

FISCAL NOTE
Requested by Legislative Council
01/22/2015

Amendment to: SB 2329

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2329 changes the North Dakota renaissance zone law provisions relating to the allowable size of a zone and the total number of income tax credits allowed for investments in renaissance fund organizations set up by cities with zones.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Current law limits the size of a zone to 23 blocks. An exception to this applies in the case of city with a population over 5,000 people, in which case the zone may be increased up to 38 blocks at the rate of 1 block for each additional 5,000 in population. SB 2329 will increase these limits on the size of a zone to 34 blocks and 49 blocks, respectively.

Current law also provides a limit of \$8.5 million on the total number of income tax credits that may be claimed for making an investment in a renaissance fund organization established by a city with a zone for the purpose of raising funds to be used to finance projects in a zone. SB 2329 will increase this amount to \$10.5 million, an increase of \$2 million.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, SB 2329 may reduce state general fund revenues for the 2015-17 biennium. The amount of that reduction, if any, cannot be determined. The number of potential new projects attributable to the increased size of the zones and the number and amount of potential investments made in renaissance fund organizations are unknowns.

From 1999 (the year the renaissance zone program was created) through the 2013 tax year, the total estimated reduction in income and financial institution tax revenues attributable to the renaissance zone program is approximately \$34.3 million, of which approximately \$5.6 million is attributable to investments made in renaissance

fund organizations. The number of tax credits still available under the renaissance fund organization part of the program is approximately \$2.9 million (of which approximately \$2.2 million is set aside, or reserved, for certain cities' renaissance fund organizations).

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 02/04/2015

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2015 SENATE POLITICAL SUBDIVISIONS

SB 2329

2015 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Red River Room, State Capitol

SB 2329
2/5/2015
Job Number 23269

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the size of a renaissance zone and renaissance zone tax exemptions.

Minutes:

Written testimony #1 Sen. Tim Flakoll
Written testimony #2 Jim Gilmore
Written testimony #3 Ellen Huber
Written testimony #4 Mike Allmendinger
Written testimony #5 Mike Hahn
Written testimony #6 Dawn Kopp
Written testimony #7 Dustin Gawrylow

Chairman Burckhard opened the hearing for SB 2329. All senators were present.

Senator Tim Flakoll Sponsor and introduced the bill. Written testimony #1 (1:09- 6:10)

Senator Grabinger Wasn't the renaissance zone expanded already originally?

Senator Flakoll I believe it has been.

Senator Grabinger and now we are at 20 blocks right, contiguous blocks?

Senator Flakoll 38 blocks. It depends upon the size of the community.

Senator Anderson The new number of hectares would be much bigger than my whole city I am from, but when I read the authorization bill there is information in there that says a city completes a project they can move some blocks out and others in, now why is that not an option with the current size of Fargo?

Senator Flakoll They have been doing that. But even those are taken up with projects and then again we have to be mindful that part of the legislation is that they have to remain contiguous so that causes some additional challenges. They don't want so called leap-frogging to occur. They want to really try to focus as much on the core of a community as possible and I would note there are different provisions for different size communities.

Senator Grabinger In my community, we just had a recent effort by a developer to come in and try to move the Renaissance Zone to a block and bring in a block so that he could receive the benefits of the investment there. It really wasn't a blighted block or building. Do you think this is an appropriate use of this? I agree with the theory that we use this for our downtown and in Jamestown we certainly have. But when we take and we decide it is okay

for this guy who wants to build an apartment building so we are all of a sudden bringing his block in to this, so that he can take advantage of this when it wasn't there before and it's not a blighted area. I have a problem with that. Do you see that as a problem?

Senator Flakoll I don't know the specific circumstances so I hate to go on a case by case basis, but you know this is really more so designed for those sometimes boarded up places, or they haven't put any money into them since the Truman Administration, that type of thing. So, that's what the main focus has generally been and again I don't know the circumstances of that, but it's not designed for just anyone who wishes to invest in a community.

Senator Bekkedahl On item 1C of your amendment, your last line in the middle sentence there says 'population is based upon the most recent federal decennial census'. I know there is a bill in the House right now that would tie some of the apportionment dollars from the state funding source such as State Aid Distribution to the most recent decennial census or the most recent federal census estimate which comes out annually. Would you be amendable to adding language that would allow the cities access to that newer data versus waiting for the 10 year census?

Senator Flakoll I don't know that I would oppose that. I am fully aware that five minutes from now when I leave this room, I no longer have control of this bill. It then becomes the committees' bill which then hopefully becomes the full Senate's bill. I think you have to review and pull the information together and do what you think is best in terms of some the discussion. We certainly recognize there is major growth that is exploding in some communities.

Senator Judy Lee Some of the questions that have arisen I think can be ably answered by some of the folks who might be testifying later too.

Senator Dotzenrod Along those lines, I have some questions on the fiscal note here. I rather than ask Senator Flakoll, and I assume that we will have someone here that can answer some of these questions on the numbers, that are in the fiscal note? If you look at the bottom of the first page of the fiscal note they say that reduction income in financial tax revenues that contribute to a renaissance zone is approximately \$34.3 Million. That number is a number that I don't know if the Legislature has ever imposed a dollar amount that they thought was appropriate for those reductions. I see in Section 2, we're changing the credits there to raise it \$2 million dollars but I am not sure how that fits in with the numbers that are in the fiscal note of the \$34.3 Million which may be entirely unrelated to the credits it appears. The \$5.4 Million investments made in renaissances fund organizations. I would like to know what is the difference between investments made in renaissance fund organizations; and the sentence that says, the renaissance zone programs? Evidently, there is quite a difference between number righted to renaissance zone programs and renaissance zone fund organizations. So those are the questions I have.

Senator Flakoll Whoever drafted the fiscal note, in cooperation with Mr. Jim Gilmore who's work with the programs could probably the information that you're seeking.

Jim Gilmour (13:06-18:29) Director of Planning and Development for the City of Fargo. He shared additional comments related to his written testimony. You can add one block for every 5,000 people. So that could be up to 21 blocks, but we're capped by the legislation at 35. He explained how this bill would relate to the Fargo Renaissance Zone. The two fiscal notes here are two kinds of state income tax credits or exemptions. There was a fund that was created so that if you invest in the fund you get an income tax credit and then that fund is invested in the zone. But then if a business leases property in the zone they get a state income tax exemption for the income that they earn at that location. So, if you look at that the overall number it must be \$34 Million, and the fund is \$5.6 Million. There has been a concern that some of the state income tax exemptions were higher than they should have been for the level of investment. During the last legislative session, it is now capped at only up to \$500,000 of your income can be exempt. They also capped Historic Tax Credits. It had been no limit and that is only up to \$250,000 per project. Letters of support are also included in his testimony.

Chairman Burckhard When I was on the City Council in Minot we used to get criticized for the renaissance zone by some of the public. Is it worth it in the end, do you think for redevelopment and for revitalizing the downtown area?

Jim Gilmour yes I think it is. I think the older element is really a public private partnership if the streets aren't there, and the city infrastructure isn't there it is hard to redevelop. Just as we put new roads out into other area, sometimes we're criticized for that even though it's bringing new jobs, new businesses, and new housing in the community. I think there is a lot of skepticism when the bill was first approved, and I think it didn't get through the legislature with that big of majority, but now I don't think there is anyone on the school district or county commission that has any concerns about the program. They see it as a program that brings in more money and provides a much better quality of life for a community.

Senator Dotzenrod Congrats on the work in Fargo, it's been spectacular to see that part of the city be able to prosper and see these investments. I think a lot of us maybe weren't aware at the time that the renaissance zone law became law and it could work and do things as well as it has. On page 2 of the bill, this is in current law, it says 'the application for the renaissance zone not to exceed 15 years and then upon application by the city, you can get an extension for up to 5 years.' I am just wondering in the way these are working in Fargo, other cities, are we finding that were going back to get that 5 year exemption and then when the 15 years runs out, then we go another 5 and then another 5, and then another 5? Should we expect that once this renaissance zone status has been achieved that essentially it will be there forever or do you think that we're going to see that 15 years actually be meaningful and that will be the end?

Jim Gilmour I think in our downtown in particular, I think there is a lot to do. I don't know if we can get it all done in 5 years. I do see it probably continuing. It may start to move around a little bit. Redevelopment of an older downtown is a process that probably never ends, just always doing something.

Ellen Huber (22:30-26:51) Written testimony # 3. Business Development Communications Director for the City of Mandan.

Senator Grabinger Does your renaissance zone extend now beyond your downtown core?

Ellen Huber It doesn't quite cover our entire main street. We are short a few blocks on the east and west end of our main street and it goes a little bit North, with our Central Business District but it does not cover our entire CBD.

Mike Allmendinger (27:49-29:40) Kilbourne Group out of Fargo. Written testimony # 4. He explained how his group gets involved in the Fargo area for a Renaissance Zone.

Senator Anderson If somebody was in the Renaissance Zone and builds a private residence are they eligible for the property tax and income tax credits?

Mike Allmendinger Yes, if you own a home in the renaissance zone and redevelop that, you are eligible for no property taxes for 5 years and no North Dakota income taxes for 5 years for a residential project.

Senator Judy Lee It might be helpful to explain that a lot of the private homes that are part of this Renaissance Zone project would be condominiums and they would be upstairs above commercial property that would've been developed on the street. So, we're not looking at a lot of single family home developments that would be in the Renaissance Zone. But we are looking at a fair amount of permits issued, but that is where the private homes come from. Would you not agree the large part would be from condo projects? I would add after a long time in the real estate business that that has been a remarkable addition to downtown. Yes there is an exemption for 5 years, but as you heard with the testimony about Mandan, the increase in taxable valuations leads to some really strong growth and it's a 5 year. Everybody doesn't get a tax break forever, 15 or whatever. The tax breaks are for 5 years in order to incent this project going forward in the first place. I think it's important to understand why there is a private home provision in the renaissance law.

Mike Allmendinger That is true. The projects that I am aware of in downtown Fargo that have been part of a residential application for the renaissance zone are in condominiums. As an overall goal, from what I understand, Mandan, Bismarck, Williston, Fargo, Minot the projects that are being proposed for redevelopment usually trying to achieve mix uses and more density. Those two components certainly create more vibrancy and I think that is what the cities are looking for as they are looking for redevelopment projects.

Chairman Burckhard If I am one of those residential folks that benefited by a new townhouse for 5 years, and I sold the townhouse in 3 years, would the new owner get the last two years of that?

Mike Allmendinger Yes, that is correct. It's five years and it can be forwarded to the new owner.

Senator Dotzenrod For both Mandan and Fargo we heard today about the increase in property values so we know that for those owners of those properties there is a clear benefit that we can measure. As policy makers I think the Legislature would like to find some way to be assured that there's beyond the benefit to the private owners, that there is a public benefit with the increased values. The property tax revenues that flow to the city

are going to go up. So there is clearly some revenue enhancement once the property has reached the end of its exemption period. You could make that argument I think that the city is going to see more revenue and more ability to support what goes on in the city. But otherwise is there any other way, as some of these things are difficult to measure like the traffic in the stores, amount of business in the restaurant. Is there any data that you're aware of like sales tax collections or trying to quantify something's that are difficult to quantify. Well how do you measure in a Renaissance zone vibrancy or activity? I think maybe sales tax volume would be one way, but do we have any information that shows that inside these renaissance zones there are measureable benefits that go beyond the increased value for those private owners?

Mike Allmendinger I think for ourselves and the data that we've seen, if you look at I believe that there is \$110 million dollars of investments for the Renaissance zone in Fargo.

Jim Gilmour We have tried to identify if there is a sales tax increase downtown. I don't know if we'd been able to get that information from the tax department because of the confidentiality growth. I can tell you there are a lot more restaurants downtown and doing a lot more activity. The more things like that downtown, certainly is up but I can't put a number on it for you.

Mike Allmendinger I think just overall investments is there and I think I've seen a number where there is about \$150 Million dollars of redevelopment projects that have been part of a renaissance zone projects. You know that about \$500 million dollars, worth of overall projects in downtown Fargo have been just completed. I think there used to be \$500,000 collected in property taxes in downtown Fargo and now I believe it's about \$2 million dollars of property taxes just in that Central Business District.

Senator Grabinger Do you know if the Fargo Renaissance Zone Authority has ever turned down a request that was brought to them?

Mike Allmendinger I guess I don't know if anyone has been turned down.

Jim Gilmour Yes there have been several where we felt there wasn't enough investment in the building. There have been some single family residences that have applied, for instance the Radisson Hotel is remodeled downtown and they had applied for it and we didn't feel that was appropriate it was mainly cosmetic, redoing the rooms. A major office building downtown acquired about the program and we told them they were not going to meet the investment threshold. So, I think our Renaissance Zone Authority has a pretty high standard on what they want.

Chairman Burckhard Mike, do any of these projects ever turn into a money pit? We didn't know what we were getting into? How often does that happen?

Mike Allmendinger If we just look at the products in general across the metro area. There is about a billion dollars, worth of permits in construction this year in the metro area. I don't know exactly the number of investments that were made in downtown Fargo, but I think it was around \$10-20 Million dollars. So I think if you just look at where people are choosing to build based on what their return on their investment is, into a development project, it still

in the new green field areas. So, it is very challenging and much higher risk to do a project in a downtown redevelopment. There are many unknowns. There is hazardous materials. There is just a long lists of additional risk associated with working at projects on land that has been there for 100 years. So a specific answer to the money pit question, I would say yes, we have found many obstacles and challenges financially when you start working on a project and you learn more about the property.

Mike Hahn (39:33-42:12) President and CEO for the Downtown Community Partnership in Fargo. In support of SB 2329. Written testimony # 5.

Dawn Kopp (42:50-47:57) Executive Director of the Downtown Business Association of Bismarck, in support of SB 2329. Written testimony # 6. When the question of after 15 years does the program continue on to perpetuity? I don't necessarily see that happening in all communities. Watford City, before the major oil boom was very successful, with their Renaissance Zone and actually completed nearly or if not all by today; all of the blocks in their Renaissance Zone. Once a property enters into a project and completes that project they cannot enter into another renaissance zone project. So it's not like a project can be completed today, and then a new owner comes in and they want the tax credits and they can't come to you to do that. There was another question about how we receive negative comments. What our Planning Department did in Bismarck is they had spoken to all of the major players in development in Bismarck and none of them had any issues with our renaissance zone. Basically they stated that downtown is a hard place to be developed. It's very costly, sometimes it creates money pits, but it is hard to get machinery in and it's hard to move around a small space compared to a green field project. So they had no issues with the Renaissance Zone. They have looked at certain projects themselves. Our renaissance zone has also rejected projects in the past. Some projects do not meet the minimum threshold, some don't meet our design standard or the design standards set by our Planning Department, or those set within our Renaissance Zone determination. We've also seen in cases where if they don't quite meet the standard, then our Renaissance Zone request that they don't receive the total 100% 5 years tax relief. Some have received 80% because they've completed about that much or completed that portion of the standard. I think another reason why it is some important to continue to push forward with the Renaissance Zone in North Dakota is because not only does property tax increase after the 5 year exemption, but the sales tax increases greatly. As far as wanting to know the actual sales tax that is brought into the state, we did actually try to talk to the state about that, and we would have to identify every property in every boundary of every Renaissance Zone in North Dakota to receive that. So we have done for our organization, is we try to talk to our property owner and our members to see if they've seen an increase throughout the Renaissance Zone project and absolutely 100% yes, they have seen an increase.

Senator Bekkedahl You also have I believe a Tax Increment Finance District in downtown Bismarck don't you. **Dawn Kopp** yes, correct. **Senator Bekkedahl** Are the boundaries the same or very similar for both of these districts? **Dawn Kopp** The TIF district is larger than the Renaissance Zone is currently. **Senator Bekkedahl** If I understand it correctly, is your TIF district still unlimited in its duration? This is limited to 15 years with 5 year exemptions but wasn't your downtown TIF District in its original inception, an unlimited district, that literally never goes away? **Dawn Kopp** That is correct. That was the case. When the implements law suit against the TIF District in Bismarck came about, they did put some

boundaries on that now. If you do a Renaissance Zone project you cannot use TIF funds. We have a granting program through the city that uses TIF funds, but if you decide to use the Renaissance Zone project through the state you can't use those TIF funds through the city.

Senator Bekkedahl So they couldn't in essence double-dip this? **Dawn Kopp** correct.

Senator Bekkedahl When the 5 years exemption is done then the property taxes even if they are in the TIF district, the taxes then don't they all go to the district and not to the political subdivisions in apportionment. **Dawn Kopp** The over and above portion of the TIF that goes back into the TIF but that limit has been set at a new year.

Senator Bekkedahl So originally the initial law suit was because nobody ever reset the base of the property evaluations, the school district was losing money, park district was losing money. Do they now reset that base every year, the TIF district? **Dawn Kopp** No they have reset it the last time in 2005. **Senator Bekkedahl** I think it is important in Bismarck's case as they have both going on.

Senator Grabinger asked Dawn Kopp if she was aware of a resolution going in the House that, is to look at all of the state tax incentive programs. Are you aware of that, and how might this be affected in it or will it be affected by that if that's passed?

Dawn Kopp That would probably be a better question for our City Administrator who is unable to attend today.

Dustin Gawrylow (51:45-56:30) North Dakota Watchdog Network. Written testimony # 7.

