

2009 HOUSE POLITICAL SUBDIVISIONS

HB 1428

2009 HOUSE STANDING COMMITTEE MINUTES

Bill No. HB 1428

House Political Subdivisions Committee

☐ Check here for Conference Committee

Hearing Date: January 30, 2009

Recorder Job Number: 8240

Committee Clerk Signature

Minutes:

Chairman Wrangham opened the hearing on HB 1428.

Rep. Thoreson: Introduced the bill. Discussed the impact of renaissance zoning on the various cities in the state. The bill makes three changes in the current legislation. The first one is it allows the renaissance zone to move or withdraw from a zone and be replaced by other blocks that meet the requirements. Extend the program an additional five years.

Currently the caps on the legislation were \$2.5 million and an additional \$2.5 million. There are many other people to testify on this bill.

Rep. Nancy Johnson: Was the \$2.5 million to be moved into the extended five years?

Rep. Thoreson: I think there is some thought to that. I will let others talk on that subject.

Rep. Kilichowski: How many years are left on the fifteen?

Rep. Thoreson: I think there are five additional years left.

Dave Anderson: President of the Downtown Community Partnership in Fargo: (see testimony #1).

Rep. Conrad: Where is the fiscal note? Says unable to calculate? It says nothing about the fact that it is used up?

Dave Anderson: Discussions with Fargo it was based on private funds received. People speaking later can answer that.

Rep. Koppelman: How has the relationship been with the Department of Commerce?

Dave Anderson: The city of Fargo has a good partnership and a model to other communities across rural America. The review process is very thorough. The applications come from the city and reviewed there; not only by staff, but by the city commissioner and then comes into the Department of Commerce.

Rep. Koppelman: Is there anything in here that is designed for the cities that are participating already. Is there anything that would hamper the cities that have not participated yet from doing so?

Dave Anderson: This proposal is going to be good for any community. I would like to see a renaissance zone conference. We had a gathering of those communities about a year ago; was well attended by Legislative members as well as communities across the state.

Downtowns are the place to put this instead of pushing infrastructure that is so costly out further and further from the city.

Rep. Nancy Johnson: Do you know how much of this money has gone to the Fargo community?

Dave Anderson: I don't know.

Bill Shalhob: Economic Developers of ND: We are in support of this bill. Among the two or three most successful programs for communities is the Renaissance Zone program. Under the IFTE program business's and industry qualify for one or more tax incentives by purchasing or making improvements on real property located in a ND renaissance zone. They have been wonderful and effective tools in large communities like Fargo and Bismarck as well as smaller communities like Watford City and Langdon. This bill enhances the program by increasing

flexibility and realigning the blocks to make it work. The funding mechanism is very important too.

Rep. Zaiser: Do you know how you can get this program more involved in the smaller cities?

Bill Shalhob : There are now 44 cities that are already involved. Many rural towns have this now and they love it. Some communities did not jump on this program right away. It takes allot of community effort to get this program off the ground. We are giving you state money and so there is a lot of paperwork. We have through congress a program. Now congress is going to bring in Economic Development directors in small towns, but also members of their boards. They are going to go through a training period of two to three days. They are going to make them aware of all the programs that in Congress for large and small communities and how to use them. We think that will make smaller communities aware of the opportunities and also make board members aware of what is available.

Rep. Kilichowski: they are asking for an extension; is the \$5 million used up or spoken for and another \$2.5 million? Where exactly does this money come from?

Bill Shalhob: I don't know. We will let someone else answer that. They are allowed to get property tax credits over a 10 year period. So if you have a project coming to you today and you want to get the maximum credit, you couldn't because the statue is going to run out.

Bob Stein: Senior Planner with the City of Fargo: (see testimony #2). In Fargo we have had a zone approved since 2000. We have had a great deal of success and are very proud of that. Watford City is an outstanding example of utilizing the program.

Rep. Nancy Johnson: What or are there continuous blocks in the Renaissance Zone and how would it work now?

Bob Stein: At the last Legislative Session there was the ability to have a satellite so I believe that would be a possibility should the local renaissance zone decide that is what they would

like to do. They would have to be continuous in the initial block area or if there is a satellite that has been established up to three blocks would have to be continuous.

Katie Aitchison, Bismarck Mandan Chamber: Recognizes the importance of the downtown area and the use of the renaissance. Nearly 55 projects have been completed in the Bismarck Mandan area since we have gotten involved. One of the things that came up in discussions was that they wanted to continue to have these areas grow once the area has been completed. We would recommend a do pass on the bill.

Connie Sprynczynatky (Passed out testimony #3) this person could not be here. I am in support of the bill and it would be an improvement. Prior to 1999 the downtown city of Fargo was very bad. Discussed how this program has worked so well for them. Now there are so few properties left in downtown Fargo to purchase due to the success of the renaissance zoning. Downtown Minneapolis has utilized thousands of dollars on this program.

Rep. Koppelman: Question on the fiscal note. I understand this is not an appropriation. This is not state money that is spent. Instead it is a tax credit so we are giving people a tax break. The result of that tax credit is that properties are developed; property tax levels rise and so it is a win win situation.

Connie Sprynczynatky: yes that is right.

Gordon France handles the Renaissance program; just to clarify some things; there is still funds available in the renaissance program. There is approximately \$500,000 for the smaller cities. As stated earlier the cities 30,000 and above has zero funds. What would happen in five years? What we will do is extend those tax breaks out so that everyone gets a five year property tax credit for income tax even though the renaissance zone would expire you would still get the five year tax rate. They are tax credits separate from the program. That money is usually allocated or comes from private investors, but is a tax credit.

Rep. Klemin: if we are not taking in than we are losing tax dollars. I am very supportive of it. There is a cost; can we get a revised fiscal note?

Gordon France: We will see what we can do on that.

Rep. Klemin: how does the income tax and property tax credit work between the two credits/

Gordon France: The way the tax credit works is that on the property tax side; the way the renaissance zone is set up taxpayers get 100% relief on property taxes for five years. On the income tax side on the business side it is 100% tax exemption for five years. For the income side for residential you can get up to a \$10,000 tax credit for five years. Course the tax credit depends on the individual and obviously most people do not realize \$50,000 in five years.

Rep. Koppelman: on page 2 of the bill there is change not only in dollar amount, but also in structure. Under current law it looks like a two phase process. In this bill it looks like a change to an irrigate amount.

Gordon France: The initial \$2.5 million that was allocated to use any place in a renaissance zone. There is an additional \$2.5 million allocated that 50% had to be used within the renaissance zone itself and 50% could be used outside the renaissance zone. With this additional \$2.5 million my understand this would also be 50% within and 50% outside the renaissance zone.

Chairman Wrangham: Do you understand what we are asking for in regard to the fiscal note

Joseph Becker; State Tax Commission; I am surprised also about the fiscal note. I will have to ask them what happened. I don't know.

