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10/22/03

Date

2003 SENATE FINANCE AND TAXATION

SB 2350

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10/22/03

Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2350

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 10, 2003

Tape Number	Side A	Side B	Meter #
1	X		1-3140

Committee Clerk Signature

Minutes:

Senator Urlacher opened the hearing on SB2350. All committee members are present. This bill relates to assessment of property taxes on certain state property held under a lease and to provide an effective date.

Senator Holmberg (mtr #87) - Introduced the bill and explained the intent of the bill. Testified in support of the bill. Written testimony is attached.

Senator Wardner (mtr #486) - How did this idea of taxing land under facility come up.

Senator Holmberg (mtr #502) - Deferred to Tax Department to answer that question.

Grant Shaft, Attorney for Ralph Engelstad Arena Inc. (mtr #600) - Testified in support of SB2350. Explained the intent of the bill to address unique situation created by the gift of the Ralph Engelstad Arena in Grand Forks. Continued testimony about the effects of the old law and the effects of the new law. Also clarified the structure of ownership of the Arena.

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Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2350

Hearing Date February 10, 2003

Senator Nichols (mtr #1510) - If the restructure of the ownership takes place, is this bill necessary?

Mr. Shaft - Gave two scenarios of ownership and how the bill would effect each.

Senator Duaine Espegard (mtr #1678) - Testified in support of SB2350. Urges the committee's support.

Mel Carson, City Assessor for the City of Grand Forks (mtr #1750) - Testified in support of SB2350. Written testimony is attached. Also urged support on behalf of the Mayor of Grand Forks.

Senator Tollefson (mtr #2153) - Understands that ownership would take care of this problem.

Questioned how the bill would/could effect other properties in the state. Bill may have a broad effect, not singular.

Mr. Carson (mtr #2234) - Read bill and attempted clarification of sections.

Senator Tollefson (mtr #2395) - My question is broader than that. Question about effect on other properties. Refer question to Marcy Dickerson of the Tax Department.

Senator Nichols (mtr #2455) - Questioned the effect this bill will have on Barnes and Noble in Grand Forks.

Mr. Carson (mtr #2483) - Answered on how land and building are assessed and why.

Senator Nichols (mtr #2520) - Question regarding the status of a hotel.

Mr. Carson (mtr #2535) - Answered on the status of the hotel and the assessment process.

Marcy Dickerson (mtr #2616) - Also concerned about the term "net profit" and how future entities could manipulate the term. Other than that sees no problem.

Senator Wardner (mtr #2734) - Would a different term fix the problem.

Page 3

Senate Finance and Taxation Committee

Bill/Resolution Number SB2350

Hearing Date February 10, 2003

Ms. Dickerson (mtr #2750) - Change could fix the problem. But would provide other exemptions for others.

Senator Wardner - Question on some of the subsections.

Ms. Dickerson - Clarified subsection in question.

Senator Tollefson (mtr #2865) - Seems to be landmark legislation because it is singular that this time, can not project the impact in the future.

Ms. Dickerson (mtr #2918) - Up to the legislature to decide the issue. Unable to say how many situations would fit this scenario.

Senator Nichols (mtr #2992) - If we didn't want it to be too broad could we sunset the bill assuming a retitle of the property.

Ms. Dickerson - Would be a possibility.

Senator Wardner (mtr #3046) - There is possibility that there are properties on state lands that are not paying taxes on the building but may be paying on the land.

Ms. Dickerson (mtr #3008) - That is correct.

Senator Urlacher (mtr #3140) - Closed the hearing on SB2350

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10/22/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2350

Senate Finance and Taxation Committee

☐ **Conference Committee**

Hearing Date February 11, 2003

Tape Number	Side A	Side B	Meter #
1	X		1279-1770
2	X		1550-2390 1550

Committee Clerk Signature *Margaret L. Kelly*

Minutes:

Senator Urlacher opened the discussion on SB2350. All committee members are present. This bill relates to an assessment of property taxes on certain state property held under a lease. The amendment has been received.

