

**AGENDA, WORKING SESSION  
MANDAN CITY COMMISSION  
SEPTEMBER 18, 2012  
FORMER MORTON COUNTY LIBRARY ROOM,  
MANDAN CITY HALL  
3:30 P.M.  
[www.cityofmandan.com](http://www.cityofmandan.com)**

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- A. ROLL CALL:
1. Roll call of all City Commissioners and Mandan Growth Fund Committee
- B. NEW BUSINESS:
1. Discussion related to the City of Mandan Commercial Property Tax Exemption Policy and Guidelines
- C. FUTURE MEETING DATES FOR BOARD OF CITY COMMISSIONERS:
1. October 2, 2012
  2. October 16, 2012
  3. October 22, 2012 (Special Meeting)
  4. November 6, 2012
- D. ADJOURN

**CITY OF MANDAN  
COMMERCIAL PROPERTY TAX EXEMPTION  
POLICY AND GUIDELINES**

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1) and the guidelines stated below. The following criteria are only guidelines. Each application will be evaluated on its own merits.

- General criteria — In evaluation applications for property tax exemption, the Growth Fund Committee will consider the following factors:
  - Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections.
  - Number of jobs created and employee benefits
    - Types of jobs — professional, managerial, technical, skilled, unskilled
    - Emphasis on full-time positions
  - Diversification of economic base
  - Growth potential of company and industry and potential spin-off benefits
  - Impact on city services
    - Can the company be accommodated within existing service levels, or will additional capacity be needed?
    - Is the company locating where better use of existing services will take place or further the development plans of the City?
  - Utilization of local resources
    - Will the company be an exporter from our region?
    - Will it provide support services to existing companies?
    - Use of raw materials and services developed in the area
- A new or expanded business in the community must not gain unfair advantage with existing competitors through use of the exemption. Applicant should be prepared to demonstrate that an unfair advantage is not gained over any possible existing competitor for the amount of exemption received.
- Property tax incentives must be approved prior to the start of construction.
- Projects that are primarily warehousing (for the storage of goods, raw materials or commodities) would not receive an incentive unless the owner proves need or provides other information to justify the exemption.
- Amount of exemption will be according to the following schedule:
  - Year 1 — 100%
  - Year 2 — 100%
  - Year 3 — 75%
  - Year 4 — 50%
  - Year 5 — 25%
- Annual reports — By February 15 of each year, the recipient of the exemption will file an annual employment verification report with the Bismarck – Mandan Development Association.
  - A qualified project may receive up to 100% exemption in each of years 3, 4 and 5 provided that at the end of year two at least one full-time job has been created for every \$100,000 of the building's value subject to the tax exemption. Jobs created in the 12

months prior to the date of application may be considered toward meeting this requirement. Jobs must be maintained in years 3, 4, and 5.

- An exemption that has been granted will be considered lapsed and invalid if construction has not begun in one year and completed in two years. Notice will be sent to the project operator 90 days prior to the exemption lapsing.
- After an exemption has been granted, if the project operator needs to locate the operation in another facility; the exemption may be transferred to the new building. The value of the new building cannot be more than 15 percent higher than that of the building for which the exemption was originally granted. If the new building is more than 15 percent greater in estimated value, the Growth Fund Committee will reconsider the exemption.

*The Board of Commissioners may waive any of these requirements if they deem a business should receive additional incentives because of its benefits to the community.*

### **Improvements to Commercial**

NDCC 57-02.02 allows exemptions for property renovations, remodeling, alterations, and additions. A property tax exemption is available for all improvements to commercial buildings or structures. The value of qualifying improvements is exempt. The last assessment on the building or structure prior to commencement of the improvements remains for the duration of the exemption period, unless equalization or revaluation of building values is necessary. The exemption does not apply to land values, which may be changed whenever justified. The exemption is valid for the prescribed period and does not terminate upon the sale or exchange of the property. It is transferable to subsequent owners.

### **Payments in Lieu of Taxes**

The City of Mandan may consider up to a five-year payment in lieu of tax (PILOT) in years 6-10 for a new or expanded business. A qualified project may be required to pay only 50% of taxes that would otherwise be due, provided the following guidelines are met:

- The project size must have at least \$700,000 market value of newly constructed buildings or structures.
- A minimum of 20 new full-time jobs providing an average wage of \$9.00 per hour excluding benefits must be created by the end of year 5. These jobs must be maintained years 6-10.
- Annual reporting requirements by the recipient will continue in years 6-10.
- An inflation factor may be included in the payment schedule and also in the average hourly wage. This inflation factor will be determined at the time the payment schedule is set.
- If the project fails to meet any of the above listed guidelines in years 6-10, the project will not be eligible for any percentage of the reduction in taxes. The tax reduction on this project cannot be re-applied for if the requirements are again met in the future and the initial 10-year period has not expired.

### **Multi-Family Residential**

Tax incentives for multi-family housing may be considered for qualifying projects under the federal low income housing tax credit program, for projects with a mixed-use commercial component, or for projects of 24 units or more. Multi-family projects of 24-plus units may receive an exemption up to 100% for two years.

### **Sale to Non-Profit**

If a property receiving a tax exemption is sold or in any way transferred within a period of time equal to 2.5 times the length of the exemption to an entity exempt from property tax, the property owner will be required to pay back all tax revenue given as part of the exemption.

Non-profits may be asked to make payments in lieu of taxes for essential services.

