

2011 SENATE FINANCE AND TAXATION

SB 2048

# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2048  
1/5/11  
Job Number 12604

Conference Committee

A. Bittmiller

### Explanation or reason for introduction of bill/resolution:

Property not to be in renaissance zone and tax increment financing district

### Minutes:

Written Testimony Attached

**Chairman Senator Cook** opened the hearing on SB 2048 relating to renaissance zones and tax increment financing. This bill was introduced by the Taxation Committee.

**John Walstad, Legislative Council** started by stating he is neither for nor against a bill, it is his job to provide facts and answer questions. What this draft does is provide that going forward, a parcel of property cannot be incorporated in both a tax increment financing district and a renaissance zone. There is nothing in current law that prohibits property from being in both a renaissance zone and a tax increment financing district. It seems incompatible to do both because renaissance zones property is eligible for a property tax exemption and if property is exempt, having it in a tax increment financing district doesn't generate any tax increment financing revenue.

**Chairman Cook** stated next would be testimony in favor of SB 2048. No one came forward. He then asked for testimony opposed to SB 2048.

**Jerry Hjelmstad, North Dakota League of Cities** – (See attached testimony A in opposition of SB 2048)

**Katie Anderson, Mayor of Jamestown** – (See attached testimony B in opposition of SB 2048)

**Cal Klewin, Economic Development Association of North Dakota** - (See attached testimony C in opposition of SB 2048)

**Bob Stein, Senior Planner, City of Fargo** - (See attached testimony D in opposition of SB 2048)

**Mike Allmendinger, General Manger for the Kilbourne Group, Real Estate Company Fargo** - (See attached testimony E in opposition of SB 2048)

**Bill Wocken, Speaking on own behalf** - (See attached testimony F and F1 in opposition of SB 2048) Mr. Wocken closed by stating if the committee feels it does need to pass SB 2048, then Mr. Hjelmstad's amendments are favorable.

**Senator Triplett** asked Mr. Wocken if he felt it's important for different communities to have the opportunity to define different policies, or would it be acceptable to select the best policies and incorporate them into state law.

**Bill Wocken** prefers the individual communities choose the tools that they wish to use to best serve that community's situation.

No further action was taken.

**Chairman Cook** closed the hearing on SB 2048.

# 2011 SENATE STANDING COMMITTEE MINUTES

**Senate Finance and Taxation Committee**  
Lewis and Clark Room, State Capitol

SB 2048  
2/14/2011  
Job Number 14464

Conference Committee

*A. Rittmiller*

## **Explanation or reason for introduction of bill/resolution:**

Property not to be in renaissance zone and tax increment financing district

## **Minutes:**

Committee Work

**Chairman Cook** opened discussion on SB 2048.

**Vice Chairman Miller** – I'll move the amendments as proposed.

Seconded by **Senator Burckhard**.

**Senator Triplett** – Reviewing my notes from the testimony we received, we did hear testimony from the city of Fargo in opposition of this bill. They indicated that they developed a policy at the suggestion of our State Department of Commerce for when it was appropriate to use both and the policy was approved by the North Dakota Department of Commerce. If our state Department of Commerce is already on to this problem and has proposed a solution, which is to say local control in coordination with the state agency, that seems to me how government ought to work and I would oppose these amendments.

**Senator Oehlke** – I did notice that the League of Cities proposed this exact wording in an amendment.

Brief discussion followed that the League of Cities was opposed to this bill, but however if passed, these amendments would be recommended.

**Chairman Cook** – We have before us the amendments for SB 2048. Ask the clerk to take the roll. (6-1-0)

**Vice Chairman Miller** – I will move a Do Pass as Amended.

Seconded by **Senator Burckhard**.

**Senator Dotzenrod** – My impression of this tax increment financing, the problem, if it's a problem, is that these things are being used around the state and have worked pretty well for a long period of time. It goes back to the 1960's. Most cities it seems they get these projects on, they work their way over a period of time, get the project completed and then they finish it. It seems like Bismarck for some reason sticks out like a sore thumb, like the situation we have in Bismarck seems to be sort of out of tune and not following the kinds of normal progress that you see in these other cities. I don't know if we've really figured out what it's going to take to fix what's going on. It looks like Bismarck has figured out a way to sort of have a perpetual tax increment financing that they can amend it, and then extend it, and then they are accumulating a lot of money in this thing. The thing that really seems to bother people is what is going on in Bismarck. The only objective I have here is to see if there is some way to deal with this problem of a perpetual tax increment financing that never ends. That seems to be going on in Bismarck.