Senator Wardner (mtr #1354) - The amendment is a good idea. Adds a sunset clause. Can revisit the issue in two years.

Senator Tollefson - General information for the committee.

Senator Wardner - move to amend with .0101. 2nd by Senator Nichols. Voice vote to amend
SB2350. 6 yea, 1 nay, 0 absent.

Senator Wardner - move a Do Pass as Amended. 2nd by Senator Tollefson. Roll call vote 4 yea, 2 nay, 0 absent. Carrier is Senator Wardner.

Tape 2, Side A

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10/22/03

Date _____

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2350

Hearing Date February 11, 2003

Senator Wardner moved to reconsider the actions of the committee on SB2350. 2nd by Senator Tollefson.

Senator Wardner (mtr #1770) - Reason for the reconsideration, Senator Holmberg and Mr. Shaft proposed an amendment. Amendment reviewed.

Senator Nichols and Senator Syverson had questions regarding the wording of the amendment.

Senator Nichols (mtr #2270) - Question regarding the amendment. Is there a concern it does not address.

Senator Wardner - Will take the amendment to Mr. Walstad at the Legislative Council for clarifications.

Senator Urlacher - closed discussion on SB2350

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10/22/03

Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2350

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 12, 2003

Tape Number	Side A	Side B	Meter #
1		X	3990-4345

Committee Clerk Signature *[Signature]*

Minutes:

Senator Urlacher opened the discussion on SB2350. All committee members are present. This bill relates to taxing property underneath the Ralph Engelstad Arena in Grand Forks.

Senator Wardner - We had a motion and a 2nd to bring the bill back to the committee for reconsideration. However, we then decided we liked it the way it was as originally voted on.

As it stands, there is a motion on the floor to reconsider the actions of the committee and a 2nd to that motion.

Voice vote to reconsider 0 yea, 6 nay, 0 absent. Bill moves out of committee as voted originally voted on.

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[Signature]
Operator's Signature

10/22/03
Date

FISCAL NOTE
Requested by Legislative Council
03/06/2003

Amendment to: SB 2350

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Engrossed SB 2350 with House Amendments will prevent taxation of a leasehold interest in state-owned land and improvements located on that land, if the structure, fixture, or improvement is used primarily for athletic and educational purposes at any state institution of higher education. It will not allow political subdivisions to levy additional dollars based on the value of the leased land and privately owned improvements. The land and improvements will not be included in the base that determines how many dollars a political subdivision may levy, because it is not included in the definition of "property exempt by local discretion or charitable status."

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	03/07/2003

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FISCAL NOTE
Requested by Legislative Council
01/28/2003

Bill/Resolution No.: SB 2350

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

SB 2350 will prevent taxation of a leasehold interest in state-owned land and privately owned improvements located on that land, if net profit from operation of the improvements is dedicated to the state institution or agency that owns the land. It will also prevent political subdivisions from levying additional dollars based on the value of the leased land and privately owned improvements. The land and improvements will not be included in the base that determines how many dollars a political subdivision may levy, because it is not included in the definition of "property exempt by local discretion or charitable status."

3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:

A. Revenues: Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

SB 2350 may cause a small, undeterminable reduction in revenues to the state medical center, if any property currently taxable to the leaseholder becomes exempt because of this legislation. Similar reductions in revenues to counties, cities, and school districts will also occur if any currently taxable property becomes exempt because of this legislation.

