

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2224

2005 SENATE FINANCE AND TAXATION

SB 2224

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2224

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January 24, 2005

Tape Number	Side A	Side B	Meter #
#1		X	12.1 - 41.9
Committee Clerk Signature <i>Sharon Beyron</i>			

Minutes: All committee members present

SEN. URLACHER: Called the committee to order and opened the hearing on SB 2224.

SEN. ANDRIST: appeared as prime sponsor of the bill with written testimony stating the problem is that small towns think in terms of revitalizing not a section of the town, but the town itself and I'm hoping this bill can provide some help for them.

RICHARD GRAY, ND Dept. Of Commerce appeared neutral on the bill stating I am the person who oversees the renaissance for the State. A couple things we wanted to point out on the bill here are some issues and one that just popped up this morning is that we have 20 renaissance zones in the state and we've got them in the smallest communities (209 people) and have a total of about 8 communities that are actively working on it.

SEN. URLACHER: are they within that 2000 population?

RICHARD GRAY: most of those are going to be under 2000. The first thing is a question, paragraph 2, section c, it says its cost our population is based upon the most recent federal

decennial census, so the first question that was posed to me was then what are we supposed to use to determine population or was it just considered redundant because we're going to use the census anyway. When you have a renaissance zone it means that activities are going to occur in that area, and you have people on the outskirts that look at the zone and say "why can't I take advantage of these tax exemptions, whether their state or local property taxes?" But then again, that is part of selling the zone. We need to focus on How broad do we really want this renaissance zone to be? The next thing is, if you encompass the entire city, some of the smaller cities, if you allow the whole city, then your going to have communities that are going to have more blocks to do things in than even a large city like Bismarck, Fargo or Grand Forks and Minot, because many of them are going to have over 35 blocks. So how broad do you want this to be and should everybody be treated alike and the number of blocks and so how do you treat the larger cities in terms of expanding those blocks.

SEN. COOK: Renaissance zones legislation in code itself only affects income tax, is that correct?

RICHARD: Renaissance zone is state income tax, some are exemptions and some are credits, the property tax exemptions as well. We would like some joint participation when a project is approved.

SEN. COOK: had questions on income tax credits and if they knew them and why no fiscal note

SEN. TOLLEFSON: asked how they handle the residents out of the renaissance zone in a smaller zone.

RICHARD: a lot of talking and sell the plan to the community and community has to go back and resell the people and then we need to track for 5 years.

SEN. BERCIER: concerns with small towns and a store over here and then another store in another part of town, how do you handle that?

RICHARD: The concern I have is the program said 20 blocks and then the law changed to allow communities to go over 5000. Has concerns with how many blocks in the zone from 20 to 35, how many blocks are we going to have and can we break it up?

SEN. TOLLEFSON: This is only permissive legislation anyway, right?

RICHARD: exactly, it gets down to, do we want it to be the whole city?

CONNIE SPRYNCZYNATYK: with the ND League of Cities appeared neutral on the bill with written testimony stating there are some issues that need to be addressed.

SEN. COOK: asked where Bismarck is now with renaissance zone, how many projects and where and to what degree do property tax exemptions play with the 12 projects they have going right now and if they treat each differently.

CONNIE: projects are approved based on what the projects need, they can be very very different. Gave example of the old Front Page Tavern.

SEN. BERCIER: questioned if it was all in the downtown area and feels it is and if it stays within the number of blocks.

RICHARD GRAY: speaking to the flexibility, allowing to be able to fix up perfectly good buildings, trying to use it increase property tax value. Flexibility of the program is what makes it work

CLOSED THE HEARING.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2224

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January, 24, 2005

Tape Number	Side A	Side B	Meter #
# 2	X		47.1 - 61.6
		X	0.0 - 1.1
Committee Clerk Signature <i>Sharon Benjrow</i>			

Minutes: All committee members present.

SEN. WARDNER: stated he feels that 20 blocks should take care of it.

SEN. TOLLEFSON: This is really only permissive legislation and personally I think its self governing. I think you've got these people in towns of 2000 or less, if they start making that whole town effective by for example reducing property taxes, they'll have major problems probably that they will have to address and straighten out this situation, whether it be number of blocks or whatever the situation is. I think its a good bill, let them run with it and see what they can do.

