

2013 SENATE FINANCE AND TAXATION

SB 2314

2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2314
2/18/2013
Job Number 19087

Conference Committee

Committee Clerk Signature

Angele Rasmussen

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 40-57.1-03 of the North Dakota Century Code, relating to certification that a project is a primary sector business before a city or county may grant a property tax exemption for that project; and to provide an effective date.

Minutes:

Testimony Attached

Chairman Cook opened the hearing on SB 2314.

Senator Grindberg introduced SB 2314.

Chairman Cook - Where in the economic development world today, we are referencing I'm sure a definition of primary sector businesses, why do we have that definition? Is there some place else in code where you have to be a primary sector business in order to receive a certain tax exemption.

Senator Grindberg - We have had in code the primary sector definition for various tax exemptions. I believe the corporate income tax for example, and I could be corrected, but I believe you need to be primary sector. The angel fund investment I believe is primary sector based, or at least proposed. Keep in mind that most incentives are awarded at the local level. The state does very little to provide immediate tax incentives other than corporate income tax or interest buy down programs through the Bank of North Dakota which would be considered an incentive. Most communities have sales tax that they provide and economic development projects; they are the ones that make the ultimate decision. The primary sector has always been the basis for where new ideas come forward to advance primary sector job growth and new wealth creation in the state.

Vice Chairman Campbell - Convince me why I should side with you. When Marvin Windows came to Grafton 12-13 years ago they got the 10 year tax, a lot of people were against it, a lot of people for it because a lot of people were competing with the wages that they drove up, so there are pros and cons. I've learned always lean toward less government control, why shouldn't a city be able to do what it wants? Wouldn't there be some instances maybe where Wal-Mart might not come? In this case and some examples they are coming anyway, but some other big box stores or other people maybe other than Wal-Mart, it might work the same way as an economic development that they might come

knowing they have a 10 or 5 year tax relief? Why just single out the big guys because they are important as well.

Senator Grindberg - You raise an interesting question about local control. Is this a trend, I don't know. It's something for you to weigh. Clearly Marvin Windows was primary sector and would have qualified. I think from a public policy standpoint regurgitating existing wealth in the state and creating an unlevelled playing field on the retail side is just bad public policy. I get your point about local decision making but if this is a trend that's going to continue then this committee as well as other committees should be aware of what's going on because it's eroding the tax base. (7:22)

Arlyn Van Beek, Mayor of Mandan - See attached testimony 1 opposed to SB 2314.

Chairman Cook - I understand all too well the challenges we face in Mandan with our proximity to Bismarck and to a retail base next to Bismarck. I would argue that the best solution we had to that problem was a solution we had here last session that this committee and the Senate Chamber passed over to the House, unfortunately we were not able to get it out of the House and I'm somewhat tempted to turn this bill into a bill just like that again even though I know I have a couple members on the committee that would be screaming that it's not germane. I have to ask a couple questions because it's amazing how often my telephone rings with citizens that you and I both represent and they are issues that they raise that they should be calling you but they call me and then I tell them to call you and they wonder why they have to go so high up the ladder. Can you ever recall Mandan saying no to a request for a property tax exemption?

Arlyn Van Beek - No

Chairman Cook - If anyone from Mandan can provide me with some minutes where somebody has applied for a property tax exemption and had their request denied I would like to... Mr. Neubauer is shaking his head that he can do that. I would also like if you could provide me with information of the businesses that have received a property tax exemption in the last 10 years that are no longer in Mandan. Mr. Mayor I consider the property tax exemption for Wal-Mart, even though I think it probably wasn't needed to be the best use of a property tax exemption as far as the benefit that we get. Maybe the changes that you have made are going to make the world a better place over there in the future but don't you think looking back, and I know you haven't been involved with the Mayor that long, but you've been in Mandan, that maybe there was a lot of property tax exemptions given for retail that quite frankly shouldn't have been given? Do you think there is room for the citizens to somewhat question the use of this property tax exemption tool?

Arlyn Van Beek - Maybe they can question it but one way to look at it is we still have the building. It is a building that someone else will be able to move in and operate a business and hopefully run a successful business out of that location.

Chairman Cook - Do you ever get any of the calls that I get, and generally the biggest objection to a property tax exemption that the people make is that it's an exemption or a property tax that then they have to make up.

Arlyn Van Beek - I do hear some of those and I try to explain to the citizen that a property tax exemption, a lot of them say that it creates an unfair advantage, I don't think anybody in Mandan has had an advantage. I think with the Wal-Mart coming to Mandan we will have an advantage. We have places looking at Mandan to come to businesses and I think when people start to see the sales tax that the new Wal-Mart and other places are going to generate they are going to say why didn't we do that with Kmart 30 years ago.

Senator Burckhard - Often times when Wal-Mart comes to a community they pay for some of the infrastructure improvements, the roadways and stuff. Is that the case here?

Arlyn Van Beek - The roadways were all there so no there was none of that.

Senator Burckhard - I think there is a Wal-Mart affect, it certainly has happened where I come from, and the many businesses that build around Wal-Mart are positive effects on the community as well, would you agree?

Arlyn Van Beek - Yes, being in retail for the last 25 years, opposing anything that was with Wal-Mart I can tell you as a Mayor of the city of Mandan I look forward to having a Wal-Mart come in because of sales tax dollars and the new growth it's going to bring. (28:29)

Senator Dotzenrod - Do you think the state should be trying to impose some type of oversight or restrictions or impose some level, some bar that local would have to clear here or do you think that if they want to provide it to a local barber shop or a local funeral home, does the state have any role here? Should it just be the 5 year exemption provided as a tool the cities can use and then the state should just stay out of it?

Arlyn Van Beek - The state should let the local people take control of that. The South Dakota legislature is looking at adding tax incentives. My only thought process behind that is why would South Dakota be looking at adding tax exemptions, is because as the oil moves south out the north Bakken what's going to be the most likely place for the next business for the oil booming businesses, it will be that South Dakota border. (31:56)

Vice Chairman Campbell - Aren't there a lot of smaller businesses, hardware stores and grocery stores that would be against Wal-Mart coming or not?

Arlyn Van Beek - In the retail, Wal-Mart was the sleeping giant. You never wanted to wake that giant because it destroyed everything in its path. Small businesses in the business community, they are actually thriving with Wal-Mart in town because it makes them tighten their book, it makes them look at their financials. So no I don't think there is a lot of scare right now.

Chairman Cook - You mentioned changes that you have recently made to the tax exemption policy for Mandan. Number one job creations, number two the quality as measured by wages and benefits, number three generation of local sales or use taxes and then four is filling the market gap. You correctly identified that area where Wal-Mart is going to be located and the amount of growth that Wal-Mart is going to attract to that area, hotels, restaurants, etc. I can see a restaurant being attracted to that area that's going to meet every one of these benefits and qualify for the tax exemption. However I would argue that

because you have Wal-Mart there they are going to come with or without the tax exemption, yet I would argue that you got yourself in a box because they are going to meet these and you have to give it to them. Should you not be adding something to this and is it necessary?

Jim Neubauer, Mandan City Administrator - I think you have seen in Mandan a scaling down of exemptions. You have seen in February of 2011 the City Commission adopted an incentive policy that took the exemption from a full 5 years down to, well, we should start scaling this back, and it was 100%, 75%, 50%, 25% and what you need to meet those criteria. With the revisions that the commission has approved in December of 2012 even scales that back a little more and also provides some definition on what kind of businesses is Mandan trying to attract.

Chairman Cook - Have you ever had a conversation about changing the policy so that even if a business meets these criteria that you have identified that the city could say no because it is not needed.

Jim Neubauer - I think we continually on a day to day basis, Mandan is unique as you know with the other cities in North Dakota. We have our suburb to the east which they don't have to provide an incentive for retail. (37:42)

Chairman Cook - My question is should you add a fifth criteria, and that is the question of whether or not it is needed.

Jim Neubauer - The question of need has never been part of any exemption whether it's state or local. It's what are you trying to do to get that business to locate in your community. If need was a criteria I would be more than happy to add that, but right now that is not one of the criteria.

Senator Burckhard - Are there workforce issues in Mandan and will Wal-Mart coming to Mandan make them more challenging?

Jim Neubauer - I think there are workforce challenges in every community in North Dakota. That is one question that we look at and say if you're going to hire 230 people to staff a store they are much smarter than I am in how their hiring practices work. I can tell you yes I do shop in Bismarck on occasion and when I am at the Wal-Mart and the lines are 15 people deep and they take out registers and add self-checkouts and the self-checkout line is 20 people deep is it like, are we having workforce issues I think absolutely. I think that is a consistent issue.

Chairman Cook - When it comes to workforce you don't know the difference between Mandan and Bismarck. It's the same workforce.

John Phillips, Economic Development Association of North Dakota - See attached testimony 2-6 in opposition of SB 2314.

Senator Dotzenrod - Is there a role for the state here at all? Should the state just say any of the subdivisions of the state that want to offer a 5 year to just have a state statute that

says 5 year property tax exemptions are available to counties, cities and they can do what they want with that. If you give it to some businesses and not others that are competing against each other it seems to me there are some problems there. I think if we did that, if we had no state role we would essentially trust the locals to use their judgment. Maybe that is what you are arguing.

John Phillips - I think that the real judgment opportunity has to be within the local community with that. I certainly don't disagree with you. I think accountability has to be recognized for what was being done in those communities with that. How that is achieved, I'm not sure. We all feel as developers and communities as a whole all feel they are doing the best thing to sustain their community and provide options within their community.
(47:22)

Senator Triplett - You mentioned your group is opposed to this bill by a vote of the membership, could you tell us what the vote was?

John Phillips - Basically we have conference call votes with that so it was an actual count of that, but basically the 9 board of directors voted unanimously.

Chairman Cook - Last summer we had a little issue in the state called measure 2. There is a constant threat of bringing that back again if the legislature doesn't do something. I'm not too sure of all the reasons why the proponents of that measure put it on the ballot and got the signatures but one of the reasons that they continually spoke against about was the use of property tax exemptions. They made the argument that if a property tax exemption is good for this particular business just think about how great it would be if we did it for all of the people of North Dakota. I heard that over and over and over again. So there is a certain amount of pressure on some of us to try to make sure that we don't have to deal with that again or that that doesn't gain legs and momentum, that we address property tax exemptions and I think you are seeing a lot of them this session. Senator Grindberg didn't say it but I think that's a lot of the motive for him bring it here. Do you think we do need to look at that issue listening to the concerns that so many people voiced just this past summer? Do we need to try to send something to the people that shows that we've got our arms around this and that we are trying to bring some common sense to it?

John Phillips - I certainly agree that we don't want to see measure 2 come back because I think it was a very scary bill but when you introduce a bill with nothing to resolve the issue of how do we fund the state and other organizations, for example, I can't imagine that every city would present their budget to your committee. I don't see where we are resolving the issue of the property tax exemption by allowing for primary sector because typically a primary sector business probably is going to have a much larger tax exemption than any retail or service sector industry in a community with that. I don't think we are resolving that by allowing for the primary sector of that because there's still a tax opportunity with that. I think we have to recognize we don't want to see measure 2 back and if there isn't something corrected with it, it will happen again.

Chairman Cook - I would argue that the press at Wal-Mart getting the measure did not help those of us who fought against measure 2.

Senator Triplett - Have you discussed the idea of maybe having different rules for the big four or the big twelve or however you want to divide it out versus the smaller communities in the sense that one of the commentaries that you provided us from someone else suggests that there are small towns out there and I think we all know this that have nothing except retail level businesses. They have no primary sector businesses anywhere within their community so if they want to do economic development with this tool they are going to be looking toward retail and service businesses. But yet that really does go counter to the original notion of what these were used for.

John Phillips - Our membership is comprised of large and small communities so their kind of split in the ranks for that and it often becomes very difficult with that. (53:20)

Russell Staiger, President of the Bismarck-Mandan Development Association - See attached testimony 7-8 opposed to SB 2314.

Chairman Cook - Do you think that if a chain restaurant or franchise restaurant was to locate next to Wal-Mart that they should get a property tax exemption?

Russell Staiger - There are certainly going to be people who are going to look that way and I guess, and I haven't discussed this with the city folks and they are probably going to say I wish you wouldn't say that, but I think in most cases you are right in that if somebody looks at that area it's going to be because Wal-Mart is there. The big hurdle is going to be over for that business, they are going to have that field of businesses coming into that area. In most cases my indication would no they shouldn't. They have gotten the big contribution from the community in the sense that they have stepped up and given up \$400,000 of their property tax to set an environment that would make it attractive for a restaurant.

Chairman Cook - The bill offers a further restriction on cities ability to offer property tax exemption. It limits it to primary sector. If you had your way you would probably want to see the legislature go the other direction and remove some of the time constraints.

Russell Staiger - Absolutely, a number of these things could probably be corrected with a change in definitions.

Chairman Cook - But there is a role for the legislature to play.

Russell Staiger - I think there's got to be a great leveler somewhere. I don't think you want to open up the doors and just let things run wild, there has got to be rules.

Senator Triplett - To the extent that you are able to answer this, can you elaborate further on Wal-Mart's policy that somehow they worry about cannibalizing their sibling stores if they are less than 10 miles away but they are happy to cannibalize their sibling stores if they are 93 miles away? What is that about?

Russell Staiger - We are in a world now that I don't profess to understand. It's a strange set of dynamics. I don't have an answer for you.

Senator Burckhard - I think we all agree that there's a lot of positive economic impacts from Wal-Mart, but I think you can almost count on them being understaffed.

Russell Staiger - And that may be. I'm sure you have all seen what Menards has been driven to doing; they are flying their people in from Wisconsin on weekly shifts. I don't know that is where we are going to be here, but again, the workforce availability in the Bismarck-Mandan area has really been unique.

Dot Frank, Bismarck-Mandan Chamber of Commerce - See attached testimony 9 opposed to SB 2314.

Chairman Cook - Do you have any kids in school?

Dot Frank - Yes

Chairman Cook - When you hold them accountable to their education, do you not start by looking at a report card that documents some degree of performance?

Dot Frank - I think so. I think the report card is a starting frame. A lot of it goes to the participation. When it comes to holding these businesses accountable they are required to submit to their municipality a series of information and documents supporting their role in the community and what it is they are providing.

Chairman Cook - Regarding your manufacturing and processing numbers, where do you classify the medical profession?

Dot Frank - Medical would be under 'All'. It's not part of the manufacturing and processing.

Chairman Cook - And where do you classify education?

Dot Frank - Again outside of manufacturing and processing.

Chairman Cook - It would be under 'All', and government?

Dot Frank - The same.

Chairman Cook closed the hearing on SB 2314.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee

Lewis and Clark Room, State Capitol

SB 2314

2/18/2013

Job Number 19116

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 40-57.1-03 of the North Dakota Century Code, relating to certification that a project is a primary sector business before a city or county may grant a property tax exemption for that project; and to provide an effective date.

Minutes:

Committee Work

Chairman Cook opened discussion on SB 2314.

Vice Chairman Campbell - I'm pretty well against it the more and more I heard the people talking.

Chairman Cook - I think all of you have this sheet handed out in front of you...
(Chapter 40-57.1 - attachment 10)

Senator Triplett - I have served on the Grand Forks Region Economic Development Corporation which is primarily for the city of Grand Forks but has a slightly broader view of the area and also the Red River Regional Council which does some amount of economic development for the small towns in the 4 county area of northeast North Dakota and I think there is maybe some justification for having a 2 tiered system where in really small towns where communities are trying to have a single cafeteria or a single gas station, really they aren't competing against any existing businesses they are just desperate to get one of a type of business. We discussed that at great length on the Red River Regional Council when I served there and we did end up doing some grants and loans and various things to encourage that sort of thing, but when I sat on the Grand Forks County Commission we never gave a tax exemption to any retail service industry and we never gave them to primary sector businesses if there was anything remotely like the business already in town. If they were going to compete with an existing business it just was not an option. We really only used it for whole new areas of endeavor coming in to the community which is how I think it should be used. I don't know how you distinguish between the really little towns that are desperate for anything and the real idea of this bill which is definitely primary sector.

Chairman Cook - Is there any advantage to going up there in the first chapter of the declaration and finding the public purposes and going to that language where it says they

are to give due weight to their impact on existing businesses and put some more language there that would create some sort of a process to make sure that due weight was actually given? Maybe requiring some sort of approval from those businesses that are affected by it? I've given thought to that, as whether or not maybe the actual prohibition against anything but primary sector businesses goes too far it's... Even with Mandan I'm serious about the bill we had last session would have really solved the whole issue of Mandan giving property tax exemptions to get retail to move to Mandan so we can compete and raise something close to the level of sales tax that Bismarck can raise. We are in a box over there because of our proximity to Bismarck.

Senator Dotzenrod - I was one of the sponsors and I talked to Senator Grindberg who approached me about this early in the session and I thought it seemed like a good bill but I had to say I was persuaded during the hearing that the ability of those people in Mandan to have something like this available, you can tell they have thought about it and they have come up with these rules now, that they may have gotten some criticism from some people, I don't know why exactly they did move and kind of try to tighten it up a little but it's pretty clear that getting that Wal-Mart for the situation Mandan has got is pretty important. I don't know if they even had to do this to get it.

Chairman Cook - They did not.

Senator Dotzenrod - But it's pretty clear that they are going to benefit. The property owners are going to benefit by having that Wal-Mart there.

Chairman Cook - Yes they will benefit, I would argue the people of Mandan could have had a greater benefit had they not given it because they still would have gotten Wal-Mart. I look at what happened there as, in the business world, I've been selling all my life; we call it leaving money on the table. They threw some money on the table and said take it, they didn't need to do it, and it was money that the rest of us make up with property tax. And they are going to do a whole lot more of it with every other business that moves in alongside of Wal-Mart and they don't have to do any of it. The other thing is accountability. I was serious that Senator Grindberg and I late last summer early fall had conversations about working together on legislation for accountability for all of our economic development efforts. That conversation started at Cleveland, there was an excellent presentation put on about accountability measures that other states have implemented and they rated states by their accountability measures, and we are not rated very well. We really don't have much for accountability. Part of me thinks the right thing to do with this bill is just turn it in to a study to study accountability and how we might move forward on accountability.

Senator Dotzenrod - I think if you look at Senator Grindberg in Fargo, that is a city that is an urban center that really has a hub of a wheel that spreads out over a big area. They don't need, I can see from their point of view the retailer idea doesn't make any sense, but there are situations when other communities might want to find some way to use this law to get a retailer to come to their town, or some other facility that they could use. It does seem to me that these smaller communities have got a different set of problems. The primary sector that does seem to me to be the kind of limit that works pretty good for a bigger city but I don't know if you could say the same for smaller ones.

Chairman Cook - There's no doubt in my mind that when this whole wheel of property tax exemptions for new and expanding businesses was created that it was meant for primary sector. That is why there is the language in there about the fairness issue of giving this when you have a competitor in town that the new business is going to compete with. I think again it probably should be strengthened somehow. We have gradually over the years eroded a lot of the credibility of this program which is causing the problems.

Senator Miller - When you are talking about small town big town with these retail stores you either have this population and the ability to support it or you don't. You can give an exemption for a while but a small town, the property taxes aren't going to be a major issue in your business because if your able to give a property tax exemption somehow that's going to help a retail store, well then they aren't going to be open much further after the exemption. I don't think it's a tool that's worth using. If you could package it all into income and sales and all this different stuff you might be able to and give them some money on top of it might help but what a small retail business type thing, when they are starting in a small town what they need more than anything is they need qualified and trained workers and capital.

Chairman Cook closed discussion on SB 2314.

2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2314
2/20/2013
Job Number 19247

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 40-57.1-03 of the North Dakota Century Code, relating to certification that a project is a primary sector business before a city or county may grant a property tax exemption for that project; and to provide an effective date.

Minutes:

Committee Work

Chairman Cook opened discussion on SB 2314.

Chairman Cook went through his proposed amendments 13.0806.01001 (attachment 11).

Senator Dotzenrod - On subparagraph 3 they talk about the requirements that for which the exemption may be terminated, am I getting missed up didn't we have a bill during the interim that we talked about this idea that there have been some cases where they have given the 5 year exemption, the party that got the exemption didn't follow through but there was no ability in the law to terminate what had been given. Was that an interim thing?

Chairman Cook - That was an interim thing and I don't think it went far because most cities were arguing that they put it in the contract when they give it and they certainly can.

Senator Miller - Chapter 40-57.1, current code, what was done and what has been happening in other areas of the state with regard to retail business is illegal.

Chairman Cook - I don't know if I would go so far as to say it's illegal, but I would go so far as to say there is a whole lot of them that have been given that should not have been given. I have always been under the understanding that this is primary sector. There is nothing in law that says you cannot give it to retail sector.

Senator Dotzenrod - Part of the problem you have it seems like they've got themselves in a position now where they can't hardly turn anybody down now because they have given these to one business after another and for them to start turning people down they are going to have...

Chairman Cook - They are going to look like they are subjective and treating people differently.

Senator Dotzenrod - It's a vicious thing once you get started on it.

Chairman Cook - I have argued that with city leaders that you've got to move away from your program that you have. They feel second fiddle to Bismarck and that they have to, and I don't.

Senator Miller - I think the pressure on some of these small city councils these governing bodies to not be the one that loses the Wal-Mart or the big manufacturer so they got their shovel out, they'll give you whatever you want because I don't want to be pegged as losing the new boot factory.

Chairman Cook - I can think of a whole lot of people who have argued that this is illegal and I just couldn't help but wonder where they all were when we had the hearing. I would also argue that it isn't so much a fear that they might lose them, but it's a great thing to say they are coming because of me.

Senator Miller - It's a wonderful ego booster.

Chairman Cook closed discussion on SB 2314.

2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2314
2/20/2013
Job Number 19255

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 40-57.1-03 of the North Dakota Century Code, relating to certification that a project is a primary sector business before a city or county may grant a property tax exemption for that project; and to provide an effective date.

Minutes:

Committee Work

Chairman Cook opened discussion on SB 2314.

Senator Miller - I'll move your amendments.

Seconded by **Senator Dotzenrod**.

Senator Burckhard - We are also asking this be studied?