B. Expenditures: Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
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Phone Number: 328-3402

Date Prepared: 02/07/2003

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10/22/03
Date

30769.0101
Title.0200

Prepared by the Legislative Council staff for
Senate Finance and Taxation
February 10, 2003

JC3
2-11-03

PROPOSED AMENDMENTS TO SENATE BILL NO. 2350

Page 1, line 2, remove "and"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 2, line 4, after "DATE" insert "- EXPIRATION DATE" and after "for" insert "the first two"

Page 2, line 5, after "2002" insert ", and is thereafter ineffective"

Renumber accordingly

Page No. 1

30769.0101

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10/22/03
Date

Date:
Roll Call Vote #: \

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. S032350

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amend 0101

Motion Made By Sen. Leland Seconded By Sen. Nichols

Senators	Yes	No	Senators	Yes	No
Senator Urlacher - Chairman	/		Senator Nichols	/	
Senator Wardner - Vice Chairman	/		Senator Seymour		/
Senator Syverson	/				
Senator Tollefson	/				

Total (Yes) 5 No 1

Absent _____

Floor Assignment _____

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

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10/22/03
Date

Date: 2.11.03
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2350

Senate	Finance and Taxation	Committee
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☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do pass as amended.

Motion Made By Sam Waddell Seconded By Sam Tullerson

[illegible]

Total (Yes) 4 No 2

Absent

Floor Assignment Sen. Wanda

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

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10/22/03
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REPORT OF STANDING COMMITTEE (410)
February 12, 2003 12:18 p.m.

Module No: SR-27-2390
Carrier: Wardner
Insert LC: 30769.0101 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2350: Finance and Taxation Committee (Sen. Uriacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2350 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "and"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 2, line 4, after "DATE" insert "- EXPIRATION DATE" and after "for" insert "the first two"

Page 2, line 5, after "2002" insert ", and is thereafter ineffective"

Renumber accordingly

2003 HOUSE FINANCE AND TAXATION

SB 2350

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10/22/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2350

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 4, 2003

Tape Number	Side A	Side B	Meter #
2	X		27.5
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. WES BELTER, CHAIRMAN Called the hearing to order.

SEN. RAY HOLMBERG, GRAND FORKS Introduced the bill. See written testimony.

He also submitted testimony from Grant H. Shaft on behalf of the Ralph Engelstad Arena, Inc.

See attached copy.

SEN. DUANE ESPEGARD, DIST. 43 Testified in support of the bill, agreed with Sen. Holmberg.

PETE HAGA, ON BEHALF OF MAYOR MICHAEL BROWN, GRAND FORKS

Testified in support of the bill. See written testimony.

REP. WINRICH Presented amendment 30769.0201, to the committee. He stated, there are two bills dealing with the situation in Grand Forks. The bill before us, addresses the assessment of city property taxes against the businesses now on university land, and SB 2052, addresses the special assessments for the flood control project in Grand Forks, where these businesses again,

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Operator's Signature

10/22/03

Date

Page 2

House Finance and Taxation Committee

Bill/Resolution Number SB 2350

Hearing Date March 4, 2003

would pay for the special assessments for flood protection, but the Englestad Arena would be exempted from that. This amendment will change the language of SB 2350 so it is consistent with the language of SB 2052.

SEN. HOLMBERG Reviewed the amendments and commented that it is the same language that Grant Shaft and the sponsors of the bill had reviewed, and said it looked O.K. He suggested that they should probably take off the sunset provision which the Senate had put on the original bill.

With no further testimony, the hearing was closed.

COMMITTEE ACTION

REP. WINRICH In view of Sen. Holmberg's suggestion, he requested that they change the amendment proposed earlier, by removing the sunset provision.

REP. WINRICH Made a motion to adopt the amendments as presented with the changes.

REP. IVERSON Second the motion. Motion carried by voice vote.

REP. IVERSON Made a motion for a **DO PASS AS AMENDED**.

REP. WINRICH Second the motion. **MOTION CARRIED**

13 YES 0 NO 1 ABSENT

REP. GROSZ Was given the floor assignment.

