

2017 SENATE POLITICAL SUBDIVISIONS

SB 2055

2017 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Red River Room, State Capitol

SB 2055
1/5/2017
Job # 26596

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Jo Wicker

Explanation or reason for introduction of bill/resolution:

Relating to a requirement that cities applying for designation of a renaissance zone submit letters of support from affected political subdivisions.

Minutes:

Attachment #1 Justin Dever
Attachment #2&3 Dustin Gawrylow
Attachment #4& 4.1 Blake Crosby

Chairman Burckhard opened the hearing on SB 2055. Vice-chairman Anderson, Senators Judy Lee, Diane Larson, Jim Dotzenrod and Kannianen were present.

Senator Dwight Cook: District 34 Mandan introduced SB 2055. I believe the first thing we should do when introducing a bill is define the problem. This has got a unique problem. I think I was prepared to hand out a handout to do that, but Justin Dever gave me his testimony before hand and he explains the problems better than I can. I would like Justin to testify and then I would like to testify after him.

2:17-4:55 Justin Dever: Co- Deputy Commissioner in the Department of Commerce. Written testimony #1.

Chairman Burckhard: So Justin this testimony then is neutral?

Mr. Justin Dever: Yes, it is.

Senator Dotzenrod: In your testimony you indicated that the current law says you have a requirement asking for letters of community support. That must be somewhere else in that chapter 40-52 as I don't see it in the text of the bill and in the amendment that your offering. I don't see it in here, so I believe the exact words "evidence of community support" in either found somewhere else in the chapter?

5:40 Mr. Justin Dever: That is correct. I believe it is actually in the definition section for the development plan. It requires that a development plan in order to be complete they must include evidence of community support.

5:55 Senator Judy Lee: As a long-time supporter of the Renaissance Zone, I know how effective it can be, and I recognize there are challenges as it is being forward and I am not

asking for your comment one way or the other about that. But I concerned about the rule about the city. It is not a rule about the counties to develop a Renaissance zone is that not correct?

6:23 Mr. Justin Dever: Yes, that is correct.

6:25 Senator Judy Lee: So maybe you can tell us why the county needs to give to be to be able to give permission to cities to develop a Renaissance Zone which I is different from a school district. They not necessarily the same boundaries as the city does. I live in an area where they are different boundaries for school districts than the city boundaries are, do you have any idea back in the olden days before you probably had this job here and now why the county approval was required?

6:57 Mr. Justin Dever: You are correct. It was not a decision that I was involved in. Then the people that were involved in are no longer in the Department of Commerce so I can't necessarily for certain but I believe that one of the rationales could be that the county and the school district are the two other taxing entities that would be most directed by having a property tax exempted for that 5year period. That may be way they were seeing about counties and school districts.

7:32 Senator Judy Lee: So in the experience not only in your county in your time in the Commerce Department but earlier if you are aware, I know that this is the first time that a county as vetoed it, but there is real no appeal process for this. It's all or nothing. Tell me if you understand that is the way it is.

7:54 Mr. Justin Dever: Yes, that is correct. The way we would look at it is you need to provide the evidence of community support and our previous interpretation has been that must include at a minimum those two things.

8:10 Chairman Burckhard: So, evidence of community support that is pretty broad. How specific should that definition be? **Mr. Justin Dever:** To me that is a policy question that the Legislators should decide how specific that is. (8:15-8:43)

8:48-13:53 Senator Dwight Cook: Explained his position on the Renaissance Zones. A couple of points I want to make. First off, if you look at the sponsors of this bill you will see the names of the two task committee chairman. That isn't by accident, I stand here today and I will tell you or predict that I believe Renaissance Zones is going to be one of the hottest topics in the tax community this session. I believe we will be in a conference committee the last week of the session talking about Renaissance zones. There is a lot of legislation coming dealing with Renaissance Zones, most of it in the House. All the way from repealing Renaissance zones I think to this one which is going to be the mildest of what we are going to see. I wish this bill was in the tax committee, but it's not. I believe the real problem isn't with Renaissance zones it's with the property tax exemption. Renaissance Zones as you know is a program that offers income tax credits to developers. The city has the option to tie property tax relax for up to 5 years to the Renaissance zone project. I've had more calls this last interim from constituent's over Renaissance zones and TIF districts than anything else. The problem I think is that we have situations when you have Renaissance zone and a TIF district. So they get the income tax credit, which a county, city or school should have some

concern over because that is big revenue that is being given away. They get a property tax exemption for 5 years, maybe it's 100% or 50% on the project that is in the Renaissance zone, and it's also a TIF district so it could be, so after 5 years it goes to into the TIF district and of course some of the other political subs that benefit from property tax and other ones get their say. That's why they always wanted to weigh in. Senator Lee you used to chair this committee and I followed you for 4 sessions and I can barely remember legislation here dealing with property tax exemptions where Bev Wilson from the School Boards Association would stand up and complain because school boards had no voice. They had no say in it. Finally, we passed a bill that required any property tax exemption to go the school board also for their approval. I don't ever recall them turning one down or doing it. But the issue went away. This bill was introduced as a starting point. I can see numerous solutions to this problem. This is a bill that has to pass I believe. I don't think we can kick this can down the road as I told Allen Anderson as we were having coffee with me before he made his decision and says I don't think it's here either way and he says I think this is what should happen but I think the legislature has to make that decision. I agree wholeheartedly. This is before us and we got to make the decision. Renaissance zones and TIF districts are going to be a part of this session until the end. The real challenge I believe is that TIF and Renaissance tax exemptions are part of a great big picture that every state in this nation is going through right now. That is there entire economic develop programs. We started the process of the last session of renewing economic development and state economic development centers and sent us it's going to a long journey. We've got a lot to learn and we need some tools to get access so we can get some of the information. We have a new governor whose very data driven and in order for us to answer some of these questions we need the data and we want to see legislation that is going to help us get the data but this is part of a real big picture and it's a very serious issue and it's one that we have to be critical to make sure we do is what is the right thing to do. It's before you, I will happy to answer any questions as to what some of the other options might be as there are a lot of people who want to testify behind me and I think you want to listen to the testimony. I know you're going to be offered amendments and they were shared with me from the city and I don't particularly like those amendments but it's not my decision it's yours as the bill is in your hands. So I wish you luck.

13:54 Senator Anderson: You know the estimate of the relative tax implications for the city and the county and the school district in a Renaissance Zone or maybe someone else is going to answer that question?

14:10 Senator Cook: That's a good question, I don't have that data before me at hand, no.

14:15-15:15 Senator Anderson: I am from a small community and of course mostly the Renaissance Zones have been used by large communities and of course in the small community it is usually much easier just to go outside the current city and build a new building if you want to have some kind of business than it is to tear down the old one in the city and build something new there. So, consequently the main part of those small cities just goes to pieces and if there is new businesses, it goes to the outside of the city. Now, the Renaissance Zone or something like that is really the only option we have to incentify people to do something in the center of those cities. Relative to the counties and so forth I don't know how they feel about that, but that is my general opinion about that relative to the communities that we have in my district.

15:18-16:02 Senator Dwight Cook: You heard the Governor's State of the State address yesterday talking about downtown growth...continued along the same thoughts.

16:02-19:55 Senator Judy Lee: I agree with what Senator Anderson says, (example cited). I think what is important about this in addition to the developing a downtown area as the communities choose, whether they are large or small, and it worked well for small towns too. Did you in your discussions in the Interim Committee talk at all about some kind of appeals process in this case, a veto because that is really what this is. I absolutely support the idea that the other entities would have input in this. That is only fair, but if their discussion about some kind of appeals process or additional mediation. Mediation gets everyone at the table that has a stake in it. So I don't think that we necessary have the right to make our decisions independently. Can you just tell us a little bit about whether or not some of those discussions have taken place in all the work that you've been doing during the Interim?

19:55-21:46 Senator Dwight Cook: Our study resolutions that we had to study all dealt with state economic development incentives. We didn't have any dealing with locals so we did not study TIF or Renaissance Zone. That is probably something that we have to go down and address this session that we do study this. Any discussion we had was when Allen Anderson came and testified about this very subject and told us why he made the decision he made. You can't talk about Renaissance without talking about TIF because there is a property tax element to it. I believe that Renaissance and TIF are tools that have to be available. I don't believe in throwing them out but we got to make them so they are more accountable to the public and work better than they do today.

21:48 Senator Judy Lee: Would you be amenable to some discussion whether it's in your committee or ours on this TIF and Renaissance Zone district discussion? About some kind of mediation process or some kind of appeals process, if that would be something that would connect these. Would you view that as having an advantage to all parties so they all have an opportunity to talk about it a little more in case there might be a solution. Right now it is very absolute if one person says no it's over.

22:25-22:41 Senator Dwight Cook: I am open to discussing anything that might improve the process. There are people behind me who would have to be involved in that. I haven't given any thought before, but I would be open for any discussions.

22:45-23:05 Chairman Burckhard: How often or is it common that a Renaissance Zone also becomes a TIF district? Is that unusual or is that common? **Senator Cook:** I don't think it's common but it happens. I think before we go home this session we are going to know the answer to that question.

23:19-28:28 Dustin Gawrylow: North Dakota Watchdog Network Written testimony #2

28:25-25:53 Chairman Burckhard: Here is my first question. The examples you give pertain to a single city in the state. So how much impact should that have on changing things for all the other cities who seem to be getting along just fine with Renaissance Zones and the economic developments in their area?

25:53 Mr. Dustin Gawrylow: I think that the ability for the other political subdivisions to have more of a say and a opt in say into these exemptions will expose how much support there really is. Right now there is a "go along to get along" approach to these things. Because of that we really don't know how much dissent there is.

29:17 Senator Judy Lee I am not quite sure you've got support of available things of all the people who complain about it not talking because that's not the way it works here. I would like to ask Justin, you've got a stack of paper here and it just doesn't really matter to me what the press releases are or what the emails might be because that is applied to a specific situation as have already been addressed. I would like your written comments are to explain your verbal comments might just have been. I don't hear those kinds of things from the two communities where I live who are small communities in Cass county where I live. We recognize the importance of adding that assessed value as things move along to the income as well because that also reduces a mill levy for the residences who are in the district. I have a problem with the idea because Bismarck and Burleigh have an issue.

31:02 Mr. Dustin Gawrylow: I would say that we are here because there is a vaguely in state law. Because there is a vaguely in state law, there is a conflict. Whether that conflict happens in one city or 25 it needs to be addressed. **Senator Judy Lee:** I still stand that I would like something from you saying exactly, not from an agency, but in your opinion. We would like to have your verbal comments in writing and provided to Senator Burckhard.

31:45 Senator Dotzenrod: Did I hear you right that the request to get the letter from the County Commission wasn't made until the last closing week or so. Your conclusion or you implied that there was a feeling that they didn't really have to worry about that because they had someone at the state level that could take care of their interests independent of what the county commission said. Did I hear you right, is that what you said? **Mr. Dustin Gawrylow** yes, the open records show that there was discussion between the city and the state Commerce Department as to how wide open the law really was. My interpretation of that is that because they knew that as early as February and March that reduced their urgency to work with the Burleigh County Commission. **Senator Dotzenrod:** I really don't understand this, I thought the main effect was that the request for that Renaissance Zone was not approved by the state. Maybe I don't understand it. **Mr. Dustin Gawrylow:** replied the request before the state gets involved in approving the renewal of a zone, the letters according to commerce guidelines over 15 years said that they needed letters of support from the county and the schools. They pursued that process in getting those letter, first the county said no, 5-0, then the school said yes 3-2, and then after that the state got involved as far as finalizing the approval process. The city is supposed to get the approval from the local subs first, then go for final approval from the state to renew it. **Senator Dotzenrod:** Okay, I guess I can't follow the logic. I thought this didn't get approved by the state. **Mr. Dustin Gawrylow:** the state gave them a fifteen- month extension. The goal by the city was a five- year automatic renewal with the letters of support. They did not get those letters of support due to the vagueness of the law the state commerce department created a fifteen-month extension for the Legislature to figure out what to do. **Senator Dotzenrod:** Did they get the approval from the state?

Mr. Dustin Gawrylow: For fifteen months. **Senator Dotzenrod:** Okay, the bottom line is they wanted the Renaissance Zone but they didn't get the local support then they didn't even get

the Renaissance Zone. **Mr. Dustin Gawrylow:** They got it for 15 months until this July. Once this session closes the determination will be made as to whether the Legislature does. It is an unresolved matter. **Mr. Dustin Gawrylow:** That is what this bill is doing. It is fixing the unresolved problem.

