



Community Services Economic Development & Finance Tourism Workforce Development

July 27, 2012

Senator David Hogue
Chairman, Interim Taxation Committee
State Capitol
600 E. Boulevard Ave.
Bismarck, ND 58505

Dear Senator Hogue:

Enclosed you will find the 2011 annual reports for the Renaissance Zone program, in accordance with NDCC 40-63-03.2 and 40-63-03.10. Specifically, you will find content regarding:

- Overall performance of the program, and
- Property that is located in both a TIF district and Renaissance Zone.

I regret that I am unable to give this report in person. I hope that the committee finds this report informative. I will be happy to answer any questions the committee might have. I can be reached at 701-328-2687 or ahpfennig@nd.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrea Pfennig". The signature is fluid and cursive.

Andrea Holl Pfennig
Division of Community Services

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"We lead North Dakota's efforts to attract, retain and expand wealth."

1600 E. Century Avenue, Suite 2 • P.O. Box 2057 • Bismarck, ND 58502-2057
Phone: 701-328-5300 • 1-866-4DAKOTA • Fax: 701-328-5320 • www.ndcommerce.com
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**DEPARTMENT OF COMMERCE'S ANNUAL REPORT ON RENAISSANCE ZONE
INTERIM TAXATION COMMITTEE
AUGUST 1, 2012, 11:45 A.M.
HARVEST ROOM
SENATOR DAVID HOUGE, CHAIRMAN**

The Renaissance Zone program is a tool to help cities revitalize their communities. By offering both state and local tax incentives for 5 years, both residents and business owners are provided with an incentive to invest in their community. This document serves as the annual report on Renaissance Zone progress in accordance with NDCC 40-63-03.2. The information in this report is for the time period of January 1, 2011 through December 31, 2011.

In 2011, the cities of Anamoose, Glenburn, and Finley established Renaissance Zones. To date, 55 cities in North Dakota have established Renaissance Zones.

Since the program's inception, there have been 1,141 projects approved. Of those projects, a total of 884 projects have been completed. In 2011, 131 projects were approved at the state and local level and 63 projects were completed.

The estimated property tax and state tax liability for the 63 projects completed is as follows:

- Financial Institution tax \$0
- State single family, business and investor income tax exemptions \$1,794,946.50
- Historical tax credits \$2,500
- Property tax exemption \$421,233.54

According to a survey of Renaissance Zone communities, in 2011:

- 21 new businesses created.
- 10 business expansions.
- 17 commercial buildings constructed or rehabilitated for business expansion.
- 25 commercial buildings or space in buildings leased.
- 133 new jobs created.
- 630 new residents.

The Renaissance Zone continues to be a vital tool for smaller communities. For example, the City of Bowman notes that:

"Dales Clothing and Custom Embroidery has been a staple business on Bowman's Main Street for over 40 years. The business employs 9 people and does business across 7 states. Because of the success this business has been fortunate to have, paired with valuable equipment assets and escalating real estate value, transitioning this business from one generation to the next was difficult.

The two most difficult obstacles for resale were coming up with adequate equity investment to satisfy the banks' thirty percent requirement and to find enough room within the first five years' cash flow to make the necessary principle and interest payments.

The key to making this business resale take place was the use of Bowman's Renaissance Zone. As an approved zone project, this put a total of \$25,000 back into the cash flow over a period of five years. This meant not only that Bowman could keep this long-time business open on Main Street, but also that they were able to keep a young family in the community."

In 2011, 62 projects were approved in towns with a population less than 2,500. Additionally, of the 63 projects completed, 32 were located in towns with a population less than 2,500.

Cities are seeing a revitalization of their downtown communities, as well as increased property values. For example, the City of Mandan has had a total of 52 projects approved since establishing a Zone in 2005. The initial property value of those projects totaled \$3,621,754. They estimate that the property value of those projects will total \$12,727,290 when completed.

It is interesting to note that with all of the economic activity occurring in the western half of the state, most of it is not occurring as Renaissance Zone projects. In fact, the cities in oil producing counties that have an established Zone had the following activity in 2011:

- Williston – 0 projects approved, 0 projects completed.
- Watford City – 4 projects approved, 1 project completed.
- Crosby – 0 projects approved, 0 projects completed.
- Kenmare – 7 projects approved, 5 projects completed.
- Beach – 1 project approved, 0 projects completed.
- Dickinson – 0 projects approved, 1 project completed.