Senator Bekkedahl As such "we" would like to see amended into this bill. Who is we, I understand you have a network here but who is we?

Dustin Gawrylow the North Dakota Watch Dog Network is an organization with about 500 dues paying members state wide.

Senator Judy Lee I think it is naive to suggest that we can't have any measure of what kinds of changes there might have been. So you can explain perhaps a little more completely for us here if you choose to do that. But when we look at what the property tax values were before these projects began and what the property tax values are and the additional income that is coming to schools and others, I don't think we can really with any sense of logic and fact say that we don't have some kind of measure. Sales tax, never mind about that part, because that is different, that's a intended consequence of this going on. This is similar in my view to the two year tax exemption which you probably don't like either for new home construction. At the time that was implemented there was some real push back by the school districts because they weren't going to be getting taxes from those new homes for that bit of time. But it is a limited ceiling on that as well. There are dollars that are coming in as soon as that two years is over that are a significant impact to the district and I haven't heard any school district object to any of these programs that are developing additional vitality and tax base for the communities. The Fargo School District has a printed comments here that were brought to us today supporting this issue. It seems to me it would

be perfectly reasonable to say if we didn't have this project most of what has happened in most of the Renaissance Districts would not have happened at all. I don't believe for a minute that downtown Fargo would look like it does right now. You have to talk with your own city commissioners here, but I am talking about the communities where I live. There would've been nothing similar to what we've seen today. If the Renaissance Zone hadn't been there, so that for that 5 year period of time the investors says well the owners of new, properties their would've had the benefit that allowed them to do something in an area where the infrastructure is old. There is nothing less rewarding than remaking something. There are lots of rewards to making something new. I think that applies with lots with more zeros to building projects. So, I would like you to tell me why you think that we would have had, if you do believe this, why we would've had any of this development if (we're not evaluating TIF today) without the Renaissance Zone. I cannot imagine that we would see what we see in any of the communities and I would be willing to bet a very nice dinner that we certainly wouldn't see it in Fargo or West Fargo as we do today.

Dustin Gawrylow It's not that the exemptions are bad it is the discriminatory exemptions that are given to one person, not another. As you know, the idea here we should be looking at is broad public policy. If a 5 year income tax exemption is good for one person it's good for everybody. So, if a property tax exemption is good for one person it's good for everybody. We should be looking at ways of spreading those exemptions out so that they are standard for the entire state. Everybody gets the same deal, no matter what their situation is because that is going to help them improve their property and improve their property values. We want to get to the point where there is more level playing field instead of picking winners and losers. State policy has to take into account the differences in the various cities because it's your trying to create a cookie cutter type of program but there is no cookie cutter situation in the state. So, it really needs to be a situation where you're looking at reducing the rates of taxation for everybody and making those exemptions universal so everybody gets the same deal. When you do business in North Dakota here is what you're going to get, here's the system you're going to operate under. It shouldn't be a matter of well if you work on this block and you build your business on this block you get this deal, but if you're next door on this block you don't. That is just not good policy.

Chairman Burckhard I sense if there is a wager it's going to happen here, it will happen after the hearing.

Senator Anderson I am from a small town and of course maybe what we should do is just remove the size of the thing altogether and let the cities do what they want. In my community, I can see where a block of houses gets older and older, pretty soon they are not really livable anymore but nobody wants to buy them, tear them down and build a new one. It's cheaper in our community to move out to the edge of town and buy a couple of acres from a farmer and build your new house there. The city continues to deteriorate. Maybe if we remove all of the boundaries and let the city do what they wanted then they could give the incentives for people to tear the old one down and build it within the city. In your scenario, the guy who builds out in the country would still get the incentive, but this is an encouragement to rejuvenate the city.

Senator Dotzenrod Just a clarification Dustin, are you here testifying against the bill or are you saying that if we could amend the bill you would support it. Because I get the impression

reading your testimony you used the word compromise. I want to make sure I understand. It appears that you would support the bill if we had some study or if we did some modifying, is that right or are you just against it in general?

Dustin Gawrylow The approach here is we recognize the Renaissance Zone isn't going to go away. It is one of those things that is here. I am addressing the bill as it's written and saying if you want to pursue this approach let's look at what's going on already before blowing it up. Senator Anderson, having grown up in Zap, I would agree that a more fair process would maybe make the entire state a Renaissance Zone. Forget about boundaries, make North Dakota a Renaissance Zone. If you want to do business here, you get the deal. End of story.

Chairman Burckhard closed the hearing on SB 2329.

2015 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee

Red River Room, State Capitol

SB 2329

2/12/2015

Job Number 23771

Subcommittee

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the size of a renaissance zone an renaissance zone tax exemptions

Minutes:

"Click to enter attachment information."

Chairman Burckhard opened the committee for discussion on SB 2329. All senators were present.

Chairman Burckhard asked Senator Judy Lee for some historical background on the Renaissance Zone. When John Dorsal was the Majority Leader in the House he had learned at a national conference about the Renaissance Zone which had been very successful in a couple of larger cities. Senator Gary Nelson was the Senate Majority Leader and they got well informed about it, and it ended up being presented as an opportunity at that time. So, we're talking just about 18-20 years ago. There was some real resistance on the part of smaller communities because they thought this was only going to be a big honking deal for big towns. That was not the deal at all because there were a lot of small towns that probably could use a little incentive for people to come in and fix up a small store front. So the reason there were restrictions ever on the size of the Renaissance Zone, was strictly in order to make it palatable to the smaller communities who were worried that it was not going to get the money. Gradually, as it has been used by communities by all sizes and I don't know of anyone who wasn't happy with the way it worked out. They have never come here to talk about it. So there has been a few changes and a few tweaks and discussions about whether or not it would be or have to be contiguous or do you take the blocks out when they are developed and add more in and all of that. So, it's been a very positive factor in the communities but that is why there is a limit in the first place. Otherwise, it wasn't going to fly.

Senator Grabinger My concern is with expanding the Renaissance Zone in Jamestown. In a large city 34 square blocks maybe isn't that much. In Jamestown, ND that is a lot of area. The Renaissance Zone was intended to help the downtown blighted areas because they needed to be revitalized. That is exactly what it was for. In my community, we did that downtown and it's been very successful but they expanded it all along the railroad tracks which was questionable as whether it was to help this one business or not. But in recent time I saw where the City Council decided that they would take it upon themselves to move

the blocks one block south away from the railroad tracks, away from our downtown. It isn't even close to our downtown its 3 blocks away into an area that used to be the clinic that just moved up to the new hospital so this clinic was sitting there empty. They wanted to build a library in it, and that was rejected because of the cost. But, in any case a developer came in and said I want to buy that and tear down the building and build an apartment building if you give me the Renaissance Zone. So the city in turn decided they were going to do this and offer this renaissance zone in change it for this reason so this developer can take advantage of the renaissance zone programs which is the tax exemption as well sales tax. The problem is it is a competing business and so all of a sudden you've got people that have built apartment buildings in our community that aren't in the renaissance zone now they have to compete with somebody who is going to get income tax exemption, property tax exemption and everything else but utilizing this and this was intended for blighted areas. This was not a blighted area.

Chairman Burckhard wouldn't your Renaissance Committee say no and then your City Council would also say no? I thought it would be a local decision.

Senator Grabinger It should be and they could've said no. Certainly the Renaissance Zone Authority could have killed it, the City Council could have killed it, and in fact they didn't get it because it wasn't due to a situation that didn't work out for them. But, my point is these things are going are to be abused like that. That is the problem I have with them. In City Councils most of the time your renaissance zone authority is made up of many of your city council members and so forth; so they decide to rogue and help somebody they certainly can. The initial program was a great program designed to help communities and it has in our case as well in many of our downtown buildings. But, I am concerned with that in the expansion of the program leads me to believe that I am pretty well sure that if we expand this to 34 blocks Jamestown will go to 34 blocks just because they are going to take advantage of it.

Senator Bekkedahl We are fortunate to not have that come to our Renaissance Board, the issue that you just discussed. But, because our Planning Department decided early on that it was intended to rebuild the retail sector downtown, which it was designed for. So we put rules in very early and we have had objections from developers because of this that says if you building in the renaissance zone and it may involve apartments or dwelling units, the first floor has to be retail. You can do what you want above that, but it has to be retail. That may help your Renaissance Committee out in that aspect, but I agree with you, there's an abuse there and that is a competitive factor. The downtown people putting apartments above their business places have no objections to that.

Senator Judy Lee Do you have a high vacancy rate in Jamestown so that their apartments that are empty? **Senator Grabinger** I don't have the exact rates and numbers for you, but we do have a housing problem and they are building more. What has happened, a lot of this is called assisted living and we've been having them build quite a bit. In fact we are having a huge complex built right now right to the south of our vocational center. It is a huge apartment complex. So they are quite extensive development.

Senator Judy Lee Assisted Living is actually defined in the code, and so in order for them to be assisted living there are things like elevators and other health and safety criteria that

are a part of that. The reason I am wondering about that, is if there is a vacancy issue I can't imagine your renaissance board, and it would be your opinion that it's being abused. The other people in your own community who might say that they didn't think it was. So, I understand what you're saying and I am not saying that I support what was going there, but, that is not it. But if there is a need for more apartment buildings and if that building is going to empty and it was going to be cost prohibited to build apartments in which there could be a half way reasonable rent figure the Renaissance benefits make all the difference in the world. The other thing is if it's a developer who is working at making some of them low to moderate income apartments they can get some really good tax incentives available for that kind of thing. If you add in the low income housing tax credit, and if you take the renaissance zone credit and some of those things it means their mortgage can be less and they can arrange their financing in a way that allows them to build them a structure and not have such high rent. So, I am not saying that is what they did, and maybe it was somebody who really was out to rip off somebody. We've got everybody thrilled to have more housing in downtown Fargo, because it is pretty much occupied. It is not cheap stuff anymore.

Chairman Burckhard It seems to me that is a local decision, and if they open up a can of worms they will have a lot of people asking for the same thing, but if it solved your problem.

Senator Bekkedahl The other notes I had written on this discussion was on page 1, line 17. Actually it begins on line 16 where it says population is based upon the most recent federal decennial census. I thought it would be more help since there is expansion capability here tied to population. What if we also inserted the language 'or most recent federal census estimate'?

Chairman Burckhard They do a lot of those in North Dakota. **Senator Bekkedahl** the metropolitans get updated and I believe they are released in April of every year. I only say that because if Fargo added 5,000 people in that year, they would be able to take advantage of the expansion necessary for their community instead of waiting until 2021 for that to be certified for them to do it. It is just ideal enhancement that would help them.

Senator Judy Lee Does it have to say estimate at the end or can it just say recent federal census?

Senator Bekkedahl We should check that language because there is a bill on the State Aid Distribution with Jeff Delzer, and they address this similar language in there bill which is the same intent. Then the distribution on State Aid programs rather than sharing would go out based on those estimates, not waiting for the next decennial census. I think I have language that I can find that.

Chairman Burckhard Can you find it by tomorrow? Femi can you check that out with the Legislative Council folks?

Chairman Burckhard this one didn't have to be referred for we are increasing it from \$8,500,000 to \$10,500,000. Did that have to be referred to appropriations? **Senator Judy Lee** No, because there is no general fund money in there.

Senator Bekkedahl move amending SB 2329 with language in line 17, after the word census, or most recent federal census estimate.

Senator Judy Lee 2nd.

Senator Grabinger The way I read it, it is already there if you just remove the decennial and then add at the end, is that what your intent is? The most recent federal census estimate or data.

Senator Bekkedahl If we approve the amendment can we get the final language document in tomorrow? So the concept is with our approval.

Senator Anderson I think that would help with the populations going down so they can utilize it.

Roll Call Vote
6 yea, 0 No, 0 Absent

2015 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Red River Room, State Capitol

SB 2329
2/13/2015
Job Number 23822

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the size of a renaissance zone and renaissance zone tax exemptions

Minutes:

"Click to enter attachment information."

Chairman Burckhard opened the committee for discussion on SB 2329. All senators were present.

Senator Bekkedahl I would move that amendment
Senator Anderson- 2nd

The committee voted on the amendment on 2.12.15. **Senator Bekkedahl** I move to withdraw my amendment proposal for this amendment. **Senator Anderson 2nd**, likewise.

Senator Grabinger Going from 23 to 34 blocks in Jamestown, ND, I think is pretty extreme. I have a pretty good idea that if we approve this they are going to do that. Now, by saying that I also understand that in Fargo, using 34 square blocks or going up to 49 might not be excessive. I think it is a different call. In Williston, 34 blocks is a lot of blocks.

Senator Bekkedahl Our main street is not 34 blocks.

Senator Grabinger I am just wondering if we should have that, if we could leave that, but give the larger cities the opportunity to expand it beyond that.

Senator Judy Lee It is at the rate of 1 additional block for each additional 5,000 population. It is just not moving everybody to 34 blocks. **Senator Grabinger** After 34.

Senator Lee Right, so the larger ones are able to do that. I am a local control nut, and so I realize that Senator Grabinger has some concerns about what he perceives as inappropriate use of this in Jamestown. But I trust that whether its Fargo or West Fargo, or Williston, or Wahpeton, or Minot that they are going to be responsible about the way they do this, and their opportunity for public input in my opinion should be with the City Commission or Council who is trying to decide whether or not they are going to go that way. If there is an area that needs to be developed that can benefit from this and ultimately the taxpayers benefit because there is an expanded significantly expanded value to the property that will after that 5 year period has the full taxes on it. I don't know that we have

the right to limit it to that point. I think it has to be up to the locals to decide how big it should be.

Chairman Burckhard I agree with that.

Senator Anderson My personal opinion is we should remove the restrictions on size altogether and let and the city do whatever they want with it. However, I also appreciate Senator Lee's explanation of why the restrictions were in there in the first place and there might be others like Senator Grabinger who would object to unlimited. I am comfortable with the bill the way it is I guess if that's what the people who think it will work for them want to do.

Senator Dotzenrod In trying to decide I think what we as legislators want to do our things that represent the public good. That is if we knew there was something that would benefit some private party but it would cost the public and there was no public benefit we would probably say no, and we wouldn't do that. But, it's pretty clear that our private interests will benefit, and near as we can tell, it has been a pretty big success story where we've seen this. The public benefit appears to be pretty big and the public benefit that goes with this in cases like downtown Fargo. It has become a very livable place, more apartments, more people living downtown and it's attracting young people from all over. I think there is no way to draw a clear line and say 100% of this is due to this one thing. We really can't do that, but it does appear that the Renaissance Zone idea has worked. I think we are accomplishing public benefit, private parties benefit, but when those values go up now the tax base with so many mills applied to the property on a city block is generating much more revenue for the school and other infrastructure needs for the city. So I think I would have to support this bill because what we are doing is it appears both.

Senator Grabinger You're absolutely correct and you make a valid point. It is left up to the local communities to decide this. It is just in my community we have seen our local take any state exemption or incentive program and just blow it out. We've had the TIF programs, just saw the deal with Menards. I don't know why it is in my community that they do that, but if they can offer it, they are going to give it as big a shot as they can. That is my hesitation.

Senator Bekkedahl I share your frustration as a local official. When the state legislature makes language more permissive it applies even more pressure to the local governing bodies to do something because it's more permissive in those interest groups who come in and say do this for us. (Ex. Cited) The Renaissance Zone helps replace areas that need help, gets us to commercial business. The noncontiguous blocks, still does not exceed 3 square blocks that is still in the legislation. This will allow us to use a 2 block area to connect our current Renaissance Zone that is primarily residential but gets us to the next commercial district.

Senator Judy Lee move a do pass as amended on 2329.

Senator Bekkedahl 2nd

Roll Call Vote 6 Yea, 0 Nay, 0 Absent

Carrier: Senator Judy Lee

15.0877.01001
Title.02000

Adopted by the Political Subdivisions
Committee

February 13, 2015

2/13/15
Jone

PROPOSED AMENDMENTS TO SENATE BILL NO. 2329

Page 1, line 17, after "census" insert "or federal census estimate"

Renumber accordingly

Date: 2.13.15
Roll Call Vote: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2329

Senate Political Subdivisions Committee

Subcommittee

Amendment LC# or Description: 15.0877.01001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Sen. Judy Lee Seconded By Senator Bekkedahl

Senators	Yes	No	Senators	Yes	No
Chairman Burckhard	X				
Senator Anderson	X		Senator Dotzenrod	X	
Senator Bekkedahl	X		Senator Grabinger	X	
Senator Judy Lee	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Senator Judy Lee

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2329: Political Subdivisions Committee (Sen. Burckhard, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2329 was placed on the Sixth order on the calendar.

Page 1, line 17, after "census" insert "or federal census estimate"

Renumber accordingly

2015 HOUSE FINANCE AND TAXATION

SB 2329

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2329
3/18/2015
25051

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A bill relating to the size of a renaissance zone and renaissance zone tax exemptions.

Minutes:

Attachments #1, 2, 3, 4, 5, 6, 7, 8, 9, 10

Chairman Headland: Opened hearing.

Senator Flakoll: Introduced bill. Distributed written testimony; see attachment #1.

Representative Steiner: What was the move from 23 square blocks to 34 square blocks? In Fargo do you need to expand the renaissance zone? Are you at your current boundaries now and can't move forward?