Chairman Cook - Yes there is also a legislative management study and that gets at the accountability measures that we really do not have in the state of North Dakota.

Senator Dotzenrod - If a governing body is considering giving a 5 year property exemption and they look at this and they say well that's what the legislature told us but there is really no consequence for us if we just go our own way on this, we don't have to pay attention to that. There is no fine, no penalty, let's just do what we've been doing.

Chairman Cook - I would hope there's a citizen in that community that quickly informs them with a lawyer at his side that says no you're not going to do it this way. I think it could be challenged.

Verbal Vote on Amendment 7-0-0

Senator Miller - I'll move a **Do Pass as Amended**.

Seconded by **Senator Dotzenrod**.

Roll Call Vote 7-0-0

Carried by **Chairman Cook**.

February 19, 2013

JS
2/20/13
10:2

PROPOSED AMENDMENTS TO SENATE BILL NO. 2314

Page 1, line 2, replace "certification that" with "determination of whether"

Page 1, line 2, after "sector" insert "or retail sector"

Page 1, line 3, after the semicolon insert "to provide for a legislative management study;"

Page 1, line 8, after the boldfaced period insert:

"1."

Page 1, line 18, replace "received" with ":

a. Received"

Page 1, line 20, after "40-57.1-02" insert: "; or

b. Established by resolution or ordinance the criteria that will be applied by the governing body to determine whether it is appropriate to grant a partial or complete exemption from ad valorem taxation under this section for a project operating in the retail sector. Criteria established by the governing body under this subdivision, at a minimum, must be intended to require:

- (1) Evaluation of the potential positive or adverse consequences for existing retail sector businesses in the municipality from granting the exemption;
- (2) Evaluation of the short-term and long-term effects for other property taxpayers in the municipality from granting the exemption;
- (3) A written agreement with the project operator, including performance requirements for which the exemption may be terminated by the governing body of the municipality if those requirements are not met; and
- (4) Evaluation of whether the project operator would locate the project within the municipality without the exemption"

"2."

Page 2, line 7, after the period insert:

"3."

Page 2, line 25, after the period insert:

"4."

Page 3, line 8, after the period insert:

"5."

2 of 2

Page 3, after line 13, insert:

"SECTION 2. LEGISLATIVE MANAGEMENT STUDY. During the 2013-14 interim, the legislative management shall study methods to assure that an accurate and reliable means is developed to measure effectiveness and accountability of property tax exemptions and other economic development incentives granted by cities and counties and to determine whether other taxpayers in the city or county ultimately derive a measurable benefit from granting of the incentives. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly."

Renumber accordingly

Date: 2-20-13
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2314

Senate Finance & Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.0806.01001

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

Motion Made By Senator Miller Seconded By Senator Dotzenrod

Senators	Yes	No	Senator	Yes	No
Chairman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Tom Campbell			Senator Connie Triplett		
Senator Joe Miller					
Senator Dave Oehlke					
Senator Randy Burckhard					

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

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

Date: 2-20-13
 Roll Call Vote #: 2

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2314

Senate Finance & 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 Dotzenrod

Senators	Yes	No	Senator	Yes	No
Chairman Dwight Cook	X		Senator Jim Dotzenrod	X	
Vice Chairman Tom Campbell	X		Senator Connie Triplett	X	
Senator Joe Miller	X				
Senator Dave Oehlke	X				
Senator Randy Burckhard	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Cook

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

REPORT OF STANDING COMMITTEE

SB 2314: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2314 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "certification that" with "determination of whether"

Page 1, line 2, after "sector" insert "or retail sector"

Page 1, line 3, after the semicolon insert "to provide for a legislative management study;"

Page 1, line 8, after the boldfaced period insert:

"1."

Page 1, line 18, replace "received" with ":

a. Received"

Page 1, line 20, after "40-57.1-02" insert:"; or

b. Established by resolution or ordinance the criteria that will be applied by the governing body to determine whether it is appropriate to grant a partial or complete exemption from ad valorem taxation under this section for a project operating in the retail sector. Criteria established by the governing body under this subdivision, at a minimum, must be intended to require:

- (1) Evaluation of the potential positive or adverse consequences for existing retail sector businesses in the municipality from granting the exemption;
- (2) Evaluation of the short-term and long-term effects for other property taxpayers in the municipality from granting the exemption;
- (3) A written agreement with the project operator, including performance requirements for which the exemption may be terminated by the governing body of the municipality if those requirements are not met; and
- (4) Evaluation of whether the project operator would locate the project within the municipality without the exemption"

"2."

Page 2, line 7, after the period insert:

"3."

Page 2, line 25, after the period insert:

"4."

Page 3, line 8, after the period insert:

"5."

Page 3, after line 13, insert:

"SECTION 2. LEGISLATIVE MANAGEMENT STUDY. During the 2013-14 interim, the legislative management shall study methods to assure that an accurate and reliable means is developed to measure effectiveness and accountability of property tax exemptions and other economic development incentives granted by cities and counties and to determine whether other taxpayers in the city or county ultimately derive a measurable benefit from granting of the incentives. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly."

Renumber accordingly

2013 HOUSE FINANCE AND TAXATION

SB 2314

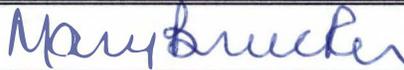
2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2314
March 13, 2013
Job #19849

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill relating to determination of whether a project is a primary sector or retail sector business before a city or county may grant a property tax exemption for that project.

Minutes:

Proposed amendment #1, 2, 3, 4

Chairman Belter: Opened hearing on SB 2314.

Senator Grindberg: Introduced bill. I think it was well over 20 years ago probably the 87 or 89 session and the challenges with the economic conditions in North Dakota created a set of tools in the economic development committee. The local sales tax option was provided in statute during that time as well as additional tools with the Bank of North Dakota and a creation of a definition of primary sector business. I have about 18 years of economic development and served on the board for the statewide economic development association. We all operated under a premise of creating new wealth and a lot of success took place in the 90s with various communities. North Dakota is changing and we are now in a situation of a growing population, strong economic conditions with the northwestern part of the state with oil, commodity prices, tight labor market, wages rising, and it's a different economic climate than it was when we passed many of the tools that traditional economic development organizations were using and are using today. The primary sector definition was the premise and because of the changes that are going on there's not common agreement with economic development leaders across the state. The larger communities tend to be more focused on the primary sector arena where the smaller communities maybe aren't. This has been named the "Wal-Mart" bill and I have nothing against Wal-Mart. If another large box retailer were to be involved I still would have introduced this legislation to hone in on the debate we should be having about primary sector, new wealth creation, and local competition. There was a lot of concern at putting current businesses at an unfair advantage. There has been a lot of debate about putting this particular project in Mandan but in my opinion it is not sound public policy. Retail is a whole different arena that churns local wealth with services where it doesn't attract out of state wealth and that has been the primary incentive of current sector business that provides a long term opportunity for growth and career. This bill is here to create discussion and bring more awareness to what is going on. For years they have been granting retail exemptions primarily in smaller communities but I think in light of what happened your committee and senate finance and tax should have an opportunity to

understand and revisit what we are doing. As amended in the senate on the back page, page 2, it requires local subdivisions to come up with criteria. I'm not opposed to any changes to the bill but I think it needs some debate.

Representative Drovdal: On section 1 page 2 and on it gives them the authority to terminate it if they don't meet that agreement. Are you saying that the governing boards cannot consider all these facts without having to put it in the century code?

Senator Grindberg: I wasn't involved in the discussion in the senate finance and tax so I think you really need to hear from the chairman of that committee.

Representative Kelsh: This doesn't apply to properties in a renaissance zone?

Senator Grindberg: That's a separate section of code.

Senator Cook: Distributed proposed amendment 2001. This is an issue that needs to be addressed.

Representative Zaiser: With the amendments you handed out does that represent the status quo and does it make it a moot point?

Senator Cook: It would allow the local government to do what they are doing today. It would just involve a longer process to get to that and resolved. That process would involve more input if you're going to get more input from the people who seem to complain about property tax exemptions being offered.

Chairman Belter: Further testimony in support of 2314? If not, any opposition to 2314?

Opposition:

Arlyn Van Beek, Mayor of Mandan: See attached testimony #2.

Representative Drovdal: I agree with most of your comments. I also sat in on Measure 2 and even though the minority's biggest complaint was that they didn't think they had any involvement in studying the budget in local control. I see this bill encouraging that involvement by the citizens that are not very satisfied with it and by making a couple of reform measures. It sounds like the city of Mandan has already gone forward and done those reform measures which would say they recognize this problem. If you're already doing those and you still see the same reasons to encourage participation by citizens I don't understand the opposition of it.

Arlyn Van Beek: The opposition is that we want to have control for the bill to give our tax incentives when we can. We don't want to run it up to the state end of it for the approval of granting those tax exemptions.

Representative Zaiser: Do you find that in passing this bill in the form it originally comes to us or in the amended form that essentially there are some arbitrary aspects to determining the picking of winners and losers.

Arlyn Van Beek: I don't believe that would happen.

Representative Zaiser: The five year exemption has been an issue in Fargo for some years now with a number of folks both in the elected community and just residents feeling that it provided an undo advantage to the business community and passed on greater taxes to the residential community. They were able to study and see if this was a determining factor in whether new businesses were to do a start-up or not or an existing business to expand. What are your thoughts on that?

Arlyn Van Beek: In our unique situation with a city like Bismarck across the river from us we need every tool that we can to attract businesses to Mandan. Our citizens have told us that they don't want to be a bedroom community any longer. The incentive tools have been very helpful to us to attract businesses to come to the west side of the river.

Representative Zaiser: You see this most appropriate in a permissive form enabling cities to use this but not requiring like it is now?

Arlyn Van Beek: Yes.

Vice Chairman Headland: Could you give the committee how much property is currently exempt in Mandan?

Arlyn Van Beek: I don't have that information with me but I do have our city administrator here with us and he could help us with that question.

Jim Neubauer, City Administrator for Mandan: We have about 3% of our property under the discretionary exemptions which would be this type of property tax exemption.

Vice Chairman Headland: How do you balance property taxes with exemptions? I understand your need of encouraging retail and business to locate in the city but we as a state legislature are in a position where we are providing tax relief to those property payers and I think the displeasure is that they haven't recognized it. Please comment on that.

Jim Neubauer: The city of Mandan was ranked number one in 2005 for property taxes and that ranking never really leaves once the highest property tax community in the state of North Dakota and that was before the Bakken and before helping buy down school district mill levies and things like that. We look at it as several communities in North Dakota are able to utilize their sales tax to buy down property taxes. In the city of Mandan we adopted a series of budget policies for our community several years ago that push us when we budget to the middle of the pack of the 12 largest communities in North Dakota as far as what we can levy as a city as property taxes. We also utilize our sales tax and 40% of that is used to buy down property taxes for the residents of Mandan. We use 25% for economic development and the other percentage we use for infrastructure costs. If you look at what the city of Bismarck does, they have to buy down the equivalent of 25 mills with their sales tax they collect and they are able to buy down street maintenance costs. The city of Mandan is considered a donor community because a lot of our sales tax dollars are coming over to Bismarck so we're helping buy down those types of costs. We want to be able to

use this tool to keep some of our local tax dollars at home and give our residents property tax relief and we're doing that with the current sales tax we collect. Through additional retail activities we are able to do that but if this ability is taken away our property tax levies will probably go up because how else do you keep up with inflation and all the other needs a community has? We have a few local residents of Mandan who voice their concern over the property tax exemption that the city commission has granted over the years. The Mandan Growth Fund Committee has a review of all the property tax exemption requests that come before the city commission then they pass a recommendation to our city commission and a public hearing is held where citizens can voice their opposition. We view the property tax exemption as I have a piece of property today that I'm collecting tax dollars on the land and I'm going to continue collecting those dollars after a structure is built so we're not giving up any property tax dollars is one way to look at it. That building is going to be there for many years and that investment up front is going to pay back in returns down the road.

Vice Chairman Headland: You mentioned you have about 3% of your property that is currently exempt. When some of that property has come back onto the tax rolls has it been used to offset and lower mill levies or is it just added? You're creating new property wealth so how is that wealth being used? Is it being used in a fashion to reduce mills on the property taxpayers itself or is it just added to further the necessary services that are provided by city government?

Jim Neubauer: We have lowered the mill levy. In Mandan our part is about 23-24% of the total levy for the residents is what the city collects. We have reduced that over the last 20 years from 130 mills in 1991 or 1992 down to about 95 or 97 mills today. In the last 5-6 years we've reduced that from 115 mills down to that 95 or 97 mills because property values are going up and we've tried our best not to take advantage of that valuation creep. We've reduced the number of mills we levy because the valuations have gone up and because of the new properties coming onto the tax rolls that have been granted exemptions in the past. We budget based on the needs of the community and in turn we've been able to reduce the number of mills we levy.

Representative Drovdal: The 3% is the property tax exemption that the city allows and not the exemption that the state allows?

Jim Neubauer: Absolutely.

Representative Marie Strinden: In the bill's current form it doesn't seem that it would limit anything that your city would be able to do when it comes to exempting property taxes except that it would cause you to maybe create a couple more ordinances or resolutions or talk to the state a bit more. Is that your impression of the bill as well? If so, if it passed it really wouldn't affect your ability?

Jim Neubauer: As amended we can live with it. Mandan has adopted policies regarding our exemptions and things like that so we have already taken those steps. We haven't passed a resolution but our commission has approved the exemption policies that we have. By opposing the bill as it is it says it's not broken as communities are using their discretion. We rarely have individuals step up at a hearing and oppose an exemption.

Representative Froseth: Before granting any tax exemption do you always hold a public hearing?

Jim Neubauer: Yes. It is a requirement that a notice to competitors is placed in the newspaper two weeks prior to a public hearing.

Representative Marie Strinden: Is that a city or state requirement to put it in the newspaper?

Jim Neubauer: It is a state requirement.

Representative Drovdal: The amendments don't take out the part where you have to go to the state for the department of commerce of economic development to certify that it's a project so you still have the same problem in the bill, wouldn't you?

Jim Neubauer: I have not seen the amendments that Senator Cook proposed. Based on the amendments the senate approved it would appear that the entity that was applying for the exemption had to get a certification from the department of commerce as a primary sector business was removed.

Representative Drovdal: On the bottom of page 1 it is still in there.

Chairman Belter: We can have the tax department clarify that.

Representative Owens: If five years comes and there's no 35 high paying jobs then what?

Mayor Van Beek: Thirty five is their projection but in our policy we have a projection of what they have to meet with those job criteria.

Representative Owens: How does this bill prevent you from doing what you're currently doing?

Mayor Van Beek: The only thing we want to see added to this bill is the service sector. We would like to have the local control. As leaders and managers you delegate as much as you can and I think this would be a great bill to delegate to your local city officials to know what they need in their communities and the incentives they have to provide or have for businesses to come to their communities.

Representative Owens: We have said for a number of years that property tax is a local issue. We don't levy it or assess values for the property; all we do is establish a standard for it to be applied across the state and yet time after time the citizens keep coming back and asking us to police the political subdivisions because they either don't like the system or they don't trust them. We are constantly balancing that. We want to establish something equal across the state.

Representative Zaiser: Do you think the reason there isn't much participation in the hearings from citizens coming to protest because they are intimidated? Do you think there's a little peer pressure from the businesses?

Mayor Van Beek: There could be some of that. With the phone calls I receive I don't think they are afraid to call. The ones that are passionate about it are not afraid to voice their opinions. Most are for the betterment of Mandan and they want us to continue to grow.

Representative Zaiser: Is there any way you would set up some claw back regulations whereby they would give that exemption money back to the city if they were to not meet those expectations?

Mayor Van Beek: Those are in our city tax exemptions. They have to qualify and meet so many job criteria when they get those exemptions.

Representative Zaiser: What are the consequences?

Jim Neubauer: There hasn't been a clear cut answer but this legislation is moving forward. They could be required to pay back that exemption. We have claw backs now. If the exemption is above \$25,000 they have to report to us.

Vice Chairman Headland: How would you respond to your citizens if they receive roughly a 20% increase in their property tax bill because the state decides not to fund property tax relief anymore?

Mayor Van Beek: Let's hope I don't have to respond to that.

Vice Chairman Headland: The point is that we have too.

Mayor Van Beek: We refer back to Measure 2 and that was a minority. Nobody wants to do that and that's why we deliberate to make the best decisions for our citizens locally and we hope that you do for the state.

Representative Schmidt: Isn't there a contract between the city and a construction firm to revamp the junior high building into low income housing?

Mayor Van Beek: We just approved to offer them a tax incentive on their improvements for the middle school because this is the third time this building has come back and we don't want to see it again. If providing that incentive is going to get that project off the ground and turn it into a viable building in our community I think everybody will think it was a great job getting it taken care of. They don't want to keep seeing it coming back to the city and another project failing.

Representative Schmidt: Were they selected based on that they were not going to ask for a tax exemption?

Mayor Van Beek: Yes, that was part of their proposal. When they started dissecting the project their original bids for the project was \$4.1 million and when they had their first bid

come back it was \$7.1 million. At \$4.1 million they didn't think they needed to come here but with \$7.1 million they needed help.

Chairman Belter: Further testimony in opposition?

Mark Resner, Executive Director for Hettinger County Job Development Authority: See attached testimony #3.

Chairman Belter: Further testimony in opposition?

Brian Ritter, Bismarck Mandan Development Association: We are the private economic development arm for Bismarck Mandan Burleigh Morton County. As amended a lot of those concerns have been addressed but we still have concerns on the definitions of what is eligible such as the service sector. We are seeing new business activity from the oil patch in Bismarck and Mandan so that is important to include as well. The law as it stands now with the application process and the public notification process is sufficient as it sets a clear and defined process; it's a public process that gives citizens the opportunity to voice their displeasure or support. There is a law in place now that mandates we track those projects approved for the exemption and making sure they are meeting the progress they said they were going to do.

Representative Owens: What did you do if they weren't meeting what they were supposed to do?

Brian Ritter: In our experience we have had one or two failures and in that case the business just went out of business so we really had no recourse.

Chairman Belter: Further testimony in opposition to 2314?

Cal Klewin, Economic Development Association of North Dakota: See attached testimony #4.

Chairman Belter: Further opposition to 2314? Any neutral testimony? If not, we will close the hearing on SB 2314.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2314
March 13, 2013
Job #19867

Conference Committee

Committee Clerk Signature

Mary Bruner

Minutes:

Chairman Belter: I'd like a little discussion on this. This is the primary sector definition.

Representative Marie Strinden: It seems to me with the amendments the bill isn't needed anymore because it lets them do what they are already doing. Is that everybody else's impression?

Chairman Belter: If you put on the amendments it's moot.

Representative Dockter: I will only be in support of this if we do not adopt the amendments.

Representative Froseth: Didn't we pass a bill earlier that would give total discretion to the cities to grant or reject property tax exemptions? They already have that authority.

Chairman Belter: The object of this bill is to take the authority away from them.

Representative Trottier: I think this goes back to the state getting into property taxes and getting into local control.

Chairman Belter: It certainly does. I read something that said the political subdivisions are under the control of the state so we technically are the rule makers and they are supposed to follow the rules we make.

Representative Dockter: I don't think we should get poked in the eye another session which is why I believe we should pass this. Obviously current local control isn't working out now with property tax.

Vice Chairman Headland: Would anyone have interest in limiting this bill to population centers that have a fairly significant amount of retail currently because I think that is where the problem lies. It may take off the hardship from some of these communities that were referenced in testimony.

Representative Zaiser: I think even more specifically the bedroom communities are the ones that are affected the most like West Fargo and Mandan.

Representative Marie Strinden: I feel this might be superfluous to put into century code because it is saying that you either have to check with the state to get an exemption or you have to create your own ordinance to give an exemption.

Chairman Belter: Do you want to act on this bill or spend some time thinking about this?

Representative Klein: If we put the amendments on then it doesn't change anything and we are back to where we were.

Representative Drovdal: This is putting strings on it. Having voters in the process is our goal. I hate to tie on local controls.

Chairman Belter: I think the original intent of these was for primary sector and now it's gotten dragged out into everything. If that's what we want for state policy then that's the way it will be. I have a problem with how broad it has gotten.

Representative Schmidt: The constituents in Mandan don't show up because they say the city council doesn't listen to them anyway and that's true unless you have money to invest. The constituents think it's fine that Wal-Mart is going to pay a tremendous amount of money 3-5 years down the road but next month they still need police and fire protection. The city is increasing their employment in order to make that protection available right now. So who pays for the extra policeman right now if the Wal-Mart isn't paying; it's the rest of the community.

Representative Drovdal: Representative Schmidt, it's true what you say about shifting the taxes but isn't also true that Mandan will get quite a bit of sales tax revenue off the sales from Wal-Mart once they open which could go to property tax relief and infrastructure costs?

Representative Schmidt: I believe that is correct but the issue is what we do from now until then.

Representative Marie Strinden: I'm not sure this will solve that problem because this enables the city commission to create another ordinance and they wouldn't have to listen to the voters anyway. Maybe this is one of those bills that doesn't solve a problem that's a real problem but it doesn't solve it.

Vice Chairman Headland: The one thing it provides is transparency to the property taxpayer that the city and the people that are providing the exemption are the ones responsible for providing the exemption.

Representative Zaiser: The mayor said there is really no problem from inhibiting people from coming forward. There are no claw-backs in the bill anyway; there are no consequences. The bill is moot and I think if the senate amendments were taken out then it would have some substance and it may be worth it.

Chairman Belter: Do you want to work on this bill some more?

Representative Dockter: Made a motion for a Do Pass.

Vice Chairman Headland: Seconded.

ROLL CALL VOTE: 5 YES 7 NO 2 ABSENT

MOTION FAILED

Chairman Belter: What are your wishes?

Representative Marie Strinden: Made a motion for a Do Not Pass.

Representative Kelsh: Seconded.

ROLL CALL VOTE: 8 YES 4 NO 2 ABSENT

Representative Marie Strinden will carry this bill.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2314
March 25, 2013
Job #20404

Conference Committee

Committee Clerk Signature

Mary Brucher

Minutes:

Attached testimony #1A, 1B, 2A, 2B

Representative Owens: Made a motion to RECONSIDER our actions.