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10/22/03

Date

Date: 3-4-03
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2350

House FINANCE & TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as amended

Motion Made By Rep. Iverson Seconded By Rep. Winick

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	<input checked="" type="checkbox"/>				
DROVDAL, VICE-CHAIR	<input checked="" type="checkbox"/>				
CLARK	<input checked="" type="checkbox"/>				
FROELICH	<input checked="" type="checkbox"/>				
GROSZ	<input checked="" type="checkbox"/>				
HEADLAND	<input checked="" type="checkbox"/>				
IVERSON	<input checked="" type="checkbox"/>				
KELSH	<input checked="" type="checkbox"/>				
KLEIN	<input checked="" type="checkbox"/>				
NICHOLAS	<input checked="" type="checkbox"/>				
SCHMIDT	<input checked="" type="checkbox"/>				
WEILER	<input checked="" type="checkbox"/>				
WIKENHEISER	<input checked="" type="checkbox"/>				
WINRICH	<input checked="" type="checkbox"/>				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Grosz

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

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Operator's Signature Deanna Waller Date 10/22/03

REPORT OF STANDING COMMITTEE (410)
March 5, 2003 8:26 a.m.

Module No: HR-39-3922
Carrier: Groez
Insert LC: 30769.0202 Title: .0300

REPORT OF STANDING COMMITTEE

SB 2350, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2350 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "and"

Page 1, line 3, remove "; and to provide an expiration date"

Page 2, line 1, replace "owned by a private entity and used by it for" with "used primarily for athletic and educational purposes at any state institution of higher education."

Page 2, remove lines 2 and 3

Page 2, line 4, remove "- EXPIRATION DATE" and remove "the"

Page 2, line 5, remove "first two" and remove ", and is thereafter ineffective"

Renumber accordingly

2003 TESTIMONY

SA 2350

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10/22/03
Date

SB 2350

Senate Finance and Taxation Committee

February 10, 2003

SB 2350 asks us to look at how two historical themes relate to two historical events.

Historical themes:

1. State land is not assessed for local property taxes
2. State land is assessed for special assessments

Historical events:

1. Flood of the century.. 1997
2. Engelstad gift to UND and the people of North Dakota

These historical events are unprecedented in our states history, and have required time to resolve the issues created by the flood and the Engelstad gift.

1999 legislature passed SB 2188 which provided a statewide water development plan. Included in that bill was a commitment of up to \$52,000,000 for the states share in a flood protection project in Grand Forks to protect the city and the state property within the city. The legislature, recognizing this large contribution from the state, specifically exempted state property from having to pay any special assessments associated with that Grand Forks project.

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Operator's Signature

10/22/03

Date

The issue of special assessments was the subject of an interim study this past biennium. The senate is currently considering SB 2052 which would allow imposition of city flood control special assessments against private commercial structures on state land. The bill is intended to allow such assessments on a private commercial hotel located on UND property. "The bill would not allow assessments against a structure if the net profit is dedicated to the state institution, which is intended to exempt the Engelstad Arena from these assessments."

(2003 report of Legislative Council, page 329)

SB 2350 amends 57-02-26 to provide that the historical theme of exemption of state land from a local property tax assessment will cover the unique circumstances surrounding the Engelstad gift.

Under current law, while the arena is exempt from taxation, this section does allow the imposition of a local property tax on the land under the arena.

As all proceeds from the arena, located on state land, goes to the state and its people, a property tax on the land under the Ralph Engelstad Arena will ultimately be paid by the taxpayers of North Dakota.

Ray Holmberg
District 17

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10/22/03
Date

TESTIMONY ON SENATE BILL 2350

Senate Finance and Taxation Committee

Michael R. Brown, Mayor
City of Grand Forks, ND

February 10, 2003

Mr. Chairman and members of the committee, my name is Mel Carson and I am the City Assessor for the city of Grand Forks. I want to thank you for the opportunity to testify in support of Senate Bill 2350 on behalf of Mayor Michael R. Brown and the city of Grand Forks.

Our understanding is that this bill is about leveling the playing field for businesses in North Dakota communities and relates specifically to Grand Forks. As we understand, the main intent of this legislation is to ensure that existing and future commercial developments on state-owned land are treated consistently with other businesses in the community.