Senator Flakoll: There are situations where they are bumping up against those. There is a modest change on the senate side on the determination of the number of people. On page 1 lines 16 and 17 as the bill originally came to us, the population was based upon the most recent decennial census. It was felt in committee that it should ___ the other federal census estimate. For the communities in the western patch that are particularly growing in an aggressive fashion that will allow them to do some of those things in order to expand their footprint where they can help develop those.

Representative Haak: Do you know how many cities in North Dakota use the renaissance zone?

Senator Flakoll: Thirty. Some others testifying will have more detail about it.

Representative Thoreson: I ask for your support of SB 2329. In 1999 I was honored to be a sponsor of HB 1492 which set up the idea for a renaissance zone. I think it was a visionary piece of legislation because it took what was becoming a crumbling inner city and turned it into something which now our city and entire state can be proud of. Even before what happened in the oil patch Watford City also used it and put together a wonderful main street and areas of their city which were also going in the direction we didn't want him to and now with economic boom in the western part of the state I think it was visionary to do

that and it made a world of different. Since then a number of other cities use this piece of legislation to help reinvest in their communities. With the change in this bill I think we can go forward and continue to do so.

Rikki Roehrich, Department of Commerce: There are 58 communities across North Dakota using the renaissance zone.

Representative Schneider: Could we get a copy of the list of renaissance zone cities?

Rikki Roehrich: I will get that for the committee.

Ellen Huber, Business Development and Communications Director for the City of Mandan: Distributed written testimony in support; see attachment #2. Ended testimony at 17:30

Representative Haak: You said there are 11 new businesses and 15 expansions of existing businesses. Would you have a ballpark figure of how many jobs this has created for the city of Mandan?

Ellen Huber: I don't know that figure off the top of my head but I could get that for you. Our community has probably been most concerned about adding to the products and services available in our community. We are very under-retailed for a community the size of ours and very lacking in restaurants in particular. Our emphasis has been more on the types of businesses coming into the community. We are very fortunate to be in a time with abundant job creation and we have some 4,000 job openings in this metro area. There are many businesses that would grow and add positions what they have if we could attract people to the community to take those positions. Adding housing in our downtown area has been very important. We have a couple mixed use projects. We've added near 60 apartment units in combination with commercial at street level. When I get you that jobs figure it is going to be far under what it could be if we could attract more people to fill those positions and help those businesses expand and flourish.

Jim Gilmour, Director of Planning and Development for the City of Fargo: Distributed written testimony in support; see attachment #3, 4, and 5.

Mike Allmendinger, General Manager of Kilbourne Group: Distributed written testimony in support; see attachment #6.

Chairman Headland: Is there an example of a building that isn't in the current boundaries but located within this expansion that we're talking about here or several buildings?

Mike Allmendinger: I would say that there are several buildings. If you're familiar with downtown Fargo anything past 10th street is really not in the renaissance zone; there's a couple pieces that go over. There are a number of projects along NP Avenue and 1st Avenue. There used to be one ways and they turned into two ways which slowed the traffic down a bit and it's more pedestrian friendly. There has been a high demand for projects to be happening along those corridors. They've identified areas from doing a survey of

property owners of where the blocks would be and what owners are interested in future projects.

Jim Gilmour: There are three blocks on the south side of Main Avenue west of 8th Street, four west of Island Park and another four up in area of the old Woodrow Wilson school which is an old residential neighborhood in the northwestern edge of downtown where there is potential for removing older single family homes and bringing in some offices or apartment buildings.

Chairman Headland: We're talking about getting rid of older single family homes, replacing them with office buildings and we're going to use renaissance zone dollars for these types of projects? It seems like the mission is being expanded quite a bit.

Jim Gilmour: The older single family homes have been cut up into apartments and are not in very good shape so we are encouraging these homes to be demolished and removed. Sometimes it's an older gas station or a smaller commercial building that isn't of use anymore. More development could happen by the old Sunmart store as most of the site is vacant so more housing could go there. On the fringe there's probably going to be more housing and maybe some corporate headquarters. We've had two companies looking at moving corporate headquarters to the downtown area but that could be difficult because of parking issues and things.

Mike Allmendinger: We are pretty familiar with these types of homes. A while back the planning department put together a framework plan for this neighborhood in downtown Fargo. There's been a zone that has been discussed publicly and there's an idea to create more density which would create more vibrancy and mixed uses for a vibrant downtown Fargo. I think it meets the goals for what the vision is. There are a number of homes that have had very little maintenance; they are very low tax basis. In addition to single family homes there are 72 acres of parking lots in downtown Fargo that have curbed gutters and infrastructure provided for them that are undeveloped.

Chairman Headland: It seems to be quite an expansion of the intent of the original renaissance zone.

Dawn Kopp, Executive Director of Downtown Business Association of Bismarck: Distributed written testimony in support; see attachment #7.

Chairman Headland: Is Bismarck also expanding their renaissance zones out in the residential areas?

Dawn Kopp: We do have some but we are looking at mostly commercial space.

Bill Wocken, City Administrator for the City of Bismarck: Distributed written testimony in support; see attachment #8. Ended testimony at 41:35

Chairman Headland: You're in this committee quite a bit and you see the bills we get. If we keep expanding will we get anybody to do anything without a tax credit?

Bill Wocken: I think tax incentives and tax credits are a good opportunity to try and focus development in areas where it's most needed. If you look at the downtown area of the community and you look at no incentives what ends up happening is the government ends up paying more to maintain those buildings and they become public safety issues. At a certain point the city ends up getting tax title and ends up having to tear the buildings down. I think if incentives are focused in the correct area it is a very appropriate response. I don't think we should incentivize all development but I believe renaissance zone is one of those programs that put the incentive in the right area.

Chairman Headland: Are you in agreement of expanding the renaissance zones into the residential areas?

Bill Wocken: I'm not necessarily in agreement with expanding it into the residential areas except where there is cause. There are times when your downtown area will bump out and will run into those residential areas. There are some properties on the fringe of the downtown that we're not real proud of; some buildings have been let go, remodeled extensively for apartments and don't meet the present market, and some buildings that aren't very usable anymore. I don't think that as a blanket statement tearing down residential units for commercial expansion is a wise incentive and that's why we would take a look at one project at a time trying to use those extra blocks judiciously.

Kelvin Hullet, Bismarck Mandan Chamber: As we look at this program we think it's an important program that assists with revitalizing the core of our community and that's something we've been focused on as we look at where we're at and where we need to go. We really look at the private and public partnerships within our community as this is something we strive to work on. We would view this as opportunity to work with our local government to continue moving our city forward.

Representative Steiner: Do you have other businesses in your group that protest the fact that some of their other members get a benefit and they don't?

Kelvin Hullet: I'm sure there are some within the organization but as our community continues to expand if you keep pushing everything to the north exit pretty soon you have a downtown you really have to work on. We look at how we balance. This plays a significant role in making sure we stay balanced in our community.

Blake Crosby, North Dakota League of Cities: Distributed written testimony in support; see attachment #9.

Representative Froseth: Why don't we just do away with the zone size and make the entire city available for the income tax credits on renaissance or repurposing buildings including the residential areas?

Blake Crosby: I don't completely disagree with your idea, however, I think it's important that cities move in an organized fashion and there's some planning that takes place so you don't create the possibility of having these little enclaves of business and housing here and there and everywhere. That puts too much cost on the infrastructure and on the property tax payer to try and run infrastructure to these little pods that are out there. For me it would

come down to necessity to have a city growth plan that makes sense for the property tax payers that are going to end up supporting that.

Representative Hatlestad: If I had a home in the renaissance zone that I wanted to refurbish as a single family home am I eligible for the renaissance program?

Blake Crosby: It is my understanding that you would be.

Representative Strinden: If somebody used that renaissance money on that same building before the Representative Hatlestad is moving in to that he wouldn't be able to use that money, correct?

Blake Crosby: That's correct.

Vice Chairman Owens: It seems like the whole purpose of the renaissance zone was to target development. The renaissance zone is removable, correct? So constantly growing it would defeat the purpose of targeting the incentive to the area that you wanted the incentive to applied to and you wanted the rejuvenation?

Blake Crosby: I would say no because there is still targeting taking place. They are targeting it based on the availability of the property, the participation of the property owners and building owners. It comes down to the targeting based on the city plan as far as their expansion and growth.

Chairman Headland: Have we expanded the program from its infancy to now using it to knock down old buildings and put up new ones? Shouldn't just pure economics of doing that help drive some of that rather than having to have subsidy from both the property tax payer and the state?

Blake Crosby: Mr. Wocken stated previously that it is an increased harm to take these old buildings and knock them down then have that property sit there empty than it is to attempt some sort of rehabilitation. Based on what I have seen in downtown Fargo there is very little tear down, most of it is rehab. They are saving some really fantastic buildings in downtown Fargo.

Chairman Headland: Is there further support? Is there any opposition?

Dustin Gawrylow, North Dakota Watchdog Network: Distributed written testimony in opposition; see attachment #10.

Vice Chairman Owens: Your comments about a study has not escaped this body because I know you are aware of the interim tax committee and the bill that came out not only included renaissance zone but was also TIF and every incentive we have to evaluate it for that very purpose. Rather than doing it in individual bills we took it on ourselves to do it throughout. There will be a recurring review from now on so we can evaluate these things for that very reason; to see if it was worthwhile or not.

Chairman Headland: Could you put together the amount of revenue the state has not received since the inception of the renaissance zones due to the renaissance zone?

Joe Becker, Tax Department: We have done that and I can provide that for you.

Chairman Headland: Are there any other questions? Seeing none we will close the hearing on SB 2329.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2329
3/23/2015
25253

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A bill relating to the size of a renaissance zone and renaissance zone tax exemptions.

Minutes:

No attachments

Chairman Headland: In the hearing some of the concern was that it was expanding out into residential areas. After consideration I think that if there are buildings out in residential areas that would be appropriate I don't have a problem with it.

Vice Chairman Owens: I had a long discussion with the tax department clarifying certain things and then with some city leaders about the purpose and desire of it. I talked about some amendments with them to still give them the authority to move things around but it seemed to complicate things. Life is easier if you just go ahead and increase the zone.

Chairman Headland: We have to increase the available tax credits as well.

Vice Chairman Owens: Thank you for reminding me about that as I was just thinking about the zone.

Chairman Headland: It's certainly our prerogative to change that. It's going to increase from a total \$8.5 million to \$10.5 million. That is something we've done every time we've addressed renaissance zones. It's total collective amount of credits; it keeps building as you expand the program.

Representative Steiner: Why does the city need to come in and ask us? Why are we over the top of it?

Chairman Headland: When they created the renaissance zone in 1999 income tax relief was part of that equation and it's always been. The program has been successful it's just a question of whether it's affordable and it's completed its mission. I would contend there are blighted properties out there yet that could still benefit. I don't have a problem with expanding it.

Representative Schneider: I was reviewing the testimony and there was some outstanding representation among those who testified. Pretty much all the testimony agreed that it has been a spectacular return on investment. **Made a motion for a do pass.**

Representative Mitskog: Seconded.

Representative Trottier: It still puts it back to the cities to make the decision. If people are complaining they are giving away too much that is still up to the city officials too, correct?

Chairman Headland: Yes.

Representative Klein: I'm going to resist the do pass. I think we've gone too far in this business and there's too much money involved.

Representative Steiner: I agree with Representative Klein. I was at a town hall this weekend and we had a couple businessmen talk about the renaissance zone and they disagree with it. If that infrastructure is in place the city should be encouraging the development of their own downtown without the state always having to subsidize improvements.

Chairman Headland: I can't argue against that. Are there any tweaks we can do to make the bill more acceptable to Representative Klein or Representative Steiner?

Representative Klein: When it started it was a good program but there's been a lot of problems with this thing too so I think the city should look at their own system and go from there.

Chairman Headland: Representative Steiner, are you in agreement with Representative Klein?

Representative Steiner: Yes I am.

Representative Mitskog: I think we need to keep in mind of what's not being collected now. You look at the investment we're giving, five year tax breaks, and you look at what we're not collecting now and what's going to be collected in the future. Representative Mitskog gave an example of a building in Wahpeton.

Representative Dockter: Is this building in the current renaissance zone now?

Representative Mitskog: Yes.

Representative Dockter: So if we don't pass this you can still have your project.

Representative Mitskog: I look at the areas like Fargo and the fringe of Wahpeton and there are areas that could benefit. There should at least be consideration for expansion of the footprint.

House Finance and Taxation Committee

SB 2329

March 23, 2015

Page 3

Roll call vote: 8 yes 5 no 1 absent

Motion carries for a do pass.

Representative Mitskog will carry this bill.

Date: 3-23-15
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2329**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep. Schneider Seconded By Rep. Mitskog

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK	✓	
VICE CHAIRMAN OWENS	✓		REP STRINDEN	AB	
REP DOCKTER		✓	REP MITSKOG	✓	
REP TOMAN		✓	REP SCHNEIDER	✓	
REP FROSETH	✓	✓			
REP STEINER	✓	✓			
REP HATLESTAD	✓				
REP KLEIN		✓			
REP KADING		✓			
REP TROTTIER	✓				

Total (Yes) 8 No 5

Absent 1

Floor Assignment Rep. Mitskog

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2329, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman)
recommends **DO PASS** (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed SB 2329 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

SB 2329

SB 2329
2.5.15
#1

SB 2329 Senator Tim Flakoll

Renaissance Zone legislation originally passed in the 1999 session (HB 1492) has been wildly successful and has resulted in investments of billions of dollars across the state in communities large and small.

Historically many communities have let the core of their community die, as they moved away from the heart of the city to spreading out to the fringes and into extraterritorial areas of a community. The Renaissance Zone legislation has breathed new life into communities of all sizes from Wishek who I think was the first community to use the program to our larger communities in the state.

Wall Street Journal - Fargo Moorhead is a thriving metropolitan, its downtown is home to hip clothing stores and a great boutique hotel. There's even a thriving art scene.

Sometimes we forget that our cities do have a large footprint. I think Fargo has something like 1,800 miles of roads in it and is about 48.82 square miles (source US Census) which is twice the size of Manhattan (23 sq miles) and about half the size of the city of Boston (48.28 sq miles).

The original bill authorized communities to have up to 20 contiguous blocks and up to \$2.5 million in tax credits. In my community of Fargo, the renaissance legislation proved to be one of the most visionary pieces of legislation to pass in the past 20 years. It has proven to be the impetus to spark development, redevelopment in areas that were previously termed blighted.

In Fargo, the program has provided incentives to 75 projects that have either been major rehabilitation of existing buildings or new buildings, \$125 million

in investment, and a \$2 million annual increase in property taxes from approved projects.

Overall property values in downtown Fargo, which had changed very little prior to the RZ program increased greatly after the program was approved. **Property values downtown increased from \$197 million in 1999 to \$583 million in 2014. This is not through a proliferation of chain stores, but with locally owned and often family businesses.** Projects launched including transforming boarded-up tractor factories into offices, lofts and even an art museum.

It has also created one of the greatest downtowns in the country. A place that ESPN Game Day and its millions of viewers called the best backdrop they have every had for their show. A place that is a drawing card for students and young adults that we try so hard to bring and retain in our state.

2004 Los Angeles Times - March 10, 2004

"In the last three years, Fargo has begun to reinvent itself as improbably stylish, worldly, even luxurious -- to the point where the mayor has hopes of marketing the city as a vacation destination. Quietly, subversively, Fargo has gone trendy.

The North Dakota city immortalized by the Coen brothers' film as a grim, frozen wasteland is reinventing itself as a stylish, worldly place. If I had to pick one adjective for what downtown Fargo was like 10 years ago, I would say 'sleazy,' " said Laurie Baker, 50, a yoga teacher. "Now, I would say, 'getting cosmopolitan.' We're not quite there yet. But we're getting there."

Mr. Chairman and members of the Senate Political Subdivisions committee, look how far we have come. There are a number of community leaders who will follow me both from a city and business perspective.

End

SB 2329
2.5.15
1.3

FARGO RENAISSANCE ZONE PROGRAM (RZ)

Fargo's Downtown History

From the time the Northern Pacific Railroad reached the area in the 1870's the downtown has defined the community of Fargo and has served as the commercial center of this growing city. Historically, the downtown area served as the primary hub of distribution, manufacturing, retail and professional trade for the city and the entire State of North Dakota. Today, after a period of decline and degradation, Fargo's downtown core has undergone a significant transformation and has evolved into an active and robust business and entertainment district. A portion of this revitalization can be directly attributable to the Renaissance Zone Program.

Program Details

Total Completed Projects – 231

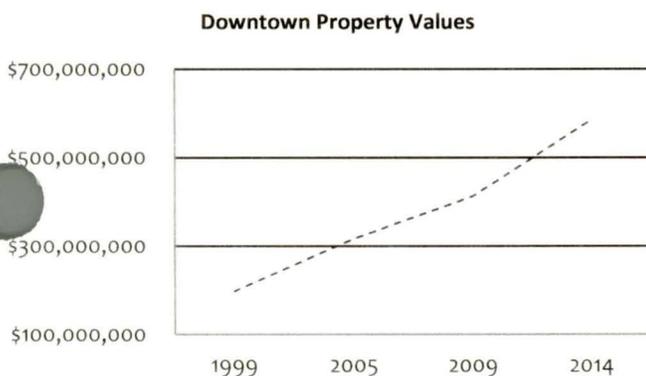
New Construction & Rehab Projects – 75

Total Value of RZ Investments - **\$125 Million**

Annual Estimated Property Tax Increase, RZ Projects Only- **\$2 Million**

Renaissance Zone Tax Benefits

Completed RZ projects have facilitated significant investment in Fargo's downtown core and have contributed to a substantial increase in the assessed values of properties in the downtown core. The graphic below depicts downtown property values since 1999.