Chairman Wrangham: When preparing this fiscal note, there is obviously a loss of property taxes, when renaissance zones are developed. From both the property they left and the one they are going into. There is an income tax loss. Is there any way you can compute that in your fiscal note. The loss of revenue because they have moved from one location to another.

Joseph Becker; I am not sure. We have an idea obvious what may be happening inside the zone, but outside the zone I am not sure if we can do it or not.

No opposition.

No neutral.

Hearing closed.

2009 HOUSE STANDING COMMITTEE MINUTES

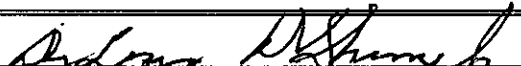
Bill No. HB 1428

House Political Subdivisions Committee

☐ Check here for Conference Committee

Hearing Date: February 5, 2009

Recorder Job Number: 8753

Committee Clerk Signature 

Minutes:

Chairman Wrangham opened the hearing on HB 1428.

Rep. Conrad: You could take it off before you take the tax credit. They are doing it block by block so one goes off and the other new zone would go onto the tax roles.

Do Pass Motion Made By Rep. Koppelman: Seconded By Rep. Hatlestad:

Fiscal Note says undetermined.

Rep. Hatlestad: Indicated there was no more money for big cities and that is why they needed the increase to \$7.5 million.

Rep. Koppelman: If you look at the language there is two increments of \$2.5 million. So it is \$5 million and being creased to \$7 million. Remember this is not an expenditure; it is a tax credit. Due to the increase in the taxable value it will increase taxes on property.

Vote: 13 Yes 0 No 0 Absent Carrier Rep. Conrad

Hearing closed.

FISCAL NOTE
Requested by Legislative Council
02/27/2009

REVISION

Bill/Resolution No.: HB 1428

1A. 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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

HB 1428 expands the renaissance zone program.

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.*

Section 2 of HB 1428 raises the maximum aggregate amount of income tax credits available for renaissance zone investments from \$5 million to \$7.5 million. The amount of tax credits that will be claimed in the 2009-11 biennium cannot be determined.

(The revised fiscal note corrects a previous error in the amount that the credit cap is actually increased in the bill.)

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.*

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 is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/27/2009

FISCAL NOTE
Requested by Legislative Council
01/16/2009

Bill/Resolution No.: HB 1428

1A. 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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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HB 1428 expands the renaissance zone program.

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.*

Section 2 of HB 1428 raises the maximum aggregate amount of income tax credits available for renaissance zone investments from \$2.5 million to \$7.5 million. The amount of tax credits that will be claimed in the 2009-11 biennium cannot be determined.

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.*

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 is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/28/2009

Date: 2-5
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1428

House Political Subdivisions Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS DO NOT PASS AS AMENDED

Motion Made By Rep. Koppelman Seconded By Rep. Hatlestad

Representatives	Yes	No	Representatives	Yes	No
Rep. Dwight Wrangham, Chairman	✓		Rep. Kari Conrad	✓	
Rep. Craig Headland, Vice Chairman	✓		Rep. Jerry Kelsh	✓	
Rep. Patrick Hatlestad	✓		Rep. Robert Kilichowski	✓	
Rep. Nancy Johnson	✓		Rep. Corey Mock	✓	
Rep. Lawrence Klemin	✓		Rep. Steve Zaiser	✓	
Rep. Kim Koppelman	✓				
Rep. William Kretschmar	✓				
Rep. Vonnie Pietsch	✓				

Total (Yes) 13 No 0

Absent 0

Carrier: Rep Conrad

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

REPORT OF STANDING COMMITTEE

HB 1428: Political Subdivisions Committee (Rep. Wrangham, Chairman) recommends DO PASS (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1428 was placed on the Eleventh order on the calendar.

2009 SENATE FINANCE AND TAXATION

HB 1428

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1428

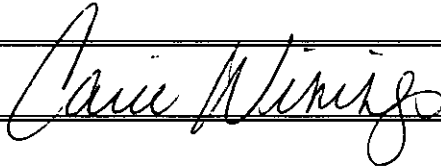
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 03/04/2009

Recorder Job Number: 10142

Committee Clerk Signature



Minutes:

Vice Chairman Miller: Opened hearing on HB 1428.

Representative Blair Thoreson, District 44: Testified as sponsor and in support of the bill.

(Explained the bill to the committee)

3.08 **Senator Hogue:** Can you give me an example of a block in Fargo that would meet this definition of a block that had been satisfactorily completed?

Representative Thoreson: I think others will testify to that.

Vice Chairman Miller: Where did the number of 7 million come from?

Representative Thoreson: That was a number just when thinking about what would be positive that we felt comfortable with and that would give a little extra room. As numbers are, no one can be 100% certain that that is the right number to use.

Senator Anderson: The extension of increments of up to five years, can you give me an example of why that is necessary.

Representative Thoreson: I think that others can answer that as well.

5.10 **Dave Anderson, President, Downtown Community Partnership, Fargo:** See

Attachments #1 and #2 for testimony in support of the bill.

11.02 **Senator Anderson:** In a nutshell, what are the advantages to the people who are in the renaissance zone and then those in the city?

Dave Anderson: The advantage to the people in the zone is that we have created a tool that allows them the ability to move forward with capital improvements particularly; comprehensive improvement to their property, to the extent that maybe they would not. There is an income tax break. The benefit to the community is the growth of the tax valuations for these projects by a factor of 500% to 800%. We have seen not only the projects raise their value, but the value of others around have risen. Our school district is benefiting. Retail sales are up. Empty properties are now full. It has been more than a home run; it has been the World Series.

Vice Chairman Miller: In regard to the block that you specified, they could be eligible for an additional 5 years, but you feel it necessary to move on from that?

Dave Anderson: It is my understanding that they have used their eligibility.

Senator Oehlke: Have you gone elsewhere to help out other communities and show them how to do this program in their communities.

Dave Anderson: We have been available to anyone who is interested in the very same thing.

15.05 **Jeb Oehlke, Economic Development Association of North Dakota:** See Attachment #2 for testimony in support of the bill.

16.45 **Bob Stein, Senior Planner, City of Fargo:** See Attachment #3 for testimony in support of the bill.

19.37 **Senator Dotzenrod:** This bill must have been amended in the House because of the different figures in your testimony and the bill?

Bob Stein: The tax department can answer that.

20.45 **Connie Sprynczynatyk, North Dakota League of Cities:** Testified in support of this bill just as it is written. It is one of the most successful new development programs in the

history of the state. I will remind you of something you already know; we all have a tremendous amount of investment in our downtowns. I am amazed at the difference in the Fargo downtown area. Fargo has been outstanding in opening the doors in the downtown area for others to see what they have accomplished.

22.35 Vice Chairman Miller: Any further testimony? (no)

Senator Triplett: I would like to ask a question of the Department of Commerce. Can you help us understand what standards the Department of Commerce uses when the legislature has given you the additional permission to extend the renaissance zone status in increments of up to 5 years, how will you think about that?