35:16-40:07 Terry Fleck I couldn't help look around the room and I don't have a name tag on which means I am not a lobbyist, or an elected official. Your comment that perceptions are sometimes people's realities. As a taxpayer I was always under the impression when to find out later that it was perception that when I pay my property tax bill the money was going to just exactly where I thought it was going. When I got my property tax statement the money was going to the school, to the county and to the park board. I went and found out that was not the case. I think if each of you would take the time don't come to any sort of conclusion today. I spent 8 months studying tax increment finance districts, most specific the TIF in Bismarck, ND. From there we researched it lead into Renaissance Zones and what we found was an unfortunate situation. People believe what you tell them, because they are elected officials in the state of North Dakota. We should trust elected officials, so I believed that just exactly what was supposed to be happening was happening in the city of Bismarck. Nothing could be further from the truth. My taxpayer dollars aren't going to the school district, nor the park, my tax dollars are going to the tax increment finance district. If we could get someone to under right the cost, the Guinness Book of World Records assures me that Bismarck would be identified as the longest running tax increment finance district in the world. I don't think that's fair to people in this community. So what this proves today is that people should look. If you're not going to create clarity, not help us understand what you do with our tax dollars, then we have to get involved. So here I am this morning, a citizen, but I ask you to do one thing. Make sure that you understand and have complete clarity as it relates to just exactly what happened in Bismarck/Burleigh. The people asked us to take a time out, let's look at all of this and make sure you have clarity and make sure the people who are elected to spend our dollars are in fact spending them where we believe they will be spent. So my perception is unlike a lot of other cities. When I sit down with people and ask them about tax increment finance, or ask an elected official to explain it to me, it is a short conversation because in all fairness that are not many people Senator Lee who understand tax increment finance districts and Renaissance zones perhaps the way you do. Senator Cook's position is the right one. Let's create and do some education, outreach, and make sure all the people in this room with name badges understand exactly how their tax dollars are being spent because lots of them don't know. I am disappointed and disheartened when I got into it. When the taxpayers are hoping to get a return on their investment that return investment goes into tax increment finance district. So after a 5- year period they get the economic development but we don't get the return on the investment as taxpayers. So as a businessman or an entrepreneur and I get together with my investors they are looking for the return on the investment. Taxpayer should be no different. We should expect and get from our legislators and our leadership at every level a return on our investment. Thanks for letting me share my perspective on just exactly I feel about Senator Cook's legislation and hope you give it the consideration that it deserves.

Chairman Burckhard: How did you determine that your tax dollars weren't going to those political subs that it was going all to the TIF district? How did you determine that?

40:28-41:29 Mr. Terry Fleck: The Burleigh County auditor is in the room and he is aware of my presence and I sat him down and asked him to walk me through this. Walk me through the process. If you sit down and Burleigh county has a new system that will show you just exactly on a graph how the dollars are broken up. That tax statement doesn't look like that at all and unfortunately it doesn't reflect exactly how the dollars are distributed. So I invite you to sit down with the Burleigh County Auditor because he is enlightened a lot of us who believe that our tax dollars are going where they are supposed to be going. I think the Bismarck Public School district you heard the vote was 3-2. That means the people were there, the chairman of the school board said I think we have to go with the city on this one, he is no longer on the school board. So we can do this in a variety of ways but we believe it's best here.

Senator Judy Lee: In the first place this is just one man's opinion, in the second place the money that is going in any of those, all of our property taxes are not dedicated only to a Renaissance Zone or a TIF district. They are much broader based than that so that is much really inaccurate to say that none of my tax dollars are going where they want to go. But my request that perhaps we ask Mr. Dever if he could explain for the benefit of everybody, not only the committee members but the people in the room a little more about what the TIF districts are. Nobody has even talked about the fact that it is TIF means Tax Increment Financing.

42:30-44:09 Mr. Justin Dever N.D. Department of Commerce. I can certainly do my best to describe Tax Increment Financing. I would add that TIF is a local decision that is made. The state has no role in it. The only role they have is that tax increment financing is that the cities do have to report to the Dept. of Commerce so we have a list of those districts. Basically a tax increment financing district is where you have a parcel that is determined that you want to develop in some manner, and you put together a project for that and the tax increment financing you can bond for infrastructure like a parking garage, and then you pay back that bond using the increment, using the property tax over and above the base level. Then once that is paid off the tax increment financing closes. That is kind of the standard one. I would say the Bismarck one maybe a bit different in that they have had a tax increment financing district that has been around for a while and I think they have some grant programs where they use the TIF funding for this, instead of paying off a bond.

Chairman Burckhard: Does a TIF district, is it more for a blighted area or is it for?
Mr. Justin Dever replied yes, blighted as determined by the city, I believe.

Senator Anderson: If I understand this correctly, I should have said this when Terry Fleck was here but I assume that all the people in Bismarck were figuring out what their city commission was doing, they understood it. I just read about it in the paper. But, as I understand it then, if I have a piece of property in Bismarck and the taxes are in the \$ 1000 a year. Okay. And I build a new parking ramp on it, now the taxes would be \$5000 a year based on the assessment of that property after I did the improvements. Then the difference between \$1000 I paid previously and the \$4000 would go to pay off the bonds and finance that project if I convinced the city to bond for that parking ramp. Is that my understanding?

Mr. Justin Dever: That is a pretty good description.

45:36-49:22 Don Clement: I am just a taxpaying citizen. Where I watched Renaissance Zone and tax increment financing issues that started about one year ago. I never paid any attention to it. All of a sudden the city had a project that talked about \$35 million dollars in tax increment financing, so I couldn't help myself. As a private citizen I had to get involved to find out what's going on here. The real issue is not Renaissance Zones the real issue is Renaissance Zones inside of tax increment financing zones. Because I am telling you, you use a credit value of the dollar approach to come back and get a return on your investment on any renaissance zone project inside of a tax increment financing zone that has been existed in Bismarck for 36 years and that money is used not for projects but for development and issues. I met with Governor Burgum on this issue. I have provided him all of my information, he put his head in his hands and asked me what are the projects. I supported Governor Burgum before he was elected even though we have differences of opinion on that. It is only fair if you have a Renaissance Zone project that money comes back to the taxpayers after 5 years. That does not happen. It goes into a tax increment financing zone and it is like a city within a city. Do you know what I mean? They just pay for whatever is going on in that zone while the rest of us pay for the fire, police, everything else. Please pass this bill, this is a good bill, it is respectful bill. The issue is the city should not control the mills of the school or the county. The school and the county should control their own mills, not the city. The city can control their mills they can give those away but they shouldn't be able to give away the county mills or the school mills. The school is 48%, it makes no sense to give that kind of power to one political subdivision.

Senator Anderson: You heard my previous description about the \$1000 I paid before I made the improvement. **Mr. Clement:** That's the tax increment financing? **Senator Anderson:** right. That \$1000 is basically what you're talking about here. **Mr. Clement:** No, I am talking about Renaissance zones 5- year exemption it goes into the tax increment financing zone. In Bismarck it has been a 36- year exemption. **Senator Anderson:** But if there was not a tax increment financing project, then that additional money would be because now the \$4000 would be paid on my taxes and that would go to the school district and everybody else. **Mr. Clement:** Like I said. **Senator Anderson:** So its' really a tax increment financing issue not the renaissance zone issue. **Mr. Clement:** Like I told Governor Burgum I have no issue with Renaissance zone as long as all political subdivisions have the right to control their mills. That is what this bill does. Why should a city control the school's mills? But if this was just a tax increment financing on a specified project I have no problem with that. What I have a problem with is the deception. We put something into a Renaissance zone or allocated in a tax roll what they don't tell you is it didn't come out in the public tax roll, it went into a Renaissance zone or the TIF district. That was spent, and then I get to continue to pay for the TIF districts fire, police, everything. I submit one more thing. My issue with property taxes is they aren't property taxes. It is our exemptions. Our exemptions started in 1862 before we were a state. (showed a list) This is wrong for a guy to pay for his property tax in his little house, wrong. That's my testimony and I so appreciate Senator Cook introducing this bill.

52:33-54:49 Brian Bittner: Burleigh County Commissioner I thought you might want to hear from Burleigh County. It is our opinion that Bismarck is treating this Renaissance Zone and TIF thing differently than you see in other areas of the state. With respect to the Renaissance zone that is not our biggest concern, our biggest concern does become the TIF and I think your correct on that. We have situations in the city of Bismarck which is a big part of Burleigh County where the tax return to Burleigh county has never materialized. What that does is it

increases property taxes from the rest of Burleigh County citizens because we have to replace that revenue. The growth and need for services doesn't go away it is simply that our tax dollars are being diverted from other political subdivisions. I am not even sure for the taxation committee, however, it does start here. Burleigh county, one of the main comments with respect to how that vote for a letter of support we would like to see clarification because as a board frankly we felt it was waste of our time. The thing came before us on our agenda and there was no need for that. It just shouldn't have been there. We think that the Burleigh County commission has a very large stake in the property tax issue in Burleigh county, and we want to do the right thing for the citizens, so we're asking for some change.

Chairman Burckhard: Earlier I made reference that the school district portion of the tax bill is about 48% what percent is the county of the total tax bill? **Mr. Brian Bittner:** I don't know that exact number, I would have to defer it to the Burleigh County Auditor on this. **Mr. Kevin Glatt:** Burleigh County Auditor replied 18.5%.

Senator Anderson: What your saying is if I had that piece of property where taxes were \$1000 on it, if I didn't make any improvements because there was no incentive you would still get the \$1000 in taxes. But then if I make the improvements in the \$5000 now, you're not seeing any share of that because it's going someplace else after the five years is up and my taxes are raised, that would double up. **Mr. Brian Bittner:** Yes, we see that a lot.

56:53-1:04:59 Blake Crosby: Executive Director, North Dakota League of Cities. Written testimony #3, in support of SB 2055 with a proposed amendment. Senator Cook's bill specifically addresses the Department of Commerce's processing dealing with Renaissance Zones. I think we are outside the context of the bill when we get into the discussions about TIF. The Legislature has adequately addressed TIF in prior years. If there needs to be some tweaking to it then there should be a separate bill that deals with TIF. But this bill specifically talks about Renaissance Zones.

Senator Judy Lee: Are you aware of any other city in the state that is having this same conflict which cannot be resolved? But, if Bismarck is the only place that seems to be having this conflict and actually they are many cases, should the legislature be telling those local elected officials what they should be doing or do each of the citizens of the community be dealing with the elected officials who are running the school board, county commission, city commission and the park district, to do what is appropriate in this rule of citizen of their community? I am not sure the state be encircled the authority of the local elected officials to run the local officials' business. I recognize that the school district and county have the right to object and that veto can kill it. But, aside from all of that, are we looking at doing something that is going to intrude in every community in the state with the idea that only one community seems to have what's going on or are you aware of other challenges so that is a more- broad base problem than we are hearing from today.

1:06:26 Mr. Blake Crosby: As far as I know it only concerns the city of Bismarck and Burleigh County. So should the legislature be usurping local authority, no, the best government is local government. As one of the previous testifier said, the chairman of the school board didn't perform to the extent that the citizens thought so they threw him out. Well that's the way democracy works. I think we ought to let democracy run its course. I've heard of no other

cities that are having this problem and some of them have come for renewal, in the last year or two. As you said, this seems to be a local problem.

Chairman Burckhard: Earlier in your testimony you talked about 20 years. **Mr. Blake Crosby:** That is correct. **Chairman Burckhard:** Does that say that here or am I looking at something sideways. **Mr. Blake Crosby:** if you go down it's the 5 years from the district initiation because they come for renewal every 5 years plus another 20. So basically you could have your revenue stream at the time the district is initiated as a political sub, for that time period but you don't get any frosting on the cake if you have opted out.

Chairman Burckhard: So that is like making a business decision.

Senator Anderson: Any provision in your suggested amendment for the variation in the property tax evaluations over that 20 years for example. So if the city says well we fixed that at \$1000, is all you're going to get for next 25 years is there any option for variations in evaluations in that language?

Mr. Blake Crosby: No. Because the variation in the assessment value would be strictly based upon their connection to the Renaissance Zone. If I may segway into something else to remember, as Mr. Dever said, the state does not do tax increment financing. That is not into the Department of Commerce function, Renaissance zones are, so again let's do our best to keep discussions respectfully please with Renaissance zones and TIFs separate. Now Senator Cook and there are people standing with tax exemptions and I fully respect Senator Cook but again TIFs were addressed some legislative sessions back, they are what they are, if persons have difficulties with a TIF then that should be a separate bill. It should not be combined with Renaissance zones. Even though there are instances where they have been some overlay. Senator Cook indicated that this was going to be long road. I fully concur with that; this is not going to be the only Renaissance zone bill that you will come before you. You may have numerous bills. We will have to think this through in allowing political subs to be responsible for their own decisions. I checked around with some folks from 1999 and the intent was not to allow an absolute veto, some of them recall the discussion the cities and the counties and the school districts should get together and talk about the initiation of a Renaissance zone, air their concerns and go forth and prosper. But it was never intended that one political sub could veto economic development of another.

Chairman Burckhard: Did you notice that Senator Cook is a little jealous this was in Political Subs and not in Finance and Tax. **Mr. Blake Crosby:** You need to be very careful of that.

Chairman Burckhard: Mr. Fleck has a follow up point to make. **Mr. Fleck:** I think what is important is your process here is for and against, this is again about fixing this and finding a compromise. This is a collaboration and intelligence and intellectual capacity of the elected officials to find that compromise. Senator Lee there was a question that are 3. I worked with me legislator on the Legislative council and spend enormous amount researching three cities in the state of ND that have Renaissance Zones within their TIF districts. They are Mandan, Bismarck, and Valley City. The rest of the state has as Senator Lee has described Renaissance zones exactly as they were intended and I would think that you would find their constituents to be extremely pleased with their return on their investment that they are getting

from their Renaissance Zones. So I want to make sure there is clarity because to state neutral or against. I am interested in a solution and fix for the taxpayers of the state of North Dakota.

Chairman Burckhard closed the hearing on SB 2055.

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Committee Clerk Signature

MJo Wocken

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Minutes:

Committee discussion on SB 2055

Chairman Burckhard: asked the committee to come back for discussion on SB 2055. All senators were present.