**Chairman Cook** – In the years that I have served, I agree with you that the tax increment financing district and the renaissance are very valuable tools. We haven't visited them in many years. There have been scenarios in the state where I think the tax increment financing more than renaissance has been abused, and one of them is Bismarck, one is Kindred, and one is Fargo. Fargo's situation I think surfaced back in around 2001 with legislation similar to what we have in SB 2050. I think it's wise we revisit the tax increment financing policy. My concern is that we continue to build integrity.

**Senator Triplett** – I think you are giving too much credit to the few people that do complain. I also see the testimony from Bill Wocken who indicated that they have recently developed a policy. He said the current policy of the city of Bismarck is that they have no more than 8 years of tax increment financing generally but only 3 years are allowed when it's combined with renaissance zone financing. So it sounds to me like even the city of Bismarck that has had issues as Senator Dotzenrod pointed out, has also developed a policy. I think we are solving a problem that no longer exists. Maybe there was a problem in the past, but it's gotten some attention, the cities have stepped up, they have developed policies, there are subtle differences from city to city, but that really is what we mean when we say local control. That the state provides some overall directive, and then the cities get to develop a process that works for them. Given that they seem to be working with our State Department of Commerce to develop these policies, I just don't know why we are meddling at this point other than to satisfy a particular constituent that would rather see both of these things die.

**Chairman Cook** – I can tell you that in the city of Kindred there is a tax payer that has an argument of unfair tax treatment and I can't debate with him because he is right.

**Chairman Cook** – We have before us SB 2048. Ask the clerk to take the roll. (4-3-0)

Carried by **Vice Chairman Miller**.

**Chairman Cook** closed the hearing on SB 2048.

**To: Senate Finance and Taxation Committee**  
**From: Jerry Hjelmstad, North Dakota League of Cities**  
**Date: January 5, 2011**  
**Re: Senate Bill No. 2048**

PROPOSED AMENDMENTS TO SENATE BILL NO. 2048

Page 1, line 2, replace "exclusion of" with "benefits received by"

Page 1, line 4, replace "exclusion of" with "benefits received by"

Page 1, line 9, replace "be included in" with "receive benefits through"

Page 1, line 11, replace "is part of" with "receives benefits through"

Page 2, line 18, replace "is included in" with "receives benefits through"

Renumber accordingly

Date: 2-14-11  
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2098

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Senator Miller Seconded By Senator Burckhard

Senators	Yes	No	Senators	Yes	No
Dwight Cook – Chairman			Jim Dotzenrod		
Joe Miller – Vice Chairman			Connie Triplett		
Randy Burckhard					
David Hogue					
Dave Oehlke					

Total (Yes) 6 No 1

Absent 0

Floor Assignment \_\_\_\_\_

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

Verbal vote

February 14, 2011

*FB*  
*2-14-11*

PROPOSED AMENDMENTS TO SENATE BILL NO. 2048

Page 1, line 2, replace "exclusion of" with "benefits received by"

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Page 1, line 11, replace "part of" with "receiving benefits through"

Page 2, line 18, replace "included in" with "receiving benefits through"

Renumber accordingly

Date: 2-14-11  
Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2048

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Senator Miller Seconded By Senator Burckhard

Senators	Yes	No	Senators	Yes	No
Dwight Cook - Chairman	X		Jim Dotzenrod		X
Joe Miller - Vice Chairman	X		Connie Triplett		X
Randy Burckhard	X				
David Hogue	X				
Dave Oehlke		X			

Total (Yes) 4 No 3

Absent 0

Floor Assignment Senator Miller

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



**REPORT OF STANDING COMMITTEE**

**SB 2048: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2048 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "exclusion of" with "benefits received by"

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Page 1, line 11, replace "part of" with "receiving benefits through"

Page 2, line 18, replace "included in" with "receiving benefits through"

Renumber accordingly

2011 HOUSE FINANCE AND TAXATION

SB 2048

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB: 2048  
March 14, 2011  
#15368

Conference Committee

Committee Clerk Signature

*Mary Bruker*

## Explanation or reason for introduction of bill/resolution:

A bill relating to informational reporting by cities and the department of commerce on the status of property included in both a tax increment financing district and a renaissance zone.