SEN. URLACHER: Your key word was self governing. I think its an educational process and its going to educate the local people and that's what you want to do.

SEN. COOK: this is enabling legislation, we tend to set boundaries and the tax payers are going to feel the pain, I just can't support.

SEN. EVERY: likes the idea, feels its fine the way it is.

SEN. WARDNER: they did bring up large communities look at small communities and they could have 50 blocks and the large community only has 35 and the discrepancies, however, I do realize that small communities have a lot more challenges ahead of them economically than the bigger communities.

SEN. TOLLEFSON: I know that there's got to be a big struggle out there for some of these small communities and all of these communities together in this great State of ND are what make it go and if we can give them an opportunity, a chance and its really only an opportunity, self govern again of what we say is merely permissive legislation, I think we ought to let them try it, what do we have to lose?

SEN. COOK: what we have to lose is, one of the biggest tools that gets yours dear is not only the income tax credits but property tax exemptions. No matter how we do it, you take property off the tax rolls, it also comes off of that magic number of assessed value behind the school districts, and what do we have to lose, we have an equity law suit that we have to lose. It offers tax advantages to certain people based on where your property is and it doesn't to others.

SEN. BERCIER: when talking with Connie where she mentioned half blocks, she had me so confused on what that is.

SEN. COOK: made a motion for **DO NOT PASS**, seconded by Sen. Every.

ROLL CALL VOTE: 6-0-0 Sen. Bercier will carry the bill.

REPORT OF STANDING COMMITTEE (410)
January 24, 2005 4:50 p.m.

Module No: SR-15-0960
Carrier: Bercier
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2224: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2224 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

SB 2224

Senate Bill 2224 -- Senate Finance and Taxation Committee -- January 24, 10:30 a.m.

I'm Senator John Andrist of Crosby, and I introduced this amendment to the Renaissance Zone statute at the request of leaders in my home community, who have been trying to put together a program for the past couple of years.

The Renaissance Zone concept was originally adopted to help larger cities deal with the problem of revitalizing their core downtown areas, but in the last couple of years it has been adopted by a number of smaller communities as well.

The problem is that small towns think in terms of revitalizing not a section of the town, but the town itself. The jury is not in as to whether they can make it work, but I'm sure you would join me in hoping it can provide some help.

My city fathers tell me it would be beneficial if they could just designate the whole town, rather than be restricted to 20 contiguous blocks. Thus the bill.

Choosing the 2,000 population threshold was arbitrary. You might find it advantageous to lower it to 1,500 or raise it. I would leave that to your wisdom.

And I appreciate your consideration of this initiative.



NORTH DAKOTA
LEAGUE of CITIES
Founded in 1912

*Service, Advocacy, Leadership,
Education & Support*

Senate Finance and Taxation Committee
SB 2224
January 24, 2005

Members of the Committee,

Thank you for the opportunity to testify on SB 2224 on behalf of the North Dakota League of Cities. As I indicated this morning in my verbal testimony, the reaction to this bill during our legislative committee discussion was somewhat mixed.

One concern expressed relates to the planning requirements that are now embedded in the process of getting a Renaissance Zone plan approved by the state. The concern was that planning might be de-emphasized if an entire community could be designated as a zone. The other concern was that the ability to designate an entire community as the zone might be moving too far from the original concept of core redevelopment.

I'd like to turn to the positive side of the original legislation and the results since the bill was passed several sessions ago. It's good news.

This morning I mentioned twenty cities have zones in place. I told you about the return some cities are beginning to see as a result of this program. Fargo, first in the state with a zone, reports nearly 30 projects and a visible change in their downtown. At the other end of the state, Watford City has 25 projects approved for the zone and more than half are complete. Bismarck has a dozen projects in the zone.

I have attached a two-part article written by our publications intern last fall for *CITYScan* magazine. The first article is a offers a good summary of the flexibility and variety of incentive packages permitted under the legislation. This morning I mentioned Watford City's progress and that is the subject of the second article.

I hope you will find this information helpful as you deliberate SB 2224. Whether you make the changes offered in the bill or keep the law as it is, I want to express the League's appreciation for the legislative support of this program. In communities across this state, the legislation is working to promote reinvestment in our communities.