Chairman Burckhard: I think we should talk about SB 2055 first. We had Senator Cook, Dustin Gawrylow, Justin Dever, Terry Fleck, Don Clement and Brian Bittner who were in favor off and then we had Blake Crosby who was against, give presentations. This bill is about Renaissance zones and not about TIF districts.

1:11-3:43 Senator Anderson: I agree with Blake Crosby that it was not the original intention of the Legislature to give the veto power to anyone or the other. However, the way the Commerce Department has been running it, they have been allowing that for these years. Now, it's also obvious that the Commerce Department felt they had enough flexibility in the law to give a 15- month extension. They didn't have to go with the hard and fast rule of you have to have the letter. So, of course Brian Bittner and Loren DeWitt are both in my district you know so I am sympathetic to their feelings, however it might be that we could come up with a compromise here that doesn't give one or the other veto power. But, yet includes them in the decision making process and I don't like Mr. Crosby's amendment because when you start tying it up for 20 years you know evaluations are going to change over those 20 years. They almost always go up. Well that would mean the county and the school district would be stuck at the tax level that they were receiving even though the property values on the old building would've gone, see, so I understand that they don't like that idea. But it might be that some kind of an opt out or say okay will start this Renaissance district but you can continue to get the tax revenue you got before with whatever adjustments come along with the evaluation increases and so forth. Except that when the new building is there your obviously not going to get that big increase until the 5 years are up. But at the end of the 5 years at some point we have to separate this TIF business and Renaissance or put them together. One of the things I think that Mr. Terry Fleck wants to prevent the double dipping. Apparently Bismarck is and a couple others like Valley City and Mandan are the only ones that do that.

They want to say that if you doing a Renaissance zone you can't also, have a TIF district covering that same Renaissance zone, so that is kind of what I heard from it.

3:45-3:56 Chairman Burckhard: Later on I heard from Mr. Justin Dever and he was not aware that Valley City did the same.

3:56-5:37 Senator Diane Larson: I feel like a Renaissance zone and I am a complete newbie on this whole business and so even open to correction on this. But to me a Renaissance zone is a tax incentive for business and buildings to increase the value and productivity of an area. That's the benefit and the reason that its worth that benefit to that area. So it seems to me that is it is that benefit and it can be demonstrated that that would benefit the county as well as the city. It would benefit the school as well as the city so I don't have as big of a problem with one having basically veto power over the other because they should be able to get together and say is this really a benefit or isn't it. Because if it isn't then we shouldn't be doing it. If this is really some cronyism or whatever going on, I don't know what's going on, but if that is what going on, then maybe there should be some checks and balances so that all of the people that would be impacted by that tax reduction temporarily, for the hope of a tax increase later, that just based on the Renaissance thing it seems to me that it is not such a bad idea.

5:39- 6:12 Chairman Burckhard: Well a Renaissance zone is a contagious area. I think in Minot it is a 34 square block area that we. Basically the benefit the property tax exemption because they don't have any income basically for a while so it's not a big income tax break so. I don't want to make this too complicated but should there be a mediation process, should there be an appeals process or how should we go from here, I don't know.

6:14-9:22 Senator Judy Lee: I think it is important that we just said is a limited area and it has to be approved by the city at that limited area, and some block are taking out like the city can control or it is not going to develop it looks like so we're going to move that block over here. The value is the difference between the improved value property tax and the original value property tax. So back to Senator Anderson's example, of the \$1000 right now, and nobody has said anything ever, until something better happens except that \$1000 pays for his property in that area. But if he is going to develop it can residential, you can put stores on the street and you can put a condo or apt above the store will get the benefit of the reduced tax also. It is a delayed implementation of the full tax. The objection of the county or the school district is that they kept thinking that they were never going to increase if they didn't fix the area, it didn't happen. For example, Fargo downtown. It has been implemented very effectively, so the property value been adequately increased there and the original property including the original condo owners they have benefited from not paying a higher property tax at the beginning but it was the way to get the people into the apartments or condos faster and get the businesses on the move up and running and occupied as business because there was a short term (5Yrs) and so I think the Renaissance zone thing is great. I don't know if we want to tell cities that they can't have a TIF and a Renaissance Zone. I think that should be up to the local city commission. Because maybe there is an area that is really bad but I think the city commissioners or council members be the one to decide and give the input. I think Bismarck has pushed it hard into the number of years on this, so I see some objection there. I have a real struggle with the state legislators thinking they are so stinking smart that we're better than the local elected officials in the cities and the counties so we're going to

cap property taxes, we're going to tell them they can't have double dipping because its different tax benefits. I don't think we have the right, or doing this quite so strongly.

9:26-11:06 Senator Howard Anderson: I think part of the problem might be that with the Renaissance zone they do have input in that they have to write a letter or do something right now. I don't think they have any input into the TIF deal, and so, that is a different thing I think, and people here today really didn't object to the Renaissance zones, but they objected to was that business of continuing the continuing exemption and never taking that increase to \$5000 on the taxes that they thought they were going to get. Of course you always have the problem of the little guy who lives on the outside of town and he has own property but he doesn't have a lot of money to invest in anything. So all he's ever going to do is pay taxes on his own property and he thinks that somebody downtown or some business man who is building apt buildings just off the bridge off 12th in West Fargo, it gradually happened and people think those businessmen wouldn't do it anyway, and we're just giving them a free lunch by this Renaissance zone or letting them have the tax benefit on their income. Because obviously the guy who doesn't have much money and lives and just paying taxes on his own house he's not going to be an investor in that other thing and get the income tax benefits and then if he has to pay higher property taxes too then he sees that he is doubly loosing.

11:13-11:49 Senator Judy Lee: I am not sure that if we wait to see what he is going to do in higher property taxes because of the TIF district according to the fact that it was the initial period. They pay you full tax but the dollars don't go into the property tax coffers they go into pay off the cost of some infrastructure type thing so the person is in the house now may have the property taxes go us quite as much they would if they would have to put in a new water and sewer lines in his neighborhood to replace the old and deteriorating ones for example. The dollars are being paid but they are not going into that other regular place they are coming back to pay off the bond or whatever.

11:53-12:56 Senator Anderson: The only differences is right now on my old property I am paying \$1000 a year. Once the Renaissance zone takes I don't pay that \$1000 either. So in that respect for that 5 years the guy on the outskirts has to pay higher takes to make up for the money I am not paying anymore because I get a total exemption on my property taxes. Now the city does have an option where I can. **Senator Judy Lee;** Tax is based on the original unimproved assessed value, as if it says nothing was done. **Senator Anderson:** Now I could be wrong about that but I think other cities. That's a question I would to get answered because I think they can give a partial property tax exemption or they can give 100% property tax exemption and then I don't pay the \$1000 either.

12:56-12:58 Senator Dotzenrod: Are you talking about the TIF? No the Renaissance zone.

13:06-13:39 Senator Diane Larson: Because this is so kind of overwhelming to me, I wonder if on this bill, I know everybody else brought in the TIF funding to the discussion. On this bill, I wonder if we could keep it to the Renaissance zone, could mostly limit it to the Renaissance issue. Because the TIF issue complicates things and makes people mad, but I don't think the bill addresses it all so for me it would be an easier thing to just focus on one.

13:46-13:56 Chairman Burckhard: It didn't say anything about tax increment financing. It wasn't brought up because of the Bismarck situation. The longest running TIF district in the world.

Senator Diane Larson: This is why I am so overwhelmed listening to others.

14:02-14:22 Senator Kannenian: Can you tell me what section it was in? I don't know if I want it taken out, but it is in the 2nd section E 40:63-04-05. Committee referenced the Century Code and spoke over each other(14:22).

Chairman Burckhard: For 5 taxable years from the date of occupancy.

Senator Judy Lee : Yes, exempt.

Senator Anderson: Now you're talking about income tax.

14:56-15:10 Chairman Burckhard: That was income. A taxpayer that purchases a recently rehabilitative property for any business and or investment purpose or result project is exempt from taxable income derived from the business or investment locations within the zone for 5 taxable years. Again this is all income tax. Property tax exemptions

Senator Dotzenrod 63-05 in the North Dakota Century Code. **Chairman Burckhard:** Here is part about property tax. The city or county may grant a partial or complete exemption from (15:27-16:14) referred to Century Code

16:25-16:38 Chairman Burckhard: A municipality may grant a partial or complete exemption from that taxation until the building structure or rehabilitated in a zone project for (16:12 cannot decipher as they are talking over each other)

Chairman Burckhard: We suggested some kind of gathering of cities to talk about mediation or into a process right? I don't think we are even close on this bill.

17:44- 19:40 Senator Dotzenrod: I just basically don't really have any problems with the bill as its' written, the thing is we have a requirement in the law right now, that we have to demonstrate local support. That's a requirement that is in statute. So, if you're going to try to demonstrate or comply with that do you just say well, I kind of feel like everybody likes it so let's go ahead with it. Or do you say, that we ought to have something in Century Code that allows us to document that there is that support. It seemed like this. These letter would, in places where I've seen this Renaissance zone, to me Renaissance zone really seemed to be one of those things that have really worked well and one of the things they pro-chair talked about why they didn't like was they didn't like the return on the investment, which I think return is pretty good. When you look at the value of what you have after the Renaissance zones got their 5-year period and you look at downtown Fargo, they have a pretty good return because the city is getting more money, collecting more revenue on improved buildings which should generally have an effect to support the entire city, even those people who don't live in a Renaissance zone should be getting some benefit from the fact they have a lot more taxable value now than they had before. So I think there is a return on it even though they we saying they didn't like it and they didn't like it because of the TIF. Now that's where their problems. We did have some problems with it the TIF that we changed the law in the last session I thought. Didn't we in the last session do something to require the TIF's have an

end-date that they can't go on forever? I thought we did something because of this situation in Bismarck.

19:40-19:45 Chairman Burckhard: Senator Cook said they were having a lot TIF bills in the tax and finance group.

19:46-20:59 Senator Anderson: The Commerce Department now has been taking kind of hard line and say you have to have letter support from each. Now if we go back to the certificate in need law in health care for example, that also said you have to have support for what you wanted to do. However, when the hospital wanted to build something new, it was easy to get letters of support from half of the building, half of the businesses in the community, you could always prove that you needed it by getting all this support. But whether it was actually needed or not was another question. The letter does make it kind of black and white. There was 5 people on the county commission get to decide and in our case it would be 3 people on the county commission, would decide if it went forward or not. I guess my opinion this bill gives the city an incentive to sit down with the county and work something out. Maybe like Senator Lee said where they say well we will continue the old taxes for the 5 years then. The TIF business I agree is a whole different story.

21:05-21:47 Senator Dotzenrod: I am looking at this and 53 counties in the state and I am trying to imagine most county commissioners I would think would look at a proposed Renaissance zone anywhere in the county and say let's do that. It seems to me they would want to do it, because it's going to be move the ball down the field. It's going to be a positive effect in making them part of the future rather than being stagnated. I think most county commissioners. They've got a situation here that is been sort of the way the TIF thing has really messed us up.

21:44- 22:42 Senator Diane Larson: I do think the real heartburn comes when a community says you're going to get a tax exemption for 5 years and that does mean that everybody else's taxes are higher while you're not paying any taxes. Whereas in Fargo they are doing it differently and I think that what Senator Anderson said when he said you know maybe if they have to sit down together and says let's do it so you're not going to waive everybody's else's taxes so that these guys can build this up, there might not be as much heartburn about the whole process, though doing that sort of thing would be really the best kind of solution for a lot of communities. Maybe I don't know if we are the only ones in the state.

22:43-22:48 Chairman Burckhard: I think they need to have that talk about a mediation process or an appeals process. **Senator Larson:** Yes.

23:19-25:57 Senator Judy Lee: I don't have a problem with the mediation process discussion but I do agree with Senator Dotzenrod, and all of us are going in the same direction here, really with the idea that separating out the Renaissance Zone part of it, and that was the bill is that its' come to us from Senator Cook and Representative Devlin because they have to talk about stuff in order in get to letters. I absolutely comes the and I think it is not necessarily true to assume that everybody else's taxes are going up because this is not such a big area. Somebody built a project, they just put an old upholstery shop on it however, the other thing is that want right now, and there wasn't much tax coming out of there anyway. It isn't going to have additional bucks of an impact on the rest of us who live in West Fargo.

If anything, they get nothing. So, we would assume it was a huge project they're going to be an impact but they also are going to be a dramatically huge increase in the value of the property and so we're not talking about really it's an exemption although that's a term that we have to use, it's a delay in the implementation of the full tax, if you want to look at semantics. The project takes two to three years to finish if it's a big project. Then during that period time, there will be lower taxes and for that total project paid, you're going to apply for the zone, and then when the 5 years is up but after that is a big difference. A comparable situation is a 2-year tax exemption for new home construction. It pushes up to a max of \$150,000 or something like that now, before there was a lot of weeping and gnashing of teeth by school districts at the beginning because there weren't also kids in these houses and they weren't going to have the money for the schools. Well as it shook out, and they kind of saw what was happening, there was a tremendous increase in the property taxes that came in on those homes. Some of those homes had kids in, but not all of them. The schools had not fought it, they weren't all so crazy about it, they wished they had had it at the beginning, but that would be an assumption that those houses would've been just the same way and they were going to put the taxes at the beginning which they would not necessarily had too. So it's not a poker game you know whether or not it would have developed one way or the other if you didn't have any incentive. As a developer, sometimes you get something up and running but you don't have any income where you're just putting studs up and in order to have a business, you have to have tenants in, both residential and commercial. It has been an excellent boom to the state in many ways. Nothing is perfect. But we've got to allow some trust in our local elected officials or get the heck out there and run yourself and fix it you know. How many people have ever really gone to a meeting as they said at lunch.