## Minutes:

*See attached memo from John Walstad.*

**John Walstad, Legislative Council:** Introduced bill. Neutral position. Please refer to attached memo. This bill originated with the interim tax committee where I served as counsel. During the interim the committee was looking at renaissance zones and tax increment financing districts. A question arose that what if property was in both the renaissance zone and a tax increment financing district and at first it would seem to be unlikely. A renaissance zone makes property eligible for a property tax exemption which would be contrary to the purposes of a tax increment financing which is to generate a separate tax base to pay financing costs such as loans and things financed by the city through tax increment financing. As it turns out there are some properties that are in both tax increment financing and renaissance zones. I've distributed ahead of time a memo on the bill relating to the possibility of overlapping territory. The bill was amended substantially in the senate and what is contained in there now is really a reporting requirement so that information is provided to the department of commerce annually then that information is provided to interim taxation committee or another committee designated by the chairman of legislative management. I think you can see the information to be included.

**Jerry Hjelmstad, North Dakota League of Cities:** Neutral testimony. We worked with interim tax committee on this issue and although we are not promoting this bill there were some concerns expressed. There was no central source for getting information on districts that contain both of these properties. This bill would provide that central source. I can see that there would be some benefits for those people who had concerns about no central source of information.

**Chairman Wesley R. Belter:** No further testimony. Closed hearing on SB 2048.

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2048  
March 14, 2011  
#15399

Conference Committee

Committee Clerk Signature *Mary Brucher*

## Explanation or reason for introduction of bill/resolution:

A bill relating to informational reporting by cities and the department of commerce on the status of property included in both a tax increment financing district and a renaissance zone.

## Minutes:

*No attachments.*

**Representative Steven L. Zaiser: Motion for Do Pass.**

**Representative Dwight Wrangham: Seconded.**

**A roll call vote was taken: YES 14 NO 0 ABSENT 0  
MOTION CARRIED FOR DO PASS.**

**Representative Steven L. Zaiser will carry SB 2048.**

Date: 3-14-11  
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2048

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment

Rerefer to Appropriations  Reconsider \_\_\_\_\_

Motion Made By Rep. Zaiser Seconded By Rep. Wrangham

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Scot Kelsh	✓	
Vice Chair. Craig Headland	✓		Shirley Meyer	✓	
Glen Froseth	✓		Lonny B. Winrich	✓	
Bette Grande	✓		Steven L. Zaiser	✓	
Patrick Hatlestad	✓				
Mark S. Owens	✓				
Roscoe Streyle	✓				
Wayne Trotter	✓				
Dave Weiler	✓				
Dwight Wrangham	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Zaiser

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

**REPORT OF STANDING COMMITTEE**

**SB 2048, as reengrossed: Finance and Taxation Committee (Rep. Belter, Chairman)**  
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
Reengrossed SB 2048 was placed on the Fourteenth order on the calendar.

2011 TESTIMONY

SB 2048

**To: Senate Finance and Taxation Committee**  
**From: Jerry Hjelmstad, North Dakota League of Cities**  
**Date: January 5, 2011**  
**Re: Senate Bill No. 2048**

We surveyed cities during the interim session and found that instances where renaissance zone benefits and tax increment financing (TIF) benefits both being used on a project were rare, but that they had been used together in some difficult situations where the developer demonstrated that it was necessary.

We have all seen areas where a major rundown building can discourage surrounding development. We support giving local governing boards the flexibility necessary to deal with these difficult development situations.

We understand that this bill is the result of concerns by some about combining these benefits but have not heard anything to indicate that this is a problem around the state. We ask that if a "do not pass" recommendation is not given, that at least the bill be amended to make clear that the concern is about receiving benefits from both programs and not simply about property being included in both a renaissance zone and a TIF district.

I have attached amendments that relate to the benefits received through a zone or district, but we urge this committee to recommend a "do not pass" on Senate Bill No. 2048.



