



City of Grand Forks

Staff Report

Committee of the Whole – January 12, 2026

City Council – January 20, 2026

Agenda Item: Proposed Payment in Lieu of Tax (PILOT) Incentive Policy Revision – Greater than Five (5) Years

Submitted by: Todd Feland, City Administrator
Dan Gaustad, City Attorney

On Behalf of: Mayor Brandon Bochenski

Staff Recommended Action: Approve Proposed PILOT Incentive Policy Revision – Greater than Five (5) Years.

January 12, 2026 – Committee Recommended Action:

Motion by Berg, second by Weigel to refer to City Council with recommendation to approve the policy.

Motion passed 6-1, with Osowski dissenting.

January 20, 2026 – Council Action:

BACKGROUND:

The City of Grand Forks (City) leads the community’s economic development policy and the City’s collaborative team strategically uses economic tools of infrastructure development, Grand Forks Growth Fund investments, and tax incentives to facilitate community growth and development in the City and region.

The City performs due diligence reviews for new private sector projects to include the following.

- Statutory authority to use financial tools.
- Market demand for the use being developed.
- Site control and qualified developer.
- Healthy growing industry.
- Expected positive consequences of a project outweigh the negative consequences.
- Probability that the project will leverage additional private investment or spin-off investment.

Tax incentives are governed by North Dakota Century Code (NDCC) and are discretionary with local control.

Tax incentives are generally to serve a public purpose to include the following examples, and the private projects are not likely to be built at the proposed scale or at all without tax incentives.

- Address slum, blight, and deterioration.
- Encourage development of unused/underutilized properties.
- Create quality jobs.
- Support expanded housing opportunities.
- Promote historic preservation.
- Level the playing field for redevelopment vs. greenfield development.
- Grow Grand Forks’ tax base.
- Combat declining valuations in other areas.

There are three primary tax incentives methods available as follows.

1. Renaissance Zone Program – NDCC 40-63. This encourages private investment to rehabilitate or redevelop geographically targeted areas through up to 8-year property tax, state income tax, and/or historic preservations tax credit incentives. Grand Forks’ Renaissance Zone operates downtown, along Gateway Drive, and in the Grand Cities Mall area.
2. New and Expanding Business Exemptions - NDCC 40-57.1. This statute allows for a 5-year exemption of buildings (not land) for certain new or expanding business (primary sector) projects; it may be extended to 10 years for value-added agriculture projects. In addition to, or instead of, a property tax exemption, projects may be granted an option to provide up to 20 years of payments in lieu of taxes (PILOT). The PILOT would be determined through negotiations between the City and the project operator.
3. Tax Increment Financing – NDCC 40-58. This encourages rehabilitation or redevelopment of urban areas by means of tax increments. Project may be assisted through the issuance of bonds or may take the form of some level of exemption of taxes paid on the incremental increase in property value.

There have been approximately 24 projects that have received tax incentives over the last 10 years. The following are seven (7) representative examples of tax incentive projects and their positive financial impact.

- University Flats – 10 Year TIF Exemption - 30-year est net tax revenue gain - \$2.3 million.
- Pure Development – 15 Year TIF Exemption – 30-year est net tax revenue gain - \$3.9 million.
- Franklin on 4th – 20 Year PILOT – 30-year est net tax revenue gain - \$4.21 million.
- Memorial Village I – 20 Year PILOT – 30-year est net tax revenue gain - \$5.6 million.
- The Exchange – 5 Year PILOT – 30-year est net tax revenue gain - \$3.77 million.
- Simplot – 10 Year New/Exp Bus Exemption – 30-year est net tax revenue gain - \$10.6 million.
- Agristo – 20 Year PILOT – 30-year est net tax revenue gain - \$34 million.
- Combined Pre Projects Value - \$29 million.
Est Combined Completion Value - \$294 million.
Total Est 30-Year Net Tax Revenue Gain - \$64.5 million – City (\$17.2 million); County (\$16.2 million); Schools (\$24.3 million); and Parks (\$6.8 million).

ANALYSIS AND FINDINGS OF FACT:

Current General Process and Policy – PILOT Tax Incentives

- The pre-application is the first step to allow further financial review of a tax incentive request to proceed and a subsequent full tax incentive application submittal and City Council final process review and approval. Project developers requesting greater than a five (5) tax incentive require review of the Local Government Advisory Committee (LGAC) and review and approval of the Grand Forks County Commission and Grand Forks Public School Board. LGAC is made up of two representatives, each of the Grand Forks City Council, County Commission, and School Board and one member of the Park District.
- 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.

A third-party financial review from Baker Tilly will be provided and in advance of the City Council review and approval of the full application, preliminary recommendation, and setting the public hearing.

- 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.

Proposed Revised Process and Policy – PILOT Tax Incentives (Greater than 5 Years)

- The Grand Forks County Commission and School Board have provided advice on wanting to learn, ask questions, and get answers regarding tax incentive projects as soon as possible, in concert with the City of Grand Forks and City Council, and as larger governing boards. As a follow up to the Grand Forks County Commission and School Board advice, Mayor Bochenski met with leaders of the Grand Forks County Commission, School Board, Grand Forks Region Economic Development Corporation, and Grand Forks Chamber to further discuss a revised PILOT tax incentive process for projects requesting greater than five (5) years of tax incentives and needing County Commission and School Board review and approval and to satisfy the advice and request of the County Commission and School Board.
- The following are generally the revisions of the proposed PILOT Review Process.
 - Upon City Council tax incentive pre-application approval, project developer fee of \$10,000 is incorporated for 3rd party but-for-test analysis and 3rd party financial accountability review. This approval by the City Council, if granted, only is to allow the process described below to continue, and is not to approve the requested tax incentive.
 - Upon City Council tax incentive pre-application approval, a copy of the tax incentive pre-application is sent to the local taxing entities.
 - An initial combined City Council, School Board, and County Commission meeting is noticed as the initial work session to provide the project developer with an opportunity to brief the project and answer initial questions of the local taxing entities governing boards. This initial work session introduces the requested PILOT incentive and commences negotiations and deliberation of such requests and provides an opportunity for questions of governing board members. The work session will have briefings on financial impacts and legal overview of the project.

At this first work session, a second combined City Council, School Board, and County Commission meeting will be scheduled to occur approximately six (6) weeks after this initial combined work session.

- In advance of the second combined meeting, the City will send out the statutory required notice letters with sufficient time for the second combined meeting to occur within the 30-day period along with timely published notice to competitors.
- Before the City Council's Public Hearing and before the expiration of the 30-day period, a second combined City Council, School Board, and County Commission meeting will occur where a vote will occur by the School Board and County Commission whether they elect to participate in the granting of the PILOT on their respective tax levied on the property that is the subject of the PILOT application. Public input and comments are allowed in advance of the School Board and County Commission vote.
- After the second joint governing board meeting, a City Council Public Hearing will be held, and the City Council decision of the proposed PILOT tax incentive request will be made.

SUPPORT MATERIALS:

- Draft Combined Grand Forks Local Government Subdivisions Payment in Lieu of Property Tax Incentive Review Process – Date January 9, 2026.
- Tax Incentives Overview Presentation – March 2025.