25:58- 26:11 Chairman Burckhard: So what do we do? Do we wait until they have some time to meet and reopen the hearing for more input from the League of Cities and whoever? Is that what our wishes are?

Senator Anderson: You don't have to reopen the hearing to ask them questions about the matter.

Senator Larson: Just ask for a report back or something. **Senator Judy Lee:** We can process this.

Chairman Burckhard: I don't think there is any more to discuss on SB2055.

Senator Diane Larson: I am curious though, if Bismarck does give a total exemption and if they are the only ones? Is that then why we've been having the problem? That does make curious, I don't know.

Chairman Burckhard: I think we're having a problem because of the longest running tax district in the world. **Senator Diane Larson:** Right. **Chairman Burckhard:** They don't seem to ever, yes I think that is the problem personally. Lots of people lost the election because of their support of the Renaissance zone and TIF. Blake Crosby and others are going to get together.

2017 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Red River Room, State Capitol

SB 2055
1/12/2017
Job # 26819

- Subcommittee
 Conference Committee

Committee Clerk Signature

M. Quock

Explanation or reason for introduction of bill/resolution:

Relating to a requirement that cities applying for designation of a renaissance zone submit letters of support from affected political subdivisions.

Minutes:

Committee discussion

Chairman Burckhard asked the committee to discuss SB 2055. We heard last week it was Senator Dwight Cook's bill and I don't want to act on it yet. Senator Cook says he has two other bills very similar to that in Tax and Finance and depending what occurs with those and whether we want to hold them hostage or not. Excuse me, I didn't mean that. We can act on it next week, but I do believe we have 9 new bills to do next week.

Chairman Burckhard closed the discussion on SB 2055.

2017 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee
Red River Room, State Capitol

SB 2055
1/19/2017
Job # 27141

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to a requirement cities applying for designation of a renaissance zone submit letters of support from affected political subdivisions.

Minutes:

Chairman Burckhard: opened the Senate Political Subdivision committee for discussion and vote on SB 2055.

Senator Anderson: In order to get the discussion, I will move a **Do Not Pass** on SB2055.
2nd Senator Judy Lee. I am not obviously opposed to the discussion on this, as I seconded the motion. But if are going to allow it to move forward, we did have a proposal for an amendment. Mr. Crosby from the League of Cities had proposed an amendment. He wanted to opt out of the project by school districts and counties, I think.

Senator Kannianen: On his written testimony on the big paragraph, in reference to Mr. Crosby's proposed amendment, (attachment 4) **1.53** He continued his reference to the amendment.

Senator Judy Lee: Remember we thought that was a little harsh.

Senator Dotzenrod: I think the big downside with this bill is that it hands over veto power to a project to a Renaissance zone project. What I remember the testimony that we had here is that the people that wanted this bill to pass, really didn't have any problem with Renaissance Zones, they were mad at these TIFF projects. They all said that. This bill 2055, does not get the TIFF zone, it is about whether we're going to let one of the counties or the cities or the schools decide that they don't want the Renaissance zone. **Chairman Burckhard:** Yes, one political sub can do that.

Senator Dotzenrod: From what I am seeing, is that we do seem to have some parts of the state where we're having some trouble, but most of the state is functioning quite well. One of the things we heard in that similar bill in the tax committee, is that is actually hard to use both together. Both the Renaissance zone and the TIFF and the problem is that most of these projects, the TIFF projects that they are doing the smaller projects like they do in Bismarck,

their payoff if 8-10 years. If the Renaissance zone consumes the first 5 years, that is all taken up by the Renaissance zone. There isn't any increment, because they have a property tax exemption. So by the time they get out of the 5 year of the Renaissance zone, and get into the TIFF, there isn't much benefit left. So they said they've actually used both together and they were in unusual circumstances. By and large it's hard to get much benefit out of both of them. I am going to support this with Do Not Pass.

5.56 Senator Anderson: Can you handle it that we consider this bill on the floor after we do the TIFF the tax committee is coming out with so we can make excuses as to why we killed it?

6.15 Senator Judy Lee: I don't have a problem with coming out ahead of the others because the reason really is in general in addition to the fact that we might find some challenges here. A. the problem is not with Renaissance zones, but with TIFF districts and others have said, but also that there are several different bills to be considered by the Finance and Tax committee and rather than muddying the waters for the projects they are working on with those bills, we can let this one expire and then they can work on that bundle all together.

Chairman Burckhard: I think that is well said.

Roll call vote for a **Do Not Pass**

5 Yea, 1 No, 0 Absent

Carrier: Senator Judy Lee

Date: 1.19.17
 Roll Call Vote #: /

**2015 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2055**

Senate Political Subdivisions Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Sen. Anderson Seconded By Sen. Judy Lee

Senators	Yes	No	Senators	Yes	No
Chairman Randy Burckhard	✓		Senator Jim Dotzenrod	✓	
Vice-Chairman Howard Anderson	✓				
Senator Jordan Kannianen	✓				
Senator Diane Larson		✓			
Senator Judy Lee	✓				

Total (Yes) 5 No 1

Absent 0

Floor Assignment Sen. Judy Lee

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

REPORT OF STANDING COMMITTEE

SB 2055: Political Subdivisions Committee (Sen. Burckhard, Chairman) recommends **DO NOT PASS** (5 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2055 was placed on the Eleventh order on the calendar.

2017 TESTIMONY

SB 2055



SB2055
#1 attachment
1-5-2017

**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2055
JANUARY 5, 2017, 9:30 A.M.
SENATE POLITICAL SUBDIVISIONS COMMITTEE
SENATOR RANDY BURCKHARD, CHAIRMAN**

JUSTIN DEVER – CO-DEPUTY COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good afternoon, Mr. Chairman and members of the committee, my name is Justin Dever and I serve as Co-Deputy Commissioner for the North Dakota Department of Commerce. I am here to provide background regarding community support for Renaissance Zones.

Background

The legislature established the Renaissance Zone program through the passage of HB 1492 (1999). The Renaissance Zone statute (NDCC Chapter 40-63) requires “evidence of community support” be provided as part of a city’s Development Plan. The legislature did not indicate what constitutes “evidence of community support” and the Department of Commerce has interpreted that, at a minimum, letters of support from the school district and county would be required to demonstrate community support. Our interpretation has been part of the Renaissance Zone guidelines for the past decade.

Last year, the City of Bismarck requested a five-year extension for their Renaissance Zone, as allowed by law. They included a letter of support from the Bismarck Public Schools, but they did not receive support from Burleigh County Commission. The lack of county support caused Commerce to deny the City of Bismarck’s request for a five year extension.

We recognize that there are disagreements on whether the legislature intended to provide other political subdivisions the ability to veto a city’s Renaissance Zone. Commerce provided the City of Bismarck with an extension through July 31, 2017, in order to allow the legislature an opportunity address what constitutes “evidence of community support.” This was the first instance in which a county declined to support a Renaissance Zone since the requirement was put in effect, and we thought it appropriate to have the legislature address this policy question.

To be clear, the Department of Commerce is asking legislators to clarify what is intended by “evidence of community support.” We are not weighing in on the nature of that clarification.

Mr. Chairman and members of the Political Subdivision Committee, thank you for allowing me to visit with you today. That concludes my testimony and I am happy to entertain any questions.

Empower Political Subs With Local Control!

Purpose of Bill:

Fix loose language in statute that allowed Bismarck's controversy to get out of control.

Role in Property Tax Reform:

Property tax reform must be done at the local level, and the state must create rules that allow each political subdivision to have control over their own revenue.

Premise of Reform:

No political subdivision shall have control over another political sub's revenue or tax base without approval of the latter's governing board.

17.0146.01000

Sixty-fifth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2055

Introduced by

Senator Cook

Representative Headland

1 A BILL for an Act to amend and reenact subsection 1 of section 40-63-03 of the North Dakota
2 Century Code, relating to a requirement that cities applying for designation of a renaissance
3 zone submit letters of support from affected political subdivisions.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Subsection 1 of section 40-63-03 of the North Dakota Century
6 Code is amended and reenacted as follows:

- 7 1. A city may apply to the department of commerce division of community services to
- 8 designate a portion of that city as a renaissance zone if the following criteria are met:
- 9 a. The geographic area proposed for the renaissance zone is located wholly within
- 10 the boundaries of the city submitting the application.
- 11 b. The application includes a development plan and letters of support from each
- 12 county and school district that contain property located within the boundaries of
- 13 the proposed renaissance zone.
- 14 c. The proposed renaissance zone is not more than thirty-four square blocks,
- 15 except in a city with a population of greater than five thousand the renaissance
- 16 zone may exceed thirty-four square blocks at the rate of one additional block for
- 17 each additional five thousand population to a maximum size of forty-nine blocks.
- 18 Population is based upon the most recent federal decennial census or federal
- 19 census estimate.

20 If a city finds that renaissance zone projects have satisfactorily completed
21 one or more blocks within the renaissance zone, the city may apply for and the
22 department of commerce division of community services may approve withdrawal
23 of those blocks from the renaissance zone and replacement of those blocks with
24 other blocks that otherwise meet the requirements of this chapter.

Sixty-fifth
Legislative Assembly

- 1 d. Except as provided under subdivision g, the proposed renaissance zone has a
- 2 continuous boundary and all blocks are contiguous.
- 3 e. The proposed land usage includes both commercial and residential property.
- 4 f. The application includes the proposed duration of renaissance zone status, not to
- 5 exceed fifteen years. Upon application by the city and submission of the
- 6 documents required under subdivision b, the department of commerce division of
- 7 community services may extend the duration of renaissance zone status in
- 8 increments of up to five years.
- 9 g. The proposed renaissance zone may have a single exception to the continuous
- 10 boundary and contiguous block requirements under subdivision d if the area of
- 11 the excepted noncontiguous blocks does not exceed three square blocks.

Zone may be expanded above 34 square blocks by one block for each additional 5,000 population, up to a maximum of 49 blocks. All blocks must have a continual boundary and must be contiguous. If a block with commercial and residential property contains any government owned buildings, the city may add a half block. However, all counted blocks must still have a continual boundary and must still be contiguous. No further break-down of a block for counting purposes is allowed. Half blocks may only be added after the initial 34 blocks are identified. Half blocks are not permitted when adding blocks based on each 5,000 population increment.

- a) The exception to the contiguous and continual boundary is a city may have up to a three block area that is not contiguous with the rest of the Renaissance Zone, this (3) block area is part of the total blocks a city may use for their Renaissance Zone.
 - b) Once a city has determined that a block has been completed satisfactorily the city may ask that the block(s) be removed from the Renaissance Zone and that additional block(s) be added to the zone. A city will need to submit the following information to DCS:
 - (1) Evidence of a public hearing
 - (2) Brief narrative explaining why the block is complete.
 - (3) Minutes from the city council approving the removing of the old blocks and adding of the new blocks.
 - (4) Inventory of the blocks – addresses, owner of the building, condition.
- 2) The proposed Renaissance Zone must include both commercial and residential property.
 - 3) The initial duration of a Renaissance Zone may not exceed 15 years.
 - a) Once the initial duration of the Renaissance Zone has been completed a city may make application to DCS to extend the duration of the zone in five year increments.
 - b) In order to be considered for an extension, Commerce will need the following:
 - (1) Updated development plan, including an updated inventory.
 - (2) Explanation of why extension is needed.
 - (3) Letters of support from the school district and county.
 - (4) Results of the public hearing.
 - (5) City council minutes documenting approval.
 - c) A new MOU will be executed upon approval of the extension.
 - 4) A city may not propose or be part of more than one Renaissance Zone.
 - 5) A city may apply for a Renaissance Zone for an area of less than the number of eligible blocks and, at a later date, request expansion of the zone up to the maximum number of blocks permitted.

Burleigh won't back longer Bismarck Renaissance Zone

LEANN ECKROTH Bismarck Tribune Apr 5, 2016



TOM STROMME, Tribune

Buy Now

The former Front Page building in downtown Bismarck was one of the 118 buildings that benefited from Renaissance Zone incentives in Bismarck.

Burleigh County commissioners Monday rejected supporting a five-year extension of a Renaissance Zone in Bismarck.

Steve Schwab, a former Bismarck City commissioner, criticized the zone, saying Bismarck has allowed developers in the program to create a "welfare district and everyone else pays for it."

All five commissioners approved a motion to deny a letter of support for the program, which allows developers who invest in older downtown properties to receive state income tax and local property tax breaks. The program aims to boost economic development and housing opportunities at aging buildings and properties.

On March 22, the Bismarck City Commission approved extension of the program, but state Commerce Department guidelines require letters of support from the county and the Bismarck School District in submitting the application for state approval. Bismarck's Renaissance Zone is scheduled to end May 1.

Dustin Gawrylow, managing director of the North Dakota Watchdog Network, said allowing the extension also creates the possibility to expand Renaissance zone blocks.

"This has been going on for years. When will it end?" Commissioner Doug Schonert asked.

Regardless, the city will proceed with the extension request, according to Mayor Mike Seminary.

"Our interpretation is the city has to reach out to the political subdivisions. We'll see what the state does," said Seminary, adding there has been significant property improvements with "hundreds of jobs created and millions of dollars invested in properties" that might not have happened without a Renaissance Zone.