**To: Senate Finance and Taxation Committee**  
**From: Jerry Hjelmstad, North Dakota League of Cities**  
**Date: January 5, 2011**  
**Re: Senate Bill No. 2048**

PROPOSED AMENDMENTS TO SENATE BILL NO. 2048

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Renumber accordingly

Testimony in opposition to SB 2048  
Katie Andersen, Mayor of Jamestown

Good morning, Mr. Chairman, Committee members, thank you for your time today to hear testimony on SB 2048. My name is **Katie Andersen**; I am the **Mayor of Jamestown**, a member of the executive board of directors for the Jamestown Stutsman Development Corporation which is a member of EDND Economic Development of North Dakota, and a business owner. I am here to testify in opposition to SB 2048, and request that SB 2048 **DO NOT PASS**.

SB 2048 proposes to exclude renaissance zone property from tax increment financing districts or TIFs. Renaissance zone districts and TIF districts both provide incentive to develop areas within our local communities that may otherwise be undesirable or cost prohibitive to development. The benefits of each program are different. A renaissance zone can offer a 100% property tax exemption on the all the improvements to the land for five years, as well as a ND income tax exemption for five years. In contrast, a tax increment financing district does not eliminate the property tax, rather it freezes the property taxes at the time the district is created and the period of time can be longer than five years. Property taxes are still paid based on the assessment values at the creation of the district.

These two tools, **renaissance zones and tax increment financing districts are two very different tools** in the toolbox for local development. Political Science Professor and Author Donald Kettl said, "You can never be sure exactly what collection of problems you're going to face,...**That's why you need your whole toolbox in front of you.**"

As a local leader and business owner who has utilized the benefits of a renaissance zone district to remodel and repurpose a 100 year old downtown building, I know how important the ability to use multiple tools for development can be to giving a project legs and bringing it to fruition.

Utilizing both a renaissance zone district and tax increment financing district may be a rare combination, and even undesirable for the health of local taxing districts. However, the local governing bodies should have the power to make whatever decision will be the most beneficial to their location. I hope that every one of you who sits on this committee will **uphold Article VII of the ND Constitution**, to "provide for maximum local self-government by all political subdivisions with a minimum duplication of functions."

**Do not limit the tools available to encourage economic development. Do Not Pass SB 2048.** Thank you for your attention, and I will be available for any questions.



Testimony of Cal Klewin

Economic Development Association of North Dakota

SB 2048

January 5, 2010

Chairman Cook and members of the committee, my name is Cal Klewin. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations.

Tax Increment Financing districts and Renaissance Zones are economic development tools available to communities throughout North Dakota. Planning in communities can be hindered by limitations of the each of the programs as they are now written. Both programs have shown to be beneficial for revitalization and development. Without the ability to combine and utilizes the benefits of the TIF and a Renaissance Zone, there are projects that may be unable to proceed.

The incentives of TIF and a Renaissance Zone - working in conjunction - have potential for long-term benefits to a community's planning and future growth.

EDND recommends a **do not pass** on SB 2048

Thank you. I would be happy to answer your questions.

**Testimony on Senate Bill 2048  
Senate Finance and Taxation Committee  
January 5, 2011**

Mr. Chairman and Members of the Committee: My name is Bob Stein and I am a Senior Planner with the City of Fargo. My primary duties are administration of the City's Renaissance Zone Program and management of the downtown parking system. Thank you for the opportunity to express my opinion on Senate Bill 2048. I speak in opposition to the bill.

Since its initial passage at the 56<sup>th</sup> Legislative Assembly in 1999 the Renaissance Zone Program has proven to be an exceptionally effective tool in promoting growth and development in downtown Fargo. Tax increment financing, although not used as extensively as in past years, also remains an important tool in downtown redevelopment. Each project is different, and each project needs a unique approach in order to achieve the desired outcomes.

Renaissance Zone incentives have proven successful as a stand-alone incentive in many projects. In other projects, Renaissance Zone incentives have been coupled with Historic Preservation Tax Credits (both state and federal) in order to make other projects feasible. There have been some projects where the City has used CDBG Storefront Rehab grants and Rental Rehab grants to promote or improve other projects. There has been one project to date where Renaissance Zone program and Tax Increment Financing have been combined.