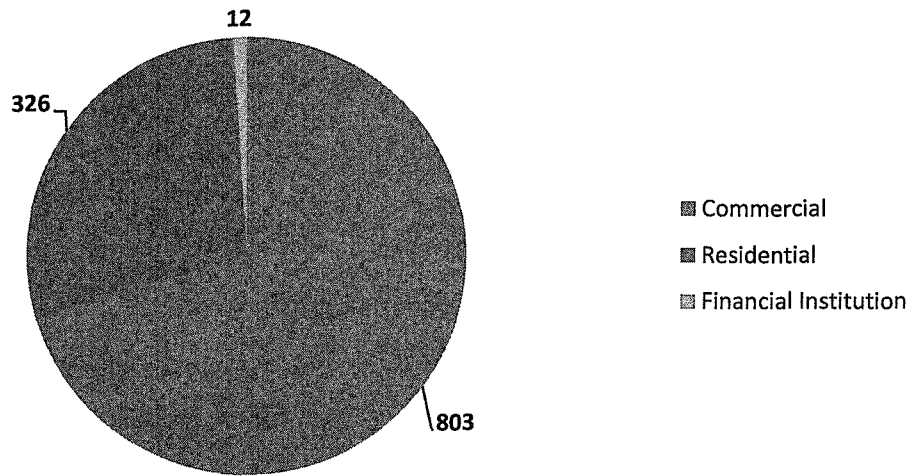
Of the 13 projects, 6 were residential.

The estimated property tax and state tax liability for these projects is as follows:

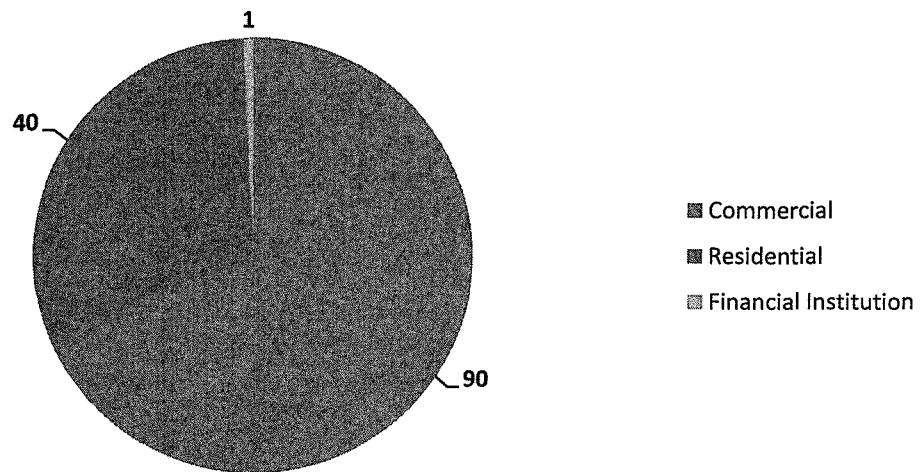
- Financial Institution tax \$0.
- State single family, business and investor income tax exemptions \$326,675.
- Historical tax credits \$0.
- Property tax exemption \$99,095.95.

The charts below illustrate the number of commercial and residential projects in 2011 and over the course of the program. The charts reflect that the percentage of commercial versus residential projects in 2011 was consistent with the overall performance of the program. In 2011, 31% of the projects were residential compared to 29% since program inception. Similarly, 69% of the projects were commercial projects in 2011, while 70% have been commercial projects over the course of the program. A very small percentage of projects have involved financial institutions.

Since Program Inception



2011



In conclusion, the Renaissance Zone is functioning as intended. It is serving as a tool for economic development and revitalizing communities.

2011 Report on Properties Located in TIFs and Renaissance Zones
Prepared for Interim Taxation Committee

City	Property Description	Expected Duration in RZ & TIF	Annual Renaissance Zone (RZ) Benefit			Tax Increment Financing (TIF) District Benefit		
			Property Tax (\$)	Income Tax (\$)	Duration of Benefit	Description	Amount (\$)	Duration of Benefit
Valley City	Assisted Living 12 Units - The Legacy Place 507 13th St SE	2009 - 2023			2012-2016	Develop on Undeveloped Blighted Property - Utilities Land Write Down	825,000	2009-2023
Fargo	319 Broadway - Former Fargoan Hotel	2007 - 2022	78,871	36,500	2008-2012	Infrastructure Repair Admin/Legal	300,000	2007-2022
Mandan	100 First Avenue NW (Library Square I) Owner: MDI Limited Partnership #81	2005-2018	0	0	0	15-yr Exemption on Building	44,991	2004-2018
Mandan	110 First Avenue NW (Library Square II) Owner: MDI Limited Partnership #100	2010-2024	0	0	0	15-yr Exemption on Building	48,379	2010-2024
Mandan	200 W Main Street (Mandan Place) Owner: CRT Investments, LLC	2011-2025	38,761	0	2011-2015	10-yr Exemption on Apartment Portion of building (77%)	29,818	2016-2025
Bismarck	301 East Thayer Avenue Office Building		18,095	5,650	2004-2008	none		
Bismarck	501 East Main Avenue Mixed-Use Building (Office/Retail)		32,020	7,500	2007-2011	none		
Bismarck	521 East Main Avenue Office Building		61,000	2,500	2008-2012	none		
Bismarck	200 North Mandan Street Office Building		5,550	2,000	2004-2008	none		
Bismarck	114 North 4th Street Commercial Building		15,500	25,000	2005-2009	none		
Bismarck	207 East Front Avenue Office Building		186,375	8,200	2005-2009	none		