Connie Sprynczynatyk
Executive Director



Renaissance Zone legislation is making a difference in ND cities

Jaclyn Fay

Quiz: What do the show Oprah and the state of North Dakota have in common? Why, their love of makeovers of course. Only most of the time the motivation for an Oprah makeover does not include the words "tax incentives."

A makeover that does include tax incentives, however, is North Dakota's Renaissance Zone program. The program, which went into effect in December of 1999, encourages the rehabilitation and economic development of a city area that may be in need of a re-awakening.

Richard Gray, Renaissance Zone program manager for the state, oversees the growing number of cities and projects interested and involved in the tax-incentive based program.

"We begin by asking the people of a particular city if they can think of an area of their city that needs some kind of revitalization. Once they designate a zone, we help them to write a plan that outlines their goals for that zone. What do they want to do with that zone? How are they going to manage that zone? Are they going to get community support for their project?" Gray explained.

"Right now there are 16 cities in North Dakota that have Renaissance Zones and eight or nine more that are working on creating zones. We are not limited in this law to a particular number of cities that can be involved," Gray said.

A zone in the Renaissance project can be up to 20 square blocks in one area of a city. Some exceptions are made. For instance, a city can include one additional block in

their zone for every 5,000 people in their community. The tax incentives to be had, though, only apply to the area that that city chooses. Also, the city has a maximum of 15 years to offer tax incentives within the zone.

There are a variety of different tax incentives available for individuals who choose to get into the zone. For example, imagine an old abandoned building that lies within a cities' chosen zone. Now imagine that someone is interested in fixing up the old place. If the project meets both the city's and the state's pre-determined criteria as a renaissance project, owners could take advantage of the tax incentives related to rehabilitating the property.

If the owners then run a business out of their property, they could take advantage of tax breaks on the income they earn. Also, if they lease the property to others for business or living uses, the lessee could also be eligible for certain tax benefits. After a project is completed or a space is leased or sold, the tax incentives begin and are in effect for a five-year period. Offering tax incentives for a variety of purposes ensures that the zone attracts people who want to do business in the zone as well as people who want to live in the zone.

If one wanted to see the Renaissance Zone Program in action, a trip to Fargo's downtown area would be a good idea. Bob Stein, senior planner for the City of Fargo, explained that Fargo was the original inspiration for the legislative bill that created the Renaissance Zone Program.

"The bill was at first perceived as

something that would just benefit Fargo. Now, most of the larger cities participate," said Stein.

Fargo has 28 projects that can be attributed to their renaissance zone program. Stein cited one building, located at 300 NP Avenue, as an example of the varied activity that a renaissance project can bring to a previously underused building.

"Sterling Group Six completely re-did a building that was only being used as a manufacturing plant for wooden pallets. This is a big building, so there was a lot of unused space. Now there's a retail furniture store on the main floor, with commercial office space and loft condominiums above," Stein said.

The building is full again and being used for a variety of purposes.

Stein also pointed out that many smaller North Dakota cities have benefited from the rewards of having a Renaissance Zone.

"Watford City has really done a fine job with this project. They have made some really visible improvements in their zone," Stein said.

For information about how to construct and promote a Renaissance zone in your community, don't miss the concurrent session at the annual conference, "Creating an 'Uptown' Downtown." Rich Gray will offer a primer, along with information about zone progress in cities across the state, on Friday afternoon, September 24.

Next issue: Watford City's projects and the program's impact on North Dakota cities, large and small.

Rath & Mehrer
CERTIFIED PUBLIC ACCOUNTANTS
Specializing in Governmental Auditing

Jayson Rath, CPA
 Ken Mehrer, CPA
 Bryce Fischer, CPA

425 North Fifth Street
 Bismarck, ND 58501
(701) 258-4560

**PUBLIC
 SECTOR
 PERSONNEL
 CONSULTANTS**

1006 West 104th Avenue
 Denver, CO 80234-3802
 (888) 522-PSPC • Fax: (480) 970-6019
 info@compensationconsulting.com

**North Dakota
 Rural Water Systems
 ASSOCIATION**

2718 Gateway Avenue, Suite 201
 Bismarck, ND 58503

FREE: Information, Education, Training
 and Technical Assistance to all Water/
 Wastewater Systems, Management and
 Operators by Trained Staff

GIVE US A CALL:
 office phone: 258-9249 • 1-800-349-6951

Watford City embraces renaissance zone program

Jaclyn Fay

When city leaders talk about renaissance zone projects in other communities, one town that invariably comes up is Watford City. A quick look at the numbers alone would confirm the city's success with the program. Watford City currently has 25 renaissance zone projects with state approval, 16 of which have been completed. Some would consider this an impressive number for a town with a population just shy of 1,500.