The aforementioned are all tools that are needed depending on the circumstance of each individual project. We have experienced much success with the Renaissance Zone program, Tax Increment Financing, and the other tools that are available. Future projects that are envisioned in downtown Fargo are very complex due to the location in an

existing downtown; property assembly issues; and utility, public parking and infrastructure needs. The Renaissance Zone program will be an important piece of the puzzle. However Tax Increment Financing is equally critical in completing the public improvements that will be required.

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

This legislation is not supported by the City of Fargo.

Testimony on Senate Bill 2048  
Senate Finance and Taxation Committee  
January 5, 2011

Mr. Chairman and Members of the Committee: My name is Mike Allmendinger and I'm the General Manager for the Kilbourne Group, a Real Estate company in Fargo that focuses on downtown developments. We believe that strong urban cores in North Dakota communities reduce urban sprawl and promote smart growth for cities. Thank you for the opportunity to share how this bill will impact developments in urban areas. I speak in opposition to this bill.

Each project in Renaissance Zones (primarily in downtown areas of ND cities) has existing conditions that are unique and different circumstances for each city in North Dakota. Having the tools, such as Renaissance Zone tax credits, TIFF, Historic Tax Credits, CDBG funds to make projects financially feasible in these Renaissance Zones are critical to the viability of a project. Having ND State laws impact the unique circumstances for each project will limit the financial feasibility of projects in Renaissance Zones. We understand if a city chooses to blend Renaissance Zone and TIFF's, a written policy needs to be developed locally and approved by the Department of Commerce. For example, downtown projects with existing conditions may have existing powerlines, the need for public parking structures, public plazas; all these are public components for TIFF's. Renaissance Zone incentives provide property and income tax incentives for developers, but more importantly encourage commercial and residential tenants to invest in Renaissance Zones. The revitalization of all downtown cities throughout North Dakota may have a need to use both financial tools to make a specific project feasible.

Notes SB 2048 1/5/11 10am

Introduction – Bismarck City Administrator  
Speaking for self, not city; city commission not seen bill yet

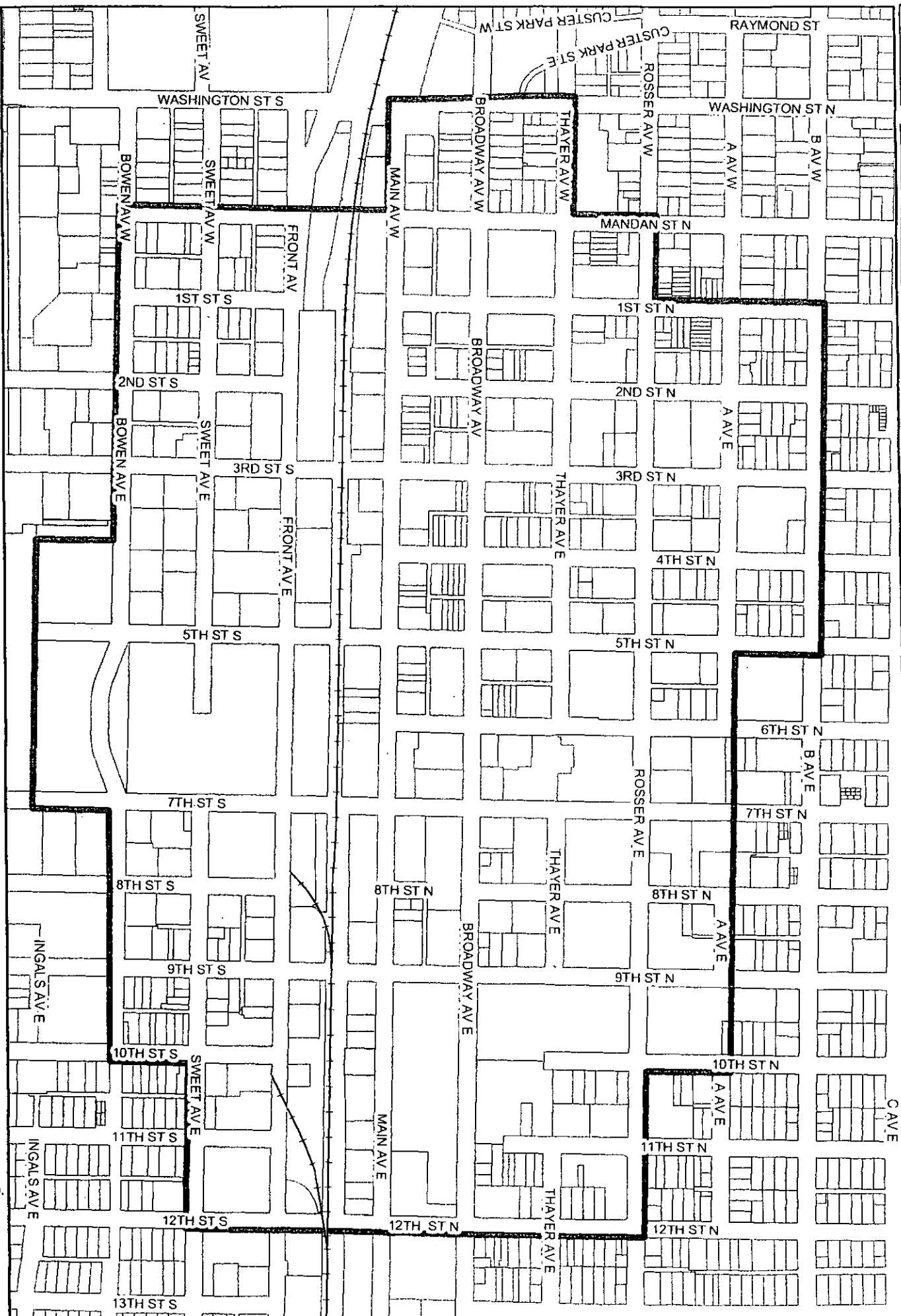
Request Do Not Pass as written.  
Local officials are able to determine which incentives to offer to projects.  
If the bill needs to go further request ND League of Cities amendments be considered.