Vice Chairman Headland: Seconded.

VOICE VOTE: MOTION CARRIED.

Chairman Belter: When we had the hearing there seemed to be considerable opposition from smaller municipalities so I thought this tax exemption was for primary sector businesses and over time we really strayed away from that. I realize that there is a difference with this smaller counties and municipalities that they probably need some leeway. I'm having amendments drafted to take a city or county that has less than 10,000 people and with a vote of the people they could authorize their governing body to offer tax exemptions for retail and service as well as primary sector if that's what the people would give them authority for. That wouldn't be on an individual basis; it would be a blanket policy that once the people vote to give their local jurisdiction that authority then that's good until the people don't want it any longer.

Cal Klewin, Economic Development Association of North Dakota: Our association is about 80-85 members strong of businesses and local development community. Our membership varies in communities from around 300 to well over 104,000 so you can see the different types of businesses that we have. There are some representatives here who have given their communities some property tax exemptions to businesses that were vital to them. These exemptions were given as a tool to these communities to attract not only primary sector businesses to the community but also service and retail sectors. This tool has been very positive for communities so I think we need to revisit it and keep this positive relationship going.

Chairman Belter: I haven't look at the population statistics of various counties yet. We need to define population if it's from the last official census or new census. Does the figure of 10,000 exempt a great deal of the municipalities and counties in the state?

Cal Klewin: It does. I have a copy of all development organizations in the state from the department of commerce that states population levels from Fargo to Mohall. See attached testimony #1A and 1B.

Representative Zaiser: Has anyone from your organization or with the economic development done any surveys in terms of whether or not these exemptions have been a determining factor in luring a business into your community or county?

Cal Klewin: I'm not aware of any surveys.

Chairman Belter: I don't want to get in to a debate on the merits of this since we already did this. I want a population number that you think would be acceptable and to see if the committee wants to adopt the amendments.

Vice Chairman Headland: There is a member here from the League of Cities and I'm wondering if he could give us the number of communities that would exceed 10,000.

Cal Klewin: I have it right here.

Vice Chairman Headland: How many is it?

Cal Klewin: Twelve.

Chairman Belter: Further testimony?

Ellen Huber, Business Development Director with the City of Mandan: See attached testimony #2. According to the population census from 2010 was 18,331. We are in a very unique situation in that we are high on residential and low on commercial so our specific economic development strategy to reduce our property tax burden is to grow that commercial property base. We are currently at 26% of the property is commercial. In Bismarck that is 36% and West Fargo is at 30% so both our communities are striving to build our commercial property base. Commercial is taxed at 10% whereas residential is taxed at 9% so that is part of our strategy to gain more revenue for city services. There is more emphasis in our community to attract businesses that will generate sales tax because of sales tax importance to reducing property tax. See attached testimony #2A and 2B showing tax comparisons in North Dakota and a property tax brochure they give to the Mandan community.

Representative Zaiser: Do you think that if we give these additional exemptions in Mandan that some of those taxes would be pushed on to the residential property owner?

Ellen Huber: The long term strategy is quite the opposite because the valuation for a new project doesn't go on until that exemption is over but in the long run it gives us an improved value on that property that currently might be sitting undeveloped or vacant. There is a committee in Mandan that reviews any level of exemption based on wages, jobs creation, and whether it's in a sector where there is a gap in the community and what the residents want. If they meet the criteria it would be two years of exemption at 100% then the next year it would be 75%, 50% for year 4, 25% for year 5 and only those more exceptional projects that provide a great deal of public benefit are they considered for the full five years at 100 percent.

Representative Zaiser: Do you have claw-backs and what are they?

Ellen Huber: We had been under the impression that we could use claw-backs and we have been holding businesses accountable. There is a separate piece of legislation that clarifies that and makes certain we can use those claw-back provisions. In cooperation with the Bismarck-Mandan Development Association they help us with our accountability tracking that will be looking to see if anyone didn't meet that provision. If a property would be sold to a nonprofit that would be tax exempt within a certain period of years they would have to pay back any of the exemption. So far it's been either jobs based or the nonprofit.

Representative Drovdal: I noticed on the sheet you passed out that you dropped the mill levies fairly steadily since 2008. If you took the full and true value of the average residential home in Mandan in 2008 what would the value be at each of the next five years? Would it still be \$200,000 or would the values increased?

Ellen Huber: I'd be happy to research that information and put that together for you. I want to say that our property value increases has been in the 3-6% range per year so we've been trying to lower the mill levy so that we're not taking advantage of that creep in property values. We were very pleased with the 2012 budget and taxes payable in 2013 that we were able to achieve a real property tax decrease in the actual amount paid when you combine the effect of the property value and the mill rate. It's a huge goal for Mandan to lower the property taxes because we compete for residential attraction as well as business attraction with Bismarck that has so much more ability to buy down property taxes than we do.

Representative Drovdal: I'd appreciate that list.

Chairman Belter: Further testimony?

Brian Ritter, Bismarck Mandan Development Association: We are the economic development organization for all of Burleigh and Morton County. We believe the process in place now and the application in place now for these types of exemptions is the correct approach; it leaves the decision to the community. We think the flexibility and the ability of each community to make that determination for themselves is the best policy.

Chairman Belter: Any other testimony?

Mark Resner, Economic Development Director for Hettinger County: In 2010 our population for the county was about 2,500. We have used property tax exemptions in the last two years to bring in businesses. Last summer we hadn't had an apartment built in Mott for 30 years so we used property tax exemptions to incentivize a local developer to build eight units which brought in new people. That is an important factor for the city of Mott. Our little communities need to be able to use property tax exemptions for rental housing as housing is a huge problem. We still deal with a significant appraisal gap on properties in Mott. When this \$1 million project is done the appraisal will be \$700 or \$750,000. These exempted projects increase the tax base.

Vice Chairman Headland: The statement you just made about bringing more taxable value to the community I can agree with but when you exempt that the cost of providing that extra service to cover the exempted property goes against the other taxable property within the district I assume so therefore their paying additional costs for that exemption, correct?

Mark Resner: Yes, particularly if you provide new infrastructure or hire more cops or build a new fire station. In this particular case I don't know how applicable that would be because there is enough supply of water and sewer so there wasn't any direct cost in this case.

Vice Chairman Headland: With your agreement to that statement, does that new property wealth help provide for a reduction in the increased cost that the other property taxpayers had to pay to cover the expansion of your taxable property or does it always just keep growing?

Mark Resner: Probably not. Politicians are not known to reduce taxes so six years up the road we just may have more expenses.

Representative Zaiser: Some of these costs have a delayed effect. Eventually aren't you going to have to build a new fire hall or add new streets or enhance infrastructure?

Mark Resner: Of course and we really hope for that. If we can create the need for more infrastructures there that means there are more people and those people are going to be keeping the other businesses open. At some point we're going to have to pay for that but that's a good thing because we will have people there to require those services.

Representative Froseth: In section 2 it demands a legislative study to the effectiveness and accountability of property tax exemptions. Is this necessary? Or should we change that shall to may?

Cal Klewin: I know they have a tracking system. We are looking at more of a local decision making on property tax exemption for anything outside of primary sector. On the primary sector that is very closely monitored by the department of commerce so in this particular bill it probably isn't necessary.

Donnita Wald, General Counsel for the Tax Commissioner's Office: The department of commerce required that they put together a program and make available to the public business incentives where they have to apply for an exemption. This information is on line if you want to find out more about this. They do track that information and those incentives.

Chairman Belter: Does "shall" study mean it's mandatory?

Donnita Wald: Yes.

Chairman Belter: We will review this some more and take a look at it later.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2314
March 26, 2013
Job #20460

Conference Committee

Committee Clerk Signature

Mary Bucken

Minutes:

Attached amendments #1.

Chairman Belter: Distributed amendments .02002 and explained. See attached amendments #1.

Representative Drovdal: I do not really understand this bill. We know from experience that just sending money back on property tax relief is not doing us much good. We also learned that people want local control. We had been trying to do some reforms on property taxes but it's difficult because every time we do we take away local control. This bill appeared to be local control but putting some reform on it for requirements. Making them go to the citizens to vote is making the citizens aware of what the city council is doing with the exemptions of property tax on any deal. I don't know if we need to use the number 10,000 or any number as long as we require them to go back to the vote of the people to give the exemption away. I don't understand why we are having so many objections to this bill.

Representative Zaiser: I am too wondering about the 10,000 number because the community that talked about the concerns about the non-primary sector businesses was Mandan and West Fargo but they would be excluded under the 10,000 population mark.

Vice Chairman Headland: It appears to me if we move the number from 10,000 to 40,000 it would take care of the needs of all cities other than the big four and I can't imagine why they would need to be able to provide an exemption to a service or retail.

Representative Zaiser: I agree but I just wanted to make that point.

Representative Kelsh: Is a vote of the people required for every exemption granted or is it a blanket exemption?

Chairman Belter: It is my intent that it's a blanket. Once they approve it then it's in and the only way it would be taken out is if the people came forward with it and initiated local measure to rescind it. Once the people voted to give them that authority that would be it.

Vice Chairman Headland: Made a motion to accept the amendment and make a change from 10 to 40 in a few different places where it mentions 10,000. We would overstrike the 10s and replace them with 40s.

Representative Zaiser: Seconded.

Chairman Belter: I think we have to hold this because I didn't want home rule charters exempt. I don't see anything in this language that takes them out of it.

Vice Chairman Headland: Withdrew motion.

Chairman Belter: We're going to look at getting this amended so the home rule charters are not exempt from this and change it from 10 to 20 and that it would be voted on in the next general election. I would want language that current law stays in effect until the next general election otherwise this would go into effect August 1 which would mean that everybody would have to stay under this rule unless they wanted a special election and I didn't want to require anyone to have a special election.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2314
March 27, 2013
Job #20556

Conference Committee

Committee Clerk Signature

Mary Bruden

Minutes:

Attached amendments #1.

Chairman Belter: Distributed amendments .02004 and explained. See attached amendments #1.

Representative Owens: Somebody mentioned that they thought it may include a county outside of the four cities that were above a 40,000 population. Are you aware of any?

Chairman Belter: No, there wouldn't be.

Representative Owens: It has little effect but I just wanted us to be aware of exactly what it was that we were considering.

Representative Zaiser: Made a motion to accept 2004 amendments.

Representative Klein: Seconded.

VOICE VOTE: MOTION CARRIED.

Representative Klein: Made a motion for a Do Pass as Amended.

Representative Haak: Seconded.

ROLL CALL VOTE: 12 YES 1 NO 1 ABSENT

Chairman Belter will carry this bill.

March 27, 2013

VK
3/27/13

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2314

Page 1, line 19, remove "the governing body"

Page 1, line 20, remove "of the municipality must have"

Page 1, line 21, replace "Received" with "The governing body of the municipality must have received"

Page 2, line 1, replace "Established" with "The city council or commission, if the project is proposed to be located within the boundaries of a city of fewer than forty thousand population, or the board of county commissioners, of a county of fewer than forty thousand population and if the project is proposed to be located in the county but outside the corporate limits of any city, may grant a partial or complete exemption from ad valorem taxation for a project operating in the retail sector if that governing body has obtained the approval of exemption of property under this subdivision from a majority of the qualified electors of the city or county voting on the question at a city or county election held in conjunction with a statewide general election and if that governing body has established"

Page 2, line 4, after the underscored period insert "The ballot for elector approval of exemption of property under this subdivision must present the question at the election for a yes or no vote on the question:

Shall the governing body of [name of county or city] be empowered to grant property tax exemptions upon application of new or expanding retail sector businesses?

Only a governing body of a city or county that meets the requirements of this subdivision may grant a partial or complete exemption from ad valorem taxation under this section for a project operating in the retail sector."

Page 4, after line 6, insert:

"6. A city or county may not supersede or expand the provisions of this section under home rule authority."

Page 4, line 16, replace "after July 31, 2013" with "to initially become effective for taxable years beginning after December 31, 2014"

Renumber accordingly

Date: 3-13-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2314

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. Dockter Seconded By Rep. Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh		✓
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser		✓
Rep. Matthew Klein	✓		Rep. Jessica Haak	AB	
Rep. David Drovdal	✓		Rep. Marie Strinden		✓
Rep. Glen Froseth		✓			
Rep. Mark Owens	AB				
Rep. Patrick Hatlestad		✓			
Rep. Wayne Trottier		✓			
Rep. Jason Dockter	✓				
Rep. Jim Schmidt		✓			

Total (Yes) 5 No 7

Absent 2

Floor Assignment B

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

MOTION
FAILED

Date: 3-13-13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2314

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. Strinden Seconded By Rep. Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter		✓	Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland		✓	Rep. Steve Zaiser	✓	
Rep. Matthew Klein	✓		Rep. Jessica Haak	AB	
Rep. David Drovdal		✓	Rep. Marie Strinden	✓	
Rep. Glen Froseth	✓				
Rep. Mark Owens	AB				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter		✓			
Rep. Jim Schmidt	✓				

Total (Yes) 8 No 4

Absent 2

Floor Assignment Rep. Strinden

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

Date: 3-25-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2314

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 ~~Do PASS~~

Motion Made By Rep. Owens Seconded By Rep. Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

VOICE VOTE -
MOTION CARRIED

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 3-26-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2314

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
Chairmen Belter's + change 10 to 40
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Headland Seconded By Rep. Zaiser

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

WITHDRAWN

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

- 2002 amendments
- Change 10 to 40 in two places
p. 2 after line 1

Date: 3-27-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2314

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
- 2004 Better
 Rerefer to Appropriations Reconsider

Motion Made By Rep Zaiser Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

VOICE = MOTION CARRIED
VOTE

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

2004 amendments - Belter's

Date: 3-27-13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2314

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. Klein Seconded By Rep. Haak

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser	✓	
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Drovdal	✓		Rep. Marie Strinden	AR	
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt		✓			

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep. Belter

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

REPORT OF STANDING COMMITTEE

SB 2314, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)
recommends **DO NOT PASS** (8 YEAS, 4 NAYS, 2 ABSENT AND NOT VOTING).
Engrossed SB 2314 was placed on the Fourteenth order on the calendar.

REPORT OF STANDING COMMITTEE

SB 2314, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2314 was placed on the Sixth order on the calendar.

Page 1, line 19, remove "the governing body"

Page 1, line 20, remove "of the municipality must have"

Page 1, line 21, replace "Received" with "The governing body of the municipality must have received"

Page 2, line 1, replace "Established" with "The city council or commission, if the project is proposed to be located within the boundaries of a city of fewer than forty thousand population, or the board of county commissioners, of a county of fewer than forty thousand population and if the project is proposed to be located in the county but outside the corporate limits of any city, may grant a partial or complete exemption from ad valorem taxation for a project operating in the retail sector if that governing body has obtained the approval of exemption of property under this subdivision from a majority of the qualified electors of the city or county voting on the question at a city or county election held in conjunction with a statewide general election and if that governing body has established"

Page 2, line 4, after the underscored period insert "The ballot for elector approval of exemption of property under this subdivision must present the question at the election for a yes or no vote on the question:

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Only a governing body of a city or county that meets the requirements of this subdivision may grant a partial or complete exemption from ad valorem taxation under this section for a project operating in the retail sector."

Page 4, after line 6, insert:

"6. A city or county may not supersede or expand the provisions of this section under home rule authority."

Page 4, line 16, replace "after July 31, 2013" with "to initially become effective for taxable years beginning after December 31, 2014"

Re-number accordingly

2013 TESTIMONY

SB 2314



CITY OF MANDAN

MANDAN CITY HALL - 205 2nd Avenue NW
MANDAN, NORTH DAKOTA 58554
701-667-3215 • FAX: 701-667-3223 • www.cityofmandan.com

CITY DEPARTMENTS

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

Testimony for Senate Finance & Taxation Committee
SB 2314 — A Bill to Limit Property Tax Exemption to New & Expanding Businesses
February 18, 2013
Mayor Arlyn Van Beek

Mr. Chairman and committee members, I am Mandan Mayor Arlyn Van Beek, newly elected in June of last year. I would like to offer testimony in opposition to Senate Bill 2314 on behalf of the Mandan City Commission. The City of Mandan was before this committee during the 2011 legislative session seeking support for legislation to help fill major gaps in retail and services in our community to boost sales tax collections in an effort to accomplish a high priority goal of decreasing local property taxes. We ask you to oppose Senate Bill 2314 because it will diminish the ability of communities to help partially offset the significant investment in construction of new commercial buildings associated with business start-ups and expansions that meet unique needs of communities.

Senate Bill 2314 has been dubbed the "Walmart Bill," at least in part because of action taken by the Mandan City Commission. Please consider the following factors and background information as you contemplate your stance on this bill:

- 1. Limitations beyond retail.** The proposed legislation would greatly restrict the types of businesses that cities and counties may assist with property tax exemption. Retail businesses would become ineligible, but also service businesses needed by so many communities and primary sector businesses to survive and prosper. The N.D. Tax Department's Application for Property Tax Incentives for New or Expanding Businesses currently indicates that many types of businesses are eligible provided other requirements are met. Page 3 of the application, question 17 asks about the type of businesses to be engaged in with the choices being:
 - Ag processing
 - Wholesaling
 - Manufacturing
 - Warehousing
 - Retailing
 - Services
- 2. Important service businesses could also be ineligible.** Examples of exemptions that would be limited by this bill include a partial exemption granted by the City of Mandan in 2012 to Novaspect, a value-added reseller of industrial process control equipment such as valves, instrumentation and automated computer systems to control industrial processes. The company has been serving the Mandan refinery and power plants from a Chicago location. Although unlikely to meet the definition of primary sector, Novaspect is a business project championed by the governor's office and congressional delegation

because of the 35 high-paying jobs that it expects to create within 5 years and the services it provides to other primary sector businesses in energy and manufacturing.

3. **Exemption to Walmart less than rumored.** The property tax exemption approved by the Mandan City Commission for Walmart is at a rate of 100% for only two years, not five years. With an estimated investment in the building by Walmart of \$10 to \$13 million, the projected property tax exemption amounts to about \$200,000 annually or \$400,000 total.
4. **Sales tax dollars help lower property tax.** Walmart's projected annual sales of \$50 million will add substantially to the City of Mandan's 1% local sales tax collections (\$1.9 million in 2012). Not all sales will be taxable, but the store should generate about \$400,000 in local sales tax revenue annually, more than offsetting any property tax exemption. Like most cities in North Dakota, Mandan's primary use of sales tax is to lower property taxes and pay for infrastructure costs such as street, water and sewer improvements. Mandan's 2012 mill levy would be 17 mills higher if it were not for sales tax. Mandan and Morton County account for one-fourth of the metro area, but Bismarck collects 8 times more sales tax than Mandan. Bismarck annually reduces its property taxes by 25 mills from sales tax revenue. Mandan city leaders look forward to further mill reductions with increased sales tax revenue as a result of the Walmart, additional anticipated growth and better retention of retail expenditures originating from Mandan.
5. **Land values and property tax generation increase as a result of development.** State law does not allow an exemption on land, only the improvements. The roughly 18 acres of land that are part of the Walmart development will continue to generate tax revenue at a considerably higher value than during its undeveloped state when most of it was assessed at less than \$1 per square foot. Asking prices for property in the area surrounding the Walmart site have gone up from \$3 per square foot in the last year to the \$6- to \$9-per-square-foot range.
6. **Increasing commercial base key to community betterment.** Via a public hearing regarding retail recruitment and other means, Mandan residents have made it clear that they want their city to be more than a bedroom community. Mandan is experiencing some success in business development with new businesses locating in the community and existing businesses expanding, but this momentum needs to continue to provide further tax relief to home owners. Currently, Mandan's property tax base is 26% commercial as compared to 36% in Bismarck and 30% in West Fargo. The property tax incentive for new and expanding businesses is an important means of enticing investment to grow Mandan's commercial property base. Once the exemption goes off a new building, it will generally remain in a community for 30, 50 or 100 years or more, continuing to generate tax revenue and to provide a place for businesses to operate.
7. **Supercenter attracts more commercial growth.** Since Walmart's announcement of its location in Mandan in January 2011, there's been a rise in market values of property in its general proximity and several additional projects for which building permits have been issued, totaling 70,000 square feet and approximately \$11 million in building investment. These projects include a new 22,000 sf St. Alexius Medical Clinic, a new 86-room Comfort Inn (the first new hotel in Mandan since the 1980s) and a new office building for Keitu Engineering with plans for a second office building by owner/developer Kathy Spilman of Riverwest Development. Prairie Rose Denistry has also purchased land for a

new clinic. Developers are planning infrastructure and creating concepts that will bring restaurant pad sites, strip malls and additional office buildings to this long undeveloped interstate corridor.

8. **Walmart filling a retail gap in Mandan.** With estimated leakage of retail dollars from Morton County to Bismarck and other locations estimated at \$50 million for general merchandise alone, Mandan residents have long been paying sales tax dollars to help boost other communities. The supercenter will help keep some of those dollars at home to help pay for important community infrastructure projects and services.
9. **Survey shows citizen support for business incentives.** In a Mandan household survey conducted in September 2012 with 906 respondents, 50% indicated they support the use of incentives to attract new and grow existing businesses, 35% were uncertain and 16% indicated opposition. Lowering property taxes and more retail shopping were ranked as the most important factors to improving Mandan. In a less formal online poll conducted in February 2012, respondents were asked what they see as the most important benefit of Walmart locating in Mandan. With 97 respondents, 35% chose "increased sales tax revenue to help reduce city property tax and infrastructure costs." Next, at 27%, was "provides an anchor for attracting other retail, restaurant and lodging businesses," followed by 18% "convenient access to goods not otherwise available in Mandan," 10% "opportunity to recapture shopping from Mandan residents leaking to other cities," 3% "opportunity to draw shoppers from western North Dakota," and 2% "its selected location will help develop Mandan's I-94 corridor," and 5% "none of the above."
10. **Cities assist retail and services with other tools.** Other states and cities assist retail development because of the sales tax, access to goods and services, and job opportunities created. For example, some cities have paid infrastructure costs for street, water and sewer projects surrounding major retailers instead of special assessing the costs to the property.
11. **Property tax exemption is a simple, transparent and low risk incentive tool.** As compared to loan programs, interest buy downs, tax increment financing or payment for infrastructure, a property tax exemption is a low risk tool because there is no out-of-pocket expense to a municipality and no risk of repayment. Public hearings are held and residents can generally understand the incentive being considered.
12. **Local officials can best respond to community needs and resident input.** The Mandan City Commission, as a result of the robust economy and recent growth, voted in December to revamp its property tax exemption policy. The new policy includes more public benefit requirements and three levels of exemption depending upon a projects ability to meet one or more thresholds in four key categories: 1) jobs creation, 2) job quality as measured by wages and benefits, 3) generation of local sales or other use taxes, and 4) filling a market gap in the community or region. The three levels of exemption are: Tier 1 -100% for years 1-2; Tier 2-100% years 1-2, 75% year 3, 50% year 4 and 25% year 5; and Tier 3-100% for years 1-5.

