

ANNUAL REPORT ON RENAISSANCE ZONE August 1, 2008, 9:00 A.M. WORKFORCE COMMITTEE Roughrider Room SENATOR TONY GRINDBERG, CHAIRMAN

Mr. Chairman, members of the committee, I am Paul Govig, Director of the Division of Community Services and I am here today to give the annual report on Renaissance Zones the information in this report is for the time period July 1, 2007 through June 30, 2008.

The purpose of the Renaissance Zone program is to provide cities with another tool to assist in community development. From July 2007 through June 2008, six cities added Renaissance Zones: Cooperstown, Enderlin, Grafton, New Rockford and Washburn. The total number of Renaissance Zone cities is now 42. In addition, approximately 30 cities are in various stages of developing a Renaissance Zone.

In 2007, the size of a Renaissance Zone increased from 20 to 23 blocks. Cities were also able to create a three block island as long as it was within one-half mile of their Renaissance Zone. The following cities have taken advantage of this enhancement: Bismarck, Hankinson, Langdon, Mandan, Milnor, Rugby, Valley City, Velva, Wahpeton, Watford City, and West Fargo.

Since the program began in 1999, there have been 686 projects approved and 510 completed. The potential impact to state and local taxes is as follows:

- Financial Institution tax \$1,577,000
- State single family, business and investor income tax exemptions \$13,979,342
- Historical tax credits \$8,005,110
- Property tax exemption \$10,010,053

For the period July 1, 2007 through June 30, 2008 there have been 107 projects approved at the state and local level and 93 completed projects. The projects have included:

- 11 new businesses created
- 7 business expansions
- 4 commercial buildings constructed
- 29 single family homes purchased, constructed or rehabilitated
- 146 new jobs created
- 66 new residents

Potential property tax and state tax liability for the total projects (107):

- Financial Institution tax \$767,000
- State single family, business and investor income tax exemptions \$2,262,025
- Historical tax credits \$0
- Property tax exemption \$1,741,867

Cities were also asked to estimate the amount of time it took to recover the property taxes once the five year exemption was completed. This varied from project to project and also from city to city. In some cases once the project was completed the value of the property doubled and the city regained the money immediately or in one or two years. Other cities did not lose anything because the exemptions were on the improvements only. On average cities across the state recouped property taxes in five to seven years after the exemption period ended.

RENAISSANCE ZONE PROGRAM

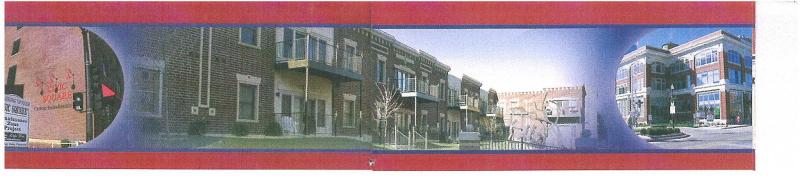
North Dakote DEPARTMENT OF COMMERCE



RENAISSANCE ZONE PROGRAM

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The Renaissance Zone currently includes 38 cities with 577 projects. As of December 2007, 393 of the total projects were completed. Since 2006, the Renaissance Zone Program has been involved with the creation of 168 jobs, 11 new businesses and an increase of 204 new residents.

The Renaissance Zone Program works to encourage reinvestment and redevelopment in downtown areas to enhance business and improve housing!

The Renaissance Zone Program is a tool for community redevelopment and economic investment that incorporates tax incentives to business and residential properties. The Renaissance Act, created by the 56th Legislative Assembly, made it possible for North Dakota cities to create Renaissance Zones within their jurisdiction.

DEVELOPMENT OF A RENAISSANCE ZONE INCLUDES:

- 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

More information can be found on this web site: www.nd.gov/dcs/community/zone/

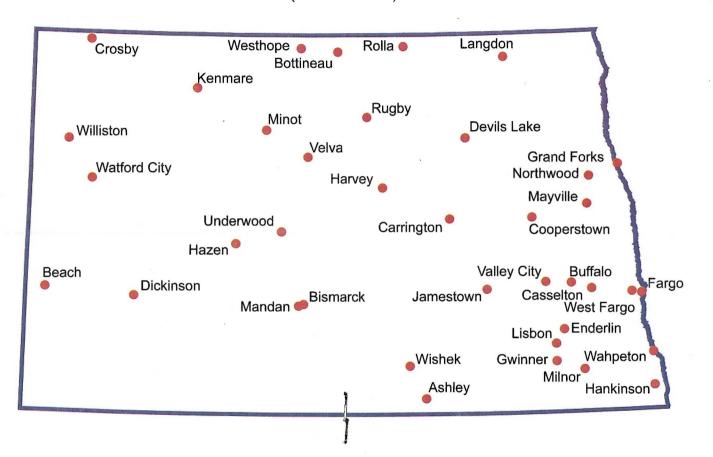
TYPES OF RENAISSANCE ZONE PROJECTS

- Renovations
- Rehabilitation
- Lease hold improvements
- Purchase that includes new construction



North Dakota Cities with Renaissance Zones

(December 2007)



From Beach to Fargo...Renaissance Zones benefit cities of all sizes!



RENAISSANCE ZONE SIZES

- Zones can include up to 23 city blocks.
- Three of the city blocks do not have to be contiguous to the Zone.

TAX INCENTIVES

- Up to 100 percent exemption on business income taxes
- Up to five years on property taxes on both commercial and residential properties
- Up to a \$10,000 tax credit per year for five years on qualified single family homes (maximum \$50,000)
- 25 percent tax credit available for historic property on the amount invested (maximum \$250,000)
- Transferable credits and exemptions upon selling or leasing a single family home and/or business

FOR MORE INFORMATION CONTACT:

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