Gordon La France, Department of Commerce: Underneath the current program, it is 15 years, so even though a business or residence comes in on year 14, they would still receive the tax benefits for five additional years even though the program has ended in that city. How we foresee this happening is that they could apply and move additional blocks into another area of the city because these blocks are completed. Once it has been approved by the city, it would receive support by both the school district and also the county commissioners, and we would review their plan and give them 5 additional years to their program. We want to see support from the community also.

Senator Triplett: Really, the only criteria you would use then in making that decision is whether the community would support the idea?

Gordon LaFrance: That and if the (inaudible).

Senator Triplett: Do you think 5 year increments are a good plan?

Gordon LaFrance: I think that 5 years is reasonable. We would use the same criteria as the prior 5.

Vice Chairman Miller: Any further testimony? (no) Closed hearing on HB 1428.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1428

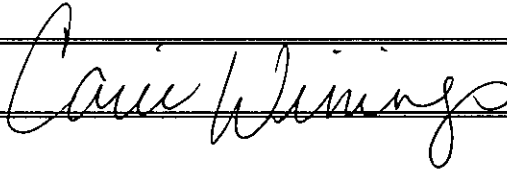
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 03/10/2009

Recorder Job Number: 10608

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened the discussion on HB 1428. See Attachment #1 for additional information handed out.

Committee: Reviewed the information.

Senator Triplett: Moved a Do Pass.

Senator Oehlke: Seconded.

Chairman Cook: Discussion?

A Roll Call vote was taken: Yea 7, Nay 0, Absent 0.

Senator Oehlke will carry the bill.

Date: 03/10/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1428

Senate Finance and Taxation

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Senator Triplett Seconded By Senator Oehlke

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	✓		Sen. Arden Anderson	✓	
Sen. Joe Miller - Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	✓		Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 7 No 0

Absent 0

Floor Assignment

Senator Oehlke

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

REPORT OF STANDING COMMITTEE (410)
March 10, 2009 3:40 p.m.

Module No: SR-43-4514
Carrier: Oehlke
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1428: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1428 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1428

72/

Testimony by Dave Anderson, President of the Downtown Community Partnership in Fargo ND, supporting HB 1428 - Presented to the House Political Subdivisions Committee - Friday, January 30, 2009.

Good Morning!

Mr. Chairman ...

Members of the Committee ...

Same given to Senate.

My name is Dave Anderson. I serve as the president of the Downtown Community Partnership in Fargo. I'm here this morning to support HB 1428, and all sections pertaining to the extension of the renaissance zone as a development tool for North Dakota communities, additional investment tax credits for investment in renaissance funds, and the certification of a renaissance zone block as "complete" so that the RZ designation may be moved to an additional block to be included in a community's RZ.

We are supporting these proposals because we see them as helpful new tools for the downtown improvement tool box ... tools that will encourage the continuing re-growth of downtown areas in North Dakota communities. The program is moving into its tenth year ... nearly ten years of reinvestment that has surpassed all expectations when the zones were first introduced to the legislature in 1999.

We think that it is a good idea to provide the division of community services with the ability to extend the life of an RZ program that is doing good work. An open process to propose such an extension to a community, followed by discussion and consideration of the benefits of such an extension is an appropriate evaluation of the effects and benefits that the community has experienced, and will allow a continuation of such benefits if the extension is approved.

We also support the authorization of additional ND state income tax credits for investments in Renaissance Zone funds. The first two allocations have been committed to earlier projects and now, as the program has seen a good deal of recent success, we find that the incentives for such beneficial investments have been exhausted. Given the interest in the program, the proposed \$2.5 million in additional credits will generate new investment funds immediately. We believe that we will be able to attract additional valuable projects downtown with the help of this tool and thus continue to grow the excitement, the vitality, the value and the next level of potential within the district as these improvements continue throughout the zone.

Finally, we support the proposal that the division of community services and the RZ city be empowered to designate a block within the RZ as "complete." Our downtown has two or three blocks that have essentially exhausted the possibilities offered through the RZ program ... every property on the block that can use the RZ program has been completed. But the current statute does not allow the removal of the RZ designation from a block that has a project on it. According to current law, the designation shall remain for the life of the program. But other potential projects are lying dormant because we cannot move the RZ designation to them, even from a block that has no other projects possible. This proposal will allow the DCS and the affected city to agree that the block is complete so that the designation may be moved and the successes of the program continue to grow the downtown's valuation.

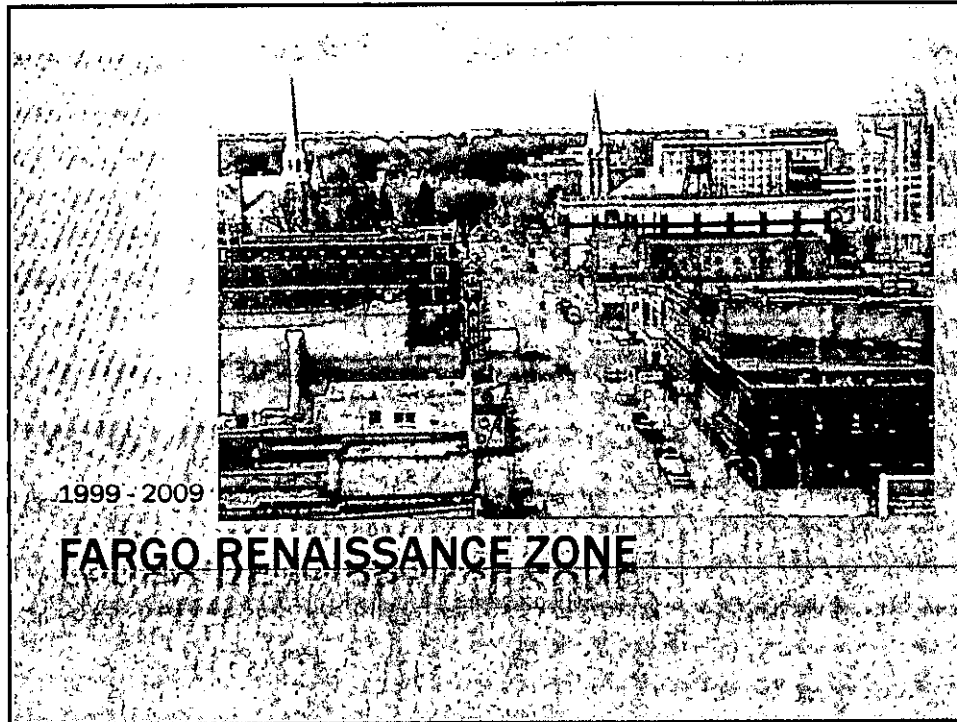
Additional material in my handouts point out the record of success that we have enjoyed over the past nine years since the zone was implemented in Fargo. Properties worth a grand total of \$15 million prior to their improvements are now worth nearly \$100 million! It has been a tremendous tool ... and was recently recognized by the International Downtown Association as one of the outstanding economic development programs in North America and Europe.