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Bismarck	707 East Front Avenue Office		550,000	1,248,000	2005-2009	none		
Bismarck	901 East Front Avenue Commercial Building		52,795	2,700	2005-2009	none		
Bismarck	302 East Thayer Avenue Commercial Building		15,715	4,700	2006-2010	none		
Bismarck	216 North 2nd Street Office Building		34,570	12,500	2006-2010	none		
Bismarck	225 West Broadway Commercial Building		21,470	1,750	2008-2012	none		
Bismarck	324 North 3rd Street Office Building		113,500	15,000	2007-2011	none		
Bismarck	221 South 9th Street Commercial Building		25,000	4,000	2005-2010	none		
Bismarck	310 South 5th Street Commercial Building		58,500	10,500	2006-2011	none		
Bismarck	320 North 4th Street Office Building		258,760	250,000	2009-2014	none		
Bismarck	302 South 3rd Street Commercial Building		44,840	4,500	2007-2011	none		
Bismarck	312 South 3rd Street Commercial Building		32,500	4,100	2007-2011	none		
Bismarck	208 North 4th Street Office Building		41,600	1,250	2008-2012	none		
Bismarck	412 East Main Avenue Mixed-Use Building		5,990	500	2006-2011	none		
Bismarck	122 East Main Avenue Mixed-Use Building		37,000	15,000	2008-2012	none		
Bismarck	300 North 4th Street Office Building		60,000	25,000	2008-2012	none		

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Bismarck	116 North 5th Street Mixed-Use Building		21,000	5,400	2008-2013	CORE Incentive Program Housing Incentive Grant	11,431	2009
Bismarck	413 East Broadway Avenue Mixed-Use Building		28,000	28,000	2009-2013	none		
Bismarck	116 North 4th Street Office Building		25,000	25,000	2009-2013	none		
Bismarck	401 East Main Avenue Mixed-Use Building		50,000	5,000	2009-2014	none		
Bismarck	523 North 1st Street Primary Residence (Home)		10,000	5,000	2009-2013	none		
Bismarck	333 North 4th Street Office/Bank Building		270,000	110,000	2010-2014	none	3,000	2009
Bismarck	408 East Main Avenue Mixed-Use Building		22,030	20,975	2009-2014	CORE Incentive Program Grant (Technical Assist.) ; CORE Incentive Program Grant (Facade)	26,575	2008
Bismarck	800 East Sweet Avenue Commercial Building		68,000	485,000	2011-2015	CORE Incentive Program Grant (Technical Assist.) ; CORE Incentive Program Grant (Facade)	26,575	2009-2011
Bismarck	124 North 4th Street Commercial Building/Restaurant		30,000	15,000	2010-2014	None		
Bismarck	122 East Broadway Avenue Office Building		54,080	843,500	2010-2014	CORE Incentive Program Grant (Facade & Signage)	23,000	2010
Bismarck	401 North 4th Street Office Building		15,500	25,000	2012-2016	None		
Bismarck	306 South 10th Street Primary Residence (Home)		27,500	12,500	2011-2015	None		

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			Annual Renaissance Zone (RZ) Benefit			Tax Increment Financing (TIF) District Benefit		
City	Property Description	Expected Duration in RZ & TIF	Property Tax (\$)	Income Tax (\$)	Duration of Benefit	Description	Amount (\$)	Duration of Benefit
Bismarck	715 East Broadway Avenue Office Building		125,285	0	2010-2014	None		
Bismarck	115 North 4th Street Mixed-Use Building		25,000	2,500	2010-2014	CORE Incentive Program Grant (Technical Assist)	1,286	2010
<i>*This data reflects the reports we have received to date.</i>								