

Appendix A: Existing Downtown Development Incentives

City of Fargo Development Incentives

Incentive	Goal of incentive program	Type of Incentive/ Funding	Qualifying activities	Other Notes
Priority Redevelopment Grant	Downtown redevelopment and revitalization via elimination of blight	Grant	Projects that target badly deteriorated areas of downtown Preservation and/or redevelopment Clearance and redevelopment Public improvements to encourage private sector investments	Projects must be initiated by DPD Source of funding: CDBG
Storefront Rehabilitation Matching Grant	Enhance the physical appearance of buildings (particularly historic buildings) in the downtown area	Matching Grant Private ownership eligible for up to 50% of cost; Non-profit up to 100% of cost Maximum \$75,000	Improvements made to building exteriors	Highest priority - Downtown Historic District Source of funding: CDBG
Handicapped Accessibility Loan	Help make downtown Fargo a barrier-free environment	Deferred low interest loan Maximum \$75,000	Projects that remove barriers to access in existing downtown buildings	Highest priority - projects that allow underutilized space to be more fully used Source of funding: CDBG
Job Creation Projects	Create jobs for lower income persons through renovation or construction of buildings downtown	Deferred low interest loan Maximum \$75,000	Renovation or construction of a building downtown for a new or existing business - recruitment of low income employees must be emphasized	Highest priority - projects that create jobs which have the potential for lower income persons to increase job skills and wages in the long term Source of funding: CDBG
Housing Rehabilitation	Ensure the continued availability of housing in the city's older neighborhoods, provide assistance to lower income homeowners, and preserve older neighborhoods	Zero interest deferred payment loan Maximum loan value of \$15,000 Amount of assistance depends on income qualifications	Rehab to correct code and/or structural deficiencies, weatherization, and general improvements Exterior work included only when deterioration is serious enough to warrant non-compliance with building codes Home must be located in Fargo, be at least 25 years old and valued at less than \$98,000	Loan payments can be deferred for 10 years; the amount of loan is forgiven if house is not sold within 10 years. Repayment is made on a sliding scale if house is sold in the 10 years after loan is initially made. Source of funding: CDBG and HOME

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Homebuyer Downpayment Assistance	Prepare people for successful homeownership and provide lower income households with down payment assistance	Zero interest deferred payment loan Maximum loan \$3,500	House must be located in Fargo, valued at less than \$99,800 Existing units and new construction are eligible House may not be in the 100-year floodplain	Awards made based on income qualifications Source of funding: HOME
New or Expanding Industry Exemption – Downtown	Assist expanding businesses - both existing and new to the community. Expansion can be physical or in terms of jobs created.	Property Tax Exemption	Business that is creating jobs Project involves a major building renovation (greater than 50% of value of building) Building is more than 50 years old Project complies with historic preservation standards New construction is also eligible if the building is for primary sector business ¹⁷	Enabling legislation: NDCC 40-57.1 Exemption applies throughout the city but, all applicants that are outside the downtown area must be classified as "primary sector" to qualify New business must not gain an unfair advantage with existing competitors through use of the exemption.
New or Expanding Industry Exemption – Payment in Lieu of Taxes (PILOT)	Same as above.	Property Tax Abatement; level determined by Tax Exempt Review Committee Maximum abatement = 100% exemption for 20 years Typical PILOT payment schedule: Commercial: Years 1-5 – 100% exemption on building value Downtown Apartment Bldgs: 100% exemption years 1-5, 75% exemption years 6-10.	Business is creating jobs	Enabling Legislation: NDCC 40-57.1 The exemption or PILOT may be granted on a newly constructed speculative building for the time in which the building is vacant and available for tenant occupancy. The exemption will start in the assessment year when the building is completed and will expire the assessment year in which a tenant occupies part or all of the building.