Over the years, we have come back to the legislature and successfully "fine-tuned" various elements of the zone statute. I trust that you'll see this value of this proposal.

Thank you for your kind attention. I'll be happy to try to answer any questions that you may have.

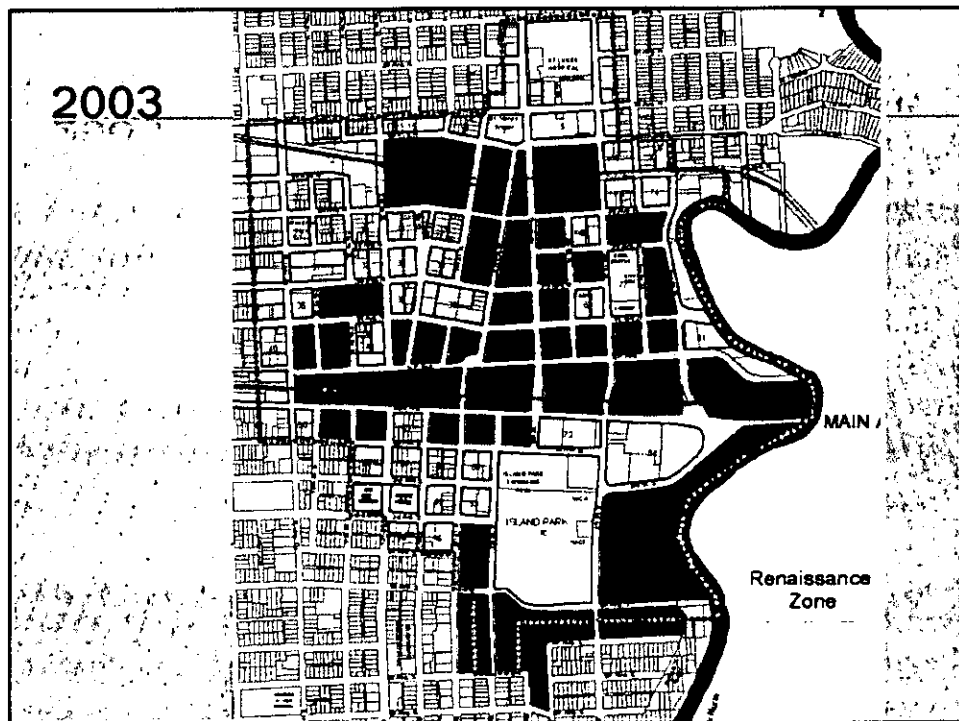
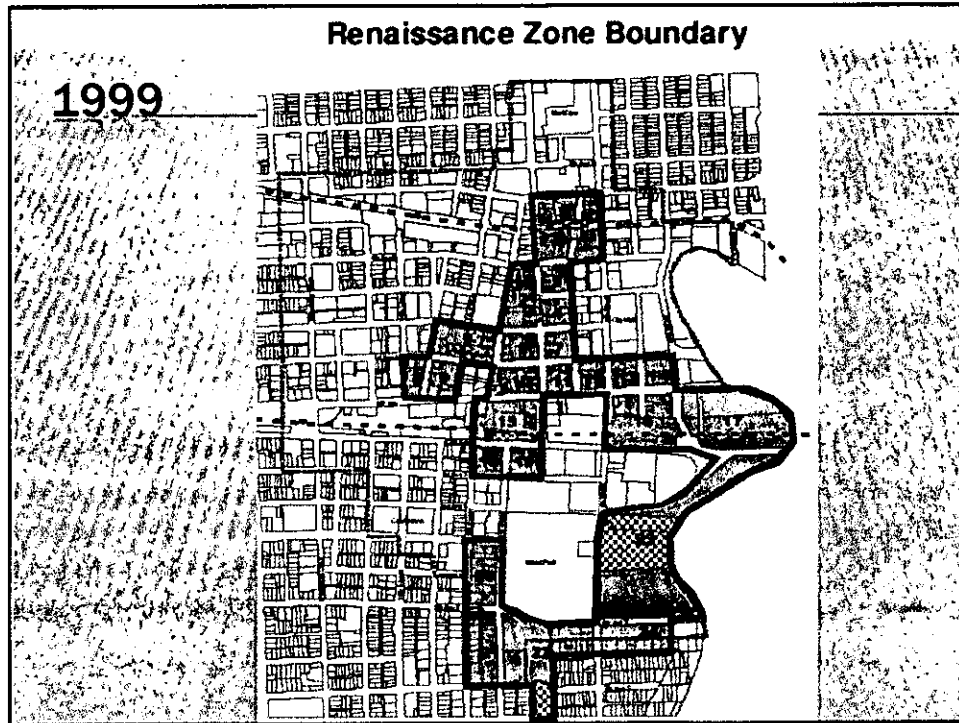
Dave Anderson
Downtown Community Partnership
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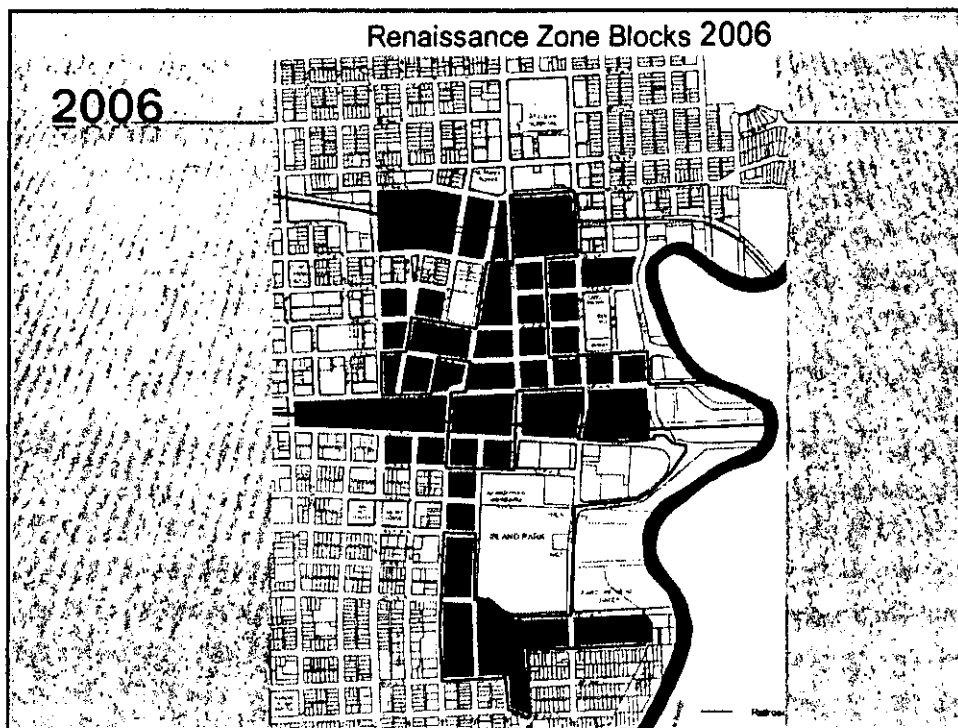
#1
Same
handout given
to Senate.