# PROPERTY TAX EXEMPTION CONSIDERATIONS

Compiled 9/17/12

by Ellen Huber, City of Mandan Business Development & Communications Director

- Purpose of an incentive is to remain competitive
  - North Dakota's economy is robust as a whole, but Mandan must still compete for the location of new and expanding business projects with Bismarck and other cities including locations in less prosperous states.
  - Excerpts from a 2004 white paper on economic development incentives prepared by the City of Scottsdale (AZ) Economic Vitality Office:
    - The desire of a community to have the company in their locale often dictates their interest and ability to provide incentives.
    - Many companies do not rank incentives as an important initial location factor; however, once the search has been narrowed to a certain number of locations, incentives may play a significant role in the final decision making process.
    - Companies may ask for incentives for several reasons:
      - To offset hard or soft costs associated with a business start-up, added location or relocation
      - To assist with infrastructure costs
      - To assist the company's bottom line
- Incentive policies (again more excerpts from Scottsdale white paper)
  - On the positive side, an incentive policy levels the playing field for all businesses and minimizes subjective decision-making
  - On the negative side, incentive policies can have the effect of stimulating greater use of incentives, as businesses can tailor their projects to fit the criteria and request incentives even when not necessary.
  - The International Economic Development Council indicated the vast majority of communities do not have incentive policies. They handle incentives on a case-by-case basis or have unwritten policies

*Note: Mandan's current policy for new and expanding businesses nearly mirrors policies in place in the City of West Fargo, selected because of its similar situation in competing with the larger cities of Fargo and Moorhead.*

- A property tax exemption is a low risk form of incentive
  - It requires no upfront financing
  - Nothing that the public has today is given up to accommodate the property tax incentive
  - Land is still taxed
  - The tax levy does not go up as a result of the project unless it would place some increased burden on public services
- At the forefront of criteria, a project should have public benefit to receive an exemption
- Criteria considerations:
  - Should "need" be a factor for an application?
    - May be appropriate to help with the start-up of a promising new business, but perhaps less appropriate for an existing business that is either expanding or adding a location

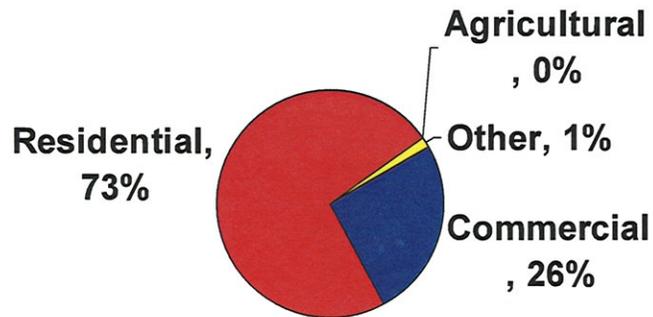
- Communities generally want to attract strong, thriving, reliable businesses that benefit their communities over the course of time with good paying jobs or through other means
  - Businesses moving from another community
    - if not filling a gap or providing other public benefit, should at least be expanding in terms of one or more of the following: square footage, number of employees, products and services
  - Could develop targets
    - Sales tax, restaurant and lodging tax collection goals
    - Square footage of different sectors
      - Retail
        - X amount of big box
      - Restaurants
      - Hotel rooms
      - Professional office
      - Industrial
- Other considerations
  - Partial exemptions for city share only (24%) or to exclude school district share (38%)
  - Pros and cons of tiers (could be beneficial to retain flexibility with qualifications tied to a fixed percentage with tier 1 at 200% to 350% and tier 2 at 500%)
    - If a business needs the incentive to offset costs during a ramp-up period, a larger exemption upfront may be most helpful (Ex. 2 years at 100% vs. 4 years at 50%)
    - If offsetting costs isn't the major objective of the incentive or if it's going to increase the need for public services or infrastructure, it may be more beneficial to the public taxing entities to provide a partial exemption that starts to generate tax revenue immediately after the project is built (Ex. 4 years at 50% vs. 2 years at 100%)
- Housing exemptions
  - Requested by a developer, the apartment exemption started as a means of encouraging more density or investment on a given parcel of property to generate more tax revenue from the property with less investment in infrastructure
  - The exemption of two years at 100% was initially recommended by the Growth Fund Committee because it nearly parallels the exemption provided for a new single family residence (the first \$75,000 in value for two years).
  - Today, the apartment exemption may be viewed as a means of helping to assure a supply of affordable, available housing for growing workforce needs.
  - The top constraint that local businesses report is the ability to hire and retain employees
  - West Fargo's economic development direct reports that the city's primary strategy is growing its population to meet employment needs of growing businesses

Not a bedroom community, but ...

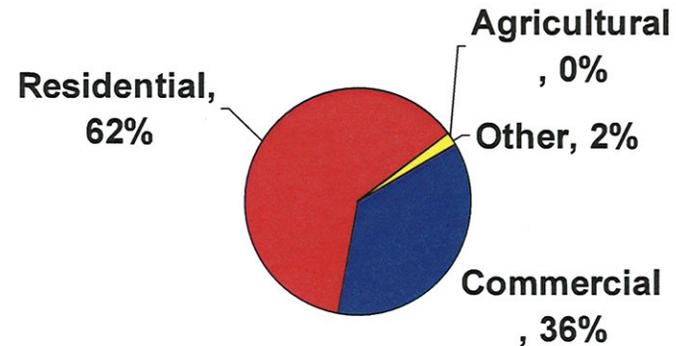
# Expanding commercial base will ease burden on home owners

Comparison of estimated taxable valuations for 2012

**MANDAN - \$46,569,228**