Thank you for your consideration of North Dakota communities that are striving to become better places to live, work and do business. Please continue to allow local elected officials the chance to tailor their commercial property tax exemption policies to meet community needs by opposing Senate Bill 2314. I would be happy to answer any questions regarding Mandan's opposition to this bill.

Testimony of

Economic Development Association of North Dakota

SB 2314

February 18, 2013

Chairman Cook and members of the committee, my name is John Phillips. 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. Membership includes development organizations, communities, businesses, industries and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professional training and educational opportunities for economic development practitioners and cooperation among development organizations.

It is understood new wealth is created from primary sector business development. With that being said, not all North Dakota communities are able to develop an economic growth plan based on primary sector.

North Dakota has varied sizes of communities and now those communities have a greater diversity of opportunities to build and grow their cities. What was the typical community growth model of having to rely on somewhat limited opportunities in value added agriculture, manufacturing and technology has expanded to a much larger scale in the present states economy. These opportunities they pursue are not always able to meet the criteria for a primary sector definition, yet a project not defined as primary sector may give the community the stability they need for future growth and vitality.

The mission at the local community level, to provide a new or expanding business with incentives, will complement the local sector by providing a needed service and employment opportunities. It will not only be considered a success by the key partners but enhance the sustainability of the community.

An example of a solution to limitations for primary sector development is FLEX PACE. Before Flex Pace (a loan interest buy down program), communities were unable to use the PACE interest buy down program unless the business was primary sector. Many communities were unable to access the program as they were not successful recruiting a

primary sector business but yet didn't have incentives to provide that much needed business or service to stabilize or grow their communities. The origination of FLEX PACE, a very successful program, gave a financial tool to assist communities in loan programs outside of primary sector to develop their economic strategy. This is a great example of flexibility in allowing incentive choices for community development and how progressive communities use the tools at hand to move forward.

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

PRAIRIE WEST DEVELOPMENT FOUNDATION

P. O. BOX 784 55 1ST ST. SE BEACH, ND 58621 701-872-3121

Written Testimony

Prairie West Development Foundation

SB 2314

February 13, 2013

Mr. Chairman and members of the Committee, my name is Debra Walworth, Executive Director of Prairie West Development Foundation. I am writing to voice our opposition to SB 2314.

As a small rural community in extreme Western North Dakota, it is a challenge to attract primary sector business. There have been several attempts over the years, with the outcome being, still no primary sector in Golden Valley County. This bill will restrict our ability to assist the retail and service sectors that do operate in our community. The Beach area has over 90 businesses through a combination of retail and service sector. These range from grocery store, gas stations, massage therapy, chiropractor, home décor, pottery, electricians, plumbers, mechanics, and construction companies. There aren't any primary sector businesses at this time.

Through VisionWest ND strategic planning, Golden Valley County selected a new medical/wellness center as our top priority due to the overcrowded medical clinic in town and the desire by community members to have additional services offered. SB 2314 will make it impossible for our community to have a full tool box of incentives to promote our community to collateral businesses.

Each community has unique opportunities and different needs which are best addressed by the local leaders.

Thank you for your time. I would be happy to answer any of your questions regarding our opposition to SB 2314.

Debra Walworth (701) 872-3121 or prairiewest@midstate.net.

TESTIMONY
to the
North Dakota State Senate
Finance & Taxation Committee
Senator Dwight Cook, Chair
Monday, February 18, 2013 9:00 a.m.

RE: OPPOSITION TO SB 2314 relating to certification that a project is a primary sector business before a city or county may grant a property tax exemption for that project

PRESENTED BY: Jane P. Priebe, CEcD, Director, Wahpeton Economic Development

It is our understanding that SB 2314 will limit a municipality's authority to grant tax exemptions or payments in lieu of taxes to businesses other than those certified as a 'primary sector' by the State Department of Commerce.

We recognize the role incentives play in economic development. Several factors are weighed when a business chooses between two or more communities. While incentives are part of this equation, they rarely play a decisive role until the very end.

Many of the larger North Dakota cities already police themselves in the use of tax exemptions for primary sector businesses. Smaller rural cities would like to have the ability to create and customize incentives to be comparable or competitive. Local authorities have incorporated claw-backs, rescissions, and performance-based incentives in order to assure the public that their investment will be returned in terms of jobs and wages no matter what type of business they are trying to attract.

The City of Wahpeton Economic Development Office opposes SB 2314.



13 1/2 E Divide Ave
 PO Box 1143
 Bowman, ND 58623
 701-523-5880
bowcodev@ndsupernet.com
www.bowmannnd.com

**Testimony of Ashley Alderson
 Bowman County Development Corporation
 SB 2314
 February 18, 2013**

Mr. Chairman and members of the committee, my name is Ashley Alderson and I'm the Executive Director of the Bowman County Development Corporation. I would like to testify in opposition to SB2314 as our organization, cities and county believe that considering the various needs of each community in our state, property tax incentives would be best decided and understood by local community leadership.

During the last four months, our organization, the county Tax Director, two school Superintendents, County Commission, and three city Mayors have been meeting regarding our property tax exemption policy. We have agreed that a full five year property tax exemption is certainly not necessary for all new or expanding businesses, yet there are types of growth we feel important to incentivize with some type of exemption outside of primary sector businesses.

At this time we are working on criteria including type of business activity, economic impacts including sales, hospitality and lodging tax collections, employment opportunity, property utilization and quality of life impacts. We have not finalized our new policy as we planned to wait until the conclusion of the legislative session to do so.

In doing research for our policy, we've found that nearly all cities and counties we contacted handled this policy differently based on their own individual needs. One topic that came up repeatedly was housing whether it was the type of exemption this did or did not qualify for or the general consensus in western North Dakota that in order to attract primary sector businesses, housing, retail and service business activities were vital to find the workforce needed for those positions.

Most recently, our city and county granted exemptions to a new construction Subway restaurant and hotel with convention center and bar and grill. Our leadership knew that food service and lodging were critical needs in our community and used this incentive accordingly.

Thank you for your consideration of the varying needs of each North Dakota city and county. I would be happy to answer any questions regarding our opposition to this bill.

Ashley Alderson- 701-523-5880 or bowcodev@ndsupernet.com

Testimony of

Mark Resner
Hettinger County Job Development Authority

SB 2314

February 18, 2013

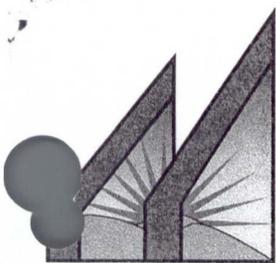
Chairman Cook and members of the committee, my name is Mark Resner. I am the Director of the Hettinger County Job Development Authority.

In the past two years the city of Mott has used tax exemptions to incentivize and assist with two projects the community badly needed. Mott lost its car wash when a previous owner sold the building and equipment, and they were moved to another location. The car wash served Regent, Mott, New Leipzig, Elgin and surrounding areas, and the loss was felt by other businesses in the community. A car wash may not be the most essential business, but our little town needs everything it can get to bring people in and to make them stop. And, what would have been an empty lot will soon be producing tax revenue.

More importantly, Mott was critically short of quality, market-rate rental housing. No new rental housing had been built in decades, and most developers are focused on oil impact and urban areas where rents can be higher and “payback” quicker. Mott used a five-year tax exemption and provided infrastructure to encourage a local investor to build here. That project is now complete, all units are rented, and in a few years that property will be generating approximately \$10,000 per year in tax revenue that would otherwise not exist.

Communities like ours need the ability to make local decisions in our best interest. Limiting us to incentives only for primary sector businesses amounts to prohibiting us from using what meager tools we have to compete for new development. I don’t assume to speak for Fargo, or other large communities, but I do ask that the legislature not remove an option which has proven effective.

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



BISMARCK-MANDAN DEVELOPMENT ASSOCIATION

701-222-5530 • fax 701-222-3843 • 1-888-222-5497 info@bmda.org • www.bmda.org

Senate Finance and Taxation Committee
9 AM --- Monday --- February 18, 2013

Mr. Chairman and Members of the Senate Finance and Taxation Committee.

My name is Russell Staiger and I am the President of the Bismarck-Mandan Development Association. I am appearing before you this morning in opposition to SB 2314, otherwise known as the "Walmart bill."

The BMDA has been supporting the economic growth needs of the municipalities located in Burleigh and Morton Counties since the late 1980s. This, of course, includes the City of Mandan. From the very first day we were asked by the City of Mandan to assist them with their economic development needs, we were advised by the City that the rebuilding of their retail community was a very top priority.

Fast forward to 2006 when Walmart located two supercenters and a Sam's Club in Bismarck. The BMDA began an effort to get Walmart to consider Mandan for a future supercenter site. That effort took over four years and in January 2012, Walmart announced their plans to build a supercenter in northwest Mandan.

In the process of getting that commitment from Walmart, we looked at all of the possible incentive options which might be important to Walmart, including some level of property tax exemption. At no time in the discussion with Walmart did they ever say, suggest or imply that if they did not get some level of property tax exemption they would not come to Mandan. We sold them on the Mandan location based on the economics of the market. It was our belief that by adding some form of property tax relief we were helping mute any concern that Walmart might have about adding another supercenter in a market where they clearly were already the predominant retailer.

What has been or is Mandan's return for their incentive investment in Walmart? First, I should say Mandan did not give Walmart a full 5-year 100% exemption. Rather, it was 100% for two years, ~~then stepped annually for three years back to zero.~~ The total cost of the 5-year partial exemption will be approximately \$400,000.

What the community gets includes:

- 1) A major reinvestment in their retail market that will allow Mandan residents to shop at home.
- 2) When the five year exemption period is over, Mandan will have a new source of property tax amounting to \$200,000 per year.

- 3) Based on the anticipated annual sales of approximately \$50 million and disallowing that not all of those sales will be taxable, the City will collect approximately \$400,000 in new local sales tax.
- 4) Net gain to the City of Mandan is at least \$600,000 in new annual taxes between the sales and property tax.
- 5) They will have created some 250 new jobs which will be a mixture of full and part time.
- 6) They triggered the economic growth of the entire northwest region with a mixture of additional retail, commercial and professional services, new construction, new jobs and new tax base.
- 7) Land values in the area are increasing.

We recognize that traditionally property tax relief has been limited to those kinds of projects which generate new wealth to the host community. I think when you look at the economic facts which I have cited here, it is very difficult to say the community is not realizing new wealth. Between the new tax base of the additional new enterprises now locating in the northwest region and all the new wealth they will create, the new jobs being created and the taxes they will generate as the City of Mandan continues to grow.

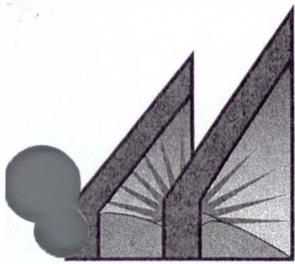
This all comes down to local control. Cities should be allowed to define what motivates new economic growth in each of their respective cities, whether it is Mandan or another city in Morton County or a city anywhere in North Dakota.

The BMDA strongly urges the Senate Finance and Taxation Committee to give SB 2314 a "Do Not Pass" recommendation, and for the full Senate to vote no on it.

Thank you for your time and attention.

I would be happy to answer any questions.

Russell Staiger
 President/CEO
 Bismarck-Mandan Development Association
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 Phone: 701-222-5530
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BISMARCK-MANDAN DEVELOPMENT ASSOCIATION

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February 18, 2013

Dear Members of the Senate Finance and Taxation Committee,

The Bismarck-Mandan Development Association (BMDA) opposes SB 2314, otherwise known as the "Walmart Bill."

Economic development is a broad term that has different meanings for each state, county and city. For smaller communities, it may mean keeping a grocery store open or improvements to Main Street. For larger communities, it may mean nothing other than primary sector jobs development. And for those in between, it may mean something else entirely. In 2012, after years of effort and recruitment, we announced Walmart's intentions to build a 150,000 square foot "Supercenter" in NW Mandan that will generate an estimated \$50 million annually in sales and create 250 new jobs. And as part of that effort, the City of Mandan granted a partial, 5-year new / expanding business property tax exemption.

While some may argue that's not economic development, citizens of Mandan had long expressed their desire for a "big box" retailer so they could shop in their City as opposed to driving to Bismarck or elsewhere. Some may also argue that this is not an appropriate use of business incentives. However, in this case, a partial property tax exemption helped land a retailer long sought after by the community, create jobs and generate new tax base which can be used to better the entire community. In addition, following the announcement by Walmart to locate in NW Mandan, a growing list of other retail and professional service businesses have (and continue to) announce their decisions to locate next to the Walmart site. The combined new growth of Walmart and the adjoining but unrelated commercial enterprises will create substantial new property taxes, sales taxes, quality jobs and new wealth for the City of Mandan. Other communities may view this decision and wonder why, but very few communities have the same retail dynamic as we have here in Bismarck-Mandan that led to our current situation and the decision to grant the incentive.

We firmly believe that each community should have the right to utilize incentives the way they see fit to accomplish their goals and address the needs of the citizens they represent. The proposed requirement that the governing body of a municipality "must have received the certification of the department of commerce division of economic development and finance that the project is a primary sector business" in order to grant a property tax exemption severely limits that governing body. This is not a case of the State imposing restrictions because it may forfeit revenues because as it is with all new / expanding business property tax exemptions, the taxes that are currently being paid on the parcel will continue to be paid; it is only the improvements that are exempted. No, this is a case of local officials elected by their citizens making a decision they feel appropriate to better their community. That is a decision best left to the individual communities and that's why we oppose SB 2314.

Sincerely,

Brian Ritter, CEcD
Director of Business Development

Testimony in Opposition to SB 2314

Presented by the Bismarck-Mandan Chamber of Commerce

February 18, 2013

The Bismarck-Mandan Chamber of Commerce represents more than 1,200 members. Our membership is comprised of large and small, primary sector, service, retail, restaurant businesses and more. A closer look at our composition reveals a surprising fact...that non-primary sector businesses drive our business and the local economy.

USCC Sector	Dues Paid	Full Time Employees	Part-Time Employees
Manufacturing & Processing	\$12,949.00	1,687	10
All	\$507,400.46	30,758	12,955

The Chamber represents the Bismarck-Mandan business community. It supports primary sector growth, and regards all business growth as a good thing for our local economy. Using the information above, you'll note that:

Non-primary sector businesses...

- Employ 94 percent of our full-time working members
- Employ 99 percent of our part-time working members
- Provide 97 percent of our membership dues

Eliminating all businesses but those identified as primary sector by the North Dakota Department of Commerce effectively strips each community within the state of a tool to attract non-primary sector businesses. This not only impacts a taxing authority's ability to collect on sales and property taxes, which show no regard to the industry from which they were collected, it impacts organizations like ours who rely on membership dues to fulfill our mission to, "Advance the economic and business environment of Bismarck-Mandan area." Our organization is successful due to the diversity of the membership; a municipality is no different.

SB 2314, if passed, would limit local government's ability to build a diverse economy that benefits its citizenship and put the fate of economic development in the hands of removed and geographically distant elected officials. The Bismarck-Mandan Chamber of Commerce encourages a "do not pass" vote on SB 2314, allowing each city the discretion to do what's best for their citizens and community, who will continue to police the actions of their locally elected officials and act as necessary if they disagree.

Respectfully submitted by Dot Frank, Lobbyist #391, Bismarck-Mandan Chamber of Commerce

CHAPTER 40-57.1
TAX EXEMPTIONS FOR NEW AND EXPANDING BUSINESSES

40-57.1-01. Declaration and finding of public purpose.

The legislative assembly declares and finds that it is and has been its purpose in preparing and adopting the provisions of this chapter to sanction, authorize, and encourage activities in the public interest and for the welfare of the state, its subdivisions, and people by assisting in the establishment of additional industrial plants, the expansion and retention of existing business, and promotion of economic activities within the state and thereby increasing production of wealth and adding to the volume of employment, particularly during those seasons when employment in farming and ranching is slack, thus alleviating unemployment among the people of the state.

It is the intent of the legislative assembly that political subdivisions and the state board of equalization in their determination of whether the tax exemptions authorized by this chapter shall be granted shall give due weight to their impact and effect upon existing industry and business to the end that an unfair advantage shall not be given to new or expanded enterprises which is to the substantial detriment of existing enterprises.

40-57.1-02. Definitions.

As used in this chapter, unless a different meaning clearly appears from the context:

1. "Local development organization", as used in section 40-57.1-04.3, means a profit or nonprofit corporation incorporated under the laws of this state or a limited liability company organized under the laws of this state, formed for the purpose of furthering the economic development of its community and environs, with authority to promote and assist the growth and development of business concerns in the areas covered by its operations. The operations of the corporation or limited liability company must be limited to a specified area in this state. The controlling interest in the corporation or limited liability company must be held by at least twenty-five persons residing or doing business in the community or its environs. These persons must control not less than seventy-five percent of the voting control of the corporation or limited liability company. No shareholder or member of the corporation or limited liability company may own in excess of twenty-five percent of the voting control in the corporation or limited liability company if that shareholder or member has a direct pecuniary interest in any project or business concern which will occupy the property of the corporation or limited liability company. The primary objective of the corporation or limited liability company must be to benefit the community through increased employment, payroll, business volume, and corresponding factors rather than monetary profits to its shareholders or members. Any monetary profits or other benefits going to the shareholders or members must be merely incidental to the primary objective of the corporation or limited liability company.
2. "Municipality" means counties as well as municipalities of the types listed in subsection 4 of section 40-01-01.
3. "Primary sector business" means an individual, corporation, limited liability company, partnership, or association which through the employment of knowledge or labor adds value to a product, process, or service that results in the creation of new wealth.
4. "Project" means any revenue-producing enterprise, or any combination of two or more of these enterprises. For the purpose of the income tax exemption, "project" means both "primary sector business" and "tourism" as defined by this section and includes the establishment of a new qualifying business or the expansion of a qualifying existing business.
5. "Tourism" means all tourism-related businesses and activities, including recreation, historical and cultural events, guide services, and unique lodging and food services which serve as destination attractions.

40-57.1-03. Municipality's authority to grant tax exemption or payments in lieu of taxes - Notice to competitors - Limitations.

After negotiation with a potential project operator, a municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements used in or necessary to the operation of a project for a period not exceeding five years from the date of commencement of project operations. A municipality may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations.

In addition to, or in lieu of, a property tax exemption granted under this section, a municipality may establish an amount due as payments in lieu of ad valorem taxes on buildings, structures, fixtures, and improvements used in the operation of a project. The governing body of the municipality shall designate the amount of the payments for each year and the beginning year and the concluding year for payments in lieu of taxes, but the option to make payments in lieu of taxes under this section may not extend beyond the twentieth year from the date of commencement of project operations. To establish the amount of payments in lieu of taxes, the governing body of the municipality may use actual or estimated levels of assessment and taxation or may establish payment amounts based on other factors. The governing body of the municipality may designate different amounts of payments in lieu of taxes in different years to recognize future project expansion plans or other considerations.

By November first of each year, the municipality that granted the option to make payments in lieu of taxes shall certify to the county auditor the amount of payments in lieu of taxes due under this section in the following year. After receiving the statement from the municipality, the county auditor shall certify the payments in lieu of taxes to the county treasurer for collection at the time when, and in the manner in which, ad valorem taxes must be certified. Upon receipt by the county treasurer of the amount of payments in lieu of taxes under this section, the county treasurer shall apportion and distribute that amount to taxing districts on the basis on which the general real estate tax levy is apportioned and distributed. The municipality may enter into a written agreement with the local school district and any other local taxing districts that wish to enter the agreement for an alternate method of apportionment and distribution. If such an agreement is entered into, the county treasurer shall apportion and distribute the money according to the written agreement. All provisions of law relating to enforcement, administration, collection, penalties, and delinquency proceedings for ad valorem taxes apply to payments in lieu of taxes under this section. However, the discount for early payment of taxes under section 57-20-09 does not apply to payments in lieu of taxes under this section. The buildings, structures, fixtures, and improvements comprising a project for which payments in lieu of taxes are allowed under this section must be excluded from the valuation of property in the taxing district for purposes of determining the mill rate for the taxing district.

Negotiations with potential project operators for tax exemption or payments in lieu of taxes must be carried on by the city council or commission if the project is proposed to be located within the boundaries of a city, and by the board of county commissioners if the project is proposed to be located outside the corporate limits of any city. A partial exemption must be stated as a percentage of the total ad valorem taxes assessed against the property. Unless the governing body of the municipality determines that there is no existing business within the municipality for which the potential project would be a competitor, the potential project operator shall publish two notices to competitors, the form of which must be prescribed by the tax commissioner, of the application for tax exemption or payments in lieu of taxes in the official newspaper of the municipality at least one week apart. The publications must be completed not less than fifteen nor more than thirty days before the governing body of the municipality is to consider the application. The municipality shall determine whether the granting of the exemption or payments in lieu of taxes, or both, is in the best interest of the municipality, and if it so determines, shall give its approval.

During the negotiation and deliberation of a property tax exemption or the option to make payments in lieu of taxes under this chapter, a municipality shall include, as nonvoting ex officio members of its governing body, a representative appointed by the school board of each school

district affected by the proposed action and a representative appointed by the board of township supervisors of each township affected by the proposed action.

40-57.1-04. Exemption from income tax - Notice to competitors - Limitations.

