

DEPARTMENT OF COMMERCE ANNUAL REPORT ON RENAISSANCE ZONE PROGRESS
SEPTEMBER 16, 2014, 1:00 P.M.
TAXATION COMMITTEE
ROUGH RIDER ROOM, STATE CAPITOL
SENATOR DWIGHT COOK, CHAIRMAN

RIKKI ROEHRICH – PROGRAM SPECIALIST, NORTH DAKOTA DEPARTMENT OF COMMERCE

Mr. Chairman, Members of the Committee, I am Rikki Roehrlich with Commerce's Division of Community Services. I am here today to give the annual report on the Renaissance Zone in accordance with NDCC 40-63-03.2. The information in this report is for the time period of January 1, 2013 through December 31, 2013. As I am a new member to the Department of Commerce, I may have to defer to my supervisor, Bonnie Malo, to answer some questions.

The Renaissance Zone program is a tool to help cities revitalize their communities. By offering both state and local tax incentives for 5 years, both residents and business owners are provided with an incentive to invest in their community. Since the program's inception, there have been 1,319 projects approved. Of those projects, a total of 1,073 projects have been completed.

In 2013, no additional cities established Renaissance Zones, leaving the total to date at 55 cities in North Dakota with Renaissance Zones. At the present time, the city of Stanley is seeking approval on their development plan. In 2013, 75 projects were approved at the state and local level and 77 projects were completed.

The estimated property tax and state tax liability for the 77 projects completed is as follows:

- State single family, business and investor income tax exemptions \$1,364,235.67
- Historical tax credits \$0
- Property tax exemption \$1,550,363.56

According to a survey of Renaissance Zone communities, in 2013:

- 12 new businesses were created.
- 11 businesses expanded.
- 18 commercial buildings constructed or rehabilitated for business expansion.
- 19 commercial buildings or space in buildings leased.
- 35 new jobs created.
- 53 new residents.

The Renaissance Zone continues to be a vital tool for smaller communities. In 2013, 39 projects were approved in towns with a population less than 2,500. Additionally, of the projects completed, 28 were located in towns with a population less than 2,500.

For example, the City of Bowman notes that:

We have had a total of 12 Renaissance Zone projects since May of 2010. We have had four businesses expand their business area along with remodeling their interior and giving their business an exterior facelift. These projects were in our

*downtown business district which updated and beautified our Main Street
“downtown.” Our city would hate to lose this wonderful program as it has been a great
tool for residents and businesses to use.*

Larger cities are also seeing a revitalization of their downtown communities, as well as increase property values. For example, the City of Bismarck has had a total of 107 projects approved since establishing a Renaissance Zone in 2001. The initial property value of those projects totaled \$14,735,380. They estimate that the property value of those projects will total \$61,819,400 when completed. These projects have added 374 jobs to the community through participation in this program.

It is interesting to note that with all of the economic activity occurring in the western half of the state, most of it is not occurring as Renaissance Zone projects. In fact, the cities in oil producing counties that have an established Zone had the following activity in 2013:

- Williston – 1 project approved, 4 projects completed.
- Watford City – 0 projects approved, 3 projects completed.
- Crosby – 0 projects approved, 1 project completed.
- Kenmare – 1 project approved, 1 projects completed.
- Beach – 3 projects approved, 0 projects completed.
- Dickinson – 2 projects approved, 1 project completed.

Their completed projects account for less than 13% of Renaissance Zone projects throughout the state. Of the 17 total projects in this area, only 3 were residential. The estimated property tax and state tax liability for these projects are as follows:

- State single family, business and investor income tax exemptions \$313,210.
- Historical tax credits \$0.
- Property tax exemption \$296,015.

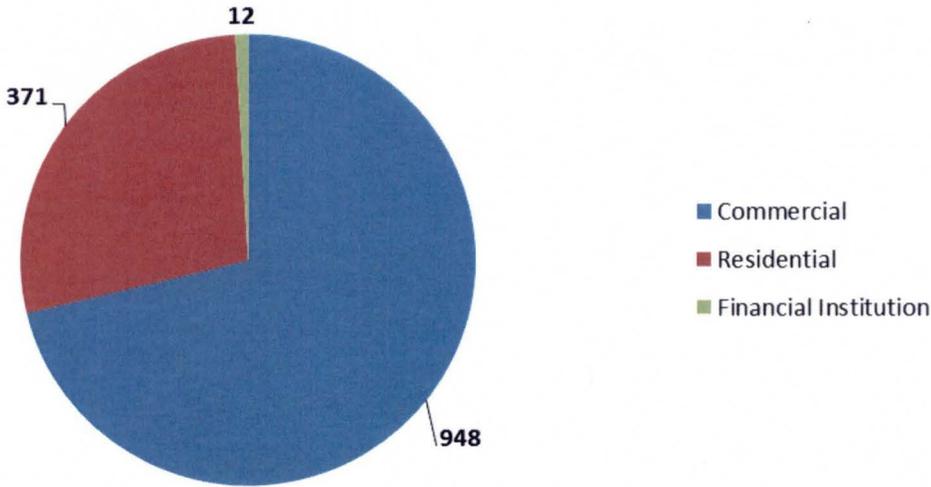
The charts below illustrate the number of commercial and residential projects completed in 2013 and over the course of the program. The charts reflect that the percentage of commercial versus residential projects in 2013 was consistent with the overall performance of the program. In 2013, 31% of the projects were residential compared to 28% since program inception. Similarly, 69% of the projects were commercial projects in 2013, while 72% have been commercial projects over the course of the program. A very small percentage of projects have involved financial institutions. With the repeal of the financial institutions tax last legislative session, these will no longer be listed as a separate category in the program.