Commissioner Josh Askvig said he was disappointed by the county's refusal to support the Renaissance Zone.

"Our plan is to continue to create a vibrant downtown. We'll finish what we submitted to the state and see what happens," said Askvig, emphasizing that there are no plans to extend the Renaissance Zone borders.

Rikki Roehrich, program administrator for the Renaissance Zone with the state Commerce Department, said Tuesday that the letter of support from [redacted] county and the school district weigh heavily into the agency's decision on whether a program continues.

"It has been a requirement since the program's inception. It would not be considered a viable extension plan without the letter of support and would automatically be denied," said Roehrich, adding that this is the first time the issue has come up as not many cities have seen their 15-year Renaissance zones expire.

Reach LeAnn Eckroth at 701-250-8264 or leann.eckroth@bismarcktribune.com

Bismarck Renaissance Zone Statistics

- Total projects approved --118.
- Initial building value --\$25.6 million.
- Estimated building value with improvements --\$65.2 million
- Private investments to date--\$52.54 million.
- Jobs created --465 full-time equivalent.
- New businesses downtown-- 50.
- Expanded businesses downtown --17.

LeAnn Eckroth



Meet some of the key players in the 2017 Puppy Bowl

Meet some of the key players in the 2017 Puppy Bowl

Photos: Highlights from the New York Film Critics Circle Awards

Photos: Highlights from the New York Film Critics Circle Awards



ENERGY BILL CRUNCHER
Homeowners Going Solar With No Up Front Cost.

The healing power of dogs, in 12 photos

The healing power of dogs, in 12 photos

Today's top pics: Annual zoo count and more

Your daily 6: Mariah speaks, Manson is hospitalized and Janet has a boy

Bismarck Renaissance Zone to be extended 15 months

LE... ROTH Bismarck Tribune May 6, 2016



Marquardt **Buy Now**

WILL KINCAID, Tribune



TOM STROMME, Tribune

Buy Now

This vacant property in downtown Bismarck is being proposed for use as an infill site for an apartment building for senior citizens. The building would have four stories, and developers have gone before the city's Renaissance Zone Authority.

Bismarck's request for a five-year extension to its 15-year Renaissance Zone has been denied by the state Commerce Department, instead allowing for an additional 15 months.

The extension, through Aug. 1, 2017, will allow the upcoming Legislature to define "community support." The city's request for an extension was accompanied by a letter of support by the Bismarck School District. However, Burleigh County voted against providing support for the extension.

The program, geared toward older city commercial districts, offers investors state income tax and local property tax breaks up to five years for improvements made to older buildings and properties.

In a letter dated May 5, State Commerce Commissioner Alan R. Anderson responded to Bismarck Community Development Director Carl Hokenstad's application. Anderson said this was the first time in the state's Renaissance Zone program history that county opposition has been encountered. To date, 58 communities have been approved to participate in 15-year Renaissance Zone programs and six have been granted the five-year extension.

Department of Commerce is not granting approval for the five-year extension as the development plan does not contain all of the letters of support necessary," said Anderson, citing that "evidence of community support" must include letters of support from both the county commission and school board.

The Bismarck City Commission in March approved the five-year extension in a 4-1 vote, with Commissioner Steve Marquardt voting no.

All five Burleigh County commissioners voted to deny a letter of support for the five-year extension. The Bismarck School Board split in its vote, but approved a letter of support in a 3-2 vote.

"We hope the city of Bismarck capitalizes on the opportunity to gain insights into proposed zone extension, as well as resident concerns," Anderson wrote.

County Commissioner Kathleen Jones said she could support the short-term extension, but wants the state Commerce Department to take another approach.

"I'm not opposed to the Renaissance Zone, but you've got to look at all programs for the city, including the CORE fund and Vision Fund. They all need a good look at," Jones said. "I realized we need a viable downtown. But when we get off the interstate, who is helping those other people like at Gateway Mall?"

"We need a total community effort," Jones said.

Commissioner Josh Askvig said he is hopeful the temporary extension will allow outstanding Renaissance projects, such as the MetroPlains 30-apartment building planned for seniors 55 and older, can be completed in time for developers to qualify for the incentive.

"It's an important discussion. Should the county pre-empt economic incentive programs for a city? We'll continue to have that discussion, and, hopefully, the Renaissance Zone will get a five-year extension," Askvig said.

(Reach LeAnn Eckroth at 701-250-8264 or leann.eckroth@bismarcktribune.com)

REQUEST FOR CITY COMMISSION ACTION

Item Description: Renaissance Zone Program Request for a 5-Year Duration Extension

REQUEST

The Renaissance Zone program in Bismarck is set to expire on May 1, 2016. The NDCC 40-63-03.1 states "The application includes the proposed duration of renaissance zone status, not to exceed fifteen years. Upon application by the city, the department of commerce division of community services may extend the duration of renaissance zone status in increments of up to five years." The purpose of this request is to seek support from the Board of City Commissioners to allow the Community Development Department – Planning Division to apply for the five-year program extension.

In addition to the support of the Board of City Commissioners, the following items would need to be submitted to the North Dakota Department of Commerce - Division of Community Services for consideration of the five-year program extension request:

- Updated development plan, including an updated inventory
- Explanation of why the extension is needed
- Letters of support from the Bismarck Public School District and Burleigh County
- Results of the public hearing
- City Commission meeting minutes documenting approval of the request

A new memorandum of understanding would need to be executed upon approval of the extension.

RENAISSANCE ZONE AUTHORITY

The Renaissance Zone Authority discussed the five-year program extension at the February 16, 2016 and March 15, 2016 meetings and has recommended approval of the request.

RECOMMENDED CITY COMMISSION ACTION

Hold a public hearing relating to the request for the five-year program extension and consider the recommendation by the Bismarck Renaissance Zone Authority to extend the Renaissance Zone program by five years, as allowed by NDCC 40-63-03.1.



Bismarck

Community Development Department

MEMORANDUM

TO: Chairman Walth and Renaissance Zone Authority

FROM: Jason Tomanek – Senior Planner

DATE: March 10, 2016 *JT*

RE: Renaissance Zone Program State Extension Procedures

The purpose of this memo is to provide information relating to the necessary procedures a community must follow to apply for an extension of the Renaissance Zone program. The Renaissance Zone program was initially established as with a 15 year sunset. The City of Bismarck's Renaissance Zone program is set to expire on May 1, 2016.

The 2013 legislative assembly amended the law to allow communities to apply for a 5-year extension of the program. Attached to this memo is a letter from the North Dakota Department of Commerce - Division of Community Services which outlines the steps that will need to be taken to request the extension of the program in Bismarck.

Attached is a draft version of the updated Development Plan for the City of Bismarck's Renaissance Zone program. The revised text is highlighted with proposed additions marked with an underline and proposed removals struck through.

The revised Development Plan would need to be considered by the Board of City Commissioners in conjunction with a public hearing. In addition to the public hearing, the Development Plan would need to be submitted to the North Dakota Department of Commerce - Division of Community Services for review along with letters of support for the Renaissance Zone program from the Bismarck Public School District and Burleigh County.

Bismarck commissioner ousted amid taxpayer controversy

JES [REDACTED] DMAN Bismarck Tribune Jun 15, 2016



After eight years in office, Parrell Grossman lost his Bismarck City Commission seat amid controversy over Renaissance Zoning and the city's use of taxpayers' dollars.

"Some decisions as a commissioner were more difficult or complicated than I imagined, and weighed heavily on me. In some instances, all the citizens did not agree with my decisions," Grossman said in an email. "However, I am grateful for having spent thousands of hours trying to do the possible job for the citizens of Bismarck, and I want to thank my family for their support. I respect the decision of the voters who either did not agree with my contributions or actions, or simply selected another candidate. I wish the very best to the newly elected commissioners."

Grossman garnered less than 20 percent of the vote while the other incumbent, Steve Marquardt, received 28 percent, according to unofficial results.

Marquardt said he does not know for sure what factors might have led to the election results, but he thinks his own victory came because he stayed true to his message.

"I think my voting record shows I listen to people," he said.

For example, he voted to let Bismarck's Renaissance Zone expire rather than apply to the state for an extension.

"The people I visited with didn't want it to go forward," said Marquardt, adding he was also against the expansion of the Tax Increment Financing district.

"I think the citizens sent a message," Marquardt said of the election, and he wants to see the new commission work together to address residents' needs. "Hopefully, (the commissioners) will see the citizens want change."

He said he would like to see better inclusion of citizens in the decision-making process as well as more transparency.



"Parrell Grossman was defeated badly for sticking by Mayor Mike Seminary's anti-taxpayer policy proposals," Dustin Garylow, managing director of the North Dakota Watchdog Network, said in a statement. "The local officials who voted on the side of taxpayers won re-election while those who voted against taxpayer interests were defeated."

However, Nolan Canright, who spoke openly about the Watchdog Network's concerns, was narrowly defeated by challenger Shawn Oban.

"I think that there was a very well-funded, well-organized effort to actually mislead people about past decisions made by the commission that impacted the race," Seminary said.

Still, he congratulated the victors, whom he said he looks forward to working with, as well as the challenger. "Nolan Canright did an incredible job for his first time running for public office," he said.

"It has been an absolute pleasure and an honor to work with Commissioner Grossman," Seminary added. "I know firsthand the extraordinary effort he put into serving the public."

Seminary praised Grossman for his work in managing the city budget and when it came to negotiating city departments' hiring and spending.

"He did it masterfully, and I will miss his skills," Seminary said.

Marquardt also said he respected Grossman's decisions and campaign, even when he didn't agree.

Reach Jessica Holdman at 701-250-8261 or jessica.holdman@bismarcktribune.com

Jessica Holdman

Currents

Meet some of the key players in the 2017 Puppy Bowl

Meet some of the key players in the 2017 Puppy Bowl

Photos: Highlights from the New York Film Critics Circle Awards

Legal Carve-Out In State Law Allows Some Agencies To Do Whatever They Want

State laws regarding the power of state agencies to make and break their own rules have so many loopholes it creates unchecked power for bureaucrats.

May 18th, 2016

Earlier in May, we wrote about the latest chapter in the Bismarck Renaissance Zone fight. Since then, a lot has been uncovered about the lack of over-sight and intentional loopholes created by the legislature to allow some state agencies to run wild.

N.D.C.C. 28-32 is the Administrative Agency Practices Act. This portion of state law governs state agencies as far as how they are to operate beyond explicit legislatively enacted laws.

N.D.C.C. 28-32-2 says

"The authority of an administrative agency to adopt administrative rules is authority delegated by the legislative assembly. As part of that delegation, the legislative assembly reserves to itself the authority to determine when and if rules of administrative agencies are effective. Every administrative agency may adopt, amend, or repeal reasonable rules in conformity with this chapter and any statute administered or enforced by the agency."

The key sentence is the 2nd sentence: *the legislative assembly reserves to itself the authority to determine when and if rules of administrative agencies are effective.*

Previously in the definitions section (N.D.C.C. 28-32-01.2a-2y), the legislature carves out specific agencies and departments where agencies can operate without going through the typical administrative rule making process as defined in the the chapter.

Many of the exemptions cover agencies that are led by elected official, or government entities that are quasi-independent based on their status in the state constitution.

One line-item exempted entity that sticks out is Item. E - *The department of commerce with respect to the division of economic development and finance.*

That's right, the division of the State Commerce Department that has now acted in contradiction to its own memo to the Burleigh County Commission is explicitly exempted from the general rule-making process that most state agencies must abide by in the name of transparency and due process.

This means that the Department of Commerce can ignore its own procedural guidelines which are still posted on their website because the legislature says they don't have to abide by any process to make rules in the first place. So any rules made by the Department of Commerce's Division of Economic Development and Finance can be changed at a whim, by explicit state law.

Doesn't that seem like a pretty terrible way to manage the way tax incentives and corporate welfare handouts are given away?

It should tell all taxpayers, and to lawmakers who like to say we do things differently in North Dakota as compared to the Federal Government.

In the case of Economic Development oversight, North Dakota does it just about as bad as possible.

These sorts of intentional loopholes should be an embarrassment for the state. The public should know that the agencies in charge of giving away selective tax breaks to special people and businesses have a sound policy making process. It's very clear there is no process at all, and that is how the legislature wanted it.

State Dept. of Commerce Grants "Extension" Instead of "Renewal"

Department of Commerce action violates the intent of the legislature for a renewal to occur by May 1st, 2016 in order to let the legislature over-turn the desire of the Burleigh County Commission. This action essentially disenfranchises the Burleigh County Commission in the approval process.

May 6th, 2016

On April 7th, we warned that Bismarck Mayor Mike Seminary was planning to ask the State Department of Commerce to ignore the law and ignore the Burleigh County Commission's rejection of the Renaissance Zone Renewal.

It appears Mayor Seminary has gotten his way and the State Department of Commerce has vetoed the action of the Burleigh County Commission.

Sometimes the actions of government bureaucrats are simply shocking.

For those following the situation in Bismarck, you will recall that the Burleigh County Commission voted not to support a 5-year renewal of the Bismarck Renaissance Zone.

In response to the City of Bismarck's application to "renew" its Renaissance Zone, the North Dakota Department of Commerce rejected the "renewal" but granted an "extension" until August 1st, 2017 in order to give the legislature time to change the law and over-ride the power it gave to county commissions in the first place.