Upon application by a project operator to the state board of equalization, the net income of a project may be exempt from state income tax for a period not exceeding five years from commencement of project operations. The application for the exemption must be reviewed as to the eligibility of the project by the department of commerce division of economic development and finance and its recommendations forwarded to the state board of equalization. The project operator shall provide notice to competitors in the manner prescribed by the state board of equalization. The board shall determine whether the granting of the exemption is in the best interest of the people of North Dakota and, if it so determines, approve the exemption. The board shall, after making its determination, certify the findings back to the applicant and to the tax commissioner. Nothing contained herein shall have the effect of exempting the project from filing an annual income tax return.

40-57.1-04.1. Ad valorem tax exemption for existing structures - Requirements.

Notwithstanding any other provision of this chapter, a project operator who otherwise qualifies under this chapter may, upon application consistent with the provisions of this chapter, receive a partial or complete exemption from ad valorem taxation on any existing structure used in or necessary to the operation of the project for a period not exceeding five years from the date of commencement of project operations in the structure. For taxable years beginning after December 31, 1988, the governing body of a municipality may grant additional exemptions of property under this section during a period not exceeding ten years from the date of commencement of project operations in the structure if the structure is owned by the United States, the state, or a political subdivision of the state and leased to the project operator. The project operator shall apply to the governing body of the municipality annually for the exemption and the governing body of the municipality may grant the exemption for only one year at a time.

40-57.1-04.2. Local development corporation defined - Requirements - Purpose.

Repealed by S.L. 1991, ch. 447, § 10.

40-57.1-04.3. Property tax exemption on speculative industrial buildings and properties owned by a local development organization.

A municipality may, in its discretion, grant partial or complete exemption from ad valorem taxation on buildings, structures, and improvements constructed and owned by a local development organization for the express purpose of attracting new industry to this state. This exemption from ad valorem taxation is only available on new buildings, structures, and improvements while they remain unoccupied. Once the building, structure, or improvement is occupied, the exemption continues until the next annual assessment date following the first occupancy. This section does not affect the eligibility for property tax exemption of a business available under other provisions of this chapter, provided application for the tax exemption is granted prior to occupancy. A written request for the exemption is to be filed by the local development organization with the municipality. The request will be reviewed at an official meeting of the governing body and will be placed on the agenda for final action at the next official meeting. The governing body of the municipality shall notify the county director of tax equalization with respect to any exemption granted under this section.

40-57.1-04.4. Tax lien of record clearance.

1. A project operator is not eligible for the income tax exemption under section 40-57.1-04 until a showing is made that the project operator has satisfied all state and local tax liens of record for delinquent property, income, sales, or use taxes owed to the state or a political subdivision.
2. A certificate from the tax commissioner to the state board of equalization satisfies the requirement of subsection 1.

- 3. If the project operator is a corporation or a limited liability company, any of its officers, governors, or managers charged with the responsibility for making either property, income, sales, or use tax returns and payments are subject to the provisions of subsections 1 and 2 with respect to all state or local tax liens of record for property, income, sales, or use taxes for which the individual is personally liable. If the project operator is a partnership, each general partner is subject to the provisions of subsections 1 and 2 with respect to all state or local tax liens of record for property, income, sales, or use taxes for which the individual is personally liable.

40-57.1-05. Reapplication for tax exemption - Discretion of board of equalization.

The municipality or the state board of equalization, upon the presentation of additional facts and circumstances which were not presented or discovered at the time of the original application for tax exemption under the provisions of this chapter, may accept reapplications from project operators at any time if the project operators first publish notice of application for tax exemption as required by this chapter.

40-57.1-06. Change in investment, new location, or change in project operator or use requiring reapplication for tax exemption or payments in lieu of taxes.

If the capital investment in the buildings, structures, fixtures, and improvements comprising the project exceeds the original investment or total investment after an approved reapplication under this section because expansion of the project has increased the investment in the project by more than twenty percent, the project operator must reapply to receive an exemption or to make payments in lieu of taxes on the added value of the property. If the project operator does not reapply, or if the reapplication is disapproved, the increased capital value of the buildings, structures, fixtures, and improvements comprising the project is subject to ad valorem taxation. If at any time a project operator who is exempt from taxation or subject to payments in lieu of taxes under this chapter moves the business to a new location, the project operator must reapply to retain the remaining balance of the property tax exemption or the option to make payments in lieu of taxes or elect to make application as a new business. A business relocation has no effect on the income tax exemption of the project operator if it is shown by the project operator to the satisfaction of the state board of equalization that the nature of the business has not been changed by the move and that the effect of the business upon competitors has not been changed by the move. In addition, a property tax exemption or option to make payments in lieu of taxes provided by this chapter applies only to the project operator to whom it is granted and is valid only while the property is used for the purposes stated in the application. If there is a change in use of the property or if a new project operator takes possession of the property, the property tax exemption or option to make payments in lieu of taxes terminates and the project operator must file a new application with the municipality for a tax exemption or option to make payments in lieu of taxes for the remainder of the exemption or payments in lieu of taxes period provided under section 40-57.1-03.

40-57.1-07. Exemptions - Time for making application.

- 1. No property tax exemption shall be granted under this chapter unless the application for it is granted as provided in this chapter prior to the commencement of construction of the project as that term is defined in section 40-57.1-02 or prior to occupancy by the project operator if the project is an existing building.
- 2. Application for an income tax exemption as provided in this chapter must be made by the project operator no later than one year after the commencement of project operations.

40-57.1-08. Large industrial projects - Exclusion from provisions of chapter.

Repealed by S.L. 1994, ch. 784, § 7.

February 19, 2013

PROPOSED AMENDMENTS TO SENATE BILL NO. 2314

Page 1, line 2, replace "certification that" with "determination of whether"

Page 1, line 2, after "sector" insert "or retail sector"

Page 1, line 3, after the semicolon insert "to provide for a legislative management study;"

Page 1, line 8, after the boldfaced period insert "1."

Page 1, line 18, replace "received" with ":

a. Received"

Page 1, line 20, after "40-57.1-02" insert: "; or

b. Established by resolution or ordinance the criteria that will be applied by the governing body to determine whether it is appropriate to grant a partial or complete exemption from ad valorem taxation under this section for a project operating in the retail sector. Criteria established by the governing body under this subdivision, at a minimum, must be intended to require:

- (1) Evaluation of the potential positive or adverse consequences for existing retail sector businesses in the municipality from granting the exemption;
- (2) Evaluation of the short-term and long-term effects for other property taxpayers in the municipality from granting the exemption;
- (3) A written agreement with the project operator, including performance requirements for which the exemption may be terminated by the governing body of the municipality if those requirements are not met; and
- (4) Evaluation of whether the project operator would locate the project within the municipality without the exemption"

Page 1, line 20, after the underscored period insert "2."

Page 2, line 7, after the period insert "3."

Page 2, line 25, after the period insert "4."

Page 3, line 8, after the period insert "5."

Page 3, after line 13, insert:

"SECTION 2. LEGISLATIVE MANAGEMENT STUDY. The legislative management shall study methods to assure that an accurate and reliable means is developed to measure effectiveness and accountability of property tax exemptions and other economic development incentives granted by cities and counties and to determine whether other taxpayers in the city or county ultimately derive a measurable benefit from granting of the incentives. The legislative management shall report its

findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly."

Renumber accordingly

March 12, 2013

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2314

Page 2, line 4, after "retail" insert ", service, or other sector that is not included in the primary"

Page 2, line 7, remove "retail sector"

Page 2, line 7, after "businesses" insert "not operating in the primary sector"

Renumber accordingly



CITY OF MANDAN

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CITY DEPARTMENTS

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

Testimony for House Finance & Taxation Committee
SB 2314 — A Bill to Limit Property Tax Exemption to New & Expanding Businesses
March 13, 2013
Mayor Arlyn Van Beek

Chairman Belter and committee members, I am Mandan Mayor Arlyn Van Beek, newly elected in June of last year. I would like to offer testimony in opposition to Senate Bill 2314 on behalf of the Mandan City Commission.

We ask you to oppose Senate Bill 2314 because we believe — within the requirements already set forth in Century Code Chapter 40, Section 57.1 — that decisions regarding property tax exemptions to help partially offset the significant investment in construction of new commercial buildings associated with business start-ups and expansions are best left to the respective counties and cities. It is at the local level that we can best determine what incentive is or isn't appropriate based on local community needs and priorities.

I encourage you to consider the following factors weighing against SB 2314:

- 1. The proposed limitations go too far.** SB2314 would unnecessarily restrict the types of businesses that cities and counties may assist with property tax exemption. The N.D. Tax Department's Application for Property Tax Incentives for New or Expanding Businesses (copy attached) currently indicates that many types of businesses are eligible provided other requirements are met. Page 3 of the application, question 17 asks about the type of businesses to be engaged in with the choices being:
 - Ag processing
 - Wholesaling
 - Manufacturing
 - Warehousing
 - Retailing
 - Services
- 2. Important service businesses should be eligible.** Of particular note and currently missing from eligible businesses in SB 2314, as currently amended, are service sector businesses, which are needed by many communities and primary sector businesses to survive and prosper.

An example of an exemption that would be limited by this bill is a partial exemption granted by the City of Mandan in 2012 to Novaspect, a value-added reseller of industrial process control equipment such as valves, instrumentation and automated computer systems to control industrial processes. The company has been serving the Mandan refinery and power plants from a Chicago location. Although unlikely to meet the definition of primary sector, Novaspect is a business project championed by the

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governor's office and congressional delegation because of the 35 high-paying jobs that it expects to create within 5 years and the services it provides to other primary sector businesses in energy and manufacturing.

Another example of a service sector business for which Mandan has agreed to provide a partial exemption is the first hotel to be constructed in the community in 30 years, an 86-unit Comfort Inn being built with investment from local individuals. At a time when several new hotels have recently opened or are under construction in Bismarck, Mandan found the exemption to be important in securing a new hotel on the west side of the river. This additional hotel will allow more people attending Mandan events and visiting tourist attractions to stay in the community, thereby increasing their likelihood of patronizing Mandan stores and restaurants, too.

3. **The current exemption tool is not broken.** SB2314 originated in large part because some in the state were concerned about Mandan having granted a property tax exemption to Walmart. I'd like to clarify a few points regarding that exemption and some of the factors that our City Commission considered:
- Walmart could have applied for a full five-year, 100 percent exemption. Instead, it applied for a scaled-down exemption at a rate of 100% exemption in the first two years, declining to 25% exemption in year five.
 - The Mandan City Commission, in its deliberations, further reduced the exemption to 100% for only two years, with nothing thereafter. With an estimated investment in the building by Walmart of \$10 to \$13 million, the projected property tax exemption amounts to about \$200,000 annually or \$400,000 total.
 - Sales tax revenue estimated at \$400,000 annually will outweigh the property tax exemption and ultimately help lower property taxes for residents.
 - Land values and property tax generation will increase substantially as a result of the development.
 - Increasing Mandan's commercial property base is vital to our community's progress. Mandan residents have made it clear that they want their city to be more than a bedroom community.
 - An anchor has been needed to attract other commercial and retail investment. Since Walmart's announcement of its location in Mandan in January 2011, several additional projects are underway totaling 70,000 square feet and approximately \$11 million in building investment. Developers are planning infrastructure and creating concepts that will bring restaurant pad sites, strip malls and additional office buildings to this long undeveloped interstate corridor.
 - Walmart will fill a retail gap in Mandan. With estimated leakage of retail dollars from Morton County to Bismarck and other locations estimated at \$50 million for general merchandise alone, Mandan residents have long been paying sales tax dollars to help boost other communities. The supercenter will help keep some of those dollars at home to help pay for important community infrastructure projects and services.

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There are other economic incentive tools available. Some cities pay for infrastructure such as street, water and sewer improvements surrounding property for desired businesses instead of special assessing the costs to the property. As compared to other options like loan programs, interest buy downs, tax increment financing or payment for infrastructure, a property tax exemption is a low risk tool because there is no out-of-pocket expense to a municipality and no risk of repayment. Property tax exemption is also transparent. Public hearings are held and residents can generally understand the incentive being considered.

Communities are being proactive in refining their property tax exemption policies.

Mandan in 2011 adopted a local policy providing criteria that complement state requirements. Given more robust economic times, the Mandan City Commission in 2012 approved a revamped policy that became effective in 2013. The new policy includes more public benefit requirements and three levels of exemption depending upon a project's ability to meet one or more thresholds in four key categories:

- 1) jobs creation,
- 2) job quality as measured by wages and benefits,
- 3) generation of local sales or other use taxes, and
- 4) filling a market gap in the community or region.

The three levels of exemption are: Tier 1 -100% for years 1-2; Tier 2-100% years 1-2, 75% year 3, 50% year 4 and 25% year 5; and Tier 3-100% for years 1-5.

The City of Mandan has routinely asked citizens for input on business incentive policies.

Mostly recently, in a 2012 household survey with 906 respondents, 50% of respondents indicated they support the use of incentives to attract new and grow existing businesses and another 35% were uncertain. Only 16% indicated opposition. Lowering property taxes and more retail shopping were ranked as the most important factors to improving Mandan.

In conclusion, we ask you to oppose SB 2314. We believe the existing state law provides sufficient regulation of the use of property tax exemption for new and expanding businesses. It is a simple, transparent and low risk incentive tool.

Thank you for your consideration of North Dakota communities that are striving to become better places to live, work and do business. Please continue to allow local elected officials the chance to tailor their commercial property tax exemption policies to meet community needs by opposing Senate Bill 2314. If you find that you cannot oppose the bill, we would encourage an amendment that at the very least allows for the eligibility of service-sector businesses.

I would be happy to answer any questions regarding Mandan's opposition to this bill.



Guideline

Property Tax

Incentives for New or Expanding Businesses

North Dakota Century Code § 40-57.1

Cory Fong
Tax Commissioner

July 2011

North Dakota Century Code ch. 40-57.1, first enacted in 1969, provides incentives in the form of property tax exemptions, payments in lieu of taxes, or a combination of both to a qualifying business. The incentives are granted, at the discretion of the city or county in which the property is located, to any new or expanded revenue-producing project.

Definitions

1. Commencement of construction means the building or erecting of any improvements other than site preparation or excavation.
2. Commencement of project operation means “the date the plant actually goes into its planned operations. To use the example..., if a manufacturing plant actually begins manufacturing of its products in December, 1970, that would be the date of commencement of project operations. The Act does not purport to authorize granting of tax exemptions for the time of construction of plants.” 1969 N.D. OP. Att’y Gen. 415.
3. Local Development Corporation means a profit or nonprofit corporation incorporated in this state for the purpose of furthering the economic development of a specified community or area.
4. Municipality means a city or a county.
5. Project means any new revenue-producing business or an expansion to an existing business.
6. Project operator means the individual, partnership, limited liability company (LLC), corporation, or association that owns or operates the project.
7. Structure means any property where a business is conducted. The structure might be an entire building, if occupied by one business, or individual quarters within a larger building.

What Qualifies

8. New and existing buildings, structures, and improvements owned or leased by a qualifying project may receive property tax incentives.
9. New buildings, structures, and improvements constructed and owned by a local development corporation may receive a partial or complete exemption from ad valorem taxation while unoccupied. Once occupied, the exemption continues until the next assessment date following the first occupancy. A qualifying project which locates in a building owned by a local development corporation qualifies for the property tax incentives, provided application is made and granted prior to occupancy.

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Allowable Incentives

10. A qualifying project may receive a complete or partial exemption from ad valorem taxation on structures used in or necessary to the operation of a project for up to five years following the commencement of project operations.
11. The exemption period begins with the assessment date immediately following the date of commencement of project operations.
12. Projects that produce or manufacture a product from agricultural commodities may receive a complete or partial property tax exemption on structures for up to ten years.
13. A project located in a structure leased from a governmental entity and which received a five-year property tax exemption qualifies for additional exemptions for up to five years. For the additional exemptions, the municipality grants the exemption one year at a time upon annual application.
14. Payments in lieu of taxes may be used in place of, or in combination with, property tax exemptions for qualifying projects. The municipality and project operator negotiate the amount of annual payments, when the payments begin, and the ending date, which may be no later than twenty years from the date project operations began.
15. Payments in lieu of taxes are apportioned in the same manner as the general real estate taxes unless a taxing district enters into a written agreement for an alternate method. Any agreement entered into between the municipality and other taxing districts for an alternate method of apportioning the payments in lieu of taxes may not affect the apportionment to any taxing district that is not a party to the agreement.
16. The tax incentives are valid as long as the property is used for the purposes stated in the application. If there is a change in use or project operator, a new application for the incentives must be filed with and approved by the municipality to receive the remainder of the incentives.

Limitations

17. A project is not eligible for the property tax incentives if the project received a tax exemption under tax increment financing.
18. The tax exemption and the payments in lieu of taxes are limited to the new or existing buildings or structures used in the qualifying project.
19. Tax incentives may not be granted for land.
20. Payments in lieu of taxes are not eligible for the 5% discount for early payment.

Procedures

21. The project operator applies to the governing body of the municipality where the potential project is to be located. If the project will be within city limits, the project operator applies to the city governing body. If the project is outside city limits, application is made to the county commission.

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22. Application for the property tax exemption must be made *and* granted prior to the commencement of construction if the project locates in a new structure. If the project locates in an existing structure, application must be made *and* granted before the structure is occupied.

For qualifying projects, applications for payments in lieu of property taxes may be made after construction or occupancy of the structure.

A representative appointed by the board of each affected school district and of each affected township is included as a non-voting member during the negotiation and deliberation of granting tax incentives.

23. The project operator publishes two notices to competitors of hearing on the application. The notices are published in the official newspaper of the city or county at least one week apart. The last notice must be published at least 15 days, but not more than 30 days, before the city or county considers the application. For example, notices published one week apart on May 1 and May 8 would be appropriate for a hearing scheduled any time between May 23 and June 7. An affidavit of publication is presented to the governing body prior to the hearing as proof of publication. Publication of notices is not required if the municipality determines that project competitors do not exist in the municipality.
24. The city or county holds a public hearing on the application and takes testimony both in favor of and in opposition to the granting of the tax incentives.
25. After the public hearing, the governing body determines the best interests of the municipality and approves or denies, in whole or in part, the application for tax incentives.
26. The municipality certifies the tax incentives granted by submitting a copy of the project operator's application with the attachments to the State Tax Commissioner and county director of tax equalization. The county director of tax equalization advises the local assessor when the property is taxable or exempt.
27. Political subdivision grantors shall maintain records of business incentives provided to recipients. They shall prepare an annual political subdivision grantor report to the Department of Commerce before April 1 each year that includes:
 - The name of the business receiving business incentives during that year;
 - The number of jobs expected to be created or retained by each business as a result of the business incentives;
 - The average compensation expected to be provided by the employer for the jobs expected to be created or retained as a result of the business incentives, including identification of the average benefits and average earnings to be provided by the employer for these jobs; and
 - The total dollar value of all business incentives provided by the political subdivision during that year.

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Application For Property Tax Incentives For New or Expanding Businesses

Pursuant to N.D.C.C. Chapter 40-57.1

Project Operator's Application To _____
City or County

File with the City Auditor for a project located within a city; County Auditor for locations outside of city limits.

A representative of each affected school district and township is included as a non-voting member in the negotiations and deliberation of this application.

This application is a public record

Identification Of Project Operator

1. Name of project operator _____

2. Address of project _____
City _____ County _____

3. Mailing address of project operator _____
City _____ State _____ Zip _____

4. Type of ownership of project
 Partnership Subchapter S corporation Individual proprietorship
 Corporation Cooperative Limited liability company

5. Federal Identification No. or Social Security No. _____

6. North Dakota Sales and Use Tax Permit No. _____

7. If a corporation, specify the state and date of incorporation _____

8. Name and title of individual to contact _____
Mailing address _____
City, State, Zip _____ Phone No. _____

Project Operator's Application For Tax Incentives

9. Indicate the tax incentives applied for and terms. Be specific.

<input type="checkbox"/> Property Tax Exemption	<input type="checkbox"/> Payments In Lieu of Taxes
_____ Number of years	_____ Beginning year _____ Ending year
_____ Percent of exemption	_____ Amount of annual payments (attach schedule if payments will vary)

10. Which of the following would better describe the project for which this application is being made:

New business project Expansion of a existing business project

Description of Project Property

2. p. 8

11. Legal description of project real property

12. Will the project property be owned or leased by the project operator? Owned Leased

If the answer to 12 is leased, will the benefit of any incentive granted accrue to the project operator?

Yes No

If the property will be leased, attach a copy of the lease or other agreement establishing the project operator's benefits.

13. Will the project be located in a new structure or an existing facility? New construction Existing facility

If existing facility, when was it constructed? _____

If new construction, complete the following:

a. Estimated date of commencement of construction of the project covered by this application _____

b. Description of project to be constructed including size, type and quality of construction

c. Projected number of construction employees during the project construction _____

14. Approximate date of commencement of operations for this project _____

15. Estimated market value of the property used for this project:

a. Land..... \$ _____

b. Existing buildings and structures for which an exemption is claimed..... \$ _____

c. Newly constructed buildings and structures when completed \$ _____

d. Total \$ _____

e. Machinery and equipment \$ _____

16. Estimate taxable valuation of the property eligible for exemption by multiplying the market values by 5 percent:

a. Land (not eligible) 

b. Eligible existing buildings and structures..... \$ _____

c. Newly constructed buildings and structures when completed..... \$ _____

d. Total taxable valuation of property eligible for exemption (Add lines b and c)..... \$ _____

e. Enter the consolidated mill rate for the appropriate taxing district _____

f. Annual amount of the tax exemption (Line d multiplied by line e) \$ _____

22. b

Description of Project Business

Note: "project" means a newly established business or the expansion portion of an existing business. Do not include any established part of an existing business.

17. Type of business to be engaged in: Ag processing Manufacturing Retailing
 Wholesaling Warehousing Services
18. Describe in detail the activities to be engaged in by the project operator, including a description of any products to be manufactured, produced, assembled or stored (attach additional sheets if necessary).

19. Indicate the type of machinery and equipment that will be installed
-
-
-

20. Projected annual revenue, expense, and net income of the project for each year for the first five years.

Year	_____	_____	_____	_____	_____
Annual revenue	_____	_____	_____	_____	_____
Annual expense	_____	_____	_____	_____	_____
Net income	_____	_____	_____	_____	_____

21. Projected annual average number of persons to be employed by the project at the project location for each year for the first five years and the estimated annual payroll.

