.
 - Generally see 1% annual allowable rent increases as compared to 2-3% annual rents for market rents.
 - Net income remains relatively flat over the first 15 years.
 - Fixed interest rate for first 15-20 years.
 - Minimal amenities.
 - HIF program requires repayment of funds for projects that perform above a 1.3 debt coverage ratio.
 - Additional fees and compliance monitoring costs.
- The following are key drivers for the Brookstone Apartments LLC development related to maintain the development long term.
 - Reserve account equivalent of six months of operating expenses.
 - On site property management and maintenance staff.
 - Service coordinator.
- Brookstone Apartments LLC average rents.
 - Efficiency - \$951.42.
 - 1 Bedroom - \$1,019.83.
 - 2 Bedroom - \$1,224.76.
 - 3 Bedroom - \$1,450.69.
- The City Council approved the Brookstone Apartments LLC Tax Incentive Pre-Application on July 21, 2025 for further review and consideration with the City's third-party financial advisor, Baker Tilly.
- The City Council approved the Brookstone Apartments LLC rezoning on August 18, 2025.
- Brookstone Apartments LLC development group is requesting a 20-year/90% PILOT incentive, and the Baker Tilly initial recommendation provides justification for the recommendation in meeting financial requirements.

The Baker Tilly report will be attached prior to the Monday, October 27, 2025 Committee of the Whole meeting and will provide a financial briefing on the project.

- The Brookstone Apartments LLC development group is estimated the development at approximately \$33 million to include a land value of approximately \$1.78 million and improvement value of \$31.25 million.
- The City of Grand Forks administration has estimated the taxable value of the Brookstone Apartments LLC project as \$26 million to include a land taxable value of \$1.3 million and taxable improvement value of \$24.7 million.

- Based on a 20 year and 90% PILOT, the Brookstone Apartments LLC project net gain in property tax revenue is as follows.
 - 5 Year Period - \$315,728.
 - 10 Year Period - \$647,604.
 - 20 Year Period - \$1,363,134.
 - 30 Year Period - \$6,824,993.
- PILOT Timeline:
 - Monday, October 27, 2025 – Committee of the Whole review of property tax incentive request.
 - Monday, November 3, 2025 – City Council provides further review of property tax incentive, refers request to Local Government Advisory Committee (LGAC), and sets public hearing for December 1, 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, November 5, 2025 – Send Public Notice to GF Herald as per N.D.C.C. § 40-57.1-03(5).
 - **GF Herald Public Notices posted on November 8 and 15, 2025**
 - Monday, November 10, 2025 - 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).
 - Tuesday, November 18, 2025 – County Commission Meeting as per N.D.C.C. §§ 40-05-24 and 40-57.1-03(7).
 - Monday, November 24 – Grand Forks School Board Meeting as per N.D.C.C. §§ 40-05-24 and 40-57.1-03(7).
 - Monday, December 1 – 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:

- Brookstone Apartments LLC – Application for Property Tax Incentives For New or Expanding Businesses PILOT.
- Brookstone Apartments LLC Presentation.
- City of Grand Forks - Brookstone Apartments LLC PILOT Impact Analysis.
- Baker Tilly Financial Analysis of Brookstone Project.