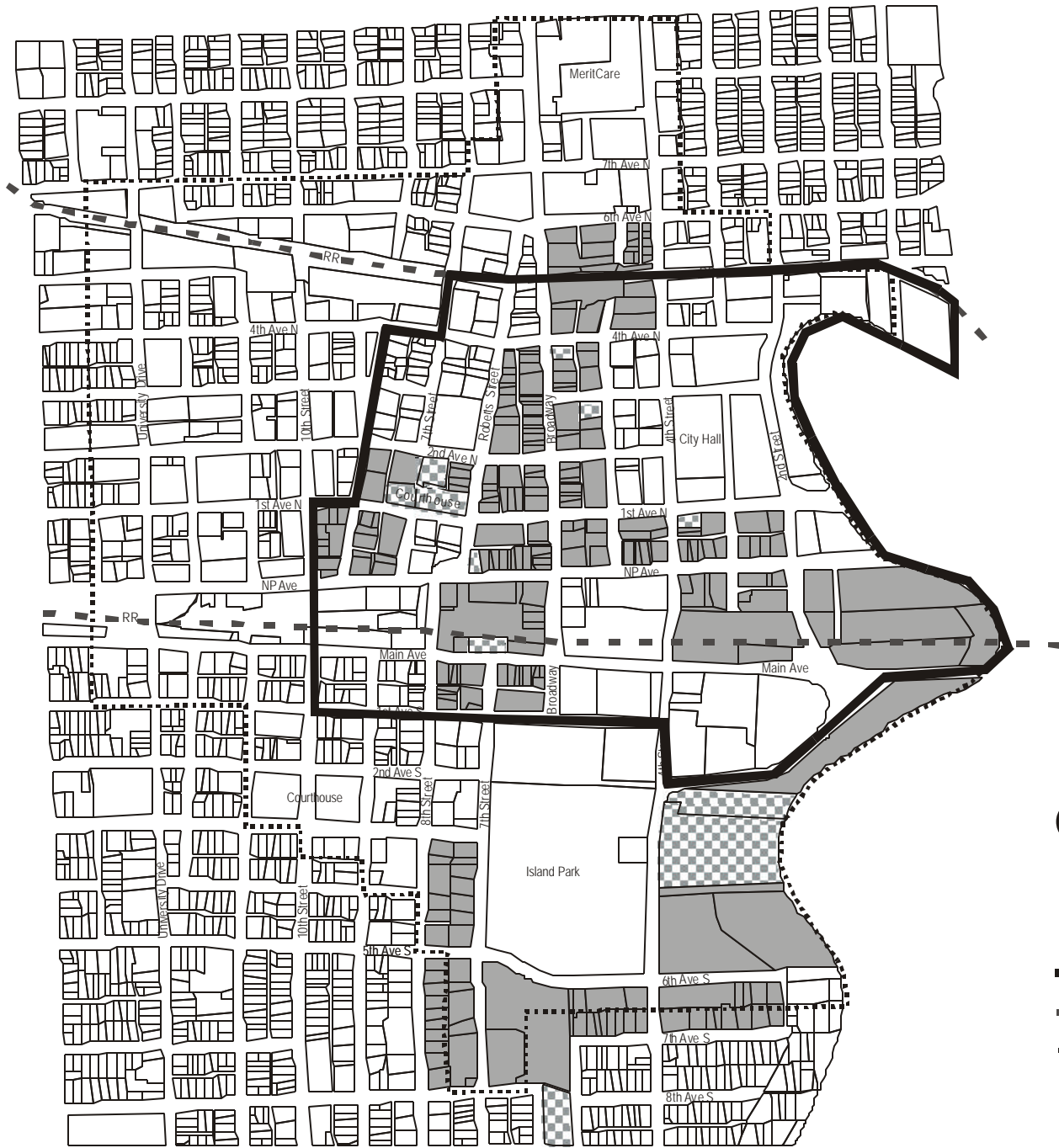
¹⁷ Primary sector business is defined as any business that “generates wealth” (i.e., creates value by bringing money into the community). A manufacturing business is the most common example of a primary sector business. This type of business would add value to a raw material by way of a manufacturing processing, thus bringing money into the community that was not there before.

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New residential construction exemption	Encourage the construction of new residential properties within the City limits	Property tax exemption 2 year exemption on first \$75,000 of property value (actual value of exemption based on a sliding scale that looks at the value of the property)	Newly constructed residential dwellings: single family detached, duplex, townhome, condominium	Enabling Legislation: NDCC 57-02-08 Available to builder and first owner after the building for single detached dwellings, and to the first owner after the builder for all other types of eligible residential properties
Commercial Remodeling Exemption	Provide property owners with an incentive to invest private capital in the remodeling and rehabilitation of deteriorating structures	Partial property tax exemption (freeze property value at pre-remodeling level) 3 year exemption for value added to buildings under 25 years old 5 year exemption for buildings more than 25 years old	Any remodeling, rehabilitation or addition to a property is considered a qualifying activity for buildings that are more than 25 years old and are located in the Central Business District (CBD) Only remodeling and rehabilitation work (not additions) is eligible for exemption for all properties outside the CBD and for properties that are under 25 years old within the CBD Exemption is awarded to all eligible applicants (no formal project review is needed)	Enabling legislation: NDCC 57-02.2 This exemption is available citywide but, properties outside the Central Business District are only eligible for a 3 year exemption, regardless of age
Residential Remodeling Exemption	Same as above	Partial property tax exemption (freeze property value at pre-remodeling level) 3 year exemption for value added to buildings 25-39 years old 5 year exemption for buildings 40+ years old	Any remodeling, rehabilitation or addition to a property is considered a qualifying activity Exemption is awarded to all eligible applicants (no formal project review is needed)	Enabling legislation: NDCC 57-02.2 This is exemption is available to qualifying projects citywide.