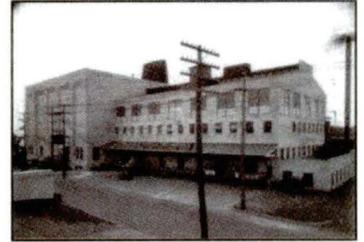


Recent Project Examples

Project: Union Storage – Armour Creamery

Year: 2014

Project Description: Rehab of building constructed in 1929 to include 40 upscale apartments and 35,000+ square feet of retail/commercial space.



Pre-Project Value: \$531,600 (bldg)

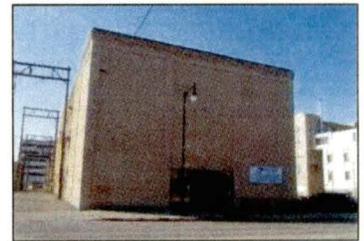
Estimated Post-Project (bldg) Value: \$9 Million

Property Tax Differential: \$121,000 (annual)

Project: Loudon Building / FRS

Year: 2013

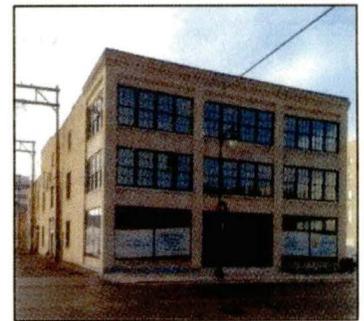
Project Description: Rehab of building constructed in 1916 to accommodate 20,000+ square feet of commercial / office space.



Pre-Project Value: \$373,000 (bldg)

Estimated Post-Project (bldg) Value: \$1.75 Million

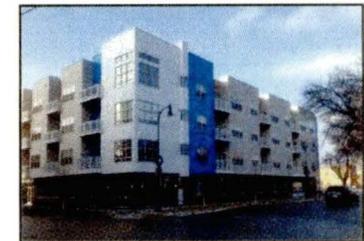
Property Tax Differential: \$19,500 (annual)



Project: Marks Apartments

Year: 2012

Project Description: Removal of existing building and construction of new 45 unit apartment building (23 1-bedroom and 22 2-bedrom units)



Pre-Project Value: \$333,000 (bldg)

Estimated Post-Project (bldg) Value: \$4.6 Million

Property Tax Differential: \$60,000 (annual)

INTRODUCTION

2003 Riverfront Development Master Plan

2007 Downtown Framework Plan

In 1999 the Renaissance Zone Program was approved by the North Dakota Legislature and signed by the Governor. This established an additional incentive with the intention of enhancing economic growth and investment opportunities in downtown business districts. This city of Fargo adopted the initial Renaissance Zone Development Plan in 1999.

HISTORY OF THE RENAISSANCE PROGRAM IN FARGO

The original Renaissance Zone (RZ) legislation was passed by the 56th Legislative Assembly in 1999 and enabled local governments to establish Renaissance Zones and associated Renaissance Zone Funds (RZF). The legislation was signed into law on April 8, 1999 and was originally intended to be a fifteen (15) year program.

The city of Fargo signed a Memorandum of Understanding (MOU) with the North Dakota Division of Community Services on December 28, 1999 which established the ability for the City to create a Renaissance Zone program. The city of Fargo 15-year timeframe effectively expired at the end of 2014 and as detailed under N.D.C.C. 40-63-03(1)(f) this Renaissance Development Plan (RZ Plan) has been authored as one of the components necessary to extend the duration of the program by an increment of 5 years.

The initial city of Fargo RZ Plan was approved in December of 1999 and an update was completed in 2003 in response to legislative changes in 2001 and 2003. Additional legislative changes were made in 2005, 2007, 2009 and 2013 and the program has continued to evolve. Outlined below is a quick summary of the legislative changes:

Year	Session	Bill	Summary
1999	56	HB 1492	1. Original Enabling Legislation
2001	57	SB 2033	1. The definition of 'rehabilitation' was changed to include residential projects
2001	57	SB 2033	2. A provision was added to allow a one-time adjustment to zone boundaries after 5 years
		SB 2033	3. The amount of the Historic Preservation tax credit was reduced from 50% of the project cost to 25% of the project costs with a capped limit of \$250,000.

INTRODUCTION

		SB 2033	4.	The RZF provisions were changed to allow investments in Renaissance Zones (not limited to RZ projects) and funds could be invested in zone projects throughout the State.
2003	58	HB 1447	1.	The initial legislation authorized a 20 block RZ boundary. This provision allowed an additional block for every 5,000 in population to a maximum size of 35 blocks.
		HB 1457	2.	Adjustments to the zone boundaries may be made more often than the 'five-year, one-time' adjustment that was authorized in the 2001 legislation.
		SB 2259	3.	In addition to investing in zone projects, a RZF may invest in projects in designated zone cities.
		SB 2259	4.	Authorized an additional 2.5 million in tax credits for RZF investments
2005	59			NO CHANGES
2007	60	HB 1225	1.	The base RZ boundary was increased to 23 blocks
		HB 1225	2.	A provision was included to allow an exception to the "continuous and contiguous" boundary requirement. Each RZ may designate a 'satellite area' which cannot exceed 3 blocks or ½ mile from the primary boundary
2009	61	HB 1428	1.	If a block is completed a city may remove the subject block and designate a replacement block
		HB 1428	1.	The total amount of RZF tax credits was increased by \$2.5M to an aggregate not to exceed \$7.5M.
		SB 2060	1.	The ½ mile requirement for a non-contiguous block (satellite block) was removed
		SB 2060	2.	Public utilities were added as eligible RZ projects.
2011				NO CHANGES
2013	63	HB 1166	1.	Effective August 1, 2013 a \$500K annual cap was placed on the maximum amount of eligible income that can be exempted by a taxpayer
			2.	Provided clarification on the expansion of a previously approved zone project

Since the RZ boundary's original configuration in 1999 the boundary has been modified five (5) times with the most recent change occurring in 2014 to accommodate potential investments on [former] block 5t. The maps below depict the history of RZ boundary changes in Fargo including the most recent boundary which is referenced as the '2014 Renaissance Zone Boundary'.

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SB 2329

A BILL for an Act to amend and reenact subsection 1 of section 40-63-03 and subsection 5 of section 40-63-07 of the North Dakota Century Code, relating to the size of a renaissance zone and renaissance zone tax exemptions; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 1 of section 40-63-03 of the North Dakota Century Code is amended and reenacted as follows:

1. A city may apply to the department of commerce division of community services to designate a portion of that city as a renaissance zone if the following criteria are met:
 - a. The geographic area proposed for the renaissance zone is located wholly within the boundaries of the city submitting the application.
 - b. The application includes a development plan.
 - c. The proposed renaissance zone is not more than ~~twenty-three~~ thirty-four square blocks, except in a city with a population of greater than five thousand the renaissance zone may exceed ~~twenty-three~~ thirty-four square blocks at the rate of one additional block for each additional five thousand population to a maximum size of ~~thirty-eight~~ forty-nine blocks. Population is based upon the most recent federal decennial census or federal census estimate.

If a city finds that renaissance zone projects have satisfactorily completed one or more blocks within the renaissance zone, the city may apply for and the department of commerce division of community services may approve withdrawal of those blocks from the renaissance zone and replacement of those blocks with other blocks that otherwise meet the requirements of this chapter.

 - d. Except as provided under subdivision g, the proposed renaissance zone has a continuous boundary and all blocks are contiguous.
 - e. The proposed land usage includes both commercial and residential property.

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#1.7

f. The application includes the proposed duration of renaissance zone status, not to exceed fifteen years. Upon application by the city, the department of commerce division of community services may extend the duration of renaissance zone status in increments of up to five years.

g. The proposed renaissance zone may have a single exception to the continuous boundary and contiguous block requirements under subdivision d if the area of the excepted noncontiguous blocks does not exceed three square blocks.

SECTION 2. AMENDMENT. Subsection 5 of section 40-63-07 of the North Dakota Century Code is amended and reenacted as follows:

5. The total amount of credits allowed under this section may not exceed, in the aggregate, eight million five hundred thousand ten million five hundred thousand dollars for investments in renaissance fund organizations. A renaissance fund organization that has received investments that qualify for the credits under this subsection shall use those investments to finance projects within a renaissance zone.

SECTION 3. EFFECTIVE DATE. Section 2 of this Act is effective for taxable events occurring after December 31, 2014.

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#2

Testimony Presented on Senate Bill 2329 to the

Senate Political Subdivisions Committee

Senator Randall Burckhard, Chair

by Jim Gilmour, Director of Planning and Development

for the City of Fargo

February 5, 2015

Mr. Chairman and Members of the Committee:

The City of Fargo supports Senate Bill 2329, which provides for larger Renaissance Zones and additional tax credits to encourage more investment in Renaissance Zone projects.

Since the downtown Fargo Renaissance Zone Plan was approved 15 years ago, there has been a major investment in the downtown. Over \$125 million has been invested in 75 properties, increasing annual property tax revenue by \$2 million a year. Property values in downtown Fargo have increased from \$197 million in 1999 to \$583 million in 2014. This increase occurred for both properties using the program, and adjacent properties.

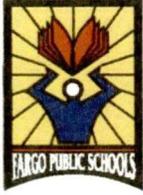
There is potential for additional development. Fargo approved a 5-year extension and revision of the Renaissance Zone Plan last year. There were 49 blocks with potential projects, but the law provides for 38 blocks. There is also interest in greater use of the Renaissance Zone fund.

One of the important reasons to expand the zone is that it takes time for developers to acquire and redevelop property. If a property is in the zone, there is greater interest in redevelopment.

Development in the downtown has encouraged redevelopment and better maintenance of adjacent properties. A larger Renaissance Zone should encourage more development over a wider area of the downtown.

The City of Fargo supports a Do Pass of Senate Bill 2329.

SB 2329
2.5.15
2.2



415 4th Street North
Fargo, ND 58102-4514
701.446.1000
FAX: 701.446.1200
www.fargo.k12.nd.us

Dr. Jeffrey M. Schatz, Superintendent · 701.446.1005
Dr. Robert Grosz, Associate Superintendent Teaching & Learning & Secondary Education · 701.446.1010
Dr. Rachael Agre, Assistant Superintendent, Elementary Education & Professional Development · 701.446.1069
Mr. Broc Lietz, Business Manager · 701.446.1027
Mrs. AnnMarie Campbell, Executive Assistant & Communications · 701.446.1005

November 24, 2014

Mr. Dennis Walaker, Mayor
City of Fargo
200 3rd Street North
Fargo, ND 58102

Mayor Walaker,

As the City of Fargo completes the process to update the local Renaissance Zone (RZ) Development Plan and the related program goals and policies, the Fargo School District appreciates the opportunity to review and comment on the materials.

Since initiation of the program in 1999, the Renaissance Zone program has been instrumental in revitalizing the downtown core and rehabilitating several important downtown buildings. The tax incentives have been a critical component to attract economic development and investment.

According to RZ data published by the City, property values in the downtown core have increased by nearly 200% since 1999 and it is clear that a portion of this success can be attributed to the RZ program. Additionally, city data shows that RZ projects have accounted for upwards of \$115 million in total improvements. Through increased property valuations and significant RZ investments the program continues to generate tax revenue at the local level that may not have otherwise materialized and the program continues produce a significant Return on Investment (ROI) for the community.

The Fargo Public School District understands that in order for the City to receive a 5-year extension of the program an updated RZ Development Plan is required in addition to securing a letter or resolution of support from other major taxing entities affected by the tax incentives. It is the opinion of the Fargo School District that the Renaissance Zone has been an important and successful program in Fargo and therefore the school district strongly supports the City of Fargo application for re-designation as a Renaissance Zone.

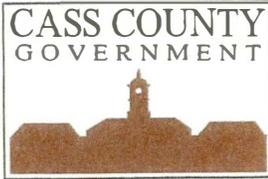
The Fargo Public School District requests that this letter of support be submitted and filed with the City of Fargo application.

Sincerely,

Dr. Jeffrey M. Schatz
Superintendent

Robin Nelson
Board of Education, President

Joe Nigg
SB 2329
2.5.15
2.2



**Board of County
Commissioners**

Chad M. Peterson
Fargo, North Dakota

Rick Steen
Fargo, North Dakota

Ken Pawluk
Fargo, North Dakota

Arland H. Rasmussen
West Fargo, North Dakota

Mary Scherling
Stanley Township, North Dakota

December 1, 2014

Dennis Walaker, Mayor
City of Fargo
200 3rd Street North
Fargo, ND 58102

Dear Mayor Walaker:

The Cass County Commission appreciates the opportunity to review the updated Renaissance Zone (RZ) materials and is submitting this letter in support of the City's efforts to obtain a 5 year extension of the program.

From the Commission's perspective, over the last 15 years the Renaissance Zone program and the applicable incentives have been an important catalyst to downtown revitalization, economic development and investment in Fargo's historic downtown core. The tax incentives have been a critical element in attracting investment and the program has also been an integral part of marketing the downtown core to potential investors, developers, businesses, entrepreneurs and residents.

As noted in City data, since 1999 property values in the downtown core have increased substantially and the RZ program has been a key factor in helping to facilitate this tax base growth. The data also shows that completed RZ projects have produced upwards of \$115 million in improvements in the downtown core which ultimately contributes to increased tax revenue generation. It is apparent that the RZ program has been highly successful in Fargo and that it continues to produce a significant Return on Investment (ROI) for the community and the State of North Dakota.

The Commission acknowledges that the city is seeking a 5-year extension of the program and as part of this effort the City is required to update the RZ Development Plan in addition to securing a letter or resolution of support from other major taxing entities affected by the tax incentives. It is the opinion of the Cass County Commission that the Renaissance Zone has been an important and successful program in Fargo and therefore the County strongly supports the City of Fargo application for re-designation as a Renaissance Zone.

The Cass County Commission requests that this letter of support be submitted and filed with the City of Fargo application.

Heather Worden
Commission Assistant

PO Box 2806
211 Ninth Street South
Fargo, North Dakota 58108

701-241-5609
Fax 701-241-5728
www.casscountynd.gov

Sincerely,

Chad Peterson, Chairman
Cass County Commission

SB2329
2.05-15
#3



"WHERE THE WEST BEGINS"

CITY OF MANDAN

MANDAN CITY HALL - 205 2nd Avenue NW
MANDAN, NORTH DAKOTA 58554

701-667-3215 • FAX: 701-667-3223 • www.cityofmandan.com

CITY DEPARTMENTS

ADMINISTRATION	667-3215
ASSESSING/BUILDING INSPECTION	667-3230
BUSINESS DEVELOPMENT	667-3485
CEMETERY	667-6044
ENGINEER/PLANNING & ZONING	667-3225
FINANCE	667-3213
FIRE	667-3288
HUMAN RESOURCES	667-3217
LANDFILL	667-0184
MUNICIPAL COURT	667-3270
POLICE	667-3455
PUBLIC WORKS	667-3240
WASTEWATER TREATMENT	667-3278
SPECIAL ASSESSMENTS	667-3271
UTILITY BILLING	667-3219
WATER TREATMENT	667-3275

Testimony for Senate Political Subdivisions Committee SB2329— A Bill to Allow Expansion of Renaissance Zones February 5, 2015

Chairman Burckhard and members of the committee, I am Ellen Huber, Business Development and Communications Director for the City of Mandan. My duties include management of Mandan's Renaissance Zone. I also serve as secretary/treasurer of the Economic Development Association of North Dakota. I am here today to testify in support of Senate Bill 2329 on behalf of both the City of Mandan and EDND.

From our perspective, the portion of the proposed bill that is most beneficial to the public and toward the goal of enticing private investment in revitalization of Main Streets, central business districts or other targeted areas is the provision that would allow for expansion of Renaissance Zones if participating cities so choose and if they have the support of the other local taxing entities.

The benefits to a property owner in undertaking a project to rehabilitate or construct an infill building in a Renaissance Zone are five years of property tax exemption on the value of the building as improved and state income tax exemption, capped in the last legislative session at \$500,000 of income annually. The investment in commercial or residential properties must equal at least 50 percent of the value of a commercial building or at least 20 percent of the value of a primary residence. Some cities set additional minimum requirements and parameters in their Renaissance Zone development plans that must be approved to participate in the program by the North Dakota Department of Commerce Division of Community Services.

The program functions as both a business retention and recruitment tool in that tenants leasing space in Renaissance Zone projects may also apply for a state income tax exemption. Public benefits are at the core of reviewing any Renaissance Zone application. Renaissance Zone Committees and city commissions and councils consider factors including but not limited to job retention and creation, job quality, increase to the property tax base, the potential to generate local sales tax, the addition or expansion of needed products and services, the project's ability to improve the aesthetics of an area, and potential positive ripple effects on the ability to attract and retain other businesses, residents, workforce and visitors.