The city of Grand Forks is fully in favor of this intent and will support appropriate legislation to make sure that we continue to be a community that promotes a healthy business climate.

In regards to specific properties, our understanding and expectations of the bill are that properties such as the Hilton Garden Inn and Barnes & Noble will be subject to property tax at the designated level. In addition, and perhaps most importantly, future commercial developments on state-owned property, including the Bronson property, will be subject to the city's property tax levy.

Also regarding specific property, it is our expectation from this legislation that the Ralph Engelstad Arena would not be subject to pay property tax. Grand Forks is fully aware of the nature of this generous gift to the community and also remains greatly appreciative of the State of North Dakota for continuing to provide assistance for our local flood control project.

The city of Grand Forks does have concerns about the specific language of the bill but we are aware that this language is in the process of being worked out. Providing it is consistent with our above stated expectations, we will continue to support this legislation.

On behalf of Grand Forks Mayor Michael R. Brown, I ask your favorable consideration of Senate Bill 2350 and request a DO PASS recommendation from the committee.

Sen. Holmberg

SB 2350
House Finance and Taxation Committee
March 4, 2003

SB 2350 asks us to look at how two historical themes relate to two historical events.

Historical themes:

1. State land is not assessed for local property taxes
2. State land is assessed for special assessments

Historical events:

1. Flood of the century.. 1997
2. Engelstad gift to UND and the people of North Dakota

These historical events are unprecedented in our states history, and have required time to resolve the issues created by the flood and the Engelstad gift.

1999 legislature passed SB 2188 which provided a statewide water development plan. Included in that bill was a commitment of up to \$52,000,000 for the states share in a flood protection project in Grand Forks to protect the city and the state property within the city. The legislature, recognizing this large contribution from the state, specifically exempted state property from having to pay any special assessments associated with that Grand Forks project.

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Deanna Wallin
Operator's Signature

10/22/03
Date

The issue of special assessments was the subject of an interim study this past biennium. The senate is currently considering SB 2052 which would allow imposition of city flood control special assessments against private commercial structures on state land. The bill is intended to allow such assessments on a private commercial hotel located on UND property. "The bill would not allow assessments against a structure if the net profit is dedicated to the state institution, which is intended to exempt the Engelstad Arena from these assessments."

(2003 report of Legislative Council, page 329)

SB 2350 amends 57-02-26 to provide that the historical theme of exemption of state land from a local property tax assessment will cover the unique circumstances surrounding the Engelstad gift.

Under current law, while the arena is exempt from taxation, this section does allow the imposition of a local property tax on the land under the arena.

As all proceeds from the arena, located on state land, goes to the state and its people, a property tax on the land under the Ralph Engelstad Arena will ultimately be paid by the taxpayers of North Dakota.

The senate considered amendments proposed by the city of Grand Forks, but liked the original language in the bill. ~~House~~ *Senate* did add a expiration date.

Ray Holmberg
District 17

**SENATE BILL 2350
HOUSE FINANCE AND TAXATION COMMITTEE
HEARING
MARCH 4, 2003**

TESTIMONY OF GRANT H. SHAFT ON BEHALF OF

**RALPH ENGELSTAD ARENA, INC.
ARENA CONSTRUCTION, INC.**

Mr. Chairman and members of the Committee:

My name is Grant H. Shaft and I am the attorney and registered agent for Ralph Engelstad Arena, Inc., the operating entity of the facility in Grand Forks, ND, and Arena Construction, Inc., the entity that built the facility. Both entities were owned and operated by Ralph Engelstad during his lifetime and are now operated through his estate.

I would first like to apologize for being unable to present this testimony in person. I am presenting at a legal seminar in Fargo on the date of the hearing. However, the testimony presented in written format here essentially mirrors my oral testimony before the Senate Finance and Taxation Committee on February 10, 2003. Please feel free to use this submission as the Committee wishes.