Concern – Bill as written prohibits a parcel from being in both a tax increment and a Renaissance Zone plan area. This would make it difficult to plan downtown renewal. Cities now regulate what incentives are given from what programs to prevent undue enrichment of a single project.

Difficult to use both tax increment and Renaissance programs on same project. Bismarck had one instance. Old warehouse (Front Page). Building had almost no value and was being rehabilitated into office/professional building. Building was adjacent to another building and had a window facing it. Code required a special fire damper on window. Handled it with tax increment.

Bismarck limits tax increment on any project. Uses tax increment like a loan. Maximum assistance allowed is amount that can be amortized in 8 or 9 years at 3.5% interest by the incremental taxes. (8 years is normal; 9 if exceptional project). Front Page had enough increment to allow some tax increment even with Renaissance Zone 5 year exemption figured in. Amount of tax increment was small but it made the project work.

Committee questions

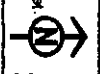


City of Bismarck - Community Development Department ~ Planning Division

February 2010



1,000 Feet



F1



## RENAISSANCE ZONE AND TAX INCREMENT FINANCING DISTRICT - POSSIBILITY OF OVERLAPPING TERRITORY

This memorandum was requested to determine whether property may be contained in a renaissance zone and a tax increment financing district.

### RENAISSANCE ZONES

A city may apply under North Dakota Century Code Section 40-63-02 for Department of Commerce Division of Community Services approval designating a portion of the city as a renaissance zone. Under Section 40-63-03, the zone approval application must show all of the following criteria:

1. The property must all be within the boundaries of the city.
2. The city must propose a development plan.
3. The renaissance zone may not be more than 23 square blocks but may be expanded up to 38 blocks at a rate of one additional block for each 5,000 population beginning at a population level of 10,000.
4. All blocks in the zone must be contiguous except a single noncontiguous area not exceeding three square blocks may be included.
5. Proposed land usage for zoned property must include both commercial and residential property.
6. The application must include the proposed duration of renaissance zone status, not exceeding 15 years. The Department of Commerce Division of Community Services may extend the duration of renaissance zone status in increments of up to five years.

The primary incentives for property owners or purchasers of renaissance zone property are income and property tax exemptions.

