

**Growth Fund Members:**

Chairman,

Mark Weide

Vice Chairman,

Don Boehm

Dan Anderson

Jeremy Bauer

Jeff Erickson

Rick Horn

David Lehman

Curtis Patzell

Lee Weisbeck

**Liaisons:**

Mayor, City of Mandan

Tim Helbling

City Attorney, City of Mandan

Malcolm Brown

City Administrator, City of Mandan

Jim Neubauer

Chief Building Official, City of Mandan

Douglas Lalim

Finance Director, City of Mandan

Greg Welch

Business Development

Director, City of Mandan

Ellen Huber

Bismarck-Mandan

Development Association

Brian Ritter

Nathan Schneider

Lewis & Clark Regional  
Development Council

Brent Ekstrom

**Mandan Growth Fund  
Monday, August 29, 2016**

**Noon**

**Veterans' Conference Room  
Mandan City Hall  
205 Second Avenue NW**

**MINUTES**

1. Introductions

Chairman Mark Weide called the meeting to order. Members present are indicated with a . Erin Anderson attended the meeting as a representative of La Sagrada Familia Apartments, LLC. Also in attendance were City of Mandan Program Coordinator Krista Harju; Cole Higlin, Mandan Park District; Mike Bitz, Mandan School District; Jason Arenz, Mandan Park Board; Kim Pittman, Morton County; and Mandan residents DeNae Kautzmann and Carol Haggerot.

2. Consider for approval the following minutes:

a) August 11, 2016

Rick Horn moved to approve the minutes from the Aug. 11, 2016 meeting. Dave Lehman seconded. The motion passed unanimously.

3. Review of financial statement

The balance of uncommitted funds as of Aug. 25, 2016 is \$102,708.16. This reflects the uncommittal of dollars previously committed to Classic Rock Coffee as approved by the City Commission earlier this month.

New Business

4. Consider applications by La Sagrada Familia Apartments, LLC, for an affordable housing project at 406 4<sup>th</sup> Street NW

a) For property tax relief via payments in lieu of taxes (PILOT)

b) For the local match for a Flex PACE affordable housing interest buy down

The committee reviewed two applications from La Sagrada Familia Apartments, LLC, for an affordable housing project at 406 Fourth Street NW. The overall project cost is about \$8.3 million for renovation of the property for 39 units of affordable housing. Erin Anderson explained that the Bismarck-Mandan housing study estimates a demand of 260 units for the 31 to 60 percent median income range. The community and neighborhood will benefit from rehabilitation of this otherwise blighted property as well as from the resulting affordable housing needed to meet growing workforce needs.

*Anderson pointed out that the property would have 28 two-bedroom units, three one-bedroom units and eight three-bedroom units. Of these units, 30% are priced at 30% of county median income and 70% are priced at 50% of county median household income. As required by the Affordable House Program, prices will be determined by these percentages for 31 years even if the property is sold, unless a rent increase is approved by the state. The county median household income is currently \$88,300. All applicants would need to pass credit, employment and criminal background checks. Applicants that could affect the safety and wellness of the community can be denied.*

*The property would provide several amenities, including an exercise room, free on-site childcare for 12 children to help residents secure and maintain employment, a chapel, a large community room and on-site counseling and case management services. They plan to remove the newer gym to add fire truck access, additional parking, green space and a playground.*

*The Commonwealth Companies of Fond Du Lac, Wisconsin, have formed the LLC for the purposes of acquiring the former junior high property from Mother Teresa Outreach, LLC, which is affiliated with the Spirit of Life Catholic Church of Mandan. Commonwealth plans to submit an application due by Sept. 30 to the N.D. Housing Finance Agency for the Low Income Housing Tax Credit Program, which utilizes federal tax credits that are sold to investors to generate equity for the project. Other program options may include the N.D. Housing Trust Fund and federal historic preservation tax credits.*

*The committee reviewed the application for payments in lieu of taxes (PILOT). The applicant is seeking to pay \$20,000 in property taxes for the building as improved for the first 15 years following the proposed renovation.*

*The property currently has an estimated value of \$494,100. This includes \$270,000 on the land and \$224,100 on the structures. The structures are generating about \$3,137 in property taxes using the 2015 levy of 280 mills (1.57% of value for commercial property).*

*The land is not eligible for property tax exemption. Under the proposal, the renovated buildings will generate \$20,000 annually in taxes for the first 15 years of the project. This is an approximate 36 percent reduction from the \$31,220, again using the present tax rate, that would otherwise be due given its estimated value upon completion of \$2.5 million.*

*The applicant explains that if the project were owned by a non-profit entity, it could then potentially be eligible for a state exemption that would reduce taxes to about \$13,000. Thus, the \$20,000 annually that the applicant is offering is substantially above this amount.*

*Mandan Park District Director Cole Higlin and Mandan Public Schools Superintendent Mike Bitz expressed support of the project. The school district receives about one-third of property taxes. Bitz suggested that the school not receive any of the PILOT money, as the state withholds any money the school collects. City Attorney Malcolm Brown said if all the taxing entities agreed, it could be done. Ellen Huber said the school board would need to vote on it.*

*The applicant will need to enter into a business incentive agreement with the City of Mandan and will need to submit an annual jobs verification report for five years during the period of property tax exemption. An automatic door will also be required.*

*Jeremy Bauer moved to recommend approval of the request for payments in lieu of taxes in the amount of \$20,000 annually for the first 15 years following renovation of the buildings at 406 4<sup>th</sup> Avenue NW for La Sagrada Familia Apartments, LLC. Lehman seconded. The motion passed unanimously. The committee's recommendation will be presented to the City Commission at its Sept. 6 meeting.*