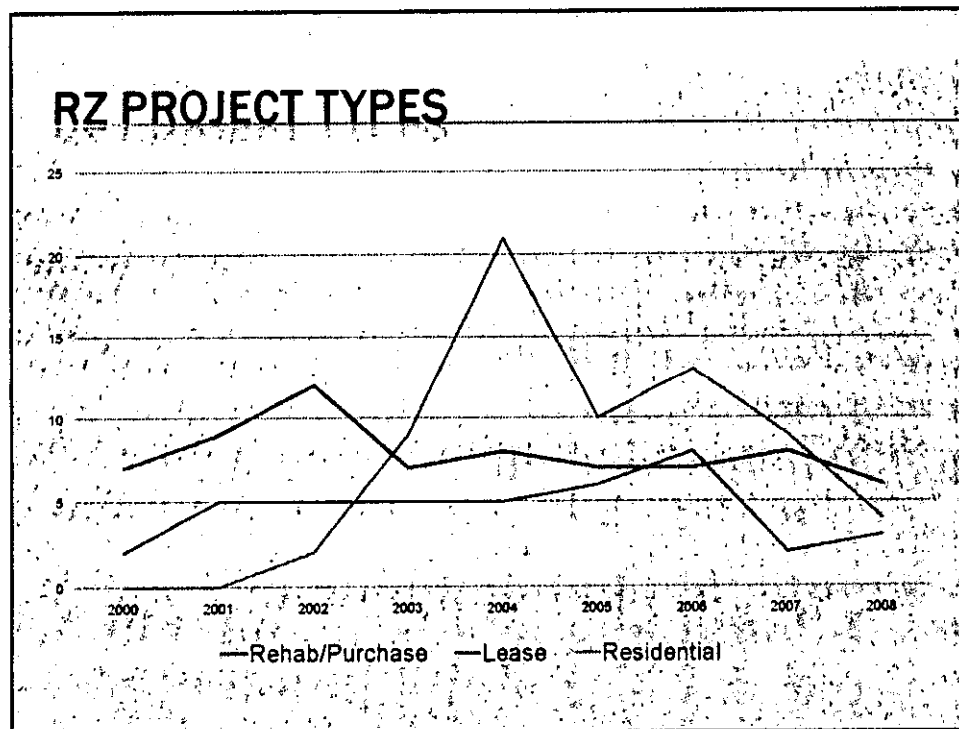
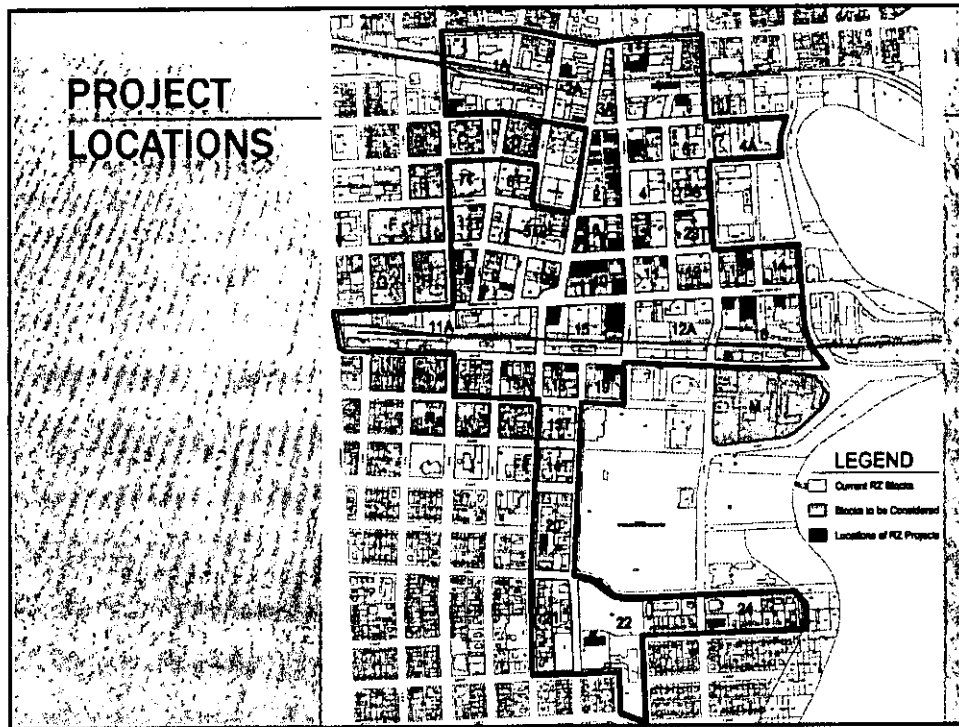
INCENTIVES

- × ND Income Tax Exemptions and Credits
- × Property Tax Exemptions
- × Historic Preservation and Renovation Tax Credits
- × Renaissance Fund Organization - Exemptions and Credits





RZ SUMMARY TOTALS			
	Value of Improvements	Pre-Project Building Value	Assessor's Value
TOTALS	\$ 92,616,169	\$ 16,468,520	\$ 96,394,860



RETAIL

Windshield Survey - (12.3.08 Planning)

Vacant Storefronts	18
Storefronts	120
Vacancy Rate	15%

Mike Beaton (Commercial Realtor)

Street level storefront, non bank
available space in Downtown

82,000 sf

2003 Retail Retention & Recruitment Program (DCP)

Total Retail Merchandise	83,300 sf	24.00%
Convenience (Food & Drug)	10,000 sf	2.90%
Eating & Drinking	61,300 sf	17.70%
Services	100,400 sf	29.00%
Entertainment	7,000 sf	2.00%
Other Retail	34,500 sf	9.90%
Total Occupied Commercial	296,500 sf	85.50%
Vacant Commercial	50,100 sf	14.50%
Total Commercial	346,600 sf	100.00%

COMMERCIAL

Inventory (sf)	Class A		Class B		Total
	CBD	Outside CBD	CBD	Outside CBD	
Total	393,739	1,522,788	712,669	2,888,855	5,518,051
Vacant	52,718	57,225	60,336	218,626	388,905
Vacancy Rate	13.39%	3.76%	8.47%	7.57%	7.05%

Gross Rental Rates (\$/sf not including janitorial)

Lowest	\$15.12	\$18.25	\$11.65	\$12.15
Highest	\$18.17	\$24.35	\$14.70	\$16.25
Weighted Average	\$16.15	\$21.30	\$13.20	\$14.70

Sales Prices (\$/sf)