Year	_____	_____	_____	_____	_____
No. of Employees (1)	_____	_____	_____	_____	_____
(2)	_____	_____	_____	_____	_____
Estimated payroll (1)	_____	_____	_____	_____	_____
(2)	_____	_____	_____	_____	_____

(1) - full time
(2) - part time

Previous Business Activity

22. Is the project operator succeeding someone else in this or a similar business? Yes No
23. Has the project operator conducted this business at this or any other location either in or outside of the state?
 Yes No
24. Has the project operator or any officers of the project received any prior property tax incentives? Yes No
If the answer to 22, 23, or 24 is yes, give details including locations, dates, and name of former business (attach additional sheets if necessary).

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Business Competition

25. Is any similar business being conducted by other operators in the municipality? Yes No

If YES, give name and location of competing business or businesses

Property Tax Liability Disclosure Statement

26. Does the project operator own real property in North Dakota which has delinquent property tax levied against it? Yes No

27. Does the project operator own a greater than 50% interest in a business that has delinquent property tax levied against any of its North Dakota real property? Yes No

If the answer to 26 or 27 is Yes, list and explain

Use Only When Reapplying

28. The project operator is reapplying for property tax incentives for the following reason(s):

- To present additional facts or circumstances which were not presented at the time of the original application
- To request continuation of the present property tax incentives because the project has:
 - moved to a new location
 - had a change in project operation or additional capital investment of more than twenty percent
 - had a change in project operators
- To request an additional annual exemption for the year of _____ on structures owned by a governmental entity and leased to the project operator. (See N.D.C.C. § 40-57.1-04.1)

Notice to Competitors of Hearing

Prior to the hearing, the applicant must present to the governing body of the county or city a copy of the affidavit of publication giving notice to competitors unless the municipality has otherwise determined there are no competitors.

I, _____, do hereby certify that the answers to the above questions and all of the information contained in this application, including attachments hereto, are true and correct to the best of my knowledge and belief and that no relevant fact pertaining to the ownership or operation of the project has been omitted.

Signature

Title

Date

In compliance with the Federal Privacy Act of 1974, Public Law 93-579, the disclosure of the individual's social security number on this form is mandatory pursuant to North Dakota Century Code §§ 40-57.1-03 and 40-57.1-07. An individual's social security number is used as an identification number by the Office of State Tax Commissioner for file control purposes and record keeping.

Certification of Governing Body (To be completed by the Auditor of the City or County)

The municipality shall, after granting any property tax incentives, certify the findings to the State Tax Commissioner and Director of Tax Equalization by submitting a copy of the project operator's application with the attachments. The governing body, on the ____ day of _____, 20____, granted the following:

Property Tax Exemption

_____ Number of years

_____ Percent of exemption

Payments in lieu of taxes

_____ Beginning year _____ Ending year

_____ Amount of annual payments (Attach schedule if payments will vary)

Auditor

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Notice To Competitors Of Hearing On Application For Property Tax Incentives

Notice is hereby given that the _____
(City or county governing body)

of _____, North Dakota, will meet at _____
(City or county) (Time)

on _____ at _____ to consider the application of
(Date) (Location)

(Project operator name and address)

for property tax relief on the project which the applicant will use in the operation of

(Type of business)

at _____
(Address)

(Legal description)

Any competitor of that applicant may appear and be heard by the _____
(City or county governing body)

at the time and place designated herein. A competitor may provide written comments to the governing body before the scheduled hearing.

This notice is given by the above-named applicant pursuant to the provisions of North Dakota Century Code § 40-57.1-03

Adopted by the City Commission - February 15, 2011
Revised June 5, 2012 & December 18, 2012
Effective January 1, 2013

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**CITY OF MANDAN
COMMERCIAL PROPERTY TAX EXEMPTION
POLICY AND GUIDELINES**

The City of Mandan is committed to high quality development in all parts of the city, to growing its commercial property base and to the improvement of the quality of life for its citizens through enhanced employment opportunities, reduced property taxes, increased sales and use tax revenues, and better access to needed products and services. To help meet these goals, the City Commission has adopted guidelines and criteria for granting business incentives. Applications are subject to the review and approval by the Mandan Growth Fund Committee and, ultimately, the Mandan City Commission.

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1).

It is the policy of the City to provide business incentives for the purpose of attracting new business and industry to the City and to encourage expansion and modernization of existing business facilities. The City will generally consider a property tax exemption only for business facilities and/or properties that provide one or more measureable public benefits.

The criteria outlined in this document are guidelines only. Each application will be evaluated on its own merits and is subject to the review and approval by the Mandan City Commission. The criteria are to be reviewed and updated at least annually and may be modified at any time to assure that the criteria address current priorities and needs.

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CRITERIA FOR THREE LEVELS OF EXEMPTION

SIGNIFICANT MEASURABLE BENEFITS				
JOBS CREATION	JOB QUALITY	INCREASED LOCAL USE TAXES³	FILLING MARKET GAPS⁴ <i>Project may qualify under either A or B</i>	
Numbers of Jobs¹	Wages & Benefits²	<ul style="list-style-type: none"> • 1% Sales • 1% Restaurant & lodging • 2% hotel occupancy 	A - Validated market demand exceeds supply	B - Targeted business <ul style="list-style-type: none"> • Retail/Services (1st to build) <ul style="list-style-type: none"> ✓ Hardware/home improvement ✓ Clothing, shoe or department store ✓ Dry cleaning ✓ Movie theater ✓ Full-service car wash • Restaurants • Hotels
BASE LEVEL/TIER 1 — 100% exemption for 2 years <i>Project should provide at least 1 of the significant, measurable benefits listed below.</i>				
Minimum 3 FTEs	Minimum \$9/hr, \$18,720/yr or 30% of median household income	\$5,000 to \$10,000 in local use tax collections	Generates \$500,000 to \$1 million annual sales	<ul style="list-style-type: none"> • Retail/Services – Under 5,000 sf • Restaurants – fast food (counter service or drive-up only) • Hotels – minimum 20 rooms, investment of \$45,000/rm construction cost, no amenities
INTERMEDIATE LEVEL/TIER 2 — Exemption of 100% for 2 years, 75% year 3, 50% year 4, 25% year 5 <i>Project should provide: 1) at least 2 of the tier 1 benefits listed above, OR 2) at least 1 of the tier 2 benefits listed below</i>				
Minimum 3 FTEs, PLUS an additional FTE for each \$100,000 in structural value subject to exemption	Minimum \$20.35/hr, \$42,326/yr or 70% of median household income	\$10,001 to \$100,000 in local use taxes	Generates \$1 million to \$10 million in annual sales	<ul style="list-style-type: none"> • Retail/Services – 5,000 to 10,000 sf • Restaurants – limited service (order w/ cashier, food brought to table) • Hotels – 21 to 40 rooms, \$60,000/rm construction cost, meeting room
TOP LEVEL/TIER 3 — 100% exemption for 5 years <i>Project should provide: 1) at least 3 of the tier 1 benefits listed above, OR 2) at least 1 of the tier 3 benefits listed below, OR 3) Be a primary sector business⁵</i>				
Minimum 3 FTEs, PLUS an additional 2 FTEs for each \$100,000 in structural value subject to exemption	Minimum \$29.07/hr, \$60,466/yr or 100% of median household income	\$100,001+ in local use taxes	Generates \$10 million or more in annual sales	<ul style="list-style-type: none"> • Retail/Services – 10,000+ sf • Restaurants – full service – (table side service) • Hotels – 40+ rooms, \$75,000/rm construction cost; meeting rooms and pool or convention center

1. Numbers of Jobs — By first anniversary of certificate of occupancy for owner occupied projects (or first anniversary of occupancy for lease projects)
2. Wages & Benefits — Based on 2011 City of Mandan average household income estimated at \$60,466. Employee benefits including retirement and insurance contributions may be quantified on an hourly basis and applied toward the threshold. Applicant, if approved, shall be required to submit annual payroll report.
3. Local Use Taxes — Applicant, if approved, shall be required to submit annual sales tax report.
4. Filling Market Gaps — A) Based on Nielsen Claritas, ESRI or other market data for Morton County. Community surveys may also be considered. Applicant, if approved, shall be required to submit annual sales tax report. B) Based on 2008 City of Mandan household survey of retail preferences.
5. Primary Sector Business — Through the employment of knowledge or labor, the business adds value to a product, process, or service that results in the creation of new wealth. The term includes tourism but does not include production agriculture.

The Board of Commissioners may waive any of these requirements if they deem a business should receive additional incentives because of its benefits to the community.

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OTHER POTENTIAL IMPACTS (POSITIVE AND NEGATIVE)

- Diversification of economic base (an industry not represented or under-represented in our business community)
- Ability of the project to attract people from other communities
 - Radius of draw for customers and frequency of patronage (often an inverse relationship with the market area increasing as the frequency decreases)
 - Uniqueness of business
 - Breadth of customer base
- Synergies with existing businesses in the community
 - Enhancing an industry sector that is a base of the local economy
 - Filling a gap in the supply chain for a core industry or business sector
 - Providing a product or service needed by other businesses in the region
- Growth potential of company and industry and potential spin-off benefits
- Adding value to local resources
- Making use of an underutilized asset (either facilities or land)
- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections.
- Impact on city services
 - Can the company be accommodated within existing service levels, or will additional capacity be needed?
 - Is the company locating where better use of existing services will take place or further the development plans of the City?
- Fostering entrepreneurship (boosting the economic feasibility of the project)

ADDITIONAL LIMITATIONS AND STANDARDS

- A new or expanded business in the community must not gain unfair advantage with existing competitors through use of the exemption. Applicant should be prepared to demonstrate that an unfair advantage is not gained over any possible existing competitor for the amount of exemption received.
- Property tax incentives must be approved prior to the start of construction.
- Projects that are primarily warehousing (for the storage of goods, raw materials or commodities) would not receive an incentive unless the owner proves need or provides other information to justify the exemption.
- Projects involving relocation of an existing business from another N.D. community to Mandan will not generally receive an incentive unless the business is expanding in some manner such as square footage, number of employees, or scope of products and services.
- Jobs created in the 12 months prior to the date of application may be considered toward meeting job creation thresholds as indicated in the criteria.
- Jobs must be based at the project location to apply toward the jobs creation thresholds. Out-of-town or traveling jobs stemming from the project location may be awarded partial credit in situations where permanent local residency of employees is likely.
- Annual reports — By February 15 of each year, the recipient of the exemption will file an annual employment verification report with the Bismarck – Mandan Development Association.
- An exemption that has been granted will be considered lapsed and invalid if construction has not begun in one year and completed in two years. Notice will be sent to the project operator 90 days prior to the exemption lapsing.

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Improvements to Commercial

NDCC 57-02.02 allows exemptions for property renovations, remodeling, alterations, and additions. A property tax exemption is available for all improvements to commercial buildings or structures. The value of qualifying improvements is exempt. The last assessment on the building or structure prior to commencement of the improvements remains for the duration of the exemption period, unless equalization or revaluation of building values is necessary. The exemption does not apply to land values, which may be changed whenever justified. The exemption is valid for the prescribed period and does not terminate upon the sale or exchange of the property. It is transferable to subsequent owners.

Payments in Lieu of Taxes

The City of Mandan may consider up to a five-year payment in lieu of tax (PILOT) in years 6-10 for a new or expanded business whereby a project may be required to pay only an approved percentage of taxes that would otherwise be due. This incentive is generally used only in rare circumstances for projects of extraordinary public benefit. Such requests shall be considered directly by the City Commission.

Sale to Non-Profit

If a property receiving a tax exemption is sold or in any way transferred within a period of time equal to 2.5 times the length of the exemption to an entity exempt from property tax, the property owner will be required to pay back all tax revenue given as part of the exemption.

Non-profits may be asked to make payments in lieu of taxes for essential services.

Other Clawback Provisions

If the project fails to deliver on public benefits that were the basis for approval of an exemption, or any other requirements including timely reporting, the City Commission may revoke the exemption and/or require that all or part of the exemption be paid back.

#3

Wednesday, March 13, 2013

SB 2314

**Hettinger County Job Development Authority
Testimony by Mark Resner, Executive Director
House Finance and Taxation Committee**

Chairman Belter and members of the committee, my name is Mark Resner, director of the Hettinger County JDA. I appear before you today to ask you to consider the effects of SB 2314 if passed into law in its present form.

Senate Bill 2314 as amended allows property tax exemption for "primary sector business" and establishes criteria, "for a project operating in the *retail sector*" (page 2, line 4). "Retail sector" is not defined .

Our rural community does not host a John Deere plant, or a Microsoft campus. However, we do need to encourage the automotive repair shop, the steel fabricator, the legal firm, and the apartment building. Last year, the city of Mott granted a five (5) year property tax exemption to a new eight-unit apartment development. Those are the first apartments built in Mott in thirty years! The tax exemption isn't a windfall to the developer; it will only partially make up for the "appraisal gap", and the reduced rents as compared to Dickinson and other oil communities. The development is adjacent to our Good Samaritan Care Center, and provides pleasant, safe, comfortable housing for older residents. The project has real value for the community, and local businesses.

I sincerely hope this committee assures this piece of legislation allows a property tax exemption for service business and rental housing, and does not remove a valuable development tool from rural communities like Mott.

Thank you,





#11

Testimony of

Economic Development Association of North Dakota

SB 2314

March 13, 2013

Chairman Belter 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.

EDND is opposed to removing the ability of communities to utilize property tax exemptions for businesses that are not primary sector.

Not all North Dakota communities are able to develop an economic growth plan based on primary sector. The service industry and retail are vital to economic growth strategies and communities of all sizes need the ability to determine which incentives will best support job creation whether it be the service industry, retail or primary sector.

This is especially important in attracting and retaining retail and service sector businesses. Communities will not survive without many of these essential businesses.

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

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Cities 2009 Population Estimate per US Census and 2010 City Sales Tax Collections (and at 1% Equivalents), and Computation of City Sales Tax Per Capita, Ranked

	US Census Estimated Population July 2009	CY 2010 City Sales Tax	CY 2010 CST Rate	CY 2010 CST at 1% Equivalent	CST at 1% Equivalent Per Capita	Per Capita CST at 1% Equivalent Ranked in Descending Order	
Anamoose	246	15,543	1.0%	15,543	\$ 63.18	Medora	\$ 1,947.39
Aneta	247	14,668	1.0%	14,668	\$ 59.39	Stanley	\$ 345.07
Ashley	672	52,357	1.0%	52,357	\$ 77.91	Williston	\$ 327.60
Beach	925	114,916	1.0%	114,916	\$ 124.23	Watford City	\$ 326.83
Belfield	817	286,889	2.0%	143,445	\$ 175.57	Kenmare	\$ 285.96
Berthold	446	43,400	1.0%	43,400	\$ 97.31	Gwinner	\$ 278.31
Beulah	2891	319,333	1.0%	319,333	\$ 110.46	Tioga	\$ 266.72
Bismarck	61217	12,487,528	1.0%	12,487,528	\$ 203.99	Killdeer	\$ 250.65
Bottineau	2046	804,775	2.0%	402,387	\$ 196.67	Minot	\$ 237.84
Bowman	1515	301,830	1.0%	301,830	\$ 199.23	Powers Lake	\$ 229.07
Buffalo	197	21,845	1.0%	21,845	\$ 110.89	Hope	\$ 223.85
Cando	1022	146,853	2.0%	73,427	\$ 71.85	Dickinson	\$ 218.58
Carrington	1955	317,634	1.0%	317,634	\$ 162.47	Bismarck	\$ 203.99
Carson	247	16,131	1.0%	16,131	\$ 65.31	Devils Lake	\$ 201.72
Casselton	2044	183,983	1.0%	183,983	\$ 90.01	Bowman	\$ 199.23
Cavalier	1320	307,477	2.0%	153,739	\$ 116.47	Fargo	\$ 197.33
Cooperstown	885	133,993	1.5%	89,328	\$ 100.94	Bottineau	\$ 196.67
Crosby	932	123,416	1.0%	123,416	\$ 132.42	Underwood	\$ 193.34
Devils Lake	6711	2,707,485	2.0%	1,353,743	\$ 201.72	Grand Forks	\$ 180.36
Dickinson	16265	5,332,914	1.5%	3,555,276	\$ 218.58	Belfield	\$ 175.57
Drake	266	33,917	2.0%	16,958	\$ 63.75	Finley	\$ 166.07
Drayton	778	70,822	1.5%	47,215	\$ 60.69	Carrington	\$ 162.47
Dunseith	735	63,957	1.0%	63,957	\$ 87.02	Jamestown	\$ 141.81
Edgeley	515	141,541	2.0%	70,771	\$ 137.42	Edgeley	\$ 137.42
Edinburg	219	19,614	1.0%	19,614	\$ 89.56	Langdon	\$ 137.22
Elgin	527	51,531	1.0%	51,531	\$ 97.78	Crosby	\$ 132.42
Ellendale	1454	100,029	1.0%	100,029	\$ 68.80	Pembina	\$ 131.07
Enderlin	997	117,902	1.0%	117,902	\$ 118.26	Hettinger	\$ 130.67
Fairmount	357	29,377	1.0%	29,377	\$ 82.29	Rolla	\$ 129.17
Fargo	95556	37,711,411	2.0%	18,855,705	\$ 197.33	Woodworth	\$ 125.11
Finley	389	64,600	1.0%	64,600	\$ 166.07	Beach	\$ 124.23
Forman	456	39,112	1.0%	39,112	\$ 85.77	Tower City	\$ 123.11
Fort Ransom	94	10,687	1.0%	10,687	\$ 113.69	New Salem	\$ 122.73
Gackle	275	20,997	1.0%	20,997	\$ 76.35	Enderlin	\$ 118.26
Garrison	1157	270,618	2.0%	135,309	\$ 116.95	Garrison	\$ 116.95
Glen Ullin	796	43,881	1.0%	43,881	\$ 55.13	Cavalier	\$ 116.47

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Glenburn	311	23,939	1.0%	23,939	\$ 76.97	Wahpeton	\$ 115.02
Grafton	3954	807,058	2.0%	403,529	\$ 102.06	Wishek	\$ 113.77
Grand Forks	51216	16,206,160	1.75%	9,237,511	\$ 180.36	Fort Ransom	\$ 113.69
Granville	238	4,334	2.0%	2,167	\$ 9.10	Northwood	\$ 113.51
Grenora	198	13,466	1.0%	13,466	\$ 68.01	Steele	\$ 113.31
Gwinner	694	193,150	1.0%	193,150	\$ 278.31	Harvey	\$ 111.23
Halliday	207	20,708	1.0%	20,708	\$ 100.04	Buffalo	\$ 110.89
Hankinson	966	85,161	2.0%	42,580	\$ 44.08	Beulah	\$ 110.46
Hannaford	150	11,571	1.0%	11,571	\$ 77.14	Mott	\$ 109.32
Harvey	1580	175,744	1.0%	175,744	\$ 111.23	Rugby	\$ 107.30
Harwood	718	32,333	1.0%	32,333	\$ 45.03	Scranton	\$ 106.10
Hatton	647	51,074	2.0%	25,537	\$ 39.47	Hazelton	\$ 105.58
Hazelton	188	19,849	1.0%	19,849	\$ 105.58	Napoleon	\$ 104.79
Hazen	2200	204,934	1.0%	204,934	\$ 93.15	Grafton	\$ 102.06
Hettinger	1140	148,960	1.0%	148,960	\$ 130.67	Walhalla	\$ 101.59
Hillsboro	1474	266,330	2.0%	133,165	\$ 90.34	Mohall	\$ 101.44
Hoople	250	14,362	1.0%	14,362	\$ 57.45	Cooperstown	\$ 100.94
Hope	248	55,515	1.0%	55,515	\$ 223.85	Washburn	\$ 100.75
Jamestown	14687	4,165,583	2.0%	2,082,791	\$ 141.81	Halliday	\$ 100.04
Kenmare	1084	309,977	2.0%	309,977	\$ 285.96	Wimbledon	\$ 98.41
Killdeer	681	256,040	1.5%	170,694	\$ 250.65	West Fargo	\$ 97.91
Kulm	347	54,582	2.0%	27,291	\$ 78.65	Elgin	\$ 97.78
Lakota	689	49,844	1.0%	49,844	\$ 72.34	Berthold	\$ 97.31
LaMoure	790	153,420	2.0%	76,710	\$ 97.10	New England	\$ 97.19
Langdon	1597	438,283	2.0%	219,141	\$ 137.22	LaMoure	\$ 97.10
Larimore	1299	62,548	1.0%	62,548	\$ 48.15	Lisbon	\$ 95.85
Leonard	254	13,258	1.0%	13,258	\$ 52.20	Mayville	\$ 95.18
Lidgerwood	695	57,842	1.0%	57,842	\$ 83.23	Regent	\$ 93.78
Linton	1018	149,587	2.0%	74,793	\$ 73.47	Oakes	\$ 93.18
Lisbon	2121	406,592	2.0%	203,296	\$ 95.85	Hazen	\$ 93.15
Maddock	474	51,069	1.5%	34,046	\$ 71.83	Oxbow	\$ 90.38
Mandan	18274	1,546,537	1.0%	1,546,537	\$ 84.63	Hillsboro	\$ 90.34
Mapleton	743	54,321	1.0%	54,321	\$ 73.11	Casselton	\$ 90.01
Mayville	1779	338,647	2.0%	169,323	\$ 95.18	Park River	\$ 89.99
McClusky	293	20,044	1.0%	20,044	\$ 68.41	Edinburg	\$ 89.56
McVile	401	24,565	2.0%	12,283	\$ 30.63	Dunseith	\$ 87.02
Medora	95	462,506	2.5%	185,002	\$ 1,947.39	Valley City	\$ 85.82
Michigan	282	30,172	1.5%	20,115	\$ 71.33	Forman	\$ 85.77
Milnor	662	43,270	1.5%	28,847	\$ 43.58	Towner	\$ 85.75
Minnewaukan	292	23,680	1.5%	15,787	\$ 54.06	New Rockford	\$ 84.73
Minot	36256	17,246,241	2.00%	8,623,120	\$ 237.84	Mandan	\$ 84.63
Minto	590	38,144	1.0%	38,144	\$ 64.65	Streeter	\$ 84.14
Mohall	689	69,893	1.0%	69,893	\$ 101.44	Lidgerwood	\$ 83.23
Mott	662	108,559	1.5%	72,373	\$ 109.32	Fairmount	\$ 82.29
Munich	202	13,811	1.0%	13,811	\$ 68.37	Richardton	\$ 79.71
Napoleon	691	144,820	2.0%	72,410	\$ 104.79	Kulm	\$ 78.65
Neche	393	34,798	2.0%	17,399	\$ 44.27	Page	\$ 78.57