Carl D. Hokenstad
Director of Community Development
City of Bismarck
PO Box 5503
Bismarck, ND 58506-5503

RE: Renaissance Zone Program 5-Year Extension Request - Bismarck

Dear Mr. Hokenstad:

Thank you for your recent application for a 5-year extension for the current Bismarck Renaissance Zone program.

The Department of Commerce is not granting approval for the requested five year extension as the development plan does not contain all of the letters of support necessary to demonstrate community support. However, an extension through August 1, 2017, is granted in order to provide the legislature with an opportunity to clarify the definition of "evidence of community support."

The statute governing the Renaissance Zone program, NDCC Chapter 40-63, requires that a development plan include "evidence of community support." Commerce has interpreted this requirement to include, at a minimum, letters of support from the school district and the county that would be impacted by the property exemptions provided within a Renaissance Zone. This interpretation is spelled out in the Renaissance Zone Program Guidelines.

To date, 58 communities have been approved for a Renaissance Zone and 6 have been approved for 5 year renewals. The City of Bismarck's application for a 5 year extension is the first instance in which county opposition has been encountered in the program's 17 year history.

I understand that there is disagreement with Commerce's interpretation that "evidence of community support" must include support from the school district and county. Given this disagreement, and the fact that the statute does not clearly define what is required to demonstrate community support, I believe it is appropriate to allow the legislature an opportunity to clarify their intent in requiring evidence of community support.

The Renaissance Zone program is focused on revitalizing communities and therefore puts the decisions that impact the communities and the taxpayers with local control. The program is unique in that cities develop handcrafted development plans that address each city's specific goals. Commerce serves only as the due diligence arm of the process, ensuring appropriate

To translate the letter: the State Department of Commerce has decided it does not think the legislature was clear when it required support from the County Commission. As such, the State Department of Commerce has granted itself the power to give the City of Bismarck another year and 3 months, in order to give the city time to lobby the state legislature.

Abuse of Power

This action by the Department of Commerce contradicts their own directions to the Burleigh County, and is a huge over-reach in terms of over-ruling the power the legislature gave counties in this process.

Every local elected official and state legislator should be outraged at this action.

Regardless of whether you are for or against these sorts of programs, the idea that a state agency can have this sort of power should scare everyone.

City Knew It Needed County Support

The City of Bismarck always knew it needed support from the county, as its March 22nd, 2016 agenda shows.

But the City of Bismarck did not even send a representative to the Burleigh County Commission to make the city's case!

It appears that Mayor Mike Seminary was successful in pressuring the State Department of Commerce to overlook the law that required county commission support.

Bismarck

Community Development Department

MEMORANDUM

TO: Chairman Walth and Renaissance Zone Authority
FROM: Jason Tomanek - Senior Planner
DATE: March 10, 2016 *JT*
RE: Renaissance Zone Program State Extension Procedures

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Bismarck

REQUEST FOR CITY COMMISSION ACTION

Item Description: Renaissance Zone Program Request for a 5-Year Duration Extension

REQUEST

The Renaissance Zone program in Bismarck is set to expire on May 1, 2016. The NDCC 40-03-03.1 states: "The application includes the proposed duration of renaissance zone status, not to exceed fifteen years. Upon application by the city, the department of commerce division of community services may extend the duration of renaissance zone status in increments of up to five years." The purpose of this request is to seek support from the board of City Commissioners to allow the Community Development Department - Planning Division to apply for the five-year program extension.

In addition to the support of the Board of City Commissioners, the following items would need to be submitted to the North Dakota Department of Commerce - Division of Community Services for consideration of the five-year program extension request:

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A new memorandum of understanding would need to be executed upon approval of the extension.

RENAISSANCE ZONE AUTHORITY

The Renaissance Zone Authority discussed the five-year program extension at the February 16, 2016 and March 15, 2016 meetings and has recommended approval of the request.

RECOMMENDED CITY COMMISSION ACTION

Hold a public hearing relating to the request for the five-year program extension and consider the recommendation by the Bismarck Renaissance Zone Authority to extend the Renaissance Zone program by five years, as allowed by NDCC 40-03-03.1.

Next Steps

The next steps in the process will involve the Burleigh County Commissioners taking proactive steps to defend themselves in this process.

That will involve a number of possible things, not limited to the following:

1. Formally requesting an Attorney General opinion whether the State Department of Commerce has the power to grant an "extension" after the deadline for "renewal" has lapsed. As well as asking whether a state agency can ignore existing law in order to give an entity, in this case a city, the chance to lobby to change the law.
2. Taking legal action against the State Department of Commerce and requesting an injunction preventing the department from unilaterally granting an exemption to the renewal process.

Once again, it will be time for the public to show your support for the County Commission.

[Click here for their contact information](#), tell them to fight the Department of Commerce's efforts to disenfranchise them and their constituents.

No Longer Just A Bismarck Issue

As for the public, it is time for you to get involved as well. This is no longer just a Bismarck issue. This is an issue of whether there truly is local control, or whether state bureaucrats can over-ride both the state legislature and local elected officials.

This would represent a terrible precedent in North Dakota.

Regardless of where you live or what you think of Renaissance Zones, this is an issue of over-reach by government bureaucrats. They are now over-ruling the will of your elected officials. That's a problem for everyone in North Dakota.

Bismarck Mayor Mike Seminary Wants State To Change Policies To Over-Rule Burleigh County

April 7th, 2016

Today, the Bismarck Tribune is reporting that Bismarck Mayor Mike Seminary intends to exert pressure on the North Dakota Department of Commerce in order to nullify the Burleigh County Commission's pro-taxpayer decision to not renew the City of Bismarck's Renaissance Zone program.

On March 29, the Bismarck City Commission approved extension of the program, but state Commerce Department guidelines require letters of support from the county and the Bismarck School District in submitting the application for state approval. Bismarck's Renaissance Zone is scheduled to end May 1.

[...]

Rikki Roehrich, program administrator for the Renaissance Zone with the state Commerce Department, said Tuesday that the letter of support from the county and the school district weigh heavily into the agency's decision on whether a program continues.

"It has been a requirement since the program's inception. It would not be considered a viable extension plan without the letter of support and would automatically be denied," said Roehrich, adding that this is the first time the issue has come up as not many cities have seen their 15-year Renaissance zones expire.

Despite this fact that it has ALWAYS been a requirement to have the County's support, and that it would be automatically declined, Mayor Mike Seminary says he will put pressure (perhaps undue?) on the state to treat Bismarck differently than it has other cities in the past:

Regardless, the city will proceed with the extension request, according to Mayor Mike Seminary.

"Our interpretation is the city has to reach out to the political subdivisions. We'll see what the state does," said Seminary, adding there has been significant property improvements with

"hundreds of jobs created and millions of dollars invested in properties" that might not have happened without a Renaissance Zone.

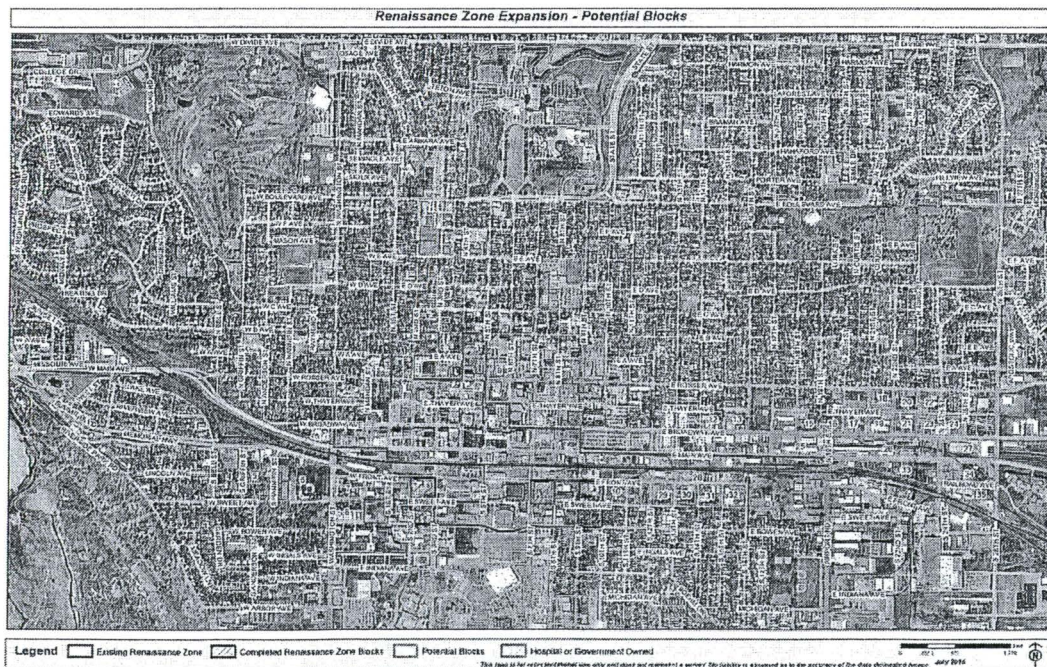
City Commissioner Josh Askvig is backing Mayor Seminary's plan to pressure the state to accept the city's incomplete renewal application:

Commissioner Josh Askvig said he was disappointed by the county's refusal to support the Renaissance Zone.

"Our plan is to continue to create a vibrant downtown. We'll finish what we submitted to the state and see what happens," said Askvig, emphasizing that there are no plans to extend the Renaissance Zone borders.

Commission Askvig's comment about not having any plans to expand the Renaissance Zone defies the facts that the sub-committee he is a member of is already looking to do just that.

In the map below, the blocks outlined in Red are the current blocks in the Renaissance Zone - the blocks outlined in other colors are being considered as part of the expansion (which requires renewal to happen.)



Meanwhile, Commission Parrell Grossman called into KFJR Radio yesterday afternoon to

voice his disappointment with the Burleigh County Commission.

Be sure to listen to that audio.

(Note: City Commissioner Steve Marquart did vote against the extension at the city level, and was the lone dissenting vote. Commissioner Nancy Guy has not been officially put on the public record since voting in-favor of the renewal.)

It is important that the taxpayers continue to support the Burleigh County Commission with feedback on this issue. They must stand their ground and make sure the state does not change the rules on them. The rule of law, and the existing process must not be altered. There is a reason the state legislature put the Commerce Department in charge of this process. Let's hope everyone operates like usual.

(Below is the original story in case you missed it.)

Burleigh County Action Shifts Property Tax Debate Back To Local Government, Where It Belongs

The state legislature cannot fix property taxes because it does not have the final say in the policies that go into determining property taxes.

April 5th, 2016

Last night I alerted you to the action taken at the Burleigh County Commission with regard to the Bismarck Renaissance Zone.

Today, the video from the commission meeting is available for viewing.

For the last several legislative sessions, there has been a debate over Property Tax Relief and Property, starting in 2009. and in 2010.

Now, as the state is facing it's budget problems, and the debate over what to do about property taxes reheats - the legislature, elected officials, and taxpayers must look at what Bureigh County did as a first step in the process to reforming property taxes locally.



The legislature can throw money at the problem all it wants, but until local governments start addressing their own policy decisions when it comes to tax-giveaways (called "incentives"), tax exemptions, and other tax policies there will be no real reform.

The state legislature for the last 8 years has been bailing out local governments, and enabling these issues to go unaddressed.

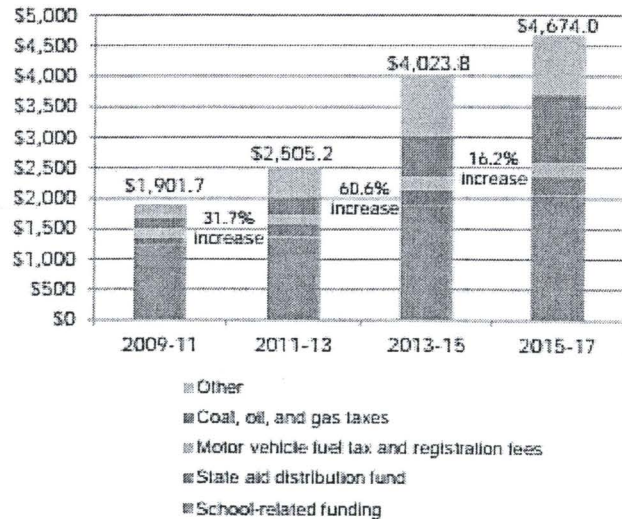
With the state's ability to continue these local government bailout programs in the balance now, the time has come for local taxpayers across the state to demand their local governments start to figure out what they can do to minimize the impact of future state spending cuts.

If local governments fail to make these moves, local taxpayers should hold their local government officials responsible for that failure - not the state legislature.

The state legislature must demand that local governments start this process as well.

**ASSISTANCE TO POLITICAL SUBDIVISIONS
(Amounts Shown in Millions)**

The following is a summary of major state appropriations and revenue allocations for direct assistance to political subdivisions:



The Burleigh County Commission has taken the role as Trailblazer in this process - who will follow their leadership and example?

Burleigh County Commission Rejects Extension of Bismarck Renaissance

State law requires the county commission and school board to approve of extensions, expansions, and amendments.

April 4th, 2016

Breaking news tonight from the Burleigh County Commission.

On a unanimous 5-0 vote, Burleigh County Commissioners voted to deny the request by the City of Bismarck for letter of support to extend the Bismarck Renaissance Zone past the May 1st, 2016 expiration date.

For taxpayers in Bismarck and Burleigh County this is a HUGE victory in the name of tax fairness and against discriminatory tax policies that amount to little more than corporate welfare.