Lowest	\$90.00	\$125.00	\$50.00	\$80.00
Highest	\$110.00	\$175.00	\$90.00	\$125.00
Weighted Average	\$100.00	\$135.00	\$75.00	\$100.00

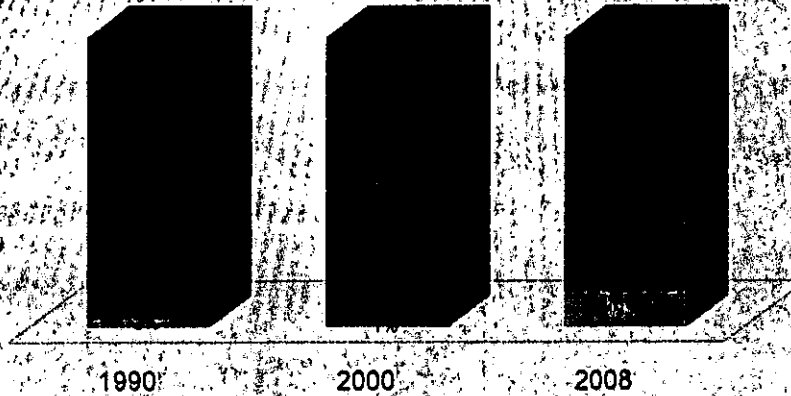
Source: Konrad Olson Commercial Real Estate

HOUSING

Rental vs. Owner Occupied

Housing in Census Tract 7 & Renaissance Zone

■ Owner Occ. ■ Renter Occ.

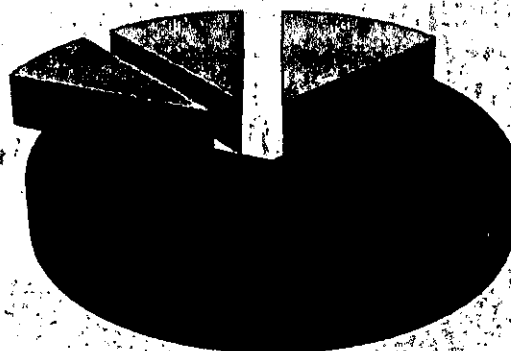


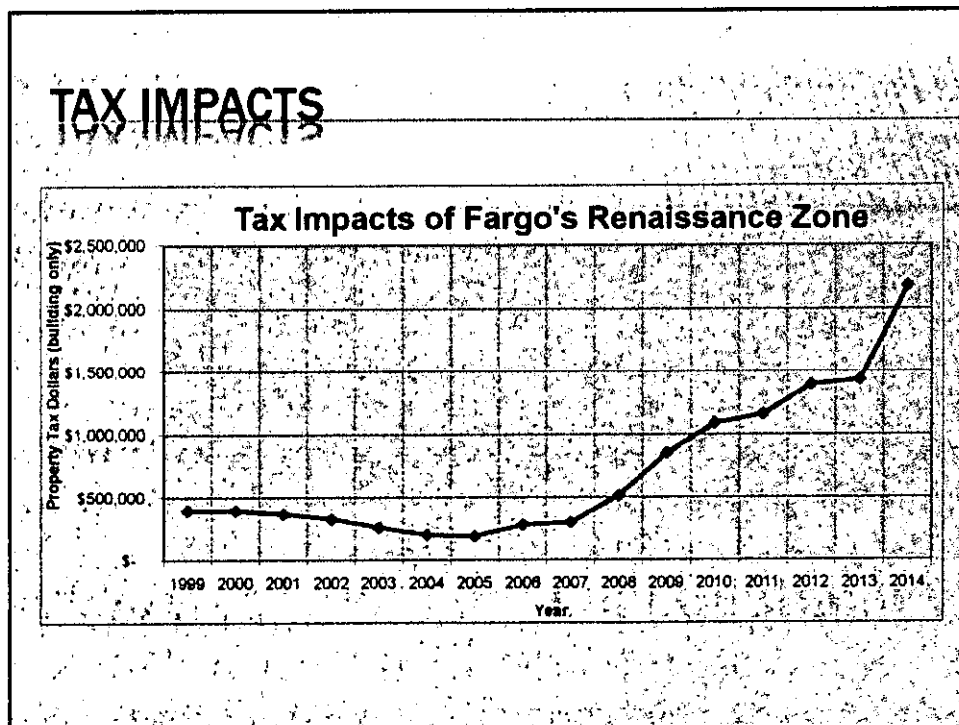
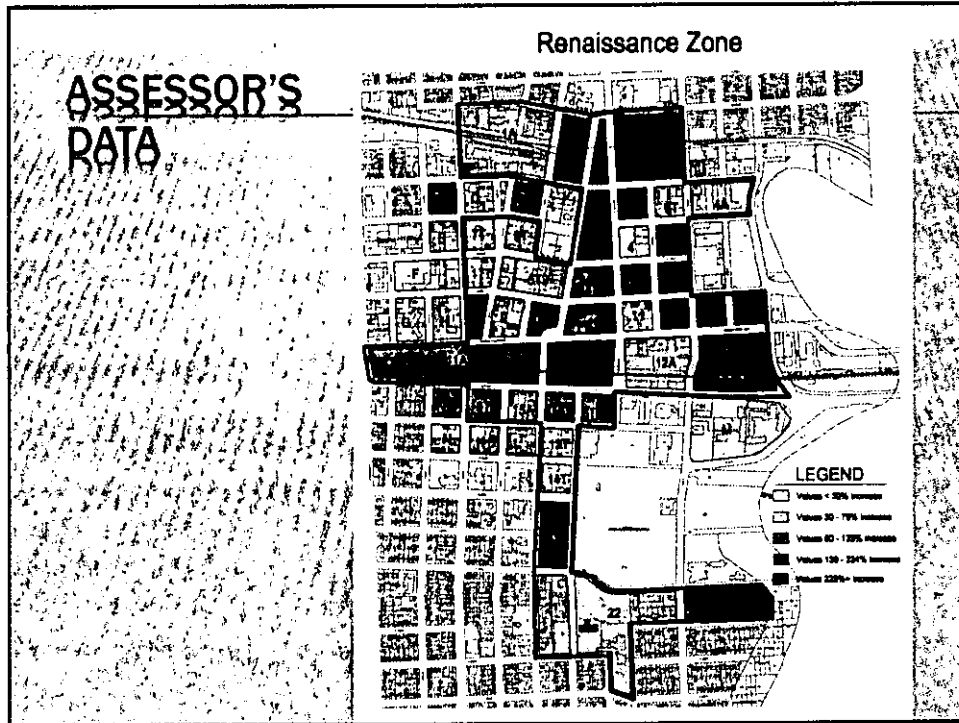
HOUSING

2008 Income Groups

Housing in Renaissance Zone

■ Low ■ Low/Mod ■ Mod/Upper ■ Upper





FRAMEWORK PLAN UPDATE



CURRENT LEGISLATIVE TOPICS

- ✕ **Utility Infrastructure Projects in the RZ** - The renewal that is occurring in RZ's across the state has revealed an additional need ... for the upgrading of utilities within the zones. This proposal would establish similar incentives for the removal and replacement of old utilities, including the burial of services to improve the aesthetics of the project areas.
- ✕ **Graduation of completed blocks** - The RZ statute freezes RZ status on a block once a project has been completed on the block for the entire 15 year life of the program. But if an entire block is completed and nothing more can be done as an RZ project on the block, the designation must remain in place, essentially locking the block and burning time after the program is no longer possible for the block's properties. This proposal would allow such a block to be certified as completed by the community and the state in order to allow the RZ designation to be moved to another block and enable further improvements for the zone.