This data indicates that Renaissance Zone is functioning as intended. It is serving as a tool for economic development and revitalizing communities.

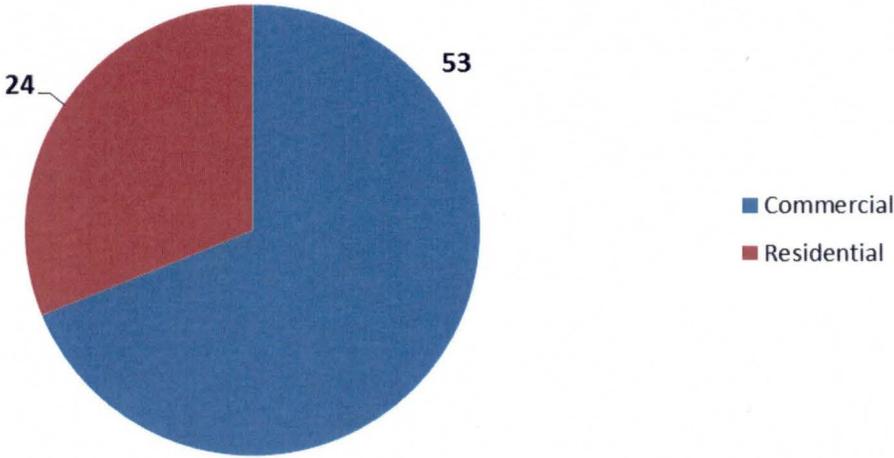
The final page in this handout includes the data compiled from cities that have both a Renaissance Zone and a Tax Increment Financing District for your review.

Chairman Cook, Members of the Committee, this concludes my update. I am happy to answer any questions you may have about the progress of the Renaissance Zone program.

Since Program Inception



2013



**2013 Report on Properties Located in TIFs and Renaissance Zones
Prepared for the Interim Taxation Committee**

City	Property Description	Expected Duration in RZ & TIF	Annual Renaissance Zone (RZ) Benefit			Tax Increment Financing (TIF) District Benefit		
			Property Tax (\$)	Income Tax (\$)	Duration of Benefit	Description	Amount (\$)	Duration of Benefit
Valley City	Assisted Living 12 Units - The Legacy Place 507 13th St SE	2009 - 2023			2012-2016	Develop on Undeveloped Blighted Property - Utilities	825,000	2009-2023
Mandan	100 First Avenue NW (Library Square I) Owner: MDI Limited Partnership #81	2005-2018	0	0	0	15-yr Exemption on Building	43,915	2004-2018
Mandan	110 First Avenue NW (Library Square II) Owner: MDI Limited Partnership #100	2010-2024	0	0	0	15-yr Exemption on Building	46,516	2010-2024
Mandan	200 W Main Street (Mandan Place) Owner: CRT Investments, LLC	2011-2025	37,906	0	2011-2015	10-yr Exemption on Apartment Portion of building (77%)	29,846	2016-2025
Bismarck	333 North 4th Street Office/Bank Building	2000-2027	12,500	110,000	2010-2014	Signage Grant	3,000	2009
Bismarck	408 East Main Avenue Mixed-Use Building	2000-2027	22,030	20,975	2011-2015	None	26,575	2008
Bismarck	124 North 4th Street Commercial Building/Restaurant	2000-2027	30,000	15,000	2010-2014	None		
Bismarck	401 North 4th Street Office Building	2000-2027	15,500	25,000	2012-2016	None		
Bismarck	306 South 10th Street Primary Residence (Home)	2000-2027	5,500	2,500	2011-2016	None		
Bismarck	217 North 3rd Street Restaurant	2000-2027	20,750	75,000	2012-2017	None		
Bismarck	106 East Thayer Avenue Commercial	2000-2027	24,430	625	2013-2018	None		
Bismarck	715 East Broadway Avenue Office Building	2000-2027	125,285	0	2010-2015	None		
Bismarck	115 North 4th Street Mixed-Use Building	2000-2027	25,000	2,500	2010-2015	CORE Incentive Program Grant (Technical Assist)	1,286	2010

**This data reflects the reports we have received to date.*