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Tax Increment Financing (TIF)	Encourage private sector reinvestment in urban renewal areas, so designated because of blight and deteriorated conditions	<p>Increment financing / Bonding</p> <p>Assessed value of property is frozen at pre-development value. The incremental increase in property tax payments is used to finance eligible projects.</p> <p>Financing options include the issuance of public bonds, to be repaid with the tax increment proceeds, or the provision of a lump sum tax exemption, which allows the property owner to obtain financing that is repaid with the annual exempted tax increment.</p>	<p>Projects must occur in a designated renewal area; such a designation can occur if any or all of the following conditions are met:</p> <ul style="list-style-type: none"> Developed area of the community (generally downtown) that is showing signs of deterioration (slum or blight) Commercial or industrial zoned parcel that has not been developed to highest and best use <p>Eligible activities that can be financed with this tool include:</p> <ul style="list-style-type: none"> Land acquisition write-down Relocation expenses Demolition of existing structures and infrastructure Site preparation Public utility improvements 	<p>Enabling legislation: NDCC 40-58</p> <p>All renewal districts must be created by the City Commission and can be established for a period of up to 15 years.</p>
Renaissance Zone	Incent significant private and public sector reinvestment in the Renaissance Zone, a portion of the Central Business District that has been characterized as having high redevelopment potential	<p>Property and State Income Tax Exemptions / State Income Tax Credit</p> <p>Maximum –</p> <ul style="list-style-type: none"> 5 year property tax exemption for residential, commercial and investment property owners 5 year state income tax exemption for group noted above, for tax liability incurred at the property located in the Zone State Income tax credit valued at 50% of the value of re-investment made in an historic property (5 year carryover, applicable to all income state tax liability) 	<p>Projects that bring a significant level of reinvestment to a Renaissance Zone property.</p> <ul style="list-style-type: none"> \$25/s.f. in capital improvements for renovation of a commercial property \$15/s.f. in capital improvements for renovation of a residential property \$55/s.f. for any new construction project <p>Exterior rehabilitation sufficient to eliminate any and all deteriorated conditions that are visible on the exterior of the building</p> <p>Proposed land use that is consistent with the vision and goals outlined in the Zone Development plan</p> <p>Guidelines for project approval include:</p> <ul style="list-style-type: none"> Redevelopment or Reinvestment to a high priority land use or in a targeted area (vacant, underutilized, severely blighted) Redevelopment or Reinvestment to create civic space or to strengthen pedestrian corridors Amount of actual capital investment in the project Movement of commercial businesses within the Downtown Area 	<p>Enabling legislation: NDCC 57-38-30.3</p> <p>All projects must be reviewed by the locally appointed Renaissance Zone Authority.</p> <p>Additional tax credits exist for investment in the Renaissance Fund Corporation (a venture capital fund for Zone projects).</p>

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BND - Partnership in Assisting Community Expansion (PACE)	Assisting new and expanding primary sector businesses (manufacturing, processing, data processing, communication and telecommunications)	Low interest loan / Interest rate buy down Private lender works in partnership with Bank of North Dakota and City of Fargo to provide business with adequate financing	Eligible expenditures include working capital, equipment and real property Business must create one job for every \$75,000 in loan proceeds received	Enabling legislation: NDCC 6-09.14 The City's share of the interest rate buy down will be provided in the form of a deferred loan in almost all circumstances, with the maximum term of the loan to be 3 years from the time the payments begin.
SBA - Historically Underutilized Business (HUB) Zone	Bring job opportunities and capital investment to underutilized areas; attract and retain businesses by giving them special consideration when awarding federal contracts	Federal contracting opportunities	To qualify as a HUB Zone entity, businesses must meet the following criteria. Small business must be located in a historically underutilized business zone - Census Tracts 3 (NDSU area) and 7 (Downtown Area) in the City of Fargo (see map on following page) Business must be owned and controlled by one or more US citizens At least 35 percent of the businesses employees must live in a HUB Zone	Enabling Legislation – Small Business Contracting Act of 1997 For more information, contact the local Small Business Administration Office.
HUD - Low Income Housing Tax Credit	Create affordable housing by provide the developers of qualifying rental property with federal income tax credits	Federal Income tax credit Maximum credit – 10 years Credits taken annually and based on a percentage of the eligible building costs	Acquisition, rehabilitation, or new construction of rental housing targeted to lower income households Residential property that is either a townhome, rowhouse, duplex or apartment building Units must be available for low and moderate income tenants for at least 15 years	Enabling Legislation – Tax Reform Act of 1986 Property rents are controlled (cannot exceed 30 percent of applicable income ceiling, adjusted for family size).

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NPS – Federal Historic Preservation Tax Credit	Encourage the restoration and preservation of historic properties	Federal Income Tax Credit 20% of the total eligible rehab cost will be awarded as a personal income tax credit	<p>Eligible costs are those expenses incurred in rehab of building, including roofing, mechanical systems, window repairs, tuckpointing, foundation repairs, etc. Streetscape costs are not eligible</p> <p>Good candidates for the credit program:</p> <ul style="list-style-type: none"> Building is listed or will soon be listed on the National Register of Historic Places Building has a commercial use or is depreciable after rehabilitation Plans for rehabilitation meet the Secretary's Standards for Rehabilitation Rehabilitation expenses meet or exceed the substantial cost test (the greater of \$5,000 or the adjusted basis of building) 	<p>Developer/owner must retain ownership of building for 5 years after work is completed or repay pro-rated credit.</p> <p>Credits can be sold prior to the building being "opened for service".</p>



Census Tract 7 HUB Zone

-  Census Tract 7 / HUB Zone
-  Railroad Track
-  Downtown Boundary
-  Renaissance Zone
-  Tax Exempt Properties