



**DEPARTMENT OF COMMERCE TESTIMONY ON RECERTIFICATION OF RENAISSANCE ZONES**

**SEPTEMBER 13, 2016, 2:45 P.M.**

**POLITICAL SUBDIVISION TAXATION COMMITTEE**

**REPRESENTATIVE JASON DOCKTER, CHAIRMAN**

**ALAN ANDERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE**

Good afternoon, Mr. Chairman and members of the committee, my name is Alan Anderson and I serve as the Commissioner for the North Dakota Department of Commerce. I have been asked to speak today regarding the extension of Renaissance Zones which, I believe, is of interest because of Commerce's recent denial of the City of Bismarck's request for a five year extension.

Background

The legislature established the Renaissance Zone program through the passage of HB 1492 (1999). The Renaissance Zone statute (NDCC Chapter 40-63) requires "evidence of community support" be provided as part of a city's Development Plan. The legislature did not indicate what constitutes "evidence of community support" and the Department of Commerce has interpreted that, at a minimum, letters of support from the school district and county would be required to demonstrate community support. Our interpretation has been part of the Renaissance Zone guidelines for the past decade.

The City of Bismarck requested a five year extension for their Renaissance Zone, as allowed by law. They included a letter of support from the Bismarck Public Schools, but they did not receive support from Burleigh County Commission. The lack of county support caused Commerce to deny the City of Bismarck's request for a five year extension.

We recognize that there are disagreements on whether the legislature intended to provide other political subdivisions the ability to veto a city's Renaissance Zone. Commerce provided the City of Bismarck with an extension through July 31, 2017, in order to allow the legislature an opportunity address what constitutes "evidence of community support." This was the first instance in which a county declined to support a Renaissance Zone since the requirement was put in effect, and we thought it appropriate to have the legislature address this policy question.

Issues Raised

In discussions with opponents to the extension of the Bismarck Renaissance Zone, it became clear that perhaps a bigger issue to them was the City of Bismarck's use of Tax Increment Financing (TIF) and the overlap of the Renaissance Zone and TIF district. As a result of the current Bismarck TIF district, any additional property tax revenues collected from a Renaissance Zone project goes into the TIF fund instead of the school district, county, and park district. As a result, the school district, county, and park district forego five years of property taxes, while not receiving benefit from the increased valuation, at least not until the TIF district expires.

Another source of frustration is the fact that a city can make decisions regarding property tax incentives with little input from other taxing entities that are also impacted by the incentive.

Path Forward

I have met with one legislator so far to discuss this issue and I'm willing to meet with others to help develop a solution. Ultimately, it will be the policy making branch that will determine to what extent other political subdivisions will have input in a city's Renaissance Zone.

Mr. Chairman and members of the Political Subdivision Taxation Committee, thank you for allowing me to visit with you today. That concludes my testimony and I am happy to entertain any questions.