

DEPARTMENT OF COMMERCE'S ANNUAL REPORT ON RENAISSANCE ZONE

March 30, 2010, 9:00 A.M.

WORKFORCE COMMITTEE

Brynhild Haugland Room

SENATOR TONY GRINDBERG, CHAIRMAN

Mr. Chairman, Members of the Committee, I am Andrea Pfennig with Commerce's Division of Community Services. I am here today to give the annual report on the Renaissance Zone. The information in this report is for the time period of January 1, 2009 through December 31, 2009.

The purpose of the Renaissance Zone program is to provide cities with a tool to assist in community economic development. In 2009, the City of Oakes became a Renaissance Zone. This brings the total number of Renaissance Zone Cities to forty-six. At the present time seven cities are in the process of working on their development plan; including Bowman, Glenburn, Hebron, New Salem, Steele, Hope, and Park River.

For the period January 1, 2009 through December 31, 2009 there have been 103 projects approved at the state and local level and thirty-seven projects that have been completed. According to a survey of Renaissance Zone communities, the 103 projects include:

- 8 new businesses created.
- 30 business expansions.
- 12 commercial buildings constructed or rehabilitated for business expansion.
- 16 commercial buildings or space in buildings leased.
- 22 single family homes purchased, constructed or rehabilitated.
- 111 new jobs created.
- 559 new residents.

The potential property tax and state tax liability for the thirty-seven projects completed is as follows:

- Financial Institution tax \$0
- State single family, business and investor income tax exemptions \$1,190,784
- Historical tax credits \$0
- Property tax exemption \$233,252

At the request of the Division of Community Services, Agency MABU conducted an assessment of the Renaissance Zone program in January 2009. Agency MABU conducted two surveys; one with the current renaissance zone cities and another with cities that are interested in the program. Agency MABU developed two questionnaires for the telephone survey with input from DCS. The entire survey is included for your review.

The level of satisfaction for the current Renaissance Zone cities surveyed was 4.17 on a scale of 1-5 with 5 being extremely satisfied. Cities interested in starting a Renaissance Zone program rated the value of the program at 3.91 on a scale of 1-5 with 5 being extremely valuable.

Suggestions for program improvement included expanding the number of blocks, and allowing demolition costs to be covered by the program.

Based on the information provided by the Agency MABU survey and legislative changes; DCS conducted two seminars in June and July to discuss changes to the program administratively and to discuss the new legislation. The two seminars, held in Mandan and Minot, had a total of twenty-two cities and eight private county agencies involved in the discussion of the program.

This year marked the 10th anniversary of the Renaissance Zone. Since the program's inception in 1999 there have been 876 projects sent in for approval and 662 projects that have been completed. The potential impact to state and local taxes for the 662 completed projects are as follows:

- Financial Institution tax \$1,917,000
- State single family, business and investor income tax exemptions \$17,638,262
- Historical tax credits \$8,005,110 (unchanged from the last report in 2009)
- Property tax exemption \$13,815,217

In an August 2009 article from North Dakota Business Report, Robert Stein from the City of Fargo credited the program as "...the single most important factor in the redevelopment of downtown Fargo." Ellen Huber from the City of Mandan stated, "The Renaissance Zone program has been effective in enticing much greater investment than Mandan has seen in many years." The changes to the program that were made by the 2009 Legislature have been met with approval by the communities.