

Housing incentives and tax exemptions available from Fargo, West Fargo, Moorhead

There are several programs and options available to those building new homes, buying existing homes or remodeling existing structures in the Fargo-Moorhead area. The following information for Fargo and Moorhead was gathered from each city's website. You can visit the sites at www.cityoffargo.com for Fargo and www.cityofmoorhead.com for Moorhead. For more information on West Fargo's tax exemption, call the Assessment Department at (701) 282-3843. Please note that interest rates, purchase prices and income limits are subject to change. Contact your lender or city government offices for current information.

FARGO INCENTIVES & TAX EXEMPTIONS

Homebuyer Assistance Program

This program is designed to assist low- and moderate-income households in Fargo with down payment and closing costs to purchase a home. The assistance from the Fargo Home Buyer Assistance Program is in the form of a zero interest deferred payment loan. Funds for the program are from the Department of Housing and Urban Development (HUD). You can find more information on this program by visiting Fargo's Planning and Development website at www.cityoffargo.com/planning.

Housing Rehabilitation Program

The goals of this program are:

- To preserve housing and older neighborhoods;
- To provide assistance to lower income homeowners to maintain their homes as safe, sanitary dwellings which meet minimum housing codes;
- To preserve the character of older neighborhoods by preventing houses from becoming dilapidated nuisances in a neighborhood.

Types of Incentives

Fargo has both loans and grants available for rehab work. Some incentives are available based

on household income and others have no income restrictions.

Program priorities are the correction of code or potential code deficiencies, structural improvements, weatherization, and general enhancements. Correction of items reflecting the code or potential code requirements must be completed as part of any work on a house. The removal of architectural barriers for people with disabilities is eligible work under this program, even when the project is not done in conjunction with any other housing rehabilitation work. Find out more the housing rehab program by visiting www.cityof fargo.com/planning.

Residential New Construction Exemption

Newly constructed single family, duplex, townhome, or condominium properties may be eligible for an exemption on part of their valuation for up to two years following the year construction began. This exemption is available to the first owner after the builder who resides on the property. The maximum allowable exemption is on \$75,000 of the building value. Fargo now provides the maximum allowable exemption on all eligible properties. For location of these areas, visit www.cityoffargo.com or call (701) 241-1340.

Remodeling Exemption

Residential properties more than 40 years old are eligible for a five-year exemption on any value added due to certain remodeling. If the property is less than 40 years old it is eligible for a three-year exemption on remodeling and additions. Residential buildings must be at least 25 years old to qualify for the remodeling exemption. The exemption is limited to the value added, by the assessor, for improvements done within the existing structure. For all eligible residential properties and commercial buildings 25 years and older in the Central Business District; this includes additions to the structure. The exemption basically freezes the value of the qualifying part of the structure at where it was prior to starting the remodeling project. Application for any of the above

exemptions is made with the City of Fargo assessors office. Anyone interested in applying can call the office at (701) 241-1340.

North Dakota 'Start' Program

North Dakota Housing Finance Agency offers this program. It is a downpayment assistance program, similar to the one offered by Fargo but with slightly higher income limits. It is structured as a 10-year, zero interest loan and is only offered to first-time homebuyers. Income limits are based on family size. To qualify in Cass County, a family with fewer than three members cannot earn more than \$46,400 in any given year. A family with three or more members cannot earn more than \$53,360. A borrower's assets cannot exceed 10 percent of the purchase price. To qualify, applicants must be receiving a Home Mortgage Finance Program (HMFP) loan for a single family dwelling. Additional information on this program and the HMFP are available from a participating lender or from the North Dakota Housing Finance Agency: www.ndhfa.org.

MOORHEAD INCENTIVES & TAX EXEMPTIONS

Financing Incentives/First-Time Buyer Programs

Moorhead offers first-time homebuyer's assistance with down payments and closing costs of \$3,000 or more depending upon income and home purchase price. Along with conventional and FHA mortgages, many lenders in Moorhead and Fargo offer first-time homebuyers other attractive Minnesota Housing Finance Agency programs with below-market interest rates. These opportunities are available city-wide for first-time buyers meeting income requirements.

Community Activity Set Aside (CASA) Programs

The City of Moorhead offers a special mortgage program called CASA-Community Activity Set Aside. This is a below-market interest rate mortgage that can be combined with downpayment funds. If you have further questions or need more information, please call your lender of choice or Loretta Szweduk at (218) 299-5375. Many Moorhead and Fargo lenders participate in the program.