### Income Tax Exemptions

1. An individual who purchases or rehabilitates single-family residential property as a primary residence as a zone project is exempt from up to \$10,000 of personal income tax liability for five taxable years after the date of occupancy or completion of rehabilitation.
2. A taxpayer that purchases, leases, rehabilitates, or makes leasehold improvements to residential, public utility infrastructure, or commercial property for any business or investment purposes as a zone project is exempt from any tax on income derived from the business or investment location for five taxable years beginning with the date of purchase, lease, or completion of rehabilitation.
3. If the cost of a new business purchase, leasehold improvement, or expansion of an

existing business as a zone project exceeds \$75,000 and the business is in a city with a population not more than 2,500, an individual taxpayer may elect to take an income tax exemption of up to \$2,000 of personal income tax liability for up to five taxable years.

4. If a property owner not participating in a renaissance zone project is required to make changes in utility services or building structure because of changes to property that is part of a zone project, the owner of the nonparticipating property is entitled to a state income tax credit equal to the amount of investment required to complete the required changes.
5. A credit against financial institutions tax, individual income tax, and corporate income tax is allowed for investments in historic preservation or renovation of property in a renaissance zone. The credit is 25 percent of the amount of investment, up to a maximum of \$250,000. The credit may be claimed in the year in which the preservation or renovation is completed and any excess credit may be carried forward for up to five taxable years.
6. A credit against financial institutions tax, individual income tax, and corporate income tax is allowed for investments in a renaissance fund organization. The credit is 50 percent of the amount invested and the credit may be carried forward for up to five taxable years. Renaissance fund organization investments are limited to a total amount of credits not exceeding \$7.5 million for investments in renaissance fund organizations.

### Property Tax Exemptions

1. A city may grant a partial or complete property tax exemption for single-family residential property, exclusive of the land, if the property was purchased or rehabilitated by an individual as a primary place of residence as a zone project.
2. A city may grant a partial or complete property tax exemption on buildings, structures, fixtures, and improvements purchased or rehabilitated as a zone project for any business or investment purpose for up to five years following the date of purchase or completion of rehabilitation.

### TAX INCREMENT FINANCING DISTRICTS

A city may establish a tax increment financing district by adopting a resolution finding that one or more slum or blighted areas or industrial or

commercial properties exist which require development, rehabilitation, conservation, or development in the public interest. The city must prepare a development or renewal plan and hold a public hearing for consideration of the plan. After the hearing, the governing body may approve the plan.

To implement the plan, the city has authority to borrow money and accept financial assistance from any available source. The city may appropriate funds and make expenditures to carry out the plan. The city may issue bonds to finance the project and may issue refunding bonds to retire bonds previously issued.

Tax increment financing is used as the repayment mechanism for bonds issued for a development plan. At the time of establishment of a tax increment financing district, valuation of property within the district is "frozen" for property tax purposes. The property and any improvements made to the property, continue to be subject to the full rate of property taxes levied on property within the city. However, the incremental value of the property, which is the value of the property and improvements exceeding the "frozen" value, is essentially taxable only by the tax increment financing district and all property taxes against the incremental value are segregated in a special fund that may be used only for repayment of bonds issued to finance the project. This means that the city, county, school district, and any other taxing district will continue to receive property taxes levied only against the "frozen" value of the property. When the cost of the project and any related indebtedness has been fully paid and all bonds have been retired,

any amount on hand in the tax increment fund must be distributed by the county treasurer to the state and all political subdivisions having power to tax the property in amounts proportionate to the amount of tax losses.

As an alternative to sale of bonds for a tax increment financing district, the city may grant a total or partial property tax exemption for the project in order to provide assistance to a project developer. The property tax exemption is limited to the tax increment value of the property. The property tax exemption may not extend for more than 15 years.

### **OVERLAP OF RENAISSANCE ZONE AND TAX INCREMENT FUND FINANCING PROPERTY**

It appears there is nothing provided by statute to prohibit property from being incorporated in both a renaissance zone and a tax increment financing district. Renaissance zone property is eligible for a property tax exemption, which would be incompatible with the purpose of a tax increment financing district, which is to continue property tax collection against property but divert part of the revenue to a tax increment fund for financing the improvements. However, the property tax exemption for renaissance zone property is optional. This could be used by a city to provide renaissance zone income tax credits but no renaissance zone property tax exemption and to also include the property in a tax increment financing district to finance improvements.