Senate Bill 2350 amends NDCC Section 57-02-26. This amendment would exempt Ralph Engelstad Arena from general real estate taxation under Section 57-02-26. Under current law, although the building itself is exempt, the land underneath the building is subject to general taxation as Section 57-02-26 requires that state land leased to an entity that is not otherwise exempt be taxed as though the land were not owned by the state. The proposed amendment, as approved by the Senate, would exempt from the above provision a lease to a private entity that dedicates its net profits to the state.

The above amendment is designed to deal with Ralph Engelstad Arena. Currently, the building is exempt under NDCC Section 57-02-08 (34) as it is used for academic and/or research purposes. However, the word "building" as used in Section 57-02-08 (34) is interpreted as exempting only the improvements to the land but not the land upon which the improvements are affixed.

Although owned and operated by private entities, all net profits of Ralph Engelstad Arena are paid to the University of North Dakota. This is by contractual obligation between Ralph Engelstad Arena and the State (UND). Ralph Engelstad Arena anticipates paying net profits of approximately 1.7 million dollars to UND this year. With the Arena's concert capabilities blossoming and events such as the World Junior Hockey Tournament being booked, the net profits of this facility paid to UND are certain to increase in future years.

The amending language in Senate Bill 2350 is identical to the language used in Senate Bill 2052 addressing the exemption of Ralph Engelstad Arena from local control special assessments. We do understand that the City of Grand Forks may suggest alternate language to accomplish the same end. We would not object to such an amendment to the bill as long as the resulting language continues to exempt Ralph Engelstad Arena from general taxation under NDCC Section 57-02-26. We did indicate this same position to the Senate Finance and Taxation Committee but they chose to adopt the original language in the bill.

Senate Bill 2350 addresses a unique circumstance which has greatly benefited our state. A state of the art building valued in excess of 100 million dollars turning all of its net profit over to UND. We are currently working to complete the construction obligations of the contractors and sub-contractors. Once completed, arrangements will be finalized for gifting the facility.

Thank you for your consideration of Senate Bill 2350. If you should have any questions I would be happy to make myself available to the Committee.

Grant H. Shaft
Shaft, Reis & Shaft, Ltd.
Gate City Federal Savings Bank Building
P.O. Box 5116
Grand Forks, ND 58206-5116
(701) 772-8156

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Deanna Waller
Operator's Signature

10/22/03
Date

TESTIMONY ON SENATE BILL 2350

House Finance and Taxation Committee

**Michael R. Brown, Mayor
City of Grand Forks, ND**

March 4, 2003

Mr. Chairman and members of the committee, my name is Pete Haga and I want to thank you for the opportunity to testify in support of Senate Bill 2350 on behalf of Mayor Michael R. Brown and the city of Grand Forks.

Our understanding is that this bill is about leveling the playing field for businesses in North Dakota communities and relates specifically to Grand Forks. As we understand, the main intent of this legislation is to ensure that existing and future commercial developments on state-owned land are treated consistently with other businesses in the community.

The city of Grand Forks is fully in favor of this intent and will support appropriate legislation to make sure that we continue to be a community that promotes a healthy business climate.

In regards to specific properties, our understanding and expectations of the bill are that properties such as the Hilton Garden Inn and Barnes & Noble will be subject to property tax at the designated level. In addition, and perhaps most importantly, future commercial developments on state-owned property, including the Bronson property, will be subject to the city's property tax levy.

Also regarding specific property, it is our expectation from this legislation that the Ralph Engelstad Arena would not be subject to pay property tax. Grand Forks is fully aware of the nature of this generous gift to the community and also remains greatly appreciative of the State of North Dakota for continuing to provide assistance for our local flood control project.

The city of Grand Forks does have concerns about the existing language of the bill but we are aware that there is an amendment currently offered that would be more consistent with our expectations.

On behalf of Grand Forks Mayor Michael R. Brown, I ask your favorable consideration of Senate Bill 2350 and request a DO PASS recommendation from the committee.