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New England	558	108,470	2.0%	54,235	\$ 97.19	Ashley	\$ 77.91
New Leipzig	215	12,059	1.0%	12,059	\$ 56.09	Hannaford	\$ 77.14
New Rockford	1197	202,854	2.0%	101,427	\$ 84.73	Glenburn	\$ 76.97
New Salem	859	105,427	1.0%	105,427	\$ 122.73	Gackle	\$ 76.35
Northwood	913	155,449	1.5%	103,633	\$ 113.51	Rolette	\$ 74.81
Oakes	1752	326,513	2.0%	163,257	\$ 93.18	Linton	\$ 73.47
Oxbow	241	21,782	1.0%	21,782	\$ 90.38	Mapleton	\$ 73.11
Page	209	16,421	1.0%	16,421	\$ 78.57	Wilton	\$ 72.83
Park River	1345	242,064	2.0%	121,032	\$ 89.99	Lakota	\$ 72.34
Pembina	547	179,236	2.5%	71,695	\$ 131.07	Cando	\$ 71.85
Portland	552	53,973	2.0%	26,986	\$ 48.89	Maddock	\$ 71.83
Powers Lake	248	56,809	1.0%	56,809	\$ 229.07	Michigan	\$ 71.33
Reeder	152	8,356	1.0%	8,356	\$ 54.97	Velva	\$ 68.96
Regent	168	31,509	2.0%	15,755	\$ 93.78	Ellendale	\$ 68.80
Richardton	577	91,988	2.0%	45,994	\$ 79.71	McClusky	\$ 68.41
Rolette	530	39,647	1.0%	39,647	\$ 74.81	Munich	\$ 68.37
Rolla	1428	368,914	2.0%	184,457	\$ 129.17	Grenora	\$ 68.01
Rugby	2510	538,639	2.0%	269,319	\$ 107.30	Carson	\$ 65.31
Scranton	282	29,919	1.0%	29,919	\$ 106.10	Minto	\$ 64.65
St. John	357	18,515	1.0%	18,515	\$ 51.86	Drake	\$ 63.75
Stanley	1279	441,338	1.0%	441,338	\$ 345.07	Anamoose	\$ 63.18
Steele	621	140,731	2.0%	70,366	\$ 113.31	Turtle Lake	\$ 60.80
Strasburg	439	25,970	1.0%	25,970	\$ 59.16	Drayton	\$ 60.69
Streeter	151	12,705	1.0%	12,705	\$ 84.14	Aneta	\$ 59.39
Tioga	1127	300,598	1.0%	300,598	\$ 266.72	Strasburg	\$ 59.16
Tower City	245	30,163	1.0%	30,163	\$ 123.11	Hoople	\$ 57.45
Towner	480	41,159	1.0%	41,159	\$ 85.75	New Leipzig	\$ 56.09
Turtle Lake	499	60,680	2.0%	30,340	\$ 60.80	Glen Ullin	\$ 55.13
Underwood	705	204,456	1.5%	136,304	\$ 193.34	Reeder	\$ 54.97
Valley City	6286	1,348,621	2.5%	539,448	\$ 85.82	Minnewaukan	\$ 54.06
Velva	913	125,917	2.0%	62,959	\$ 68.96	Leonard	\$ 52.20
Wahpeton	7418	1,706,416	2.0%	853,208	\$ 115.02	St. John	\$ 51.86
Walhalla	885	179,808	2.0%	89,904	\$ 101.59	Portland	\$ 48.89
Washburn	1234	248,649	2.0%	124,325	\$ 100.75	Larimore	\$ 48.15
Watford City	1399	457,232	1.0%	457,232	\$ 326.83	Harwood	\$ 45.03
West Fargo	24313	2,380,597	1.0%	2,380,597	\$ 97.91	Neché	\$ 44.27
Westhope	461	15,672	1.0%	15,672	\$ 34.00	Hankinson	\$ 44.08
Williston	13014	8,526,704	2.0%	4,263,352	\$ 327.60	Milnor	\$ 43.58
Wilton	720	52,437	1.0%	52,437	\$ 72.83	Hatton	\$ 39.47
Wimbledon	206	20,273	1.0%	20,273	\$ 98.41	Westhope	\$ 34.00
Wishek	856	97,383	1.0%	97,383	\$ 113.77	McVile	\$ 30.63
Woodworth	71	8,883	1.0%	8,883	\$ 125.11	Granville	\$ 9.10

126,261,186

Average \$ 125.19
Median \$ 95.18

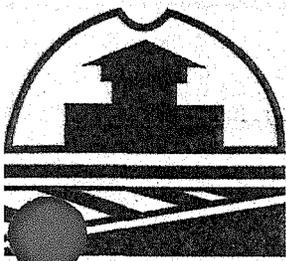
these cities changed rate in middle of 2010

#1A
P.1

GroupName	CompanyName	MAddress1	MCity	MState	MZip	Phone	BatchNo	Population 2010
Prof. Developers	Greater Fargo-Moorhead Economic Development Corporation	51 Broadway Ste 500	Fargo	ND	58102	(701) 364-1900	xldc	105,549
Prof. Developers	Richland County Job Development Authority	417 Main Ave	Fargo	ND	58103-1956	(701) 235-1197	X	105,549
Prof. Developers	Bismarck/Mandan Development Association	PO Box 2615	Bismarck	ND	58502-2615	(701) 222-5530	XLDC	61,272
Prof. Developers	Grand Forks Region Economic Development Corporation	600 Demers Ave Ste 501	Grand Forks	ND	58201-4599	(701) 746-2720	XLDC	52,838
Prof. Developers	Minot Area Development Corp	1020 20th Ave SW	Minot	ND	58701	(701) 852-1075	XLDC	40,888
Prof. Developers	Souris Basin Planning Council	PO Box 2024	Minot	ND	58702-2024	(701) 839-6641	XRDC	40,888
Prof. Developers	City of West Fargo	800 4th Ave E	West Fargo	ND	58078-2060	(701) 433-5300	XLDC	25,830
Prof. Developers	City of Mandan	205 2nd Ave NW	Mandan	ND	58554-3100	(701) 667-3213	X	18,331
Prof. Developers	Stark Development Corporation	PO Box 765	Dickinson	ND	58602-0765	(701) 225-5997	XLDC	17,787
Prof. Developers	Jamestown/Stutsman County Jobs Development Corp	PO Box 293	Jamestown	ND	58402-0293	(701) 252-6861	xidc	15,427
Prof. Developers	Tri-County Regional Development Council	PO Box 697	Williston	ND	58802-0697	(701) 577-1358	XRDC	14,716
Prof. Developers	Williston Economic Development Corp	PO Box 1306	Williston	ND	58802-1306	(701) 577-8110	XLDC	14,716
POPULATIONS BELOW 10,000								
Prof. Developers	Wahpeton Economic Development	PO Box 490	Wahpeton	ND	58074-0490	(701) 642-8559	XLDC	7,766
Prof. Developers	FORWARD Devils Lake Development Corp	PO Box 879	Devils Lake	ND	58301-0879	(701) 662-4933	xldc	7,141
Prof. Developers	Valley City/Barnes County Development Corp	PO Box 724	Valley City	ND	58072-0724	(701) 845-1891	xldc	6,585
Prof. Developers	City of Grafton	PO Box 578	Grafton	ND	58237-0578	(701) 352-1561	XLDC	4,284
Prof. Developers	Walsh County Job Development Authority	600 Cooper Ave	Grafton	ND	58237-1509	(701) 352-2171	xldc	4,284
Prof. Developers	Beulah Job Development Authority	PO Box 910	Beulah	ND	58523-0910	(701) 873-2110	XLDC	3,121
Prof. Developers	Rugby Job Development Authority	PO Box 136	Rugby	ND	58368-0136	(701) 776-7655	XLDC	2,876
Prof. Developers	Hazen Community Development	PO Box 717	Hazen	ND	58545-0717	(701) 748-6886	XLDC	2,411
Prof. Developers	Bottineau County Economic Development Corporation	519 Main St # 1	Bottineau	ND	58318-1202	(701) 228-3922	XLDC	2,211
Prof. Developers	Turtle Mountain Band of Chippewa	PO Box 900	Belcourt	ND	58316-0900	(701) 477-2600	M09WLDC	2,078
Prof. Developers	Turtle Mountain Renewal Community	PO Box 900	Belcourt	ND	58316	(701) 477-2607	x	2,078
Prof. Developers	Carrington Job Development Authority	PO Box 501	Carrington	ND	58421-0439	(701) 652-3919	XLDC	2,065
Prof. Developers	Cavalier County Job Development Authority	901 3rd St, Ste 5	Langdon	ND	58249-2457	(701) 256-3475	xldc	1,878
Prof. Developers	Oakes Enhancement Inc	PO Box 365	Oakes	ND	58474-0365	(701) 742-3508	xldc	1,856
Prof. Developers	Harvey Area Economic Development Inc	120 8th St W	Harvey	ND	58341-1502	(701) 324-2000	xldc	1,783
Prof. Developers	McKenzie County Job Development	PO Box 699	Watford City	ND	58854-0699	(701) 444-2804	XLDC	1,744
Prof. Developers	Trall County Economic Development Commission	PO Box 856	Hillsboro	ND	58045-0856	(701) 636-4746	XLDC	1,603
Prof. Developers	Garrison Area Improvement Association	PO Box 445	Garrison	ND	58540	(701) 463-2345	XLDC	1,453
Prof. Developers	New Rockford Area Community Betterment Corporation	PO Box 775	New Rockford	ND	58356-0775	(701) 947-2205	xldc	1,391
Prof. Developers	Rolla Job Development Authority	PO Box 1200	Rolla	ND	58367-1200	(701) 477-9130	XLDC	1,280
Prof. Developers	St John Economic Development Corp	PO Box 549	Rolla	ND	58367-0549	() -	XLDC	1,280
Prof. Developers	Washburn Area Economic Development Association	PO Box 608	Washburn	ND	58577-0608	(701) 462-3801	XLDC	1,246
Prof. Developers	Tioga Economic Development Corporation	PO Box 218	Tioga	ND	58852-0218	(701) 664-3838	xldc	1,230
Prof. Developers	Adams County Development Corp	PO Box 1323	Hettinger	ND	58639-1323	(701) 567-2531	XLDC	1,226
Prof. Developers	Northern Plains Electric Cooperative	PO Box 608	Cando	ND	58324-0608	(701) 968-3314	XLDC	1,115
Prof. Developers	Linton Industrial Development Corp	PO Box 433	Linton	ND	58552-0433	(701) 254-4267	xldc	1,097
Prof. Developers	Kenmare Community Development Corp	PO Box 353	Kenmare	ND	58746-0353	(701) 848-6040	XLDC	1,096
Prof. Developers	McHenry County Jobs Development Authority	PO Box 408	Velva	ND	58790-0408	(701) 626-2551	XLDC	1,084
Prof. Developers	Divide County Jobs Development Authority	PO Box 297	Crosby	ND	58730-0297	(701) 965-6006	X	1,070
Prof. Developers	Prairie West Development Foundation	PO Box 784	Beach	ND	58621-0784	(701) 872-3121	xldc	1,019
Prof. Developers	Walhalla Economic Development Corp	PO Box 318	Walhalla	ND	58282-0318	(701) 549-2707	XLDC	996
Prof. Developers	Mountrail County JDA	PO Box 330	Parshall	ND	58770-0330	(701) 421-0078	XLDC	903
Prof. Developers	Renville County Job Development Auth	PO Box 68	Mohall	ND	58761-0068	(701) 756-6288	XLDC	783
Prof. Developers	Underwood Area Economic Development Corporation	PO Box 368	Underwood	ND	58576-0368	(701) 400-5391	xldc	778
Prof. Developers	Dunn County JDA	PO Box 283	Killdeer	ND	58640-0283	(701) 764-6092	XLDC	751
Prof. Developers	City of Ashley	PO Box 97	Ashley	ND	58413-0097	(701) 288-3096	X	749
Prof. Developers	Hettinger County JDA	PO Box 668	Mott	ND	58646-0157	(701) 824-4205	xldc	721
Prof. Developers	Steele Area Economic Development Corp	PO Box 337	Steele	ND	58482-0337	(701) 475-2133	XLDC	715
Prof. Developers	Griggs-Steele Empowerment Zone	PO Box 335	Finley	ND	58230-0335	(701) 524-2240	XLDC	445

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Prof. Developers	Steele County Job Development Authority	PO Box 451	Finley	ND	58230-0255	(701) 524-2645	xldc	445
Prof. Developers	Westhope Economic Development	PO Box 306	Westhope	ND	58793-0306	(701) 245-6407	xldc	429
Prof. Developers	Maddock Community Development Corporation	PO Box 324	Maddock	ND	58348	(701) 438-2436	XLDC	382
Prof. Developers	Burke County	PO Box 310	Bowbells	ND	58721-0310	(701) 377-2861	x	336
Prof. Developers	Grant County JDA	PO Box 77	Carson	ND	58529	(701) 622-3260	xldc	293
Prof. Developers	Hazelton Development Corp	PO Box 383	Hazelton	ND	58554	(701) 782-6878	xldc	235
Prof. Developers	Standing Rock Sioux Tribe	PO Box D	Fort Yates	ND	58538-0522	(701) 854-2025	xldc	184
Prof. Developers	City of Hannaford	PO Box 37	Hannaford	ND	58448-0023	(701) 769-2218	X	131



"WHERE THE WEST BEGINS"

mandan messenger

FEBRUARY 2013 • VOLUME 7 • ISSUE 2

Lee

March meetings

City Commission, March 5 and 19, 5:30 p.m., City Hall

School Board, March 4 and 18, 5:30 p.m., City Hall

Park Board, March 11, 5:30 p.m., City Hall

County Commission, March 12, 4 p.m., Morton County Courthouse

City Planning and Zoning Commission, March 25, 5:15 p.m., City Hall

Community educational programs planned

The Mandan Tomorrow - Leadership, Pride and Image Committee will hold four informational sessions this spring for citizens interested in learning more about local government services. Citizens will be provided with background information by personnel and elected officials. Each session will allow time for questions.

Help determine content by responding to this month's online poll.

Dates are Mondays as follows:

- **March 18** - State of the School District & School Board
- **March 25** - Property Taxes 101 & City Budgeting
- **April 8** - to be determined
- **April 15** - to be determined

Sessions run from 7 to 8:30 p.m. at City Hall. Please sign up to assure sufficient handouts are available. Call 667-3485 or visit www.cityofmandan.com.

Mandan's rank for property taxes remains middle of pack

The North Dakota League of Cities report on property taxes levied in 2012 and payable in 2013 shows Mandan continues to rank eighth lowest or fifth highest among the state's 12 largest cities. Consolidated levies for major cities range from 249 in Williston to 430 in Jamestown. For residential properties, this equates to a range of 1.12% to 1.94% of value.

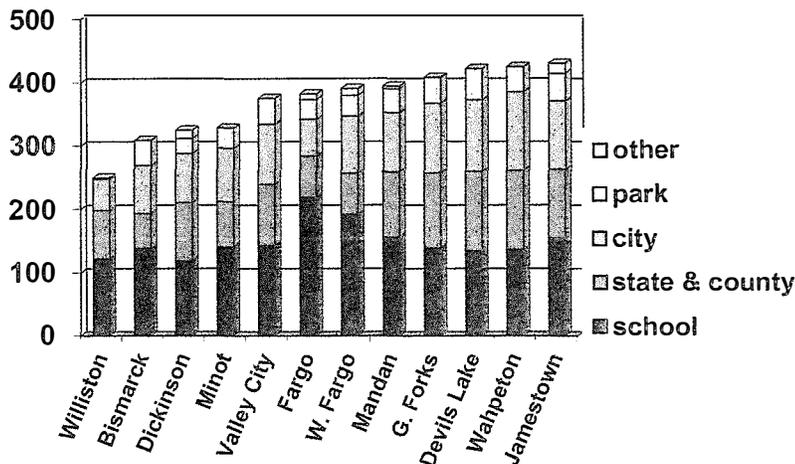
The consolidated levy includes taxes for the county, city, schools and parks, each of which are governed by separate elected boards.

Mandan's consolidated levy is 394 mills, or 1.77% of

value for residential property. This is down from 403 mills in 2011 and 409 mills in 2010. A major reduction came for all N.D. property taxes in 2009 as a result of the legislature providing more state aid for education.

Factors behind differences in mill levies among cities include its sales tax base or whether it benefits from natural resources such as oil, gas and coal. Additionally, a \$200,000 house in one community may not be of the same square footage and quality as a \$200,000 house in another community. Market values vary by city.

2012 MILL LEVIES FOR LARGEST 12 CITIES



April 12 deadline to file as school board candidate

A Mandan School Board election will be held June 11 for three of nine seats. Terms of Tim Rector, Karen Johner, and Kirsten Baesler expire in June. Terms are three years. To have their name on the ballot, candidates must file a statement of interests by April 12 with the Mandan Public School District at the Brave Center, 901 Division Street. For more info, contact Mandan Public School District Business Manager Christi Schaeftbauer, phone 751-6500.

A March 18 community program to be held at 7 p.m. at City Hall will provide background information about the Mandan Public School District and what is involved in serving on the school board.





"WHERE THE WEST BEGINS"

Community Growth & Development

Learn about north Mandan business development opportunities

March 21 info session planned

The Mandan Tomorrow - Economic Opportunity and Prosperity Committee is hosting an informational session about commercial development in north Mandan in the area surrounding the new Walmart supercenter. Owners of property north of I-94, exit 152 near Sunset Drive and Old Red Trail are being invited to present master plans and plat maps.

The session will give interested parties an idea of available properties for sale or lease such as restaurant pads, office buildings, strip malls, and more. The session is targeted at real estate agents, lenders, existing business owners who may need another location and those contemplating investment in a business. Information will also be provided about local business assistance programs.

The session will be held at HIT's new facility at 2640 Sunset Drive. It is tentatively slated for 7 to 8:30 p.m. Stay tuned to www.cityofmandan.com for more details as the date approaches. Please register by visiting the website or by calling 667-3485.

Development proposals received for Collins & Main parcels

The Mandan City Commission voted in January to pursue agreements with Dakota Commercial and Development for the purchase and development of 16,250 square feet of property located on the corner of Collins Avenue and Main Street. The property was acquired by the City roughly six years ago for remediation and redevelopment purposes.

Dakota Commercial plans to invest upwards of \$3 million in construction of a four-story, mixed used building with at least 3,000 square feet of commercial space on the main level and 20 to 30 market-rate apartments on upper levels. Dakota Commercial offered to pay \$1 per square foot, or \$16,250 for the property and reduced its request for incentives to a Renaissance Zone property tax exemption for five years on the commercial portion of the building and two years on the apartments.

The Commission weighed the proposal beside another offer submitted by BNC with a purchase price of \$10 per square foot for \$162,500 total and construction of a 3,000-square-foot branch bank. The Dakota Commercial project ultimately offered more usable space and generated more property tax revenue after 10, 15 and 20 years than the BNC proposal.

Increased sales tax collections signal economic growth

Mandan's collections of use taxes for 2012 were up significantly from previous years:

- Sales tax (1%) – up 17% to nearly \$2 million dollars (\$1,998,690)
- Restaurant and lodging tax (1%) – up 16% to \$371,266
- Hotel occupancy tax (2%) – up 9% to \$69,451

Sales tax revenue helps lower property tax. Historically, the City of Mandan has used 42% of sales tax collections to reduce property taxes; 25% for street, water and sewer improvements; 6% for municipal debt reduction and 27% for job and economic development.

Building permit totals for 2012 shatter previous records

- Mandan's single family home construction nearly tripled in 2012 compared to 2011 with permits issued for 179 new homes, an all-time record.
- Total new residential units permitted in 2012 nearly doubled, reaching 520 at year-end.
- Commercial growth also hit a record-smashing level at nearly \$50 million in permits issued in 2012 for new buildings, remodeling and additions. This is nearly double the previous record set in 2007.

2/23



COMMUNITY MEMBERS ASK

What is literally made in Mandan?

Mandan is a place where great things are made. Here are some of the tangible things:

- petroleum products from Tesoro Refinery,
- windows from THV Composit Windows (also available at Leingang Home Center),
- steel tanks from True North Steel,
- branding irons at L&H Manufacturing,
- meat products at Cloverdale Foods and M&W Meats (maker of Space Aliens "martian munchies"),
- Bison Booties footwear for infants and toddlers,
- garden and lawn ornaments marketed through Susie Q's Craft Emporium, and
- ice houses and docks through Zachmeier Manufacturing.

Readers will likely think of more items. Mandan also stakes a claim to making many intangible, but highly important attributes like economic opportunity, a strong sense of community, an atmosphere for academic and other achievements by youth and residents of all ages, and widespread adventure. It's on this note that Mandan officials in 2010 adopted a "Great Things: Made in Mandan" community marketing theme to highlight community assets and progress as a whole.'

Theme used to market community strengths

The Mandan Tomorrow – Leadership, Pride and Image Committee, with approval from the Mandan City Commission, Park Board and School Board, has just completed the second year of a "Great Things:

MADE IN MANDAN" community marketing campaign to stake a claim on Mandan's economic opportunity, strong sense of community, possibilities for achievement, and widespread sources of adventure. Mandan will always be "Where the West Begins." This new theme empowers citizens to share news of other community assets and progress.

Advertising and public relations activities tout Mandan as a viable and attractive place for business, residents and visitors. The campaign is increasing the flow of consistent and positive messages with a series of billboards along I-94 and in Bismarck as well as ads in tourism guides, business magazines and real estate publications.