It's not hard to see why Watford City's leaders have been so successful in their efforts to get their residents "into the zone." If everyone is as excited and knowledgeable about the program as Brenda Berquist, administrative assistant for the city of Watford City, their community indeed has a bright future.

Watford City gained approval from the state for their zone in December of 2001 but first, several public hearings were held to determine the location of the city's renaissance zone. The area that was eventually chosen consists of a mix of residential and commercial

properties located in the center of the community; it is also the oldest section of Watford City. The area includes the city's Main Street.

Berquist named David Johnson, former city administrator and engineer, as a driving force behind obtaining approval from the state for Watford City's renaissance zone plan.

Rick Jore is Watford City's new city administrator, engineer and building inspector and, according to Berquist, also does an outstanding job promoting their renaissance zone. Jore looks over a proposed zone project and classifies it as a purchase, purchase with required rehabilitation, lease or rehabilitation. The proposal goes to the city's planning commission, city council and then the state's renaissance zone program director for approval.

It may be that some of Watford City's success with their projects results from the very fact that they are small. Getting the word out to the public is a more personal job.

**PUBLIC
SECTOR
PERSONNEL
CONSULTANTS**

1006 West 104th Avenue
Denver, CO 80234-3802
(888) 522-PSPC • Fax: (480) 970-6019
info@compensationconsulting.com

"Every opportunity we get, we try to educate the community on the benefits of the renaissance zone; I have even put messages on the utility bills, asking 'Are you in the zone?'" Berquist said.

Local realtors

have also gotten familiar with the tool.

"Realtors have a map of the zone and they are using [the renaissance zone] as a selling feature," said Berquist.

This strategy has worked. One example Berquist cited is a family who bought a home within the zone. The father in the family works in an area between Watford City and Sidney, Montana. The family chose a home in Watford City, however, because of the incentives offered within the zone.

Most people can see the benefits the whole community garners when someone chooses to build or improve buildings in the renaissance zone. Berquist admitted there have been a few comments from people who do not live in the zone's 21-block area who wonder how the zone will benefit them.

"But we have to look at the bigger picture. When the values of these properties increase by the improvements made to them, this will increase property values city-wide and help beautify our entire city," Berquist said.

One of the biggest and most exciting projects in the zone is

the expansion of First International Bank and Trust on Watford City's Main Street. Watford City is the headquarters of the bank, which has 13 offices in North Dakota and three in Arizona. Steve Stenehjem, Watford City native and president of First International Bank and Trust, wanted to expand but had other businesses surrounding him. The city helped the other businesses relocate and also demolished the old dilapidated buildings so the expansion could take place.

"We do have a relocation and demolition policy. For example, we will help a business by putting them into a better building and helping with the costs of lost business during the move. Also, we will demolish an old building for a project as long as there is a new structure erected in that place within two years," Berquist said.

On the same block as their expansion, First International Bank and Trust also plans to build a community center that includes twin movie theaters and a restaurant and lounge. The project's overall cost is about \$6.2 million.

"About five years ago a strategic plan was made that outlined what Watford City needed for businesses and services. The theaters and the restaurant and lounge were mentioned in the strategic plan as items our city lacked," said Stenehjem.

Stenehjem feels that Watford City's renaissance zone is one of the tools the city needed to accomplish their goals within the strategic plan.

In addition to Watford City's many renaissance zone projects, the city's new aquatic center, dubbed the Wild West Water Park, opened in July of 2003. Also, the Long X Trading Post, located on the southwest corner of Main Street, will house a visitor center, package store, museum and tourism office and should open in the next few months.