If you live in Bismarck or Burleigh County, please contact your county commissioners by visiting their contact information page and tell them to stand their ground!

They are certain to get pressure from the city and special interest groups to reverse this decision. There are many developers that will not like this action as it cuts off a primary tax incentive subsidy for their projects. But Bismarck and Burleigh County taxpayers now know that their county commission is willing to do the right thing. Be sure to thank them and support them for this decision.

Tell them you have their backs!

For those of you not in Bismarck or Burleigh County, keep an eye on this issue and how you community reacts when it comes time for their Renaissance Zone to be renewed or expanded. The state legislature pass SB 2329 last year to allow cities to massively expand this corporate welfare program.

AB 2055
1-5-17
attachment #3

Merty, Sandra L.

From: Roehrich, Rikki L.
Sent: Tuesday, February 23, 2016 8:46 AM
To: 'Jason Tomanek'
Subject: RE: RZ Inquiry - Bismarck

Hi Jason,

I did have a chance to look into the history of the community support requirement and speak with the Director of our Division about this. It appears that even though the statute doesn't directly call for the letters, the Division of Community Services has always required it as a part of the administrative procedure. Given the long standing requirement as well as the importance of feedback with these community entities, we will need the letters to successfully extend the Zone for an additional five years. Does it still appear as though you might be able to only obtain one?

Regarding the letters, they were mailed out by Ali right before I returned to the office. I will send out copies today to ensure you get them!

Thank you!

Rikki Roehrich
Program Administrator
North Dakota Department of Commerce
(701) 328-2687
rroehrich@nd.gov

From: Jason Tomanek [mailto:jtomanek@bismarcknd.gov]
Sent: Tuesday, February 23, 2016 8:25 AM
To: Roehrich, Rikki L.
Subject: RZ Inquiry - Bismarck

Rikki-

I am just checking in to see if you have had an opportunity to discuss whether the letters of support from the Bismarck Public School District and Burleigh County are required submittal items for the City of Bismarck's request to extend the Renaissance Zone program five more years. When we last spoke you had mentioned that these items may open for consideration since the law does not specifically call out the letters as a requirement.

Also, when we last spoke, you had mentioned that there were two correspondence letters that would be mailed out regarding project 110-B (514 East Main Avenue) and project 119-B (212 East Main Avenue); I have not yet seen these letters and I just wanted to be certain I didn't miss something in the mail.

Thank you,

JASON TOMANEK — SENIOR PLANNER
COMMUNITY DEVELOPMENT DEPARTMENT
PLANNING DIVISION
701.355.1840-DEPARTMENT
701.355.1849-DIRECT
WWW.BISMARCKND.GOV

Merty, Sandra L.

From: Roehrich, Rikki L.
Sent: Thursday, March 24, 2016 8:44 AM
To: 'Jason Tomanek'
Subject: RE: Bismarck Renaissance Zone Inquiry

Hi Jason,

Thank you for your question. You are correct in your reading of the Century Code in that it does not explicitly state that letters of support from any entity are necessary in relation to the Renaissance Zone so I am happy to elaborate on why our office requires this.

I am going to reference NDCC 40-63-03(1), which states that:

3. The department of commerce division of community services shall consider the following criteria in designating a renaissance zone:

- a. The viability of the development plan.
- b. The incorporation and enhancement of unique natural and historic features into the development plan.
- c. Whether the development plan is creative and innovative in comparison to other applications.
- d. Public and private commitment to and other resources available for the proposed renaissance zone, including the provisions for a renaissance fund organization.
- e. How renaissance zone designation would relate to a broader plan for the community as a whole.
- f. How the local regulatory burden, in particular that burden associated with the renovation of historic properties and that burden associated with mixed use development, will be eased for developers and investors in the renaissance zone.
- g. The strategies for the promotion, development, and management of the zone, including the use of a local zone authority if designated.
- h. Any other information required by the office.

The requirement for the letters from the county and the school district are tied to items d and e, which serve to illustrate community support for the zone on a broader scale. Once the legislation was adopted, DCS realized that it had to define what evidence of this support would be look like. Since the tax exemptions directly affect both the county and the school district, it was reasoned that their support would be a key component to illustrating broader community support as well as a development plan that has a high likelihood of being successful for that community. Since the program's inception, these letters have been a requirement of our office and the need to have them is stated in the program guidelines, published by DCS (link below). Appendix B, page B-3 lists this requirement under the heading of Local Commitment as it relates to the adoption of a development plan. And on Page 12 you will find that it is listed as one of the requirements needed for a 5 year extension to be considered.

<http://www.communityservices.nd.gov/uploads/27/NDRenaissanceZoneProgramGuidelines.pdf>

In light of the long history of this requirement, as well as its ability to demonstrate community support for the Renaissance Zone within each city, DCS will not be changing this requirement in the program guidelines and any development plan or extension that does not contain these items will not be considered for approval by our office.

I am happy to answer any additional or follow-up questions you might have. Thank you!

Rikki Roehrich
Program Administrator

Dakota Department of Commerce
328-2687
rroehrich@nd.gov

From: Jason Tomanek [mailto:jtomanek@bismarcknd.gov]
Sent: Wednesday, March 23, 2016 4:32 PM
To: Roehrich, Rikki L.
Subject: Bismarck Renaissance Zone Inquiry

Greetings, Rikki-

A question has been brought to my attention by one of the political subdivisions within Burleigh County. The question raised relates to the need to provide letters of support for the City of Bismarck's upcoming request for the 5-year extension of the Renaissance Zone program. The entity that has asked the initial question because they are not certain if they are required to respond to the City of Bismarck's request. In reading through the NDCC Chapter 40-63, it does not clearly state that letters of support are required by any political subdivision. I was asked to provide the Chapter to the entity that has asked about the need for letters of support for their review of the law as well. I also provided the memorandum that was sent to each Renaissance Zone community in February 2014. The memo lists the items the North Dakota Department of Commerce - Division of Community Services would need in order to consider the request for a five year extension of the program. Based on my review the NDCC and the memo, it appears as though the NDCC is silent on the specific requirements listed in the memorandum.

The City of Bismarck is willing to request letters of support from the various political subdivisions. It is our intention to request letters of support, this effort would be done via written correspondence to each of the three political subdivisions in Burleigh County; the Bismarck Public School District, the Bismarck Parks & Recreation District and Burleigh County.

As a follow-up inquiry on behalf of the City of Bismarck, please clarify what would happen if the City of Bismarck does not receive letters of support from the aforementioned political subdivisions.

Thank you for your time and attention to this matter,

JASON TOMANEK — SENIOR PLANNER
COMMUNITY DEVELOPMENT DEPARTMENT
PLANNING DIVISION
701.355.1840-DEPARTMENT
701.355.1849-DIRECT
WWW.BISMARCKND.GOV

Please note my new email address: jtomanek@bismarcknd.gov

Bismarck

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Werty, Sandra L.

From: Roehrich, Rikki L.
Sent: Tuesday, March 29, 2016 3:05 PM
To: 'Jason Tomanek'
Subject: RE: Renaissance Zone Extension Request

The final version is sufficient. Thanks Jason!

Rikki Roehrich
Program Administrator
North Dakota Department of Commerce
(701) 328-2687
rroehrich@nd.gov

From: Jason Tomanek [mailto:jtomanek@bismarcknd.gov]
Sent: Tuesday, March 29, 2016 2:49 PM
To: Roehrich, Rikki L.
Subject: Renaissance Zone Extension Request

Rikki-

the submittal items required for a 5-year program extension request, would you prefer to receive a draft copy of the City of Bismarck's development plan with proposed changes indicated, or would you prefer to receive a clean copy with the changes implemented without any markings? Below is an excerpt from the development plan as reviewed by the Renaissance Zone Authority. The new/proposed language is underlined and highlighted in yellow and the language proposed for removal is struck through and highlighted.

This Development Plan for the Bismarck Renaissance Zone is a major revision to the Plan first developed in late 2000, ~~the Development Plan which has been revised and updated over the years, but there was a desire to simplify the Plan and make it more user-friendly. This document is the result of that effort. The purpose of this revision is to satisfy the requirements to request a 5-year extension of the Renaissance Zone program.~~ This document is meant to update the original Renaissance Zone Development Plan adopted by the City of Bismarck and approved by the North Dakota Department of Commerce - Division of Community Services in May 2001. The following items have been updated, amended or included during this process:

The final version of this paragraph would look like this:

This Development Plan for the Bismarck Renaissance Zone is a revision to the Plan first developed in late 2000, which has been revised and updated over the years. The purpose of this revision is to satisfy the requirements to request a 5-year extension of the Renaissance Zone program. This document is meant to update the original Renaissance Zone Development Plan adopted by the City of Bismarck and approved by the North Dakota Department of Commerce - Division of Community Services in May 2001. The following items have been updated, amended or included during this process:

Thank you,

JASON TOMANEK – SENIOR PLANNER
COMMUNITY DEVELOPMENT DEPARTMENT

Merty, Sandra L.

From: Roehrich, Rikki L.
Sent: Thursday, April 7, 2016 11:24 AM
To: Malo, Bonnie S.; Dever, Justin R.; Becker, Joe J.; Erickson, Edward E.
Subject: Renaissance Zone Extension Procedures

Hello All,

I'm not sure if everyone is aware of this, but Bismarck's Renaissance Zone is up for renewal next month and it appears that they may not have all the required elements to get the new development plan approved. This is a first for the program. Since we are encountering issues that have never arisen before, this generates questions for us that we don't currently have an answer for. Given the circumstances, we thought it would be a good idea to maybe get together and get everyone's input on the best way to move forward. Would you be available on either the 12th (before 11 AM or after 1 PM) or 13th (before 11 AM) if we were to schedule a meeting?

Thank you!

Rikki Roehrich
Program Administrator
North Dakota Department of Commerce
(701) 328-2687
rrich@nd.gov

McMerty, Sandra L.

From: Dever, Justin R.
Sent: Tuesday, April 12, 2016 11:27 AM
To: Anderson, Alan R. (alranderson@nd.gov)
Cc: McMerty, Sandra L.; Malo, Bonnie S.
Subject: Renaissance Zone

Al,

Bonnie, Rikki, and I met with Edward Erickson this morning concerning Renaissance Zone extension requests. He will be providing something in writing, but I wanted to give you a heads up.

The bottom line is that our Renaissance Zone guidelines do not have the force of law and cannot be used to bind third parties. Edward cited Mullins v. ND Dept. of Human Services, 454 N.W.2d 732 (ND 1990), which is based upon the court's interpretation of the Administrative Practices Act (NDCC 28-32). If we want to specifically require county approval, it would require either a statutory change or for us to put in place Administrative Rules for the Renaissance Zone program. Obviously, neither of these options are possible prior to May 1st.

It is reasonable for Commerce to consider county action as part of "evidence of community support and commitment from residential and business interests" at part of the "development plan" under NDCC 40-63-01(2)(g). This would be considered in light of other evidence of community support, including school board and park district action.

In addition to potential Renaissance Zone administrative rules, we may want to have a broader discussion about the role of administrative rules within Commerce. For example, Commerce's grant programs *MAY* be at risk to litigation without having administrative rules.

Thank you.

Justin Dever
Co-Deputy Commissioner
NORTH DAKOTA DEPARTMENT OF COMMERCE
p: 701-328-7258 / f: 701-328-5320 / www.NDCommerce.com

North Dakota
LEGENDARY

From: Erickson, Edward E.
Sent: Tuesday, April 19, 2016 4:47 PM
To: Anderson, Alan R.; Stober, Jared J.
Subject: Ren Zone: cases discussed

I'm providing links to the two cases I discussed with you today.

This is the case finding in favor of an administrative agency acting directly to interpret a statute without adopting administrative rules:
<http://www.ndcourts.gov/court/opinions/11351.htm>

This is the case holding that an policy or guideline does not have the force or effect of law:
<http://www.ndcourts.gov/court/opinions/890215.htm>

Edward E. Erickson
Assistant Attorney General
State of North Dakota
Office of the Attorney General
600 E. Boulevard Ave
Bismarck, ND 58505-0040
(701) 328-3536
FAX (701) 328-2226
TTY (800) 366-6888
ee Erickso@nd.gov

McMerty, Sandra L.

From: McMerty, Sandra L.
Sent: Thursday, April 14, 2016 11:17 AM
To: Roehrich, Rikki L.; Dever, Justin R.; Bradley, Jesse H.; Malo, Bonnie S.; Anderson, Alan R.
Subject: Re: Renaissance Zone

Thanks Rikki! These look great!

From: Roehrich, Rikki L.
Sent: Thursday, April 14, 2016 9:44 AM
To: McMerty, Sandra L.; Dever, Justin R.; Bradley, Jesse H.; Malo, Bonnie S.; Anderson, Alan R.
Subject: RE: Renaissance Zone

Hi Sandy,

Here is the info for the quick facts. I changed the language a bit on the second point by removing "submitted for" since we don't know how many may have been submitted and rejected on a local level. Please let me know if you would like any additional information.

Renaissance Zone Quick Facts:

- Since the Legislature passed the Renaissance Zone Act in 1999, 58 North Dakota communities have developed zones.
- 1 cities are currently considering the program.
- 1490 individual projects have been approved at the local and state level.
- 1161 projects have been completed.