(more)

SB2329
2.5.15 3.2

SB2329— Testimony for Senate Political Subdivisions Committee
City of Mandan Business Development & EDND
February 5, 2015

In the near 10 years since Mandan's Renaissance Zone was established, the program has helped bring about a rebirth of our Main Street and downtown area. Program participants have invested or committed to investing nearly \$17 million in the rehab or new construction of 29 buildings. These properties had an initial base value of \$3.7 million.

Mandan has more blocks along Main Street and in the downtown neighborhood that are in need of revitalization. The opportunity to expand our Renaissance Zone could help in spurring interest and private investment. I am sure other cities would also welcome this opportunity.

The Renaissance Zone leverages considerable private investment in our Main Streets, the commercial buildings within our communities, new and expanding businesses, jobs, an enhanced sense of place and quality of life. It's a local investment worth enticing.

Thank you for your consideration. I will be happy to answer any questions you might have.



SB 2329
2.5.15
#4

February 4, 2015

The Honorable Randall Burckhard
North Dakota State Senator, District 5
1350 2nd St. N.
Fargo, ND 58102

Dear Senator Burckhard,

As General Manager of Kilbourne Group, a development company in the heart of Fargo, ND, I am writing to express our support of Senate Bill No. 2329. In addition to overall support of the program, Kilbourne Group supports the addition of 11 blocks to the existing Renaissance Zone boundaries. We also support the addition of \$2 million dollars to the existing Renaissance Zone credits.

The Kilbourne Group has worked closely with the City of Fargo and the state of North Dakota through Renaissance Zone Development Plan and are proud to say that every project we have completed to date in Downtown Fargo has been completed as a Renaissance Zone project. As we look for additional opportunities in Downtown Fargo, we are focusing on blocks that are in the Renaissance Zone boundaries. It is a determining factor of where our next projects will happen in Downtown Fargo.

We ask the North Dakota State Senate to approve Senate Bill No. 2329.

Respectfully submitted,

Mike Allmendinger
General Manager

A handwritten signature in black ink, appearing to read 'Mike Allmendinger'.

SB2329
2.5.15
#5

SB #2329

Good Morning Mr. Chairman and members of the Senate Political Subdivisions Committee. My name is Mike Hahn and I am the President and CEO for the Downtown Community Partnership in Fargo. The DCP is a private North Dakota Non-Profit Corporation dedicated to promoting and advocating a better downtown Fargo. Our overall vision is for downtown to be a thriving vibrant, innovative and sustainable heart of our region. The DCP Board of Directors consists of 15 voting members representing a total of 187 investor members. DCP Investor members range from large corporations with over a century of presence in our community, to newly opened micro-enterprises. On behalf of the DCP, I would like to speak in support of Senate Bill #2329.

The North Dakota Renaissance Zone Program has transformed downtown Fargo from a dilapidated shell of its former self, an early 20th century distribution, manufacturing and retail hub. Today, it is recognized as a hip entertainment and cultural district. As we enter the 21st century downtowns across America are being reinvigorated as the place to shop, play and live. Over the past 15 years the Renaissance Zone Program focused primarily on the downtown core and is principally used as a tool to rehabilitate historic buildings. As we move forward, especially in Fargo's case with permanent flood protection becoming a reality, I feel we will be able to capture more development downtown which traditionally has occurred on the fringes of our community. Allowing communities more blocks and increased tax credits under the North Dakota Renaissance Zone Program provides us an unprecedented opportunity to grow our community from within.

Thank you for your consideration on this important legislation and for listening to my testimony.

Once again, this legislation is supported by the Downtown Community Partnership of Fargo.

Mike Hahn
Downtown Community Partnership of Fargo
701-298-6965 – mike@downtownfargo.com

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2.5.15
#6

February 5, 2015



DOWNTOWNERS
BISMARCK

ND Political Subdivisions Committee
Chairman Randall Burckhard

Good morning Chairman Burckhard and Committee Members,

For the record, my name is Dawn Kopp and I'm the Executive Director of the Downtown Business Association of Bismarck. We represent over 200 business and property owners Downtown and throughout the Bismarck community.

The Downtowners support Senate Bill 2329 to expand the state's current Renaissance Zone Program. Bismarck has used this program to great success and provided the community with a large rate of return. According to the North Dakota Commerce Division's interim report, "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 (for an increase of \$47,084,020). These projects have added 374 jobs to the community through participation in this program."

Expanding this program will allow us to continue to revitalize one of the most tax efficient neighborhoods in Bismarck, while using mostly existing infrastructure. On behalf of our Downtowners member businesses, we encourage your support of Senate Bill 2329.

Thank you,

Dawn Kopp
Executive Director
Downtown Business Association of Bismarck

SB 2329 – Testimony by Dustin Gawrylow (Lobbyist #244) North Dakota Watchdog Network

1. First and foremost, prior to expanding the size and scope of any tax incentive program an unbiased study of whether these programs are effective at doing more than padding certain developers and investor's pockets.

- As such, we would like to see amended into this bill, no matter the form it takes, a mandatory study looking at the Return on Investment (ROI) that the program is creating.
 - This study must include a proper accounting of what the properties in the program were generating for tax revenue before entering the RZ program, how much was exempted while the program was off the books, what the properties generated after the exemption, and whether the before to after growth rate was worth the exemption.
 - The study should also include a documentation of the effects of the RZ on the city's tax-base.
 - How much NEW revenue was generated for the general fund after the property was placed in the RZ compared to what it was generating prior?
 - How much RZ overlap is there with TIF districts?
 - How much revenue was diverted from the general fund into TIF funds due to the RZ program?

2. We question the need to expand the number of blocks allowed to be used by the program.

- Blocks that have been "restored" can be removed and replaced by other blocks – they cannot be added back in once removed.

Compromise: Instead of expanding the number of blocks, simply allow cities to move a limited number of blocks back into RZ 5-years after being removed if a serious plan to re-develop that block has been offered.

3. While we do not agree in principal to the program, we can concede that as long as the program exists, like many other areas of law, an accommodation can be made for inflation. Contingent upon application of the previously described ROI study, an expansion of the credits available based on inflationary trends could be acceptable – provided the increase does not create situations where the tax-base is minimized to an extent that property taxes increase because of it.

Clerk

SB 2329
Senator Tim Flakoll
10:00 a.m.
Wednesday, March 18, 2015
Ft. Totten room

Chairman Headland and members of the House Finance and Taxation committee. For the record I am Senator Tim Flakoll of District 44. Renaissance Zone legislation originally passed in the 1999 session (HB 1492) has been wildly successful and has resulted in investments of billions of dollars across the state in communities large and small.

Historically many communities have let the core of their community die, as they moved away from the heart of the city to spreading out to the fringes and into extraterritorial areas of a community. The Renaissance Zone legislation has breathed new life into communities of all sizes from Wishek who I think was one of the first communities to use the program to our larger communities in the state.

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development, redevelopment in areas that were previously termed blighted.

In Fargo, the program has provided incentives to 75 projects that have either been major rehabilitation of existing buildings or new buildings, \$125 million in investment, and a \$2 million annual increase in property taxes from approved projects.

Overall property values in downtown Fargo, which had changed very little prior to the RZ program increased greatly after the program was approved. **Property values downtown increased from \$197 million in 1999 to \$583 million in 2014. This is not through a proliferation of chain stores, but with locally owned and often family businesses.** Projects launched including transforming boarded-up tractor factories into offices, lofts and even an art museum.

It has also created one of the greatest downtowns in the country. A place that ESPN Game Day and its millions of viewers called the best backdrop they have every had for their show. A place that is a drawing card for students and young adults that we try so hard to bring and retain in our state.

2004 Los Angeles Times - March 10, 2004 "In the last three years, Fargo has begun to reinvent itself as improbably stylish, worldly, even luxurious -- to the point where the mayor has hopes of marketing the city as a vacation destination. Quietly, subversively, Fargo has gone trendy. The North Dakota city immortalized by the Coen brothers' film as a grim, frozen wasteland is reinventing itself as a stylish, worldly place. If I had to pick one adjective for what downtown Fargo was like 10 years ago, I would say 'sleazy,' "said Laurie Baker, 50, a yoga teacher. "Now, I would say, 'getting cosmopolitan.' We're not quite there yet. But we're getting there."

Mr. Chairman the first change the bill (page 1 lines 12-17) proposes is to increase the proposed renaissance zone from 23 square blocks to 34 square blocks. After that any city of over 5,000 residents can increase

#1p.3

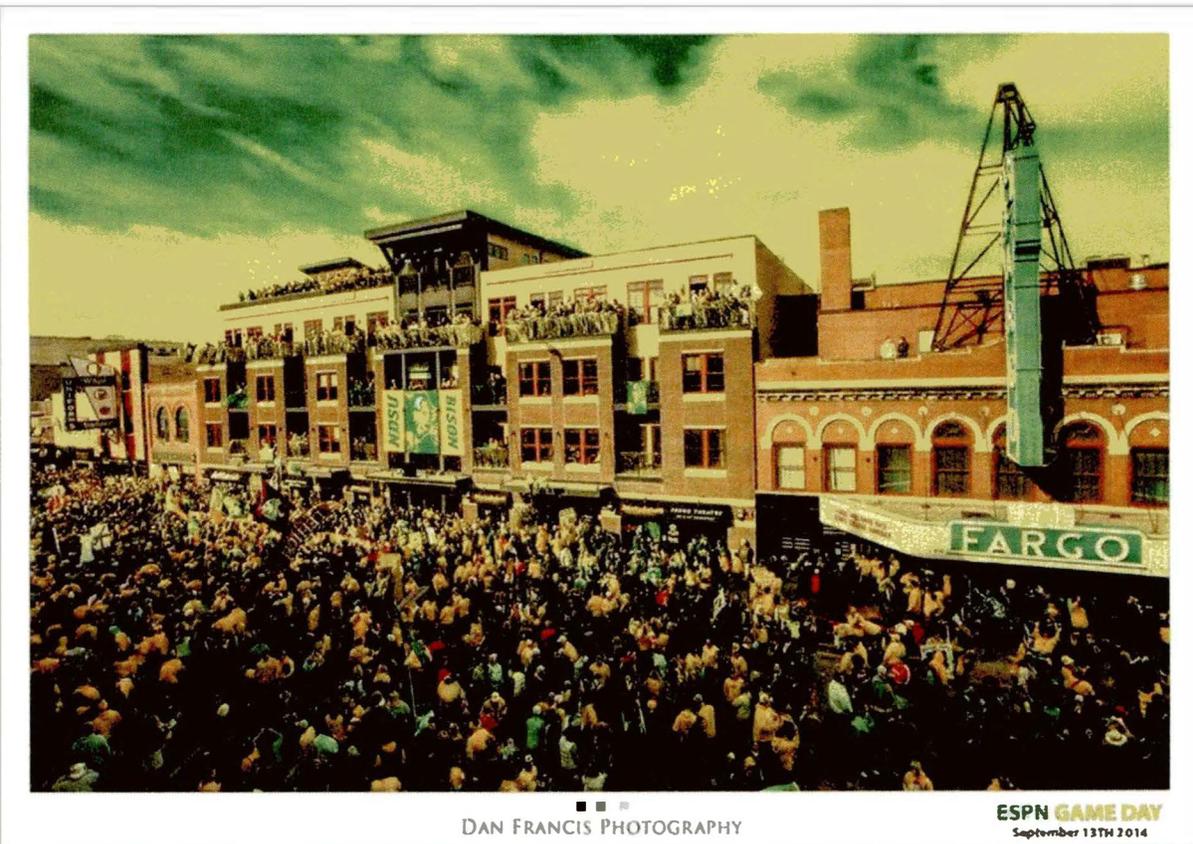
their RZ footprint by one additional block per 5,000 residents up to 49 square blocks. The Senate Political subdivisions committee amended the bill to have that population based on either the federal decennial census or with their new language the federal census estimate.

One page 2 of the bill it expands the amount of credits allowed under this plan from \$8.5 million up to \$10.5 million for investments in renaissance fund organizations.

Mr. Chairman and members of the House Finance and Taxation committee, look how far we have come.

There are a number of community leaders who will follow me both from a city and business perspective from various communities in the state but I will do my best to address any questions you might have.

End



SB 2329 3-18-15
#2p.1



"WHERE THE WEST BEGINS"

CITY OF MANDAN

MANDAN CITY HALL - 205 2nd Avenue NW
MANDAN, NORTH DAKOTA 58554

701-667-3215 • FAX: 701-667-3223 • www.cityofmandan.com

CITY DEPARTMENTS

ADMINISTRATION	667-3215
ASSESSING/BUILDING INSPECTION	667-3230
BUSINESS DEVELOPMENT	667-3485
CEMETERY	667-6044
ENGINEER/PLANNING & ZONING	667-3225
FINANCE	667-3213
FIRE	667-3288
HUMAN RESOURCES	667-3217
LANDFILL	667-0184
MUNICIPAL COURT	667-3270
POLICE	667-3455
PUBLIC WORKS	667-3240
WASTEWATER TREATMENT	667-3278
SPECIAL ASSESSMENTS	667-3271
UTILITY BILLING	667-3219
WATER TREATMENT	667-3275

Testimony for House Finance and Taxation Committee SB2329— A Bill to Allow Expansion of Renaissance Zones March 18, 2015

Chairman Headland and members of the committee, I am Ellen Huber, Business Development and Communications Director for the City of Mandan and also serve as secretary/treasurer of the Economic Development Association of North Dakota. I am here today to testify in support of Senate Bill 2329 on behalf of both the City of Mandan and EDND.

From our perspective, the portion of the proposed bill most beneficial to the public and toward the goal of enticing private investment in revitalization of Main Streets, central business districts or other targeted areas, is the provision that would allow for expansion of Renaissance Zones if participating cities so choose and if they have the support of the other local taxing entities.

The benefits to a property owner in undertaking a project to rehabilitate or construct an infill building in a Renaissance Zone are five years of property tax exemption on the value of the building as improved and state income tax exemption, capped in the last legislative session at \$500,000 of income annually. The investment in commercial or residential properties must equal at least 50 percent of the value of a commercial building or at least 20 percent of the value of a primary residence. The Renaissance Zone program functions as both a business retention and recruitment tool in that tenants leasing space in Renaissance Zone projects may also apply for a state income tax exemption.

Some cities set additional minimum requirements and parameters in their Renaissance Zone development plans. All plans must be approved by the North Dakota Department of Commerce Division of Community Services before a city can participate in the program. Two important additional aspects of state oversight come in the form of the review and approval of each individual project application by the Division of Community Services, plus in an annual reporting requirement. By March 1 of each year, cities file a report indicating the number of new businesses created and expanded as a result of zone projects approved or completed in the past year. The report also covers jobs creation and increases in taxable value.

(more)

Public benefit is the most important criteria in the review of any Renaissance Zone inquiry or application. During the hearing on this bill before the Senate Political Subdivisions Committee, there was a question about the number of applications denied by various cities. In our experience, there are few denials because of pre-screening. As Mandan's Renaissance Zone manager, I provide guidance to an inquiring party if a potential project doesn't meet minimum criteria. Parties that do not intend to make adequate investment in building improvements or that are not committed to meeting other criteria generally do not complete and submit a formal application. Therefore, the applications that come before our Renaissance Zone Committee and City Commission are generally fairly sound. We have experienced situations in which our Renaissance Zone Committee or City Commission find it necessary to place further requirements or limits on an applicant and project dependent upon the situation.

Renaissance Zone Committees and city commissions and councils consider factors including but not limited to job retention and creation, job quality, increase to the property tax base, the potential to generate local sales tax, the addition or expansion of needed products and services, the project's ability to improve the aesthetics of an area, and positive ripple effects on the ability to attract and retain other businesses, residents, workforce and visitors.

In the near 10 years since Mandan's Renaissance Zone was established, the program has helped bring about a rebirth of our Main Street and downtown area. Program participants have invested or committed to investing nearly \$17 million in the rehab or new construction of 29 buildings. The increase in the value of these properties is four-fold from an initial base value of \$3.7 million. The average period to pay back taxes exempted is 2.1 years. Projects have resulted in 11 new businesses, 15 expansions of existing businesses and retention of eight businesses in the zone.

Mandan has more blocks along Main Street and in the downtown neighborhood that are in need of revitalization, but that are currently outside of the zone boundaries due to the limit on the number of blocks enrolled. The opportunity to expand our Renaissance Zone could help in spurring interest and private investment. Many other cities would also welcome this opportunity.

The Renaissance Zone leverages considerable private investment in our Main Streets, the commercial buildings within our communities, new and expanding businesses, jobs, an enhanced sense of place and quality of life. It is a local investment worth enticing.

Thank you for your consideration. I will be happy to answer any questions you might have.

SB 2329
3-18-15
#3 p. 1

Testimony Presented on Senate Bill 2329 to the
House Finance and Taxation Committee
Representative Craig Headland, Chair
by Jim Gilmour, Director of Planning and Development
for the City of Fargo
March 18, 2015

Mr. Chairman and Members of the Committee:

The City of Fargo supports Senate Bill 2329, which provides for larger Renaissance Zones and additional tax credits to encourage more investment in Renaissance Zone projects.

Since the downtown Fargo Renaissance Zone Plan was approved 15 years ago, there has been a major investment in the downtown. Over \$125 million has been invested in 75 properties, increasing annual property tax revenue by \$2 million a year. Property values in downtown Fargo have increased from \$197 million in 1999 to \$583 million in 2014. This increase occurred for both properties using the program, and adjacent properties.