CURRENT LEGISLATIVE TOPICS

- ✱ **Additional Renaissance Zone Fund Credits** - All available existing credits for large cities have been consumed by existing funds. This would be a request for additional credits to be authorized for existing and new funds.

- ✱ **Begin to consider whether or not to Extend the Renaissance Zone Program** - The RZ enabling legislation approved in 1999 established the program for 15 years, beginning in the fall of 1999. The program has proven its value, but as the program is now more than half-way through its 15-year life, the sunset may be coming up too fast for communities just beginning to get momentum, as well as for communities that have entered into more complicated, large scale projects. This may be a topic for interim consideration prior to the 2011 session.

Utility Infrastructure Projects in the RZ

As the Renaissance Zone moves forward with projects that are changing Downtown ... aging, overhead utilities are presenting visual and physical barriers to the next levels of improvement. SB 2060 would offer incentives to utility companies like those offered to property owners in the RZ.



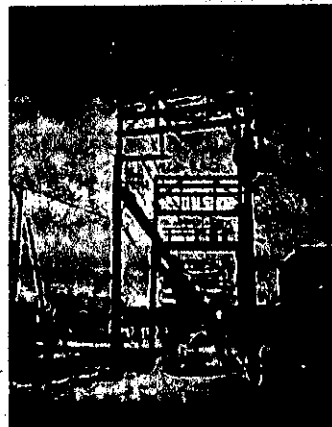
Utility Infrastructure Projects in the RZ

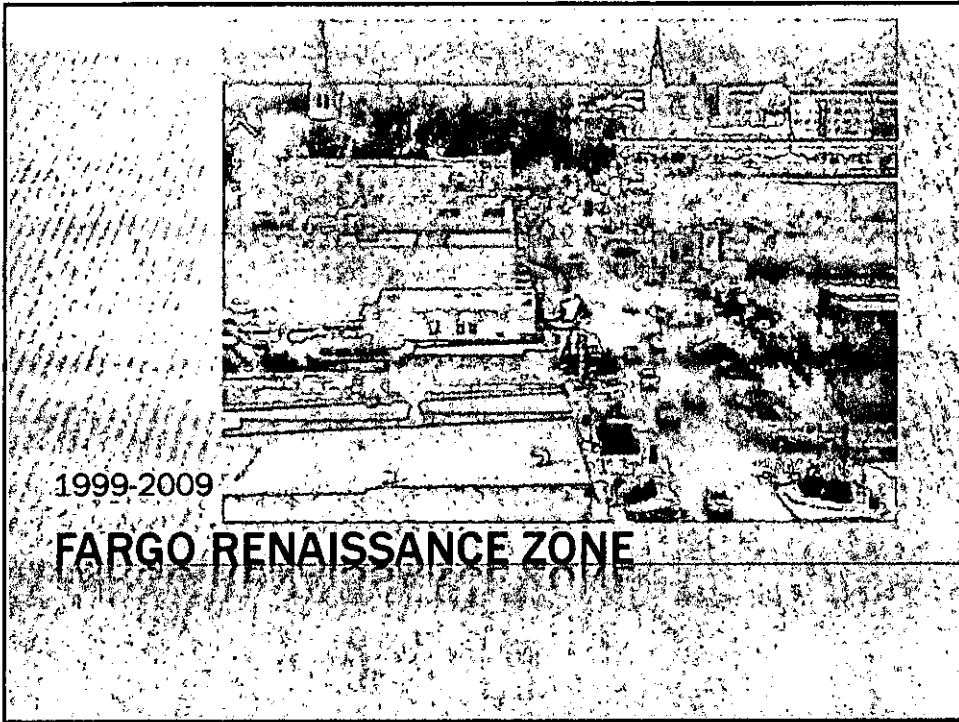


Underground utilities will be more secure than aerial facilities and Downtown will gain additional space for the continuation of the multi-use rebirth that is being enjoyed ... along with enhanced streets and alleys that will no longer be cluttered with poles, cables and wire.

Utility Infrastructure Projects in the RZ

The proposed legislation does not mandate the conversion from aerial to underground ... it offers communities, property owners and utility companies an effective tool to work with in a cooperative effort to further improve and enhance the core area of the community.





#2

**Testimony for the House of Representatives
Political Subdivisions Committee
30 January, 2009**

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to express support for House Bill 1428.

My name is Bob Stein and I am Senior Planner with the City of Fargo. One of my primary duties is administration of the City's Renaissance Zone Program.

Since its initial passage at the 56th Legislative Assembly in 1999 the Renaissance Zone Program has proven to be an exceptionally effective tool in promoting growth and development throughout the State. This success has been documented in both small and large cities alike; and the level of investment as well as the physical improvements are nothing short of astounding. A critical factor in the success of the Renaissance Zone Program has been the willingness of the Legislature to adapt and refine the program in response to changing conditions and lessons learned throughout the past 10 years. I offer the following in response to the three elements of the proposed amendment:

- withdrawal and replacement of blocks;
- extension of the zone beyond the original 15 years; and
- authorization of additional Renaissance Zone Fund investment credits.

Withdrawal and Replacement of Blocks

Some blocks within a designated Renaissance Zone may achieve a level of redevelopment that essentially precludes additional projects. The City of Fargo has one

such block and a couple more that are nearing completion. The ability to “certify” that certain blocks have been completed, and to move that Renaissance Zone designation to another block that has robust redevelopment potential provides cities with the flexibility to advance the program while maintaining a constant number of blocks in the Zone. Renaissance Zone blocks that take longer to redevelop still have the advantages of the Zone incentives when appropriate – those that experience more rapid development revolve on to other opportunities.

Extension of the Renaissance Zone

While the Renaissance Zone has undeniably been successful, there is still much to accomplish. In circumstances where the Renaissance Zone City and the Division of Community Services agree that more time would be productive, the ability to grant a five-year extension would provide the local Zone with time to develop and complete upcoming improvements while allowing the Division of Community Services to conduct an evaluation of the need for such action. This allows flexibility without an open-ended authorization.