Rikki Roehrich
Program Administrator
North Dakota Department of Commerce
(701) 328-2687
rroehrich@nd.gov

From: McMerty, Sandra L.
Sent: Wednesday, April 13, 2016 1:55 PM
To: Roehrich, Rikki L.; Dever, Justin R.; Bradley, Jesse H.; Malo, Bonnie S.; Anderson, Alan R.
Subject: Renaissance Zone

All,
Per our discussion this morning here's a few messaging points we could use around the Renaissance Zone program if needed. We can update once we've had further discussions.

Thanks,
Sandy

Renaissance Zone –

Based on historical knowledge of the program and its 17 year history, Commerce has not encountered a situation where community support was not provided in an application for Renaissance Zone creation or extension.

Statute requires evidence of community support, along with a successful plan, for establishment or renewal of a Renaissance Zone. Commerce works to make a reasonable decision based on evidence provided to ensure this community support is demonstrated.

As the basis for the Renaissance Zone's creation and operation remains with local control, Commerce serves only as the due diligence arm of the process, ensuring appropriate guidelines are met in accordance with the program.

Once presented with an extension application from any city, Commerce weighs the information presented and bases a decision on whether community support has been demonstrated.

As part of the current guidelines, Commerce has interpreted community support and a broad plan for the community as a whole to include the two largest entities impacted by the incentives created by the creation or extension of a Renaissance Zone – school districts and counties.

Currently, Commerce program guidelines require the following for Renaissance Zone creation or extension:

- A comprehensive or strategic plan
- Creation of a development plan
- Public input from at least one public hearing
- Letters of support from the county and school district*
- A resolution adopted by the city to provide the tax exemptions and credits permitted in the program

Renaissance Zone program is to revitalize communities in North Dakota and encourage development through tax incentives. The program is unique in that cities develop handcrafted development plans that address each city's specific goals.

Renaissance Zone Quick Facts:

- Since the Legislature passed the Renaissance Zone Act in 1999, 57 North Dakota communities have developed zones.
- ___ cities are currently considering the program.
- ___ individual projects have been submitted for approval at the local and state level.
- ___ projects have been completed.

Sandra McMerty
Senior Marketing & Communications Manager/Co-Deputy Commissioner

NORTH DAKOTA DEPARTMENT OF COMMERCE

p: 701-328-5371 / smcmerty@nd.gov / www.NDCommerce.com



McMerty, Sandra L.

From: Dever, Justin R.
Sent: Friday, April 15, 2016 12:39 PM
To: Anderson, Alan R.; Malo, Bonnie S.; Roehrich, Rikki L.; McMerty, Sandra L.
Subject: HB 1492 (1999) legislative history

If you're interested, the legislative history of the Renaissance Zone bill can be found at <Q:\Legislature\1999 HB 1492 Legislative History.pdf>. There does not appear to be any direct comments relating to what constitutes "evidence of community support." The "evidence of community support" language was in the original bill and was taken directly from the Michigan Renaissance Zone law, in which North Dakota's law was patterned.

There was a comment by Rep. John Dorso, the prime sponsor of the bill and House Majority leader at the time, that "the city would be the ones that decided on property taxes" and "they would have to trust the city commissioners or the city council to make the decision as to whether a loss of revenue for a period of time is in the best interests of the community."

Thanks.

Justin Dever
Co-Deputy Commissioner
NORTH DAKOTA DEPARTMENT OF COMMERCE
701-328-7258 / f: 701-328-5320 / www.NDCommerce.com

North Dakota
LEGENDARY

erty, Sandra L.

From: Don Clement <don@creekoil.com>
Sent: Tuesday, April 19, 2016 10:34 AM
To: Anderson, Alan R.
Subject: Bismarck Renaissance Zone

Al: As you know our state is in real financial trouble, if we do not face it head on. I am very concerned, and now the City of Bismarck, even though Burleigh County voted unanimously not to write a letter of support, went to the Bismarck Public School and narrowly got a 3-2 vote to write a letter of support for the City of Bismarck Renaissance Zone extension. We have read the Memorandum dated February 12, 2014, as it clearly states in item # 3 "Letters of support from the school district and county" In the interest of Fairness For All, I am writing to make sure the Department of Commerce stands by it's directive.

Our issues with property tax exemptions are much bigger than The City of Bismarck Renaissance Zone, but the legislation is clear.

Thanks,

Don Clement

Creek Oilfield Services, LLC
100 Rock Island Place, Suite 4
Bismarck ND 58504
Office: 701-425-0615
Cell: 701-220-9638

Merty, Sandra L.

From: Papke, Wayne (ICA) <wayne.papke@investmentcenters.com>
Sent: Tuesday, April 19, 2016 10:05 AM
To: Anderson, Alan R.
Subject: MR. ANDERSON

Importance: High

Categories: High Priority - 1-2 days

I have an important matter to discuss with you over the phone or if you bought me lunch (Ha ha). PLEASE give me a call at your earliest convenience on my cell 226-2739. It is in regards to the TIF/RENAISSANCE deal. We have people out there like Claus Lembke who is out there implying he is a paid lobbyist for the schools promoting the extension. We don't want you to take away local control. It is set up know exactly like it should be in the county overseeing and having final say. We don't feel an extension on the current one has any merit especially after Bismarck abused the program. So call me when you have a few minutes on my cell 226-2739, Thank you sir. PS. Hey, MICHIGAN TECH ended up 16th in the final poll and 15th in the Pairwise at the end of the year. That is deserving a congratulations. That is a successful year !!

Wayne Papke
Financial Advisor
Financial Planning Specialist
Direct: (701) 204-7434
wayne.papke@investmentcenters.com

Be sure to check us out at www.waynepapke.com for timely articles, financial research tools and more!

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erty, Sandra L.

From: Eugene Graner <gene@heartlandinvest.com>
Sent: Tuesday, April 19, 2016 11:53 AM
To: Roehrich, Rikki L.
Subject: Bismarck Renaissance zone

Dear Rikki,

The Bismarck Renaissance zone needs to sunset. The County commission has voted overwhelmingly 5-0 against it, and the Bismarck school board by one vote past it. Total votes cast by all shows overwhelming support to end the Bismarck Renaissance zone. A total of 10 votes were cast between the County commission and the Bismarck school board. Only three believe the Renaissance zone should go forward. That means there are seven County commissioners and school board representatives that say it should end. 70% say, no 30% say yes. That's pretty much the voice of the people. It's time for the Renaissance zone to sunset.

I was an investor in a major project in downtown Bismarck in 2012, and I can tell you the Renaissance zone incentive was not why we spent \$3.5 million building the Gulch. If the \$20,000 in savings was needed to make the project happen, and the model was not sound the business would have sunk.

The state's economy that saw unprecedented wealth in the last 15 years in North Dakota from high commodity prices is what made all communities thrive throughout the state and in and around Bismarck. Downtown Bismarck would've thrived without the crony capitalism of the Renaissance zone. It just patted a few pockets at the expense of the taxpayers of the city.

Thank you,

Eugene Graner
3227 Promontory Dr.
Bismarck, ND 58503
701-319-4363

erty, Sandra L.

From: Aimee Thiessen <aimeethiessen@midco.net>
Sent: Wednesday, April 27, 2016 10:47 PM
To: Anderson, Alan R.
Subject: Renewal of Renaissance Zone program

I'm writing to you as tax payer who strongly disagrees with allowing for the renewal of the Renaissance Zone program. I as a tax payer feel it is unfair for the city to decide who gets tax breaks when building based on where they build. (Renaissance zone) I just want fairness for all tax payers of the city. I hope that you won't be persuaded to go along with something, the majority of tax payers disagree with. I hope you respect the County Commissioners 5-0 vote to not write a renewal letter.

Aimee Thiessen

erty, Sandra L.

From: Sean M. Johnson <smj58501@yahoo.com>
Sent: Thursday, April 28, 2016 1:27 PM
To: Anderson, Alan R.
Subject: Please Do NOT Renew the Bismarck Renaissance Zone

Dear Mr. Anderson:

I write to request that you remain consistent in the approval process for Renaissance Zone extensions, by requiring the consent of both the county commission and the school board. RZ's impact more than just the RZ itself or even the city they are located, and the requirement for BOTH the county and schools to consent was both wise and respectful of all taxpayers and the elected boards who represent them.

In the case of the Bismarck RZ, it is clear that all boards required to approve an extension have not given their consent, and thus an extension should not be granted. In fact, if one considers the vote of both boards in a combined manner, the vote is only 3-7 in favor of extension. It is pretty clear that overall there isn't a true mandate for extension.

In close, I ask you again to apply the standards you have established for the RZ program, and to approve an extension for Bismarck because they do not have the consent of both boards needed.
Thank you

Sean M. Johnson

January 5, 2017

Senate Political Subdivisions
SB 2055

For the record, I am Blake Crosby, Executive Director of the North Dakota League of Cities, representing the 357 incorporated cities across the state. Approximately 77% of the population of North Dakota lives in those cities.

Senate Bill 2055 codifies the present practice of the North Dakota Department of Commerce requiring letters of support from school districts and counties affected by a city asking for an extension of an existing Renaissance Zone or the development of a new zone. It is that existing practice that brings us to this point of having to look at some correction. It was Burleigh County that refused to approve an extension of a Renaissance Zone for the City of Bismarck and consequently a "hole in the statutory language" was discovered.

Codifying the existing practice gives one political subdivision absolute veto authority over another political subdivision's economic development endeavors. I cannot believe this was the intent of the original drafters of Renaissance Zone statutes...pitting one political subdivision against another. One political subdivision should not be able to hold another political subdivision hostage. If codified this bill would adversely affect the ability of cities to initiate economic development activities that benefit, over time, all tax payers. There are currently 53 cities that have used Renaissance Zones to initiate over 1,300 projects. The North Dakota Department of Commerce would agree that Renaissance Zones are an important economic development tool.

The North Dakota League of Cities proposes an amendment to allow counties and school districts to "opt out" of Renaissance Zone participation without completely killing the zone. By "opting out" they would be allowed to continue to receive their current portion of the mill levy and forego the property tax exemption. If they exercise their "opt-out" they would not share in any property taxes resulting from growth in the property tax base of the Renaissance Zone District for the 5 years of the district initiation plus another 20 years. Property tax valuation growth would go to the city and other political subdivisions, if any, that did not opt out of the Renaissance Zone. We have faith that those counties and school districts are quite capable of making their own business decision. The time frame indicated is typically the amount of time used to fully depreciate property renovation and is the maximum term allowed for tax increment districts.

The North Dakota League of Cities would support SB 2055 with the proposed amendment.

THANK YOU FOR YOUR TIME AND CONSIDERATION. I will try to answer any questions.

Senate Bill 2055 Amendment

40-63-03. Renaissance zones

1. A city may apply to the department of commerce division of community services to designate a portion of that city as a renaissance zone if the following criteria are met:

a. The geographic area proposed for the renaissance zone is located wholly within the boundaries of the city submitting the application.

b. The application includes a development plan and information about the responses under section 40-63-04 from each county and school district containing property located within the boundary of the proposed renaissance zone.

...

f. The application includes the proposed duration of renaissance zone status, not to exceed fifteen years. Upon application by the city and submission of the documents required under subdivision b, the department of commerce division of community services may extend the duration of renaissance status in increments of up to five years.

...

40-63-04 . Option to Participate by County and School District

Once a city approves applying to the department of commerce division of community services to designate a portion of the city as a renaissance zone or to apply to extend the duration of the renaissance zone status under subdivision f of section 40-63-03, the city shall notify each county and school district that contain property located within the boundary of the proposed renaissance zone of the decision by certified mail. Within 30 days from receipt of the notification, each county and school district will notify the city, in writing, if it chooses not to participate in the renaissance zone. The notification from a county or school choosing not to participate shall include a letter explaining the reasons the entity decided not to participate in the renaissance zone. If the city does not receive a response within 30 days, the county and school district will be treated as participating in the renaissance zone. If the county and school district choose not to participate in the renaissance zone, the ad valorem taxes for each county and school district shall be treated as defined in subsections 3 and 4 of section 40-63-05.

....

40-63-05-06 Property Tax Exemptions and Allocation of Property Taxes

1. A municipality may grant a partial or complete exemption from participating school and county ad valorem taxes and all other political subdivision ad valorem taxes on single-family residential property,

SB 2055
1-5-2017
4.2

exclusive of the land on which it is situated, if the property was purchased or rehabilitated by an individual for the individual's primary place of residence as a zone project. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition or completion of rehabilitation.

2. A municipality may grant a partial or complete exemption from participating school and county ad valorem taxes and all other political subdivision ad valorem taxes on buildings, structures, fixtures, and improvements purchased or rehabilitated as a zone project for any business or investment purpose. The state board of equalization may grant a partial or complete exemption from ad valorem taxation on public utility infrastructure rehabilitated as a zone project. An exemption under this subsection may not extend beyond five taxable years following the date of purchase or completion of rehabilitation.

3. If a county or school district notifies the city of its decision not to participate in the renaissance zone as provided in section 40-63-04, the county auditor shall compute and certify the original taxable value of the parcel of as of the date each zone project is approved.

4. The county auditor shall segregate all ad valorem taxes from each zone project into a separate fund for 25 years from the taxable year that a zone project is approved. Upon the receipt of any zone project fund, the county treasurer, at the times when the county treasurer distributes collected taxes to the state and to each political subdivision shall distribute to the county and school district that are not participating in the renaissance zone their ad valorem tax amount by extending their mill rate to the original taxable value as calculated in subdivision b. The county treasurer shall distribute the funds remaining to the other taxing entities in proportion to each tax entities mill levy rate for that tax year.