Some of CASA's features are listed below:

- Current rate of 6.125 percent (as of Sept. 2006)
- Income limit \$55,000 for households of 1 - 4 people; higher for larger households
- Down payment assistance of \$3,000 is also available with CASA, as well as reduced monthly payment assistance and additional down payment, depending upon income and other financial factors.
- Purchase price limits \$237,031 for new or existing construction; homebuyers must meet one of the following criteria:
 - single head of household
 - be from community of color
 - have disabled household member
 - or be a recent immigrant

Home Improvement Opportunities

There are a variety of opportunities for you to update, improve, or repair your home. In addition to market rate home improvement loans, there are other programs offered by the

Minnesota Housing Finance Agency and the City of Moorhead.

• **Minnesota Fix Up Fund**

Homeowners earning \$89,000 or less may borrow up to \$35,000 and repay the loan with fixed monthly payments over 20 years. Any Moorhead lender can provide details. For a list of participating lenders, call (218) 299-5375.

• **City of Moorhead Home Rehabilitation Program**

Interest-free loans up to \$20,000 are available to households earning less than 60 percent of the median household income (\$39,000 for a family of four). No interest accrues on the loan and no monthly payments are required. The entire balance must be repaid when the owner moves or otherwise vacates the property. Further information is available from the Moorhead Housing Rehabilitation office: (218) 299-5425.

Moorhead's Homestead Tax Credit

Minnesota homestead classification provides a property tax credit for property that is owned and occupied by the owner. The amount of homestead credit varies depending on the market value of the property. The maximum amount of the credit \$304 for properties with a market value of \$76,000. As the property's market value increases above \$76,000, the amount of the credit decreases. To apply for the homestead classification, you must complete a homestead application. Apply at the Moorhead city assessor's office for properties located within the Moorhead city limits. Apply at your county assessor's office for all other properties.

WEST FARGO INCENTIVES & TAX EXEMPTIONS

Residential New Construction Exemption – Frequently Asked Questions:

1. Who is entitled to the incentive? All new single-family residential properties are eligible for the incentive. In addition, twin homes, town homes, condominiums and, in some cases, manufactured housing or mobile homes are also eligible.

2. Are there any ownership requirements? Yes, for single-family residential properties, the builder and the first owner after the builder. The owner must reside on the property. For condominiums, town homes and twin homes, the builder is not eligible for the incentive unless the builder is residing in the home. The incentive is available on a pro-rated basis meaning the incentive will be honored for the number of remaining available months the first owner resides in the home.

3. How is the incentive figured? West Fargo City currently offers \$75,000 on new residential construction. The incentive is on the structure only. The incentive is not applied to the land. If the value of the property is \$82,000 and the lot is \$12,000 then the most the incentive would be is \$70,000. You must pay the tax on the lot.

4. Do I owe any other taxes? The incentive is not for special assessments, drain or Sheyenne Diversion taxes. You will still need to pay those. It is for the general/consolidated taxes only—taxes for city, park, schools, county, state, etc.

5. When does the incentive start? Property is taxed as it stands on Feb. 1. For example, if the builder digs a basement in October 2006, before freeze, leaves it capped for the winter and completes it in April. The 2007 incentive is for a capped basement that was there in February and the 2008 incentive is for the completed structure. The incentive does not start with the completion of the project. The incentive would not be for 2008 and 2009. The ideal time to build a new home is spring—since the land is taxed as it stands on Feb. 1, any construction started after that date would not be taxed until the following year.

6. Will my escrow company consider the incentive when determining escrow amount? Yes, they will allow you to make smaller escrow

payments during the time you are receiving the incentive. If you are escrowing, make sure that the company knows when to increase your escrow payment. Too many times, the payment is not increased until the higher tax bill is received and then it is too late. You would be required to pay back the escrow shortage plus start increasing your escrow for the upcoming year.

5350 for more information on incentive programs that are available.

Remodeling Exemption

Residential property must be 25 years old to qualify. Residential property that involves a remodeling project with a \$25,000 increase in true and full value is eligible for up to five years. A project that is less than \$25,000 is eligible for up to three years. The exemption is limited to the value added, by the assessor, for improvements done within the existing structure. It does not allow an exemption for new construction. Additions as part of remodeling are allowed. The exemption basically freezes the value of the qualifying part of the structure at its current value prior to starting the remodeling project. For more information, call the West Fargo Assessment Department at (701) 433-5340.

Renaissance Zone

The West Fargo Renaissance Zone was created in 2000 to spur private sector reinvestment in downtown and increase the overall vitality of the once central business district. The Renaissance Zone encompasses a 20-block area primarily located on Sheyenne St., Center St. and Main Ave. corridors. This area includes commercial as well as residential properties. Both types of properties are eligible for property tax exemptions through the city and approved projects are able to apply for state income tax exemptions.

To qualify for these exemptions, a proposal must be made to the city based on established criteria. To date, the West Fargo Renaissance Zone has seen successful completion of 16 projects of which 14 were of commercial in nature.

Please call Dorinda Anderson, West Fargo's Business Development Director at (701) 433-