There is potential for additional development. Fargo approved a 5-year extension and revision of the Renaissance Zone Plan last year. There were 49 blocks with potential projects, but the law provides for 38 blocks. There is also interest in greater use of the Renaissance Zone fund.

One of the important reasons to expand the zone is that it takes time for developers to acquire and redevelop property. If a property is in the zone, there is greater interest in redevelopment.

Development in the downtown has encouraged redevelopment and better maintenance of adjacent properties. A larger Renaissance Zone should encourage more development over a wider area of the downtown.

The City of Fargo supports a Do Pass of Senate Bill 2329.



415 4th Street North
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www.fargo.k12.nd.us

3p.2
Dr. Jeffrey M. Schatz, Superintendent · 701.446.1005
Dr. Robert Grosz, Associate Superintendent, Teaching & Learning & Secondary Education · 701.446.1010
Dr. Rachael Agre, Assistant Superintendent, Elementary Education & Professional Development · 701.446.1069
Mr. Broc Lietz, Business Manager · 701.446.1027
Mrs. Ann Marie Campbell, Executive Assistant & Communications · 701.446.1005

November 24, 2014

Mr. Dennis Walaker, Mayor
City of Fargo
200 3rd Street North
Fargo, ND 58102

Mayor Walaker,

As the City of Fargo completes the process to update the local Renaissance Zone (RZ) Development Plan and the related program goals and policies, the Fargo School District appreciates the opportunity to review and comment on the materials.

Since initiation of the program in 1999, the Renaissance Zone program has been instrumental in revitalizing the downtown core and rehabilitating several important downtown buildings. The tax incentives have been a critical component to attract economic development and investment.

According to RZ data published by the City, property values in the downtown core have increased by nearly 200% since 1999 and it is clear that a portion of this success can be attributed to the RZ program. Additionally, city data shows that RZ projects have accounted for upwards of \$115 million in total improvements. Through increased property valuations and significant RZ investments the program continues to generate tax revenue at the local level that may not have otherwise materialized and the program continues produce a significant Return on Investment (ROI) for the community.

The Fargo Public School District understands that in order for the City to receive a 5-year extension of the program an updated RZ Development Plan is required in addition to securing a letter or resolution of support from other major taxing entities affected by the tax incentives. It is the opinion of the Fargo School District that the Renaissance Zone has been an important and successful program in Fargo and therefore the school district strongly supports the City of Fargo application for re-designation as a Renaissance Zone.

The Fargo Public School District requests that this letter of support be submitted and filed with the City of Fargo application.

Sincerely,

Dr. Jeffrey M. Schatz
Superintendent

Robin Nelson
Board of Education, President

Joe Nigg

3 p. 3



Board of County Commissioners

Chad M. Peterson
Fargo, North Dakota

Rick Steen
Fargo, North Dakota

Ken Pawluk
Fargo, North Dakota

Arland H. Rasmussen
West Fargo, North Dakota

Mary Scherling
Stanley Township, North Dakota

December 1, 2014

Dennis Walaker, Mayor
City of Fargo
200 3rd Street North
Fargo, ND 58102

Dear Mayor Walaker:

The Cass County Commission appreciates the opportunity to review the updated Renaissance Zone (RZ) materials and is submitting this letter in support of the City's efforts to obtain a 5 year extension of the program.

From the Commission's perspective, over the last 15 years the Renaissance Zone program and the applicable incentives have been an important catalyst to downtown revitalization, economic development and investment in Fargo's historic downtown core. The tax incentives have been a critical element in attracting investment and the program has also been an integral part of marketing the downtown core to potential investors, developers, businesses, entrepreneurs and residents.

As noted in City data, since 1999 property values in the downtown core have increased substantially and the RZ program has been a key factor in helping to facilitate this tax base growth. The data also shows that completed RZ projects have produced upwards of \$115 million in improvements in the downtown core which ultimately contributes to increased tax revenue generation. It is apparent that the RZ program has been highly successful in Fargo and that it continues to produce a significant Return on Investment (ROI) for the community and the State of North Dakota.

The Commission acknowledges that the city is seeking a 5-year extension of the program and as part of this effort the City is required to update the RZ Development Plan in addition to securing a letter or resolution of support from other major taxing entities affected by the tax incentives. It is the opinion of the Cass County Commission that the Renaissance Zone has been an important and successful program in Fargo and therefore the County strongly supports the City of Fargo application for re-designation as a Renaissance Zone.

The Cass County Commission requests that this letter of support be submitted and filed with the City of Fargo application.

Sincerely,

Chad Peterson, Chairman
Cass County Commission

Heather Worden
Commission Assistant

PO Box 2806
211 Ninth Street South
Fargo, North Dakota 58108

701-241-5609
Fax 701-241-5728
www.casscountynnd.gov

#3p.4

| promote | | advocate | | educate | |



**Downtown
Community**
Partnership

December 1, 2014

Honorable Mayor Walaker
City of Fargo
209 3rd St. N.
Fargo, ND 58102

Dear Mayor Walaker:

On behalf of the Downtown Community Partnership (DCP), I would like to express our support to the City of Fargo, in obtaining a five year extension of the Renaissance Zone (RZ) Program. After reviewing the draft RZ Plan, this update very much parallels our future vision for downtown Fargo.

Over the past 15 years, the RZ Program and the applicable incentives have served as an important catalyst in revitalizing downtown Fargo. The incentives have stimulated new investments and interest in our historic downtown center. As noted in the City data, since 1999, property values in the downtown have increased by 195%! It is apparent that the RZ Program has been highly successful in downtown Fargo and it continues to produce a significant Return on Investment (ROI) for the community and the State of North Dakota.

Over the next five years, the RZ Program will continue to be used in rehabilitating the core, but we envision these incentives will kindle interest in new construction and appropriate infill development projects in downtown Fargo. The revisions included in the updated plan reflects this and place us in a better position to promote both types of developments.

The DCP is a North Dakota Non-Profit Corporation dedicated to promoting and advocating a better Downtown Fargo. Our overall vision is for Downtown Fargo to be a thriving, vibrant, innovative and sustainable heart of the region. The DCP Board of Directors consists of 15 voting members that represent over 175 investors. DCP Investors range from large corporations with over a century presence in our community, to newly opened micro-enterprises.

Once again, we support the City of Fargo, obtaining a five year extension on the RZ Program.

Sincerely,



Michael C. Hahn, President/CEO
Downtown Community Partnership



November 21, 2014

Mayor Dennis Walaker
City of Fargo
200 3rd Street North
Fargo, ND 58102

Mayor Walaker,

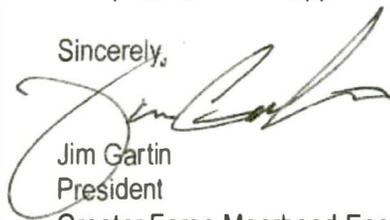
On behalf of the Greater Fargo Moorhead Economic Development Corporation (GFMEDC), I would like to offer full support for the City of Fargo's application to obtain a five year extension on the Renaissance Zone (RZ) program. Thank you for providing the RZ materials and allowing GFMEDC to show their support.

The GFMEDC's mission is to grow and diversify the economy in Cass County, North Dakota, and Clay County, Minnesota through the attraction, retention and expansion of primary-sector businesses. The GFMEDC's long-term goals are to position Fargo Moorhead as a leader in emerging sectors that are creating jobs for many decades to come; to cultivate an inclusive entrepreneurial ecosystem that will build tomorrow's companies; and to retain graduates of our higher-education institutions.

In looking upon the significant impact the RZ has had on our downtown, our community and our international image, the foresight of our state leaders to initiate this program 15 years ago was genius. An obvious measurable economic impact, as seen in the RZ report, is the over \$386 million increase in assessed property values (at least partially attributable to the RZ program) which generates an estimated \$6.3 million increase in annual property taxes when compared to 1999. The huge, but rather immeasurable, economic impact is what these incented investments have done for the cultural well-being of our community. The vibrancy of the RZ area with many thousands of people living and working here seven days a week plays a tremendous role in attracting and retaining our workforce, businesses and entrepreneurs. The emergence of our downtown and the enviable local quality of life continue to garner regional, national and international acclaim.

The RZ program has been very important to the city, and has proven to be very successful as well. Please accept this letter of support from the GFMEDC to include with your extension application.

Sincerely,



Jim Gartin
President

Greater Fargo Moorhead Economic Development Corporation



THE CHAMBER

FARGO MOORHEAD WEST FARGO

Dr. Tim Mahoney, Deputy Mayor
City of Fargo
200 3rd Street North
Fargo, ND 58102

Deputy Mayor Mahoney,

The Fargo Moorhead West Fargo Chamber of Commerce is eager to support the City of Fargo's efforts to extend the Renaissance Zone program by five years.

We represent the interests of more than 2,100 businesses in the community, and we support sound endeavors that offer economic opportunity and potential growth. Downtown Fargo has served as the commercial center of the city since the days of the first railroads that traversed the area, and we believe an extended Renaissance Zone program would allow that center to remain firmly where it belongs. Extending the program also offers significant tax exemptions for businesses or investors within the zone. These exemptions are the incentive growing businesses need to consider opening an office in downtown Fargo.

We especially appreciate that an extended Renaissance Zone program dovetails nicely with the city's GO2030 comprehensive plan, which identified infill development as the second most important priority for the community, after permanent flood protection. This indicates to us that capitalizing on the success of the Renaissance Zone is a critical factor in the city's ability to remain a vibrant, thriving commercial center. As evidenced in the report, the program has already generated a substantial increase in assessed property values, which provided significant property taxes; an extended program would allow that tax revenue to continue streaming into a variety of endeavors that increase the vitality and appeal of the community.

We are proud that the City of Fargo is pursuing the opportunity to extend the program, and we are honored to lend our name to the support of this effort.

Thank you for your work,

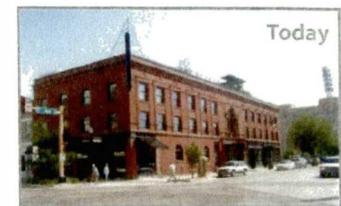
Craig Whitney
President/CEO
The Chamber

SHOWCASE PROJECTS

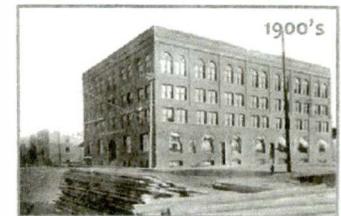
HOTEL DONALDSON (521 1st Ave N): Following the Fargo fire of 1893 this building was one of the first buildings constructed (1894) with a 3rd story added in 1915. The building was originally constructed by the International Order of Odd Fellows and in the early 1900's the property changed owners and was remodeled into a European style hotel. This property is identified as a "contributing" structure within Fargo's downtown historic district.



This was one of the first significant Renaissance Zone projects in Fargo and acted as an important catalyst for the downtown core. Immediately prior to the rehabilitation project in 2000, the building was operating as a hotel with rooms offered at daily and weekly rates. The building was in disrepair as exhibited in the photo (right). In 1999 the building was valued at \$120,000 and the total rehabilitation investment is documented at \$7 million. Today, the assessed value of this property is approximately \$2.3 million. The Fargo Renaissance Zone Authority approved a 5 year property tax and income tax exemptions to assist in facilitating this project.



NORTHERN SCHOOL SUPPLY (650 NP Ave): This building is identified as a "pivotal" structure within Fargo's downtown historic district. The building was constructed in 1903 for the Robb-Lawrence Company for use as an agricultural implement and machinery manufacturing warehouse. At the time, the structure was a testament to Fargo's importance as a regional distribution center for agricultural equipment at the beginning of the 20th Century. In the early 2000's the structure was scheduled to be demolished until a local developer purchased and then donated the building to the NDSU Development Foundation.



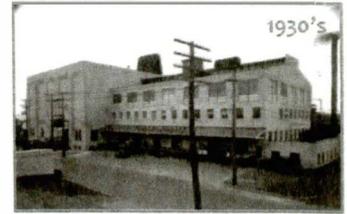
Upwards of \$10 million was invested into this rehabilitation project and the incentive package included 5 year property and income tax exemptions as approved by the Fargo Renaissance Zone Authority as well as historic preservation tax credits. In 2000, the building was valued at approximately \$200,000 and today the assessed value is in excess of \$11 million. In 2005 NDSU opened this building as its first downtown campus location which was integral to generating activity on the streets and increasing the demand for residential housing in the downtown core.



SHOWCASE PROJECTS

UNION STORAGE – ARMOUR CREAMERY BUILDINGS (1026 NP Ave):

These buildings are individually listed on the National Register of Historic Places (designation 2007). Both structures were built in 1929 during the Great Depression and were active businesses serving the agricultural processing industry. In addition, this property was the western anchor of “machinery row” which consisted of a number of warehouse and agricultural manufacturing interests on NP Avenue adjacent to the Northern Pacific (now BNSF) railroad mainline.



This property had remained vacant for a number of years until a RZ application was submitted in 2014 to rehabilitate the buildings into a mixed-use project. In total, there will be 40 upscale apartments in the former cold storage warehouse with 22 heated underground parking spaces and 34,000 square feet of office/retail space within the creamery building. The building was valued at \$530,000 in 2014 and approximately 9 million will be invested. The Fargo Renaissance Zone Authority approved a 5 year property tax exemption which held an estimated value of \$631,000 as well as income tax exemptions. In addition, the city approved a supplemental 10 year Payment in Lieu of Taxes (PILOT) incentive and the developer will be pursuing both federal and state historic preservation tax credits.

FORD BUILDING (505 Broadway): This building is identified as a “pivotal” structure within the Fargo’s downtown historic district. The building was constructed in 1914 and operated as an assembly plant and eventually as a sales/service center until the 1950’s. The building was situated immediately adjacent to the Great Northern Railroad tracks which provided efficient access to the rail.



As shown in the mid 2000’s photo (right) the building had undergone a series of exterior alterations which had impacted the buildings character and historic/architectural integrity. In 2005 a development group initiated a comprehensive mixed-use rehab project that included retail (first floor), office (second floor) and residential condominiums (third floor). The project was completed in 2007. In 2005 the building was valued \$1 million and the total investment is documented at \$7.5 million. The Fargo Renaissance Zone Authority approved a 5 year property tax and income tax exemptions as part of the incentive package for this project.



INTRODUCTION

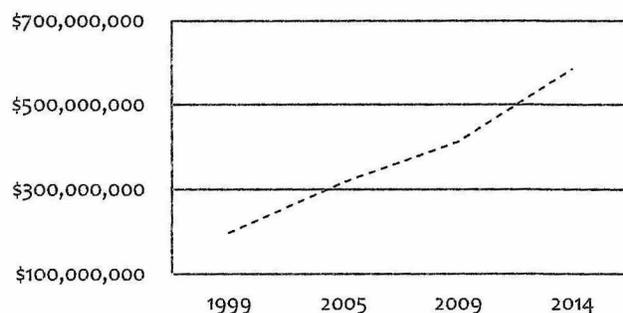
Project Type: As shown in the exhibit (right), a large percentage of the RZ projects completed to-date have been rehabilitation projects versus new construction. Not including tenant lease and residential purchase projects, new construction and rehab represents a total of 75 projects. In the future, especially given the degree of priority and importance the city has placed on infill development within the city GO2030 Comprehensive Plan; new construction type 'infill' projects should start to become more attractive and promoted development opportunities.

Project Type	Total Completed RZ Projects
New Construction	8
Residential Rehabilitation	9
Residential Purchase (Condominiums)	82
Mixed-Use Rehabilitation	26
Commercial Rehabilitation	32
[Tenant] Lease	74
Total	231

RZ Tax Benefits: In terms of RZ tax benefits, the 75 projects outlined above have facilitated significant investment in the downtown core; and have contributed to a substantial increase in the assessed value of properties in the downtown core. The graphic below depicts downtown property values (based on the boundary of the 1996 Downtown Area Plan) since 1999. The assessed value in 1999 was approximately \$197,375,000 and in 2014 the value was \$583,458,000 which correlates to an annual property tax increase estimated at \$6.3 million.

Downtown Property Values

Year	Assessed Value
1999	\$197,376,800
2005	\$316,267,800
2009	\$412,035,900
2014	\$583,458,800



RZ Property / Project Value Changes

Increased Assessed Valuation – RZ Projects Only	Value of Improvements	Pre-Project Building Value	Assessor's Valuation
Totals	\$116,000,000	\$22,000,000	\$125,000,000

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3-18-15
#4

FARGO RENAISSANCE ZONE PROGRAM (RZ)

Fargo's Downtown History

From the time the Northern Pacific Railroad reached the area in the 1870's the downtown has defined the community of Fargo and has served as the commercial center of this growing city. Historically, the downtown area served as the primary hub of distribution, manufacturing, retail and professional trade for the city and the entire State of North Dakota. Today, after a period of decline and degradation, Fargo's downtown core has undergone a significant transformation and has evolved into an active and robust business and entertainment district. A portion of this revitalization can be directly attributable to the Renaissance Zone Program.