*The committee also reviewed an application from La Sagrada Familia Apartments, LLC for local match for a Flex PACE affordable housing interest buy down. The BND will provide up to \$500,000 for the interest buy-down, putting the maximum local share at \$269,231 for a maximum total interest buy-down of \$769,231. The applicant is seeking a buy down on a mortgage of \$929,628 toward this project.*

*With a commitment to a 6% interest rate from the lead lender, the amortization scheduled provided by BND shows the interest rate being bought down to 1% for 180 months or 15 years. The buy down amount is \$494,543.70 with BND's share at \$321,453.50 and the local share at \$173,090.20. The request from the Mandan Growth Fund is for part of this local share, an amount of \$83,186. This is 1% of the estimated project costs.*

*The reason for this is because Commonwealth is planning to submit an application to the N.D. Housing Finance Agency for tax credits. This is a very competitive process with 5 key points awarded for local support. To receive even 1 point requires a commitment of assistance in the amount of 1% of project costs. To get the full 5 points requires assistance with 5% of the costs, which would equal about \$472,000, which is beyond the Growth Fund's current capacity. The remainder of the local match has been requested from Community Works ND and had tentative approval, contingent upon City of Mandan approval for the remainder.*

*The local match is recommended to be structured as a loan, with an interest rate of 0 percent, in accordance with our local policy, over the course of the buy down period. Community Works ND approved their part of the local share to be repayable within 10 years after the buy down, for a total loan term of 25 years. Recommend the MGF follow suit. CommunityWorks North Dakota will administer and service the loan for the City of Mandan for a flat fee of \$1,500 to be paid by the applicant.*

*Dan Anderson moved to recommend approval of the request by La Sagrada Familia Apartments, LLC, for \$83,186 to be provided toward the local share of an interest buy down with the funding structured as a repayable loan at a 0% interest rate over a 15-year buy down period and 10 –year repayment period thereafter. Bauer seconded. The motion passed unanimously. The committee's recommendation will be presented to the City Commission at its Sept. 6 meeting.*

#### Old Business

1. Consider removing earmarking of funds for the Memorial Highway Storefront and Landscape Improvement Program

*The committee reviewed the fund's current financial situation, including potential future projects and revenue projections.*

*The MGF balance of uncommitted funds was \$102,708.16 as of Aug. 25, 2016. If the request for the Flex PACE buy down for affordable housing is approved, the uncommitted balance would be reduced to \$19,522. Removing the earmark on uncommitted Memorial Highway Storefront Improvement Program*

*funds would increase the amount of uncommitted funds for overall economic development projects to \$159,522.*

*The Memorial Highway Storefront and Landscape Improvement Program was approved and launched in September 2014 with a \$200,000 set aside in the MGF for matching funds to be structured as forgivable loans of up to \$30,000 for up to 50 percent of investment in eligible exterior building and landscape improvements. The program was aimed at helping to encourage redevelopment and improve the appearance of a key city entrance and corridor. In the time since the program has been in place, there have been only two applications. One project is complete, Event Motorway, and another is nearly complete, Schmidt Auto Sales. There have been several other inquiries, but the businesses have decided either not to pursue the improvements or were interested in improvements such as hard surfacing of parking lots that weren't an eligible project component.*

*An amount of \$140,000 remains in funds not committed to a specific project. These dollars could be moved to the overall economic development projects column on the balance sheet. The program could remain available, like the downtown version, but without guaranteed funding, recognizing it would compete with other programs and projects with applicants considered on a first-come, first-served basis.*

*Curtis Patzell moved to recommend removal of an earmark on funds not approved for specific projects under the Memorial Highway Storefront Improvement Program. Lehman seconded. The motion passed unanimously.*

2. Consider policies and procedures for future PACE and Flex PACE applications  
*The committee discussed the opportunity to further collaborate with the Lewis and Clark Regional Development Council (LCRDC) for the sourcing of funds for the local share of standard, new and expanding business projects applying for a Bank of North Dakota Flex PACE interest buy down. This would help alleviate demand for loans from the Mandan Growth Fund and shift this demand to the LCRDC, allowing the Growth Fund to retain unallocated funds for projects where assistance beyond a repayable loan is warranted. Examples would include forgivable loans for Storefront Improvement projects, retail incentives, or projects offering public benefits that merit an interest buy down with the local share structured as a forgivable loan or at 0% interest.*

*Businesses would apply directly to the LCRDC for the local share of a buy down through the Mandan intermediary relending program (IRP) revolving loan pools. These loan pools were established in 2007 and 2009 with a \$250,000 match each time from the MGF to obtain long-term loans of \$750,000 each time from the USDA Rural Development Program. The loan pools are specifically for new and expanding businesses in Mandan and a 10-mile radius in Morton County. The use of loan proceeds must comply with the IRP program requirements. Interest rates and terms would be determined by the LCRDC capital fund board for the IRP funds. Interest rates, at least in the near term, are expected to be at a rate of 5% or less.*

*Bauer moved to recommend updating MGF interest buy down guidelines to direct requests for the local share of a Bank of North Dakota (BND) Flex PACE interest buy down to apply for financing from revolving loan pools established for Mandan businesses with the Lewis and Clark Regional Development Council. Horn seconded. The motion passed unanimously.*

Other Business

3. Adjourn

*Having no other business, the meeting was adjourned.*