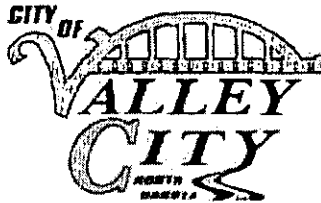
Authorization of Additional Renaissance Zone Fund Credits

The initial Renaissance Zone investment credits and the second authorization have been used effectively to complete projects in Renaissance Zone cities. The City of Fargo supports the authorization of an additional \$2.5 million in investment tax credits to maintain the momentum that has been established.

Thank you again for your consideration of this important legislation. This legislation is strongly supported by the Fargo Renaissance Zone Committee and the Fargo City Commission

#3

City Hall
254 2nd Ave NE
PO Box 390
Valley City, ND 58072-0390



Phone: 701-845-1700
Fax: 701-845-4588
www.valleycity.govoffice.com

January 29, 2009


RE: House Bill 1428

Chairman Wrangham and members of the committee: on behalf of the City of Valley City, we appreciate the opportunity to present our written testimony to you as a proponent of House Bill 1428.

Since 2001 Valley City has had 38 qualified, approved and active Renaissance Zone projects. These projects have resulted in an increase in property market value within the city by over \$14,000,000.

We support and encourage the passing of House Bill 1428 which will give us the ability to designate additional blocks to the zone as the current zone blocks are completed.

Sincerely


Jon R. Cameron, City Administrator


Avis Richter, City Auditor

#2

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA



PO BOX 2639 • BISMARCK, NORTH DAKOTA 58502

Testimony of Jeb Oehlke
Economic Development Association of North Dakota
HB 1428
March 4, 2009

Mr. Chairman and members of the committee, my name is Jeb Oehlke. 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. We are asking that you support HB 1428 and thus, North Dakota's economic growth.

We are all aware of the efforts and programs we have developed over the years in our effort to spur economic development in our state. Among the two or three most successful is the Renaissance Zone program. Under the existing program, businesses and individuals qualify for one or more tax incentives for purchasing, leasing or making improvement to real property located in a North Dakota Renaissance Zone. They have proven to be a wonderful and effective tool in larger communities like Fargo and Bismarck, as well as smaller communities like Watford City and Langdon. Much of the redevelopment in the downtown areas of our cities and towns was made possible by use of this program.

This bill enhances the program by making changes that will make it even more flexible and effective. The first allows blocks that have been redeveloped to be removed from a zone and replaced with areas that are in need of attention. The second extends the program in five year increments. In the last extension tax credits were allocated by city size. At this point those credits available for our largest cities have been used, again testifying to the success of the program, and an increase to seven million in credits is essential to keep redevelopment in our largest cities moving forward.

EDND believes HB 1428 will aid development in North Dakota and build on a successful program that works. We urge a do pass. I would be happy to answer any questions.

#3

Testimony on House Bill 1428
Senate Finance and Taxation Committee
March 4, 2009

Mr. Chairman and Members of the Committee: Thank you for the opportunity to express support for House Bill 1428. My name is Bob Stein and I am a Senior Planner with the City of Fargo. One of my primary duties is administration of the City's Renaissance Zone Program.

Since its initial passage at the 56th Legislative Assembly in 1999 the Renaissance Zone Program has proven to be an exceptionally effective tool in promoting growth and development throughout the State. This success has been documented in both small and large cities alike; and the levels of investment as well as the physical improvements are nothing short of astounding. A critical factor in the success of the Renaissance Zone Program has been the willingness of the Legislature to adapt and refine the program in response to changing conditions and lessons learned throughout the past 10 years. I offer the following in response to the three elements of the proposed amendment:

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another block that has robust redevelopment potential provides cities with the flexibility to advance the program while maintaining a constant number of blocks in the Zone. Renaissance Zone blocks that take longer to redevelop still have the advantages of the Zone incentives when appropriate – those that experience more rapid development move on to other opportunities.

Extension of the Renaissance Zone

While the Renaissance Zone has undeniably been successful, there is still much to accomplish. In circumstances where the Renaissance Zone City and the Division of Community Services agree that an extension of the term of the Renaissance Zone would be productive, the ability to grant a five-year extension would provide the local Zone with time to develop and complete upcoming improvements while allowing the Division of Community Services the opportunity to conduct an evaluation of the need for such action. This allows flexibility without an open-ended authorization.

Authorization of Additional Renaissance Zone Fund Credits

The initial Renaissance Zone investment credits and the second authorization have been used effectively to complete projects in Renaissance Zone cities. The City of Fargo supports the authorization of an additional \$2.5 million in investment tax credits to maintain the momentum that has been established.

Thank you again for your consideration of this important legislation. This legislation is strongly supported by the Fargo Renaissance Zone Committee and the Fargo City Commission



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
Cory Fong, Commissioner

Memorandum

To: Senator Cook
Chairman, Senate Finance and Taxation Committee

From: Joseph J. Becker

Date: March 9, 2009

Subject: Revenue Impact of Renaissance Zone Program (N.D.C.C. ch. 40-63)

You requested information on the fiscal impact of the North Dakota Renaissance Zone Program. Following is the Program's estimated fiscal impact on the state general fund each year since its creation in 1999—

	Deductions	Credits	Estimated Tax Impact
1999	\$ 0.00	\$ 339,391.00	\$ 339,391.00
2000	6,860.00	320,353.00	320,607.23
2001	2,123,580.00	403,947.00	498,267.79
2002	2,357,322.00	1,072,960.00	1,192,371.09
2003	3,694,382.83	690,559.94	907,708.26
2004	5,452,417.00	4,182,079.87	4,439,557.96
2005	8,464,774.82	1,489,645.03	1,955,042.97
2006	12,420,266.35	736,583.24	1,395,242.45
2007	22,824,483.44	805,730.92	1,738,818.39
Total for all years	<u>\$ 57,344,086.44</u>	<u>\$ 10,041,250.00</u>	<u>\$ 12,787,007.14</u>

The above total estimated tax impact can be broken down among the major tax types as follows—

Individual income tax.....	\$ 9,288,256.20
Corporation income tax.....	1,242,186.34
Financial institution tax.....	<u>2,256,564.60</u>
Total	<u>\$ 12,787,007.14</u>

The following need to be noted with respect to the numbers reported in this memo—

- The amounts shown for deductions and credits are the aggregate of the unaudited amounts reported on the returns filed. The amounts shown for estimated tax impact are not derived from the returns filed.

(Over)

Memo to Senator Cook

Page 2

March 9, 2009

The estimated tax impact is the sum of the credits and an amount obtained by applying an average tax rate to the deduction amounts. Of the total estimated fiscal impact shown for all years, \$2,745,757.14 of it is the estimated amount attributable to the total deductions of \$57,344,086.44.

- The numbers only show the state general fund fiscal impact; they do not show the property tax exemption impact, which is administered locally.
- Numbers based on activity conducted by passthrough entities—that is, partnerships, S corporations, and limited liability companies—are most likely reflected in the number for individual income tax as most owners of passthrough entities are individuals.

If you have any questions regarding this memo, you may reach me as follows:

Phone: 328-3451

E-mail: jjbecker@nd.gov