Feedback from resident and external surveys is helping to improve ads in 2013.

OPPORTUNITY

MADE IN MANDAN

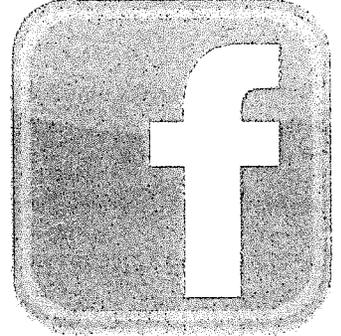
BENEFIT FROM A CENTRAL N.D. LOCATION

- Capitalize on our growing, vibrant economy
- Commuting distance to oil & gas activity
- Exceptional schools, available housing & quality of life boost workforce attraction
- Office, retail & industrial sites available
- Incentives for qualified projects

MANDAN

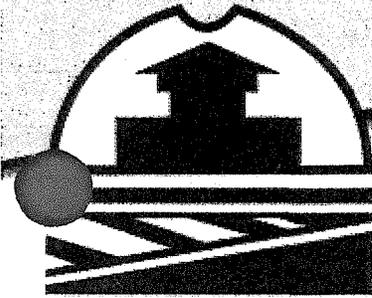
Mandan Business Development Office • Phone 701-667-3485

WWW.CITYOFMANDAN.COM



Stay abreast of progress and happenings in Mandan by liking the "MADE IN MANDAN" Facebook page. Share it with your friends to help spread the good news.

This ad appeared in *Prairie Business* magazine last year. Ads are planned for 2013 in the *Tribune* to highlight business success in Mandan and address the perception of distance from Bismarck to Mandan.



"WHERE THE WEST BEGINS"

Students appointed to Youth Commission

The Mandan City Commission last fall created its first-ever Youth Commission. Members will be responsible for making decisions and providing recommendations to other

local government entities on projects that provide educational and community enhancements. The Youth Commission will provide an avenue for youth to be actively engaged in decisions of community entities that affect them.

Youth Commissioners will have opportunities to develop leadership skills, to involve other young people in community projects, and to voice the needs and concerns of young people to elected city leaders. The Youth Commission meets first and third Mondays of the month at 7 p.m. at City Hall.

Appointees for the 2012-2013 school year are as follows: Middle School - Kiara Aman, Casey Beck, and Kaycee Fry; High School - Ashley Doll, Hanna Fishbeck, Cole Garman, Taylor Glass, Courtney Goetz, Colton Justice, Connor Leingang and Tayler Mikkelson.

Sunset Drive to be reconstructed in 2013

Sunset Drive is slated to be reconstructed this summer. The project was recently rebid. Street reconstruction costs will be 80% federally funded because Sunset is an urban or arterial roadway. The remaining 20% will be paid with a combination of special assessments, a general mill levy to all Mandan properties, and sales tax revenue.

Mandan arterials are reconstructed, boundaries of special assessment districts are generally set halfway between arterials. With Sunset Drive, the north-south boundaries are halfway to Collins Avenue and Lohstreter Road.

ON-LINE POLL RESULTS

Majority of respondents interested in curbside recycling

January's on-line poll asked, "What type of curbside recycling program would you be most willing to undertake if cost was no object?" There were 179 respondents as follows:

- 34% favored commingled, also known as single-stream, where recyclables are mixed, but still kept separate from other household waste
- 25% preferred source separation with residents having different bins for different types of recyclables
- 14% chose pay-as-you-throw with one of the curbside recycling methods. Pay as you throw is a fee structure that rewards a reduced volume of waste from a household.
- 27% indicated they do not wish to recycle.

Approximately five residents submitted comments favoring community collection sites. Online polls are not intended to act as a formal voting medium, but rather as a way to encourage input and interaction via the city website and to gather anecdotal information.

Next steps. City of Mandan officials are looking into options and costs for having recyclables collected in the community, potential landfill savings, and other impacts. More information should be known within the next couple months.

Meanwhile, the Bismarck is contemplating a proposal for single-stream recycling. Home owners would receive a 96-gallon container for recyclables. The draft plan indicates an extra charge of \$3.51 for collection from private homes and \$3 for apartment units. Recyclables would be picked up every other week on the home's garbage pickup day.

City Contacts

Mandan City Hall
205 Second Avenue NW
Phone 701-667-3215
Fax 701-667-3223
www.cityofmandan.com

P.A.C.
H.

Mandan City Commission

Mayor Arlyn VanBeek
Mike Braun
Dot Frank
Dennis Rohr
Sandra Tibke

City Departments

Administration	667-3215
Airport Authority	663-0669
Assessing & Building Inspection	667-3230
Business Development	
& Communications	667-3485
Cemetery	667-6044
Engineering, Planning & Zoning	667-3225
Finance	667-3213
Fire	667-3288
Human Resources	667-3217
Landfill	667-0184
Library	667-5365
Municipal Court	667-3270
Police	667-3455
Public Works	667-3240
Special Assessments	667-3271
Utility Billing	667-3219
Waste Water Treatment	667-3278
Water Treatment	667-3275

Receive E-mail Notices

Sign up to receive notice of city meetings and news in the "E-mail Updates" section of www.cityofmandan.com. Meeting dates and agendas are available.

What aspects of city government and services would you like to learn about at community education forums?

Visit www.cityofmandan.com by Feb. 28 to respond.

Mill levy math

- Taxable value of property in Mandan for 2012 totals \$46,623,860.
- A mill is 1/1,000 of this value, worth \$46,623 for 2013.
- The City's portion of the total levy for 2012 is \$4.361 million divided by \$46,623 = 93.55 mills.
- Levies for the county, school and park district are similarly determined based on budget expenditures supported by property taxes.

Calculating property taxes

Property tax statements show the value of a property and the amount of taxes due. To determine how your taxes are calculated:

- 1) Start with the true and full valuation of your property as determined by the city assessing department. This is an estimate of what a property would sell for on an open market assuming a willing seller and buyer.
- 2) Divide by 2 to determine assessed value.
- 3) Calculate the taxable value as a percentage of the assessed value:
 - 9% for residential property,
 - 10% for commercial property.
- 4) Multiply the taxable value by the number of mills levied to determine your property tax payment. Here's an example:
 - True and full value = \$175,000
 - Assessed value (50% of \$175,000) = \$87,500
 - Taxable value (residential, \$87,500 X .09) = \$7,875
 - 2012 Taxation (\$7,875 X .394) = \$3,103

HOW DO PROPERTY TAX EXEMPTIONS WORK?

Unless the owner is a tax-exempt, non-profit organization, the land is still taxed. Under local policy, the exemption is typically only on a new structure or addition that didn't exist before. Thus, in most cases, no tax revenue is given up.

Special assessments

A special assessment is a lien against a property determined by the cost of a public improvement and the benefit it provides to the property. Special assessments pay for street paving and reconstruction; installation of water and sewer mains, sidewalks, curb and gutter, storm and sanitary sewers; weed-cutting and removal of diseased trees.

Property tax statements have separate entries for any payment due for special improvements. A line for specials and taxes indicates the total amount due by Feb. 15. Property owners may pay off their special assessment balance to save on interest costs. Call 667-3271 for more information.

Special assessments may be paid at:

City of Mandan Finance Office
City Hall
205 Second Avenue NW
Mandan, ND 58554

Sales tax reduces burden

The City of Mandan has a 1 percent sales tax. By shopping in Mandan, you can help reduce property taxes and special assessments. Budget policy allows up to 40 percent of collections to offset property tax. The 2012 property tax bill would be almost 17 mills higher without a \$771,250 contribution from sales tax. The City collects about \$1.7 million in sales tax. Here's how it has been used historically:

- 42 percent property tax reduction,
- 27 percent job and economic development,
- 25 percent street, water sewer improvements, and
- 6 percent municipal debt reduction.



CITY OF
MANDAN
"WHERE THE WEST BEGINS"

This publication compiled as a public information service by the City of Mandan.

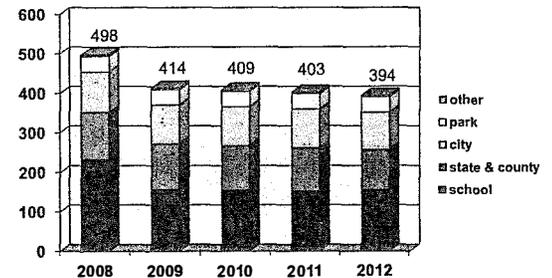
PROPERTY TAXES

Your 2012 Annual Statement

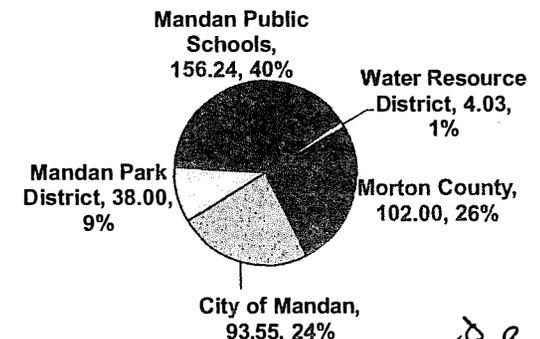
Property tax statements include taxes for four major entities: county, city, school and park services. These local taxes are a primary source of funding for public schools, fire and police protection, parks and recreation, streets, roads, and many other services.

Property tax relief. North Dakota property owners benefited from a major tax decrease implemented in 2009 as a result of the legislature providing more state aid for education. Community leaders are also constantly working to manage growth while holding the line on budgets to keep taxes reasonable. Mandan's consolidated tax levy for 2012 is 394 mills, down from 403 mills in 2011 and 409 in 2010.

MANDAN MILL LEVY DECLINES STEADILY



2012 SHARE OF PROPERTY TAXES 394 mills



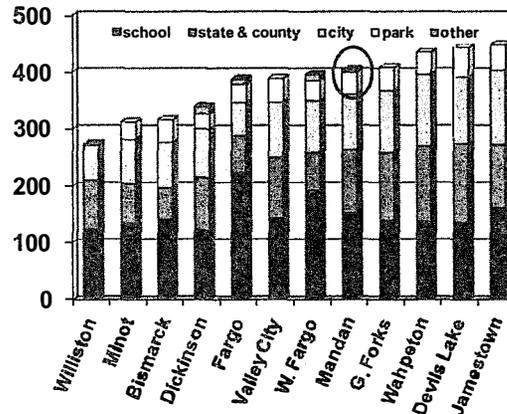
The State of North Dakota also levies 1 mill.

Tax comparisons

Mandan had the eighth lowest or fifth highest property taxes among the state's 12 largest cities in 2011. Rankings for taxes levied in 2012 and payable in 2013 will be compiled by the N.D. League of Cities and posted at www.ndlc.org.

MANDAN 8TH LOWEST OR 5TH HIGHEST

2011 mill levy comparison



2011 PROPERTY TAXES AS A PERCENTAGE OF PROPERTY VALUE

	LEVY	COMMERCIAL	RESIDENTIAL
Williston	273.26	1.37%	1.23%
Minot	312.31	1.56%	1.41%
Bismarck	315.98	1.58%	1.42%
Dickinson	339.36	1.70%	1.53%
Fargo	386.76	1.93%	1.74%
Valley City	387.87	1.94%	1.75%
West Fargo	395.37	1.98%	1.78%
Mandan	403.38	2.02%	1.82%
Grand Forks	407.81	2.04%	1.84%
Wahpeton	435.00	2.18%	1.96%
Devils Lake	442.64	2.21%	1.99%
Jamestown	447.14	2.24%	2.01%
Average	378.91	1.89%	1.71%

Mandan's consolidated tax levy for 2012 is 394 mills, which is 1.97% of value for commercial property 1.77% for residential property.

Note: A given dollar amount may not buy the same property in terms of scale and quality in each city.

Mill levy math

- Taxable value of property in Mandan for 2012 totals \$46,623,860.
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- The City's portion of the total levy for 2012 is \$4.361 million divided by \$46,623 = 93.55 mills.
- Levies for the county, school and park district are similarly determined based on budget expenditures supported by property taxes.

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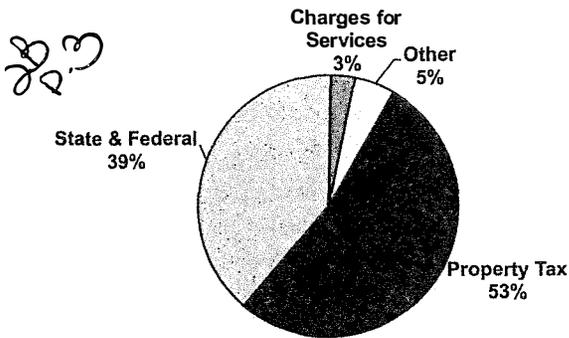
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HOW DO PROPERTY TAX EXEMPTIONS

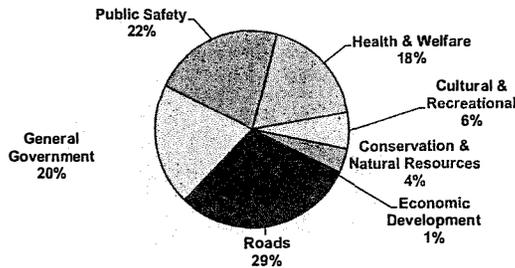
WORK? Unless the owner is a tax-exempt, non-profit organization, the land is still taxed. Under local policy, the exemption is typically only on a new structure or addition that didn't exist before. Thus, in most cases, no tax revenue is given up.

MORTON COUNTY

2013 REVENUE SOURCES = \$19,648,414



2013 EXPENDITURES = \$20,261,174

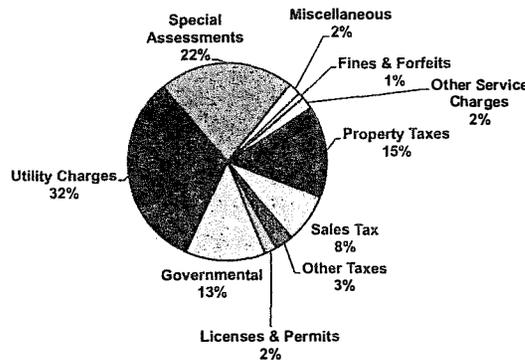


Services include public safety through the sheriff's department, correction center, and emergency management; maintaining 1,500 miles of roads, social service programs, property tax and special assessment billing and collections, elections, document recording, and prosecution of state crimes. Morton County's 2012 levy for property located in the City of Mandan is 102 mills, down from 110 in 2011, 112 in 2010 and 116 in the year 2009.

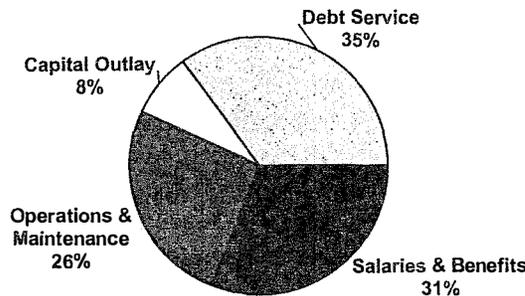
For more information, phone 667-3300
 Website: www.co.morton.nd.us

CITY OF MANDAN

2013 REVENUE SOURCES = \$24,695,700



2013 EXPENDITURES = \$24,122,550

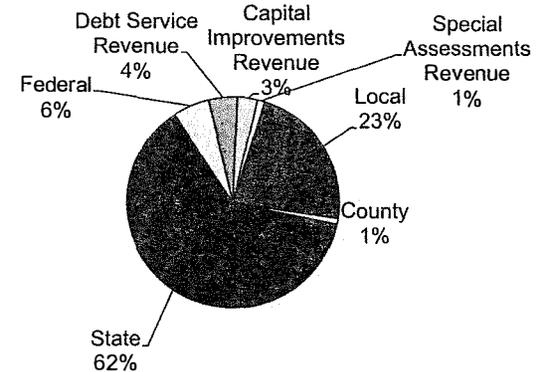


The City provides services such as general government, public safety, public works, water and sewer, solid waste, street lights, cemetery, library, airport, and business development. The city's levy for 2012 is 93.55 mills, down from 97.71 in 2011. Water and sewer rates are up slightly for 2012. Combined, the annual cost for city services for an existing \$175,000 home with an average valuation increase of 0.1 percent, using 8 units of water per month, excluding special assessments, amount to \$1,574, a \$14 increase from the prior year.

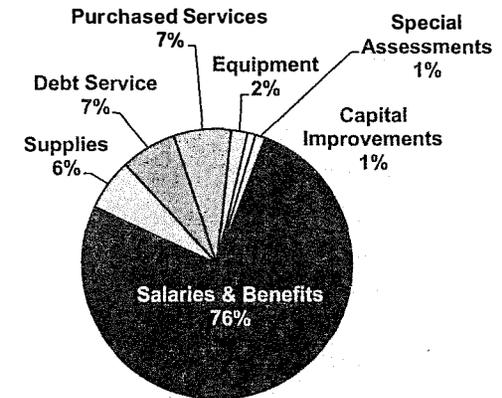
For more information, phone 667-3213
 Website: www.cityofmandan.com

MANDAN PUBLIC SCHOOL DISTRICT

2012-13 REVENUE SOURCES = \$37,585,431



2012-13 EXPENDITURES = \$37,524,920



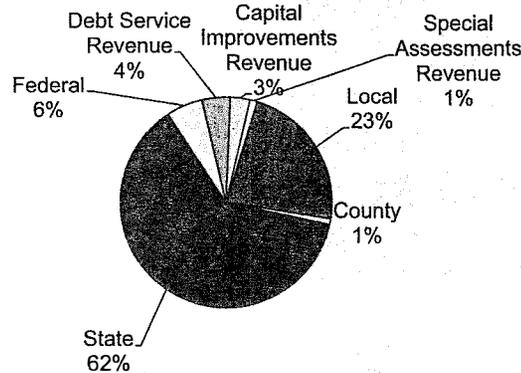
The school district budget is \$37,524,920 for the 2012-13 school year. This employs 279 educators, 16 administrators and 304 support staff who are involved in educating 3,478 students in PK-12. The school district's levy for 2012 is 156.24 mills, which is up from 152.45 in 2011. Expenses center on staff and supplies to provide a quality education for children of the district. The mill levy for the new elementary school approved by voters in 2012 won't appear on tax statements until bonds are sold in 2013.

For more information, phone 751-6509
 Website: www.mandan.k12.nd.us

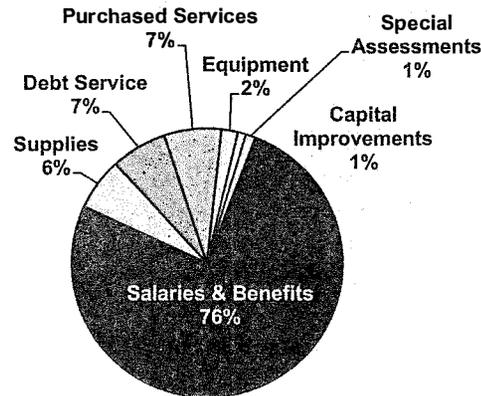
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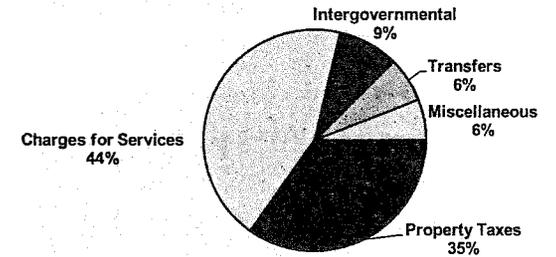


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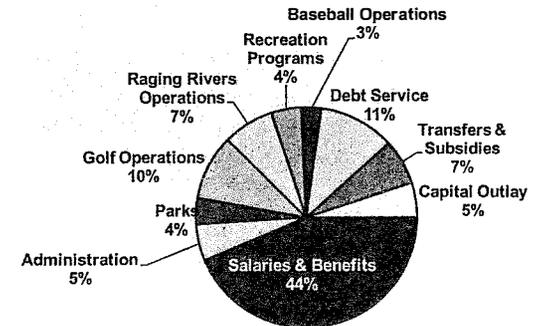
For more information, phone 751-6509
Website: www.mandan.k12.nd.us

MANDAN PARKS & RECREATION

2013 REVENUE SOURCES = \$4,784,380



2013 EXPENDITURES = \$4,771,317



The majority of revenue comes from program fees, rentals, concessions, and other sources. In 2012, the Mandan Park District had 144,500 people utilize its programs, facilities, and events. Mandan Parks and Recreation spends local property tax dollars on salaries and benefits related to operation of facilities and recreational programs. It employs 20 full-time and 300 seasonal employees. The levy is at 38 mills, down from 44 mills in the year 2000.

For more information, phone 751-6161
Website: www.mandanparks.com

#/

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2314

Page 1, line 19, remove ", the governing body"

Page 1, line 20, remove "of the municipality must have"

Page 1, line 21, replace "Received" with "The governing body of the municipality must have received"

Page 2, line 1, replace "Established" with "The city council or commission, if the project is proposed to be located within the boundaries of a city of fewer than ten thousand population, or the board of county commissioners, of a county of fewer than ten thousand population and if the project is proposed to be located in the county but outside the corporate limits of any city, may grant a partial or complete exemption from ad valorem taxation for a project operating in the retail sector if that governing body has established"

Page 2, line 4, after the underscored period insert "Only a governing body of a city or county that meets the requirements of this subdivision may grant a partial or complete exemption from ad valorem taxation under this section for a project operating in the retail sector."

Renumber accordingly



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Page 2, line 4, after the underscored period insert "The ballot for elector approval of exemption of property under this subdivision must present the question at the election for a yes or no vote on the question:

Shall the governing body of [name of county or city] be empowered to grant property tax exemptions upon application of new or expanding retail sector businesses?

Only a governing body of a city or county that meets the requirements of this subdivision may grant a partial or complete exemption from ad valorem taxation under this section for a project operating in the retail sector."

Page 4, after line 6, insert:

"6. A city or county may not supersede or expand the provisions of this section under home rule authority."

Page 4, line 16, replace "after July 31, 2013" with "to initially become effective for taxable years beginning after December 31, 2014"

Renumber accordingly