

Testimony Presented on SB 2391 to the

Senate Finance and Taxation Committee

Senator Jordan L. Kannianen, Chairman

Nicole Crutchfield, Director of Planning and Development

City of Fargo

January 31, 2023

Mr. Chairman and Members of the Committee,

My name is Nicole Crutchfield and I submit this testimony in my capacity as the Director of Planning and Development for the City of Fargo which is the department of the city that administers the City's renaissance zone program. The City of Fargo is fully supportive of North Dakota's renaissance zone program. It has been a huge success for many cities in the state, not the least of which has been our City, and for the state as a whole. The City of Fargo is in support of Senate Bill 2391; however, we think that some revisions or amendments should be made to the bill to make it better.

Section 2 of the bill would allow a city to have a second "island" or "satellite" area of renaissance zone blocks, an idea that the City of Fargo supports. The idea of permitting a single satellite block was extremely useful in Fargo for a condominium housing project on the edge of the downtown. If there were a second satellite block available in the tool kit, it could also be used for an older commercial district in Fargo in need of redevelopment.

Section 2 of the bill also increases the authority of the Department of Commerce the authority to extend the duration of renaissance zone status from a period of five (5) to a period of ten (10) years, an idea that our city fully supports. Project development has long lead times, and the shorter-than-five-year window frequently does not provide sufficient lead time for a project developer who must frequently undertake a number of time-consuming tasks—from property acquisition, to designing and financing the project, not to mention actual construction.

Section 2 of the bill would permit the award of renaissance zone treatment on the same site after a suitable waiting period. As drafted, the bill would require a 30-year waiting period; however, 30 years is too long. We have encountered an example where a small building received an RZ exemption 20 years ago and, now, a developer desires to clear a half-block area that includes the small building and then construct a brand new and larger building. Therefore, the City would recommend an amendment reducing the waiting period from 30 years to 20 years.

Sections 3 and 4 of the bill would increase the period of tax exemptions from terms of five (5) years to a longer term of 7-1/2 years. This, too, is an idea our city fully supports; however, as to the property tax exemption, half-year exemptions are not workable for city assessors and, therefore, the City would

Testimony of Nicole Crutchfield
City of Fargo Planning Director
SB 2391
Page 2

recommend an “upward amendment” from 7-1/2 years to a full eight (8) years of tax exemptions—both income tax and property tax exemptions.

In Section 5 of the bill, the City of Fargo supports the proposed termination of the tax credit allowance with an amendment that would increase the cap on tax credits from the existing \$10 million to \$15 million.

There is one portion of the bill that the City of Fargo opposes. Section 1 of the bill would increase the threshold level of rehabilitation needed for a project to qualify for the RZ program from 50% of existing building value to 75%. This increase would unfairly disqualify some rehabilitation projects—particularly larger projects. A \$2 million remodeling of a large \$3.9 million building may be a great project that should be worthy of consideration—perhaps more worthy than a \$300,000 remodel of a \$400,000 building. Let local governments decide if a remodeling of 50% is sufficient to qualify. The City opposes Section 1 of the bill and recommends its deletion in an amendment.

In summary, the City of Fargo is an enthusiastic supporter of the renaissance zone program and our City supports SB 2391 with a hearty recommendation that certain provisions be amended as stated.