Program Details

Total Completed Projects – 231

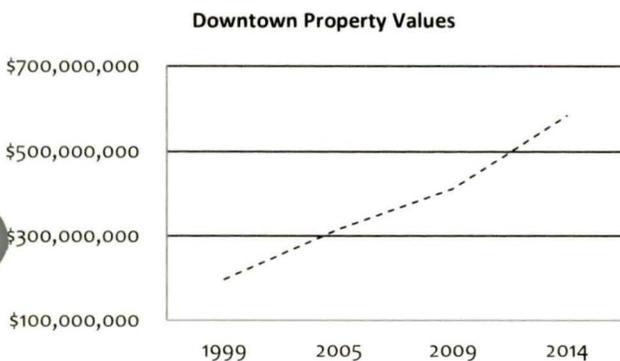
New Construction & Rehab Projects – 75

Total Value of RZ Investments - **\$125 Million**

Annual Estimated Property Tax Increase, RZ Projects Only- **\$2 Million**

Renaissance Zone Tax Benefits

Completed RZ projects have facilitated significant investment in Fargo's downtown core and have contributed to a substantial increase in the assessed values of properties in the downtown core. The graphic below depicts downtown property values since 1999.

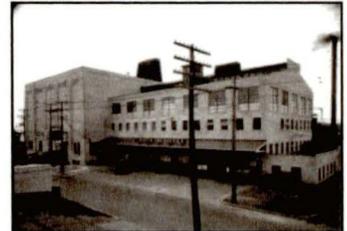


Recent Project Examples

Project: Union Storage – Armour Creamery

Year: 2014

Project Description: Rehab of building constructed in 1929 to include 40 upscale apartments and 35,000+ square feet of retail/commercial space.



Pre-Project Value: \$531,600 (bldg)

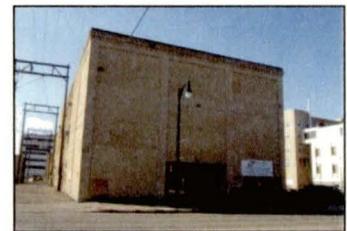
Estimated Post-Project (bldg) Value: \$9 Million

Property Tax Differential: \$121,000 (annual)

Project: Loudon Building / FRS

Year: 2013

Project Description: Rehab of building constructed in 1916 to accommodate 20,000+ square feet of commercial / office space.



Pre-Project Value: \$373,000 (bldg)

Estimated Post-Project (bldg) Value: \$1.75 Million

Property Tax Differential: \$19,500 (annual)



Project: Marks Apartments

Year: 2012

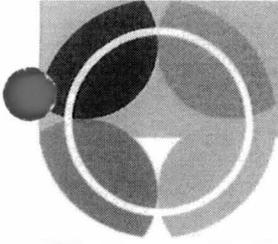
Project Description: Removal of existing building and construction of new 45 unit apartment building (23 1-bedroom and 22 2-bedrom units)



Pre-Project Value: \$333,000 (bldg)

Estimated Post-Project (bldg) Value: \$4.6 Million

Property Tax Differential: \$60,000 (annual)



**Downtown
Community**
partnership

| promote | | advocate | | educate | | envision |

SB2329

3-18-15

#5

March 18, 2015

North Dakota House of Representatives
Finance and Taxation Committee
Representative Craig Headland
State Capital
Bismarck, ND 58501

Dear Representative Headland,

The Downtown Community Partnership (DCP) of Fargo, ND supports SB #2329 (Renaissance Zone Bill). The North Dakota Renaissance Zone Program has transformed downtown Fargo from a dilapidated shell of its former self, an early 20th century distribution, manufacturing and retail hub. Today, it has evolved into a hip entertainment and cultural district. As we enter the 21st century, downtowns across America are being reinvigorated as the place to shop, play and live. Over the past 15 years the Renaissance Zone Program focused primarily on the downtown core and is principally used as a tool to rehabilitate historic buildings. As we move forward, especially in Fargo's case with permanent flood protection becoming a reality, I feel we will be able to capture more development downtown which traditionally has occurred on the fringes of our community. Allowing communities more blocks and increasing tax credits under the North Dakota Renaissance Zone Program, provides us an unprecedented opportunity to grow our communities from within.

The DCP is a private North Dakota Non-Profit Corporation dedicated to promoting and advocating a better downtown Fargo. Our overall vision is for downtown to be a thriving, vibrant, innovative, and sustainable heart of our region. The DCP Board of Directors consists of 15 voting members representing a total of 189 investor members. DCP Investor members range from large corporations with over a century of presence in our community, to newly opened micro-enterprises.

Thank you for your consideration on this important legislation.

Sincerely,

Michael C. Hahn
President/CEO





SB 2329
3-18-15
6

March 18th, 2015

The Honorable Craig Headland
North Dakota Representative, District 29
4950 92nd Ave SE
Montpelier, ND 58472

Dear Representative Headland,

As General Manager of Kilbourne Group, a development company doing business in downtown Fargo, I'm writing to express our support of the Senate Bill No. 2329. In addition to overall support of the program, Kilbourne Group supports the addition of the 11 blocks to the existing Renaissance Zone Boundaries. We also support the addition of \$2 million dollars to the existing Renaissance Zone credits.

The Kilbourne Group has worked closely with the City of Fargo and the state of North Dakota through Renaissance Development projects and are proud to say that every project we have redeveloped in downtown Fargo is a Renaissance project. As we look for additional opportunities in Downtown Fargo, we are focusing on blocks that are in the next Renaissance Zone boundaries. It is a determining factor of where our next projects will happen in Fargo.

We ask North Dakota State House of Representative to approve Senate Bill No. 2329.

Respectfully Submitted,

Mike Allmendinger
General Manager

SB 2329
3-18-15
#7

March 18, 2015



DOWNTOWNERS
BISMARCK

ND House Finance & Taxation

Chairman [REDACTED] Headland

Good morning Chairman [REDACTED] Headland and Committee Members,

For the record, my name is Dawn Kopp and I'm the Executive Director of the Downtown Business Association of Bismarck. We represent over 200 business and property owners Downtown and throughout the Bismarck community.

The Downtowners support Senate Bill 2329 to expand the state's current Renaissance Zone Program. Bismarck has used this program to great success and provided the community with a large rate of return. According to the North Dakota Commerce Division's interim report, "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 (for an increase of \$47,084,020). These projects have added 374 jobs to the community through participation in this program."

Expanding this program will allow us to continue to revitalize one of the most tax efficient neighborhoods in Bismarck, while using mostly existing infrastructure. On behalf of our Downtowners member businesses, we encourage your support of Senate Bill 2329.

Thank you,

Dawn Kopp
Executive Director
Downtown Business Association of Bismarck

SB 2329
3-18-15
#8 p.1

Senate Bill 2329
House Finance and Taxation Committee
March 18, 2015

Good morning Mr. Chairman and Members of the House Finance and Taxation Committee. My name is Bill Wocken. I am City Administrator for the City of Bismarck and I am appearing today with the approval of the Bismarck City Commission.

Senate Bill 2329 adds up to eleven additional blocks to the maximum allowed area of a city's Renaissance Zone. The City of Bismarck supports this legislation because the present zone program has been very successful and because we believe that enlarging the zone will allow for more beneficial investment in the downtown area .

This is what the Renaissance Zone program is all about: investment in the center areas of our communities. It has been very successfully used in many downtowns across the state. Cities of all sizes have seen the program spur the regeneration of their downtown communities. I am sure we can all remember the dismal downtowns of some of our larger cities before this tool was made available. There have been huge changes for the better since this program was first rolled out.

Some folks say this program is not in our best interests. One thing we hear is that the income and property tax exemptions are not fair. I think fairness, like beauty, is in the eyes of the beholder. I would suggest that to not encourage redevelopment of the downtown would be more unfair. If buildings that have seen their better days are not rehabilitated and if condemned buildings and spot parking lots are not cleared and filled with new development, the cost to the taxpayer to provide a safe and passable downtown will continue to climb. Without a reason (incentive) to spend the extra money it takes to work in existing structures, new development will move to the fringes of the city. The city pays twice in that scenario: once for the new utilities that need to be extended to the new development but secondly for the existing utilities downtown that will go largely unused. The core of the city will rot away and taxpayers will be forced to pay to clean up the mess.

We also hear occasionally that it is unfair to grant tax exemptions to downtown redevelopers so that additional tax revenue from new developments does not reach the other taxing jurisdictions immediately. Taxes are paid based on the value of the buildings and grounds taxed. If an exemption for five years of real estate taxes causes a significant new structure or the rehabilitation of a declining older building there is an asset created that will pay taxes based on its new value for 40-50 years. Giving an exemption on the increased value of the building for only 10 percent of its useful tax-paying lifetime sounds like a sound business decision to me. If the exemption were not given and the project not built the existing buildings would continue to deteriorate and pay the same or less taxes. I think this is a case of short term cost for long term gain.

Attached to my testimony is a spreadsheet of Renaissance Zone activity in downtown Bismarck. I apologize for the size of the type but the chart has much information on it. Bismarck began its Renaissance Zone activity in 2002. Please note the yellow shaded blocks connote incomplete data on incomplete projects. Please note the center column on this chart showing the beginning building market value of each project. Please also note the last four columns on the right showing the investment in the Renaissance Zone project by the applicant, the resulting increased market value and creation of a few jobs in the process.

Please give a "Do Pass" recommendation to Senate Bill 2329 so cities across the state can continue to carry out the renewal of downtown areas and rehabilitation of their tax bases.

Bill Wooker
for City of Bismarck

BISMARCK RENAISSANCE ZONE PROGRAM - PROJECT STATUS

Project	Applicant	Street Address	Project Type	RZA Hearing	Commission Approval	State Approval	Beginning Building Market Value	Proposed Investment	Estimated Building Value w/Investment	Estimated Property Tax Benefit	Estimated State Income Tax Benefit	Completion Date	Actual Investment	2014 Building Market Value	Jobs Credited FTE	Parcel ID
01-B	George T. Duemeland Revocable Trust	301 East Thayer Avenue	Purchase w/Major	12/10/2002	12/17/02	1/2/2003	\$77,000	\$44,366	\$150,000	\$18,095	\$5,650	12/1/2003	\$66,397.00	\$207,800	0	0001-063-001
02-B	Dakota Building Partnership	501 East Main Avenue	Purchase - Land	1/6/2003	01/07/03	2/26/2003	\$444,200	\$300,000	\$540,000	\$32,023	\$7,500	1/31/2007	\$284,195.00	\$914,400	0	0001-012-000
03-B	Civic Square Development LLC	521 East Main Avenue	Purchase w/Major	2/7/2003	02/11/03	4/21/2003	\$500	\$600,000	\$500,000	\$61,000	\$2,500	12/31/2007	\$618,111.00	\$1,340,200	0	0001-012-001
04-B	Duemelands Commercial LLLP	301 East Thayer Avenue	Lease	7/14/2003	07/22/03	9/25/2003	N/A	N/A	N/A	N/A	\$609	12/1/2003	N/A	N/A	2	N/A
05-B	John & Barbara Grinsteiner	200 North Mandan Street	Purchase	10/7/2003	10/14/03	10/16/2003	\$43,300	\$5,000	\$77,500	\$5,550	\$2,000	10/17/2003	N/A	\$109,800	2	0001-084-025
06-B	Woodmansee's	114 North 4th Street	Rehab/Historic	10/30/2003	11/15/03	11/21/2003	\$49,900	\$125,000	\$120,000	\$15,500	\$25,000	1/28/2005	\$129,333.00	\$137,900	1	0001-050-015
07-B	Bertsch Properties LLC	207 East Front Avenue	Rehab	11/19/2003	11/25/03	12/3/2003	\$371,200	\$801,600	\$1,455,000	\$186,375	\$8,200	1/19/2005	\$734,707.00	\$2,306,400	0	0001-049-005
08-B	Northland Financial	207 East Front Avenue	Lease	11/19/2003	11/25/03	12/3/2003	N/A	N/A	N/A	N/A	\$116,000	9/16/2004	N/A	N/A	14.25	N/A
09-B	Bertsch Properties LLC	218 South 3rd Street	Rehab	11/19/2003	11/25/03	12/3/2003	\$142,300	\$329,150	\$840,000	\$107,600	\$3,000	1/20/2005	\$378,013.00	\$638,300	20	0001-049-030
10-B	Lee Enterprises Inc.	707 East Front Avenue	Rehab	12/15/2003	12/16/03	12/29/2003	\$2,508,200	\$2,256,624	\$4,408,200	\$550,000	\$1,248,000	10/26/2005	\$2,400,776.00	\$4,899,900	7.5	0001-039-001
11-B	PJCM Partners, LLP	901/907 East Front Avenue	Rehab	3/3/2004	03/23/04	3/29/2004	\$151,300	\$298,840	\$420,000	\$62,795	\$2,700	6/30/2005	\$409,846.00	\$569,700	3	0005-035-015
12-B	Mark Gartner	302 East Thayer Avenue	Rehab	5/25/2004	05/25/04	6/4/2004	\$49,900	\$85,000	\$125,000	\$15,715	\$4,700	12/8/2005	\$103,455.00	\$150,200	2.5	0001-106-020
13-B	AW Enterprises	216 North 2nd Street	Rehab	8/10/2004	08/10/04	8/18/2004	\$173,500	\$208,814	\$275,000	\$34,573	\$12,500	6/22/2005	\$263,473.00	\$329,900	1	0001-060-005
14-B	Daryl Rosenau & Clarence Saylor	225 West Broadway Avenue	Purchase	2/7/2005	02/08/05	2/16/2005	\$176,000	\$69,550	\$182,500	\$21,470	\$1,750	12/26/2007	\$70,002.00	\$255,300	0	0001-030-065
15-B	J & L Development, Inc.	324 North 3rd Street	Rehab	11/15/2004	12/14/04	2/16/2005	\$500,000	\$750,000	\$900,000	\$113,500	\$15,000	9/15/2006	\$698,396.00	\$773,900	6	0001-108-001
16-B	Pirogue Grille, Inc.	121 North 4th Street	Lease	3/2/2005	03/08/05	3/22/2005	N/A	\$128,000	N/A	N/A	\$3,500	8/24/2005	N/A	N/A	8	N/A
17-B	Zorelis Jewelry Inc.	221 South 9th Street	New Construction	9/20/2004	03/08/05	3/22/2005	\$20,100	\$200,000	\$200,000	\$25,000	\$4,000	7/30/2005	\$191,897.54	\$216,600	6	0005-035-040
18-B	Susan & Ed Stroh/Petals & More	122 East Rosser Avenue	Rehab	8/25/2005	09/13/05	9/21/2005	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	N/A
19-B	CCC Properties, LLLP	310 South 5th Street	Purchase	8/25/2005	09/13/05	9/21/2005	\$410,400	\$168,000	\$450,000	\$58,500	\$10,500	7/1/2006	\$298,372.00	\$470,700	0	0001-067-011
20-B	American Bank Center	320 North 4th Street	Rehab	9/21/2005	09/27/05	10/4/2005	\$809,500	\$3,100,000	\$2,000,000	\$256,760	\$250,000	8/1/2009	\$2,301,478.00	\$2,361,500	10	0001-106-001
21-B	Foot Care Associates PC	310 South 5th Street	Lease	1/12/2006	01/24/06	2/3/2005	N/A	N/A	N/A	N/A	\$1,000	4/1/2006	N/A	N/A	3.5	N/A
22-B	Dentyne, Inc. (Bakke & Roller)	310 South 5th Street	Lease	1/12/2006	01/24/06	2/3/2005	N/A	N/A	N/A	N/A	\$10,500	3/13/2006	N/A	N/A	12	N/A
23-B	Duemelands Properties, LLLP	302 South 3rd Street	Purchase	1/12/2006	02/14/06	2/16/2006	\$312,700	\$190,900	\$345,000	\$44,840	\$4,500	12/1/2006	\$227,295.00	\$192,400	0	0001-063-001
24-B	Duemelands Properties, LLLP	312 South 3rd Street	New Construction	1/12/2006	02/14/06	2/16/2006	N/A	\$215,223	\$250,000	\$32,500	\$4,100	12/1/2006	\$233,855.00	\$398,700	0	0001-063-003
25-B	Makoché Media, LLC	208 North 4th Street	Purchase	1/12/2006	02/14/06	2/16/2006	\$247,000	\$71,612	\$320,000	\$41,600	\$1,000	12/27/2007	\$91,672.00	\$288,500	0	0001-064-015
26-B	River Q, LLC	312 South 3rd Street	Lease	4/13/2006	04/25/06	5/5/2006	N/A	N/A	N/A	N/A	\$25,000	12/4/2006	N/A	N/A	21	N/A
27-B	Gern Group LLC	412 East Main Avenue	Rehab	5/23/2006	05/23/06	5/30/2006	\$47,800	\$40,000	\$75,000	\$5,990	\$6,500	10/20/2006	\$50,292.00	\$71,600	0	0001-048-030
28-B	Heartland Mortgage Company	412 East Main Avenue	Lease	5/23/2006	05/23/06	5/30/2006	N/A	N/A	N/A	N/A	\$10,500	7/1/2006	N/A	N/A	4	N/A
29-B	Bismarck MSA dba Verizon Wireless	302 South 3rd Street	Lease	7/24/2006	07/25/06	8/2/2006	N/A	\$100,000	N/A	N/A	\$172,000	9/14/2006	N/A	N/A	6	N/A
30-B	Main Avenue Properties, LLC	122 East Main Avenue	New Construction	10/9/2006	10/10/06	12/5/2006	N/A	\$3,020,590	\$3,200,000	\$370,000	\$15,000	12/17/2007	\$2,370,152.00	\$2,516,500	0	0001-054-023
31-B	Dakota Office Building, LLC	300 North 4th Street	Purchase	2/5/2007	02/13/07	2/20/2007	\$1,095,900	\$250,000	\$1,400,000	\$60,000	\$25,000	1/30/2008	\$407,003.00	\$1,298,000	0	0001-106-015
32-B	American Legal Services PC	521 East Main Avenue	Lease	4/2/2007	04/10/07	4/19/2007	N/A	N/A	N/A	N/A	\$10,000	8/1/2007	N/A	N/A	5	N/A
33-B	Internet Design & Consulting	521 East Main Avenue	Lease	4/2/2007	04/10/07	4/24/2007	N/A	N/A	N/A	N/A	\$10,000	8/1/2007	N/A	N/A	1	N/A
34-B	Larson Latham Heutte LLP	521 East Main Avenue	Lease	5/14/2007	05/22/07	6/8/2007	N/A	N/A	N/A	N/A	\$60,000	7/1/2007	N/A	N/A	9	N/A
35-B	Retirement Consulting LLC	521 East Main Avenue	Lease	5/14/2007	05/22/07	6/8/2007	N/A	N/A	N/A	N/A	\$12,500	7/1/2007	N/A	N/A	2	N/A
36-B	Jason Kirchmeier & Associates	501 East Main Avenue	Lease	6/20/2007	06/26/07	7/11/2007	N/A	N/A	N/A	N/A	\$30,000	8/1/2007	N/A	N/A	1	N/A
37-B	Roger Koski & Associates	501 East Main Avenue	Lease	6/20/2007	06/26/07	7/11/2007	N/A	N/A	N/A	N/A	\$30,000	8/1/2007	N/A	N/A	1	N/A
38-B	Melvie Financial Planning	501 East Main Avenue	Lease	6/20/2007	06/26/07	7/11/2007	N/A	N/A	N/A	N/A	\$35,000	8/1/2007	N/A	N/A	2	N/A
39-B	Westgard Financial Services	501 East Main Avenue	Lease	6/20/2007	06/26/07	7/11/2007	N/A	N/A	N/A	N/A	\$30,000	8/1/2007	N/A	N/A	1	N/A
40-B	Rainmaker Gusto Ventures, LLC	116 North 5th Street	Purchase w/Major	9/4/2007	09/11/07	10/30/2007	\$166,800	\$137,500	\$300,000	\$21,000	\$5,400	5/21/2008	\$142,050.00	\$352,800	4	0001-048-015
41-B	The Rainmaker Group, Inc.	116 North 5th Street	Lease	11/14/2007	12/18/07	12/27/2007	N/A	N/A	N/A	N/A	\$530,000	6/12/2008	N/A	N/A	4	N/A
42-B	Capital Holdings, LLC/Roger Zink	402 East Main Avenue	Rehab	12/5/2007	12/18/07	12/27/2007	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	N/A
43-B	Kinselco, Inc.	402 East Main Avenue	Lease	12/5/2007	12/18/07	12/27/2007	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	N/A
44-B	Rick & Theresa Keimele	413 East Broadway	Rehab	11/14/2007	12/18/07	1/1/2008	\$184,400	\$136,836	\$283,500	\$28,000	\$28,000	10/1/2008	\$176,955.00	\$281,700	1	0001-048-001
45-B	Centennial Plaza, LLC	116 North 4th Street	Purchase	12/5/2007	12/18/07	1/22/2008	\$803,100	\$238,000	\$1,047,800	\$25,000	\$25,000	1/29/2009	\$167,893.97	\$973,200	0	0001-050-010

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BISMARCK RENAISSANCE ZONE PROGRAM - PROJECT STATUS

Project	Applicant	Street Address	Project Type	RZA Hearing	Commission Approval	State Approval	Beginning Building Market Value	Proposed Investment	Estimated Building Value w/Investment	Estimated Property Tax Benefit	Estimated State Income Tax Benefit	Completion Date	Actual Investment	2014 Building Market Value	Jobs Created FTE	Parcel ID
46-B	Westley's Inc.	423 East Broadway	Lease	2/21/2008	03/11/08	3/19/2008	N/A	N/A	N/A	N/A	\$28,000	7/14/2008	N/A	N/A	1	N/A
47-B	Depot Associates	401 East Main Avenue	Rehab	4/18/2008	05/13/08	5/28/2008	\$372,300	\$200,000	\$600,000	\$50,000	\$5,000	7/1/2009	\$243,344.00	\$516,200	0	0001-010-001
48-B	FV Restaurant, Inc.	401/411 East Main Avenue	Lease	4/18/2008	05/13/08	5/28/2008	N/A	N/A	N/A	N/A	\$150,000	6/27/2008	N/A	N/A	3	N/A
49-B	T. Casey Cashman	523 North 1st Street	Rehab	5/12/2008	05/27/08	6/12/2008	\$103,100	\$25,000	\$130,000	\$10,000	\$5,000	12/15/2008	\$23,375.41	\$111,600	0	0005-016-070
50-B	Starion Financial	333 North 4th Street	Rehab	5/12/2008	05/27/08	6/12/2008	\$1,154,800	\$2,500,000	\$2,654,600	\$270,000	\$550,000	12/1/2009	\$3,193,280.00	\$2,453,200	25	0001-104-030
51-B	David Bliss, LLC	521 East Main Avenue	Lease	10/6/2008	10/22/08	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	N/A
52-B	Mark Benesh & Associates/Prudential	521 East Main Avenue	Lease	10/6/2008	10/22/08	11/4/2008	N/A	N/A	N/A	N/A	\$15,000	4/1/2009	N/A	N/A	2	N/A
53-B	CIG Investments, LLP	408 East Main Avenue	Rehab	3/11/2009	03/24/09	4/21/2009	\$80,700	\$258,720	\$420,000	\$22,030	\$20,975	10/21/2009	\$199,620.00	\$1,195,000	0	0001-048-040
54-B	RC Properties, LLLP	800 East Sweet Avenue	Rehab/New Const.	5/13/2009	05/26/09	6/3/2009	\$576,100	\$2,145,500	\$1,900,000	\$68,000	\$485,000	1/20/2011	\$1,335,670.00	\$1,482,400	0	0001-037-025
55-B	Blarney Stone Pub, LLC	408 East Main Avenue	Lease	6/10/2009	06/23/09	7/7/2009	N/A	N/A	N/A	N/A	\$30,000	10/1/2009	N/A	N/A	46	N/A
56-B	Cavalier Homes, Inc.	408 East Main Avenue	Lease	6/10/2009	06/23/09	7/7/2009	N/A	N/A	N/A	N/A	\$153,665	10/15/2009	N/A	N/A	3	N/A
57-B	Jim Poolman Consulting, Inc.	408 East Main Avenue	Lease	6/10/2009	06/23/09	7/7/2009	N/A	N/A	N/A	N/A	\$50,000	9/9/2009	N/A	N/A	1	N/A
58-B	TFRE, LLC	120/124 North 4th Street	Purchase w/ Major	6/10/2009	06/23/09	6/25/2009	\$231,100	\$245,284	\$350,000	\$30,000	\$15,000	11/1/2010	\$246,603.00	\$475,200	0	0001-050-001
59-B	Boardwalk on Broadway	100 West Broadway	Rehabilitation	8/12/2009	08/25/09	9/11/2009	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	N/A
60-B	SRSSM Partnership	122 East Broadway	Purchase w/ Major	10/14/2009	10/27/09	11/25/2009	\$437,680	\$727,000	\$843,500	\$54,080	\$843,500	6/17/2010	\$620,109.00	\$975,800	0	0001-060-025
61-B	Sheldon A. Smith, P.C.	122 East Broadway	Lease	11/12/2009	11/24/09	12/3/2009	N/A	N/A	N/A	N/A	\$192,500	6/21/2010	N/A	N/A	1.5	N/A
62-B	Randall J. Bakke, P.C.	122 East Broadway	Lease	11/12/2009	11/24/09	12/3/2009	N/A	N/A	N/A	N/A	\$192,500	6/21/2010	N/A	N/A	1	N/A
63-B	Scott K. Porsborg, P.C.	122 East Broadway	Lease	11/12/2009	11/24/09	12/3/2009	N/A	N/A	N/A	N/A	\$192,500	6/21/2010	N/A	N/A	1	N/A
64-B	Mitchell D. Armstrong, P.C.	122 East Broadway	Lease	11/12/2009	11/24/09	12/3/2009	N/A	N/A	N/A	N/A	\$192,500	6/21/2010	N/A	N/A	0.5	N/A
66-B	Kranzler Kingsley Communications, LTD	501 East Main Avenue	Lease	12/9/2009	12/22/09	1/10/2010	N/A	\$180,000	N/A	N/A	\$17,000	7/16/2010	\$295,896.00	N/A	4	N/A
67-B	IRET Properties, LP	715 East Broadway Avenue	Rehabilitation	12/9/2009	12/22/09	1/10/2010	\$1,251,000	\$1,136,650	\$1,818,000	\$125,287	\$0	9/8/2010	\$637,783.00	\$1,794,800	0	0001-042-001
68-B	J & J Smith Property Management, LLC	115 North 4th Street	Purchase w/ Major	1/13/2010	01/26/10	2/12/2010	\$294,400	\$120,000	\$437,000	\$25,000	\$2,500	10/25/2010	\$161,746.00	\$460,600	0	0001-048-050
69-B	Jimmy John's	301 South 3rd Street	Lease	2/10/2010	02/23/10	3/2/2010	N/A	\$75,000	N/A	N/A	\$8,000	7/13/2010	\$140,000.00	N/A	14	N/A
70-B	J2 Studio Architecture + Design	521 East Main Avenue	Lease	2/10/2010	02/23/10	3/2/2010	N/A	N/A	N/A	N/A	\$8,000	3/11/2010	N/A	N/A	1	N/A
71-B	JS Bridal, LLC	115 North 4th Street	Lease	6/9/2010	06/22/10	7/2/2010	N/A	N/A	N/A	N/A	\$4,000	11/1/2010	N/A	N/A	4	N/A
72-B	Toasted Frog West, LLC	124 North 4th Street	Lease	10/19/2010	10/26/10	11/10/2010	N/A	N/A	N/A	N/A	\$12,000	12/1/2010	N/A	N/A	10	N/A
73-B	A.L. Brend, DDS	207 East Front Avenue	Lease	10/13/2010	10/26/10	11/10/2010	N/A	\$300,000	N/A	N/A	\$55,000	10/24/2011	N/A	N/A	8	N/A
74-B	Magi-Touch Carpet & Furniture, Inc	800 East Sweet Avenue	Lease	10/19/2010	10/26/10	11/10/2010	N/A	N/A	N/A	N/A	\$106,000	2/1/2011	N/A	N/A	3	N/A
75-B	American Bank Center	401 North 4th Street	New Construction	10/19/2010	10/26/10	11/10/2010	N/A	\$3,500,000	\$3,500,000	\$15,500	\$15,000	10/15/2012	\$3,046,296.43			0001-122-030
76-B	Spaces, Inc.	122 East Main Avenue	Lease	1/12/2011	01/25/11	2/7/2011	N/A	\$60,000	N/A	N/A	\$7,500	2/21/2011	N/A	N/A	3.5	N/A
77-B	Aimee C. Reidy	306 South 10th Street	Rehabilitation	3/9/2011	03/22/11	4/17/2011	\$68,200	\$20,000	\$120,000	\$5,500	\$2,500	8/24/2011	\$45,433.00	\$96,600	0	0005-077-010
78-B	Four-2-Five on Broadway/Loran Galpin	123 North 4th Street	Purchase w/ Major	4/13/2011	04/26/11	5/17/2011	\$96,300	\$1,100,000	\$1,200,000	\$41,000	\$6,000	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	N/A
79-B	Jennifer I. Davis	522 North 5th Street	Purchase w/ Major	5/11/2011	05/24/11	6/12/2011	\$41,400	\$300,000	\$250,000	\$5,170	\$42,050	WITHDRAWN	WITHDRAWN	WITHDRAWN	WITHDRAWN	N/A
80-B	Pine Properties, LLC	100 West Broadway Avenue	New Construction	6/8/2011	06/28/11	8/10/2011	\$25,000	\$27,000,000	\$23,500,000	\$1,869,310	\$15,000					0001-058-010
81-B	Gulch II, LLC (fka HST, LLC)	506/510 East Main Avenue	Rehabilitation	7/12/2011	7/26/2011	8/10/2011	\$243,500	\$3,100,000	\$3,000,000	\$238,635	\$15,439	1/15/2014	\$3,535,146.00			0001-046-020
82-B	Daymarck, LLC	521 East Main Avenue	Lease	7/12/2011	7/26/2011	8/10/2011	N/A	N/A	N/A	N/A	\$80,000	11/7/2013	N/A		4	N/A
83-B	JLB-BIS, Inc.	217 North 3rd Street	Rehabilitation	2/21/2012	2/28/2012	3/12/2012	\$113,500	\$350,000	\$265,000	\$20,750	\$75,000	11/15/2012	N/A		25	001-064-040
84-B	Broadway Centre, LLC	100 West Broadway	Lease	2/21/2012	2/28/2012	3/12/2012	N/A	N/A	N/A	N/A	\$10,000	7/31/2014	N/A		35	N/A
85-B	Pine Properties, LLC	100 West Broadway	Lease	2/21/2012	3/27/2012	5/14/2012	N/A	N/A	N/A	N/A	\$0	7/31/2014	N/A			N/A
86-B	Pine Investment Compay, LLC	100 West Broadway	Lease	2/21/2012	3/27/2012	5/14/2012	N/A	N/A	N/A	N/A	\$351,020	7/31/2014	N/A			N/A
87-B	Pine Enterprises, LLC	100 West Broadway	Lease	2/21/2012	3/27/2012	5/14/2012	N/A	N/A	N/A	N/A	\$0	7/31/2014	N/A			N/A
88-B	Pine Petroleum, Inc.	100 West Broadway	Lease	2/21/2012	3/27/2012	5/14/2012	N/A	N/A	N/A	N/A	\$509,880	7/31/2014	N/A			N/A
89-B	Pine Oil Company	100 West Broadway	Lease	2/21/2012	3/27/2012	5/14/2012	N/A	N/A	N/A	N/A	\$16,485	7/31/2014	N/A			N/A
90-B	Kenneth Clark and Dave Clark	106 East Thayer Avenue	Rehabilitation	7/17/2012	7/24/2012	7/26/2012	\$117,800	\$89,000	\$197,000	\$24,430	\$600	2/7/2013	\$95,402.00	\$117,800	0	001-110-035
91-B	Bread Poets Baking Company, LLC	106 East Thayer Avenue	Lease	7/17/2012	7/24/2012	7/26/2012	N/A	N/A	N/A	N/A	\$12,400	2/7/2013	N/A		1	N/A

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March 18, 2015

HOUSE FINANCE AND TAXATION COMMITTEE
SB 2329

CHAIRMAN HEADLAND AND MEMBERS OF THE COMMITTEE:

For the record my name is Blake Crosby. I am the Executive Director of the North Dakota League of Cities representing the 357 cities across the State.

I am here in support of engrossed SB 2329 which expands the size of the Renaissance Zones. Renaissance Zones, as you have heard in previous testimony, are an important tool in revitalizing a city's core area. They provide for greater density, which is much more cost effective for infrastructure, and ultimately hold down property taxes. The redevelopment projects supported by Renaissance Zones also expand the property tax base and hold down property taxes by increasing the value of that property and surrounding property. Renaissance Zones are a proven concept with a good track record over their 16 years of existence in North Dakota.

On behalf of the North Dakota League of Cities, I ask for a do-pass on engrossed SB 2329.

THANK YOU FOR YOUR TIME AND CONSIDERATION. I will try to answer any questions.

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SB 2329 – Testimony by Dustin Gawrylow (Lobbyist #244) North Dakota Watchdog Network

1. First and foremost, prior to expanding the size and scope of any tax incentive program an unbiased study of whether these programs are effective at doing more than padding certain developers and investor's pockets.

- As such, we would like to see amended into this bill, no matter the form it takes, a mandatory study looking at the Return on Investment (ROI) that the program is creating.
 - This study must include a proper accounting of what the properties in the program were generating for tax revenue before entering the RZ program, how much was exempted while the program was off the books, what the properties generated after the exemption, and whether the before to after growth rate was worth the exemption.
 - The study should also include a documentation of the effects of the RZ on the city's tax-base.
 - How much NEW revenue was generated for the general fund after the property was placed in the RZ compared to what it was generating prior?
 - How much RZ overlap is there with TIF districts?
 - How much revenue was diverted from the general fund into TIF funds due to the RZ program?

2. We question the need to expand the number of blocks allowed to be used by the program.

- Blocks that have been "restored" can be removed and replaced by other blocks – they cannot be added back in once removed.

Compromise: Instead of expanding the number of blocks, simply allow cities to move a limited number of blocks back into RZ 5-years after being removed if a serious plan to re-develop that block has been offered.

3. While we do not agree in principal to the program, we can concede that as long as the program exists, like many other areas of law, an accommodation can be made for inflation. Contingent upon application of the previously described ROI study, an expansion of the credits available based on inflationary trends could be acceptable – provided the increase does not create situations where the tax-base is minimized to an extent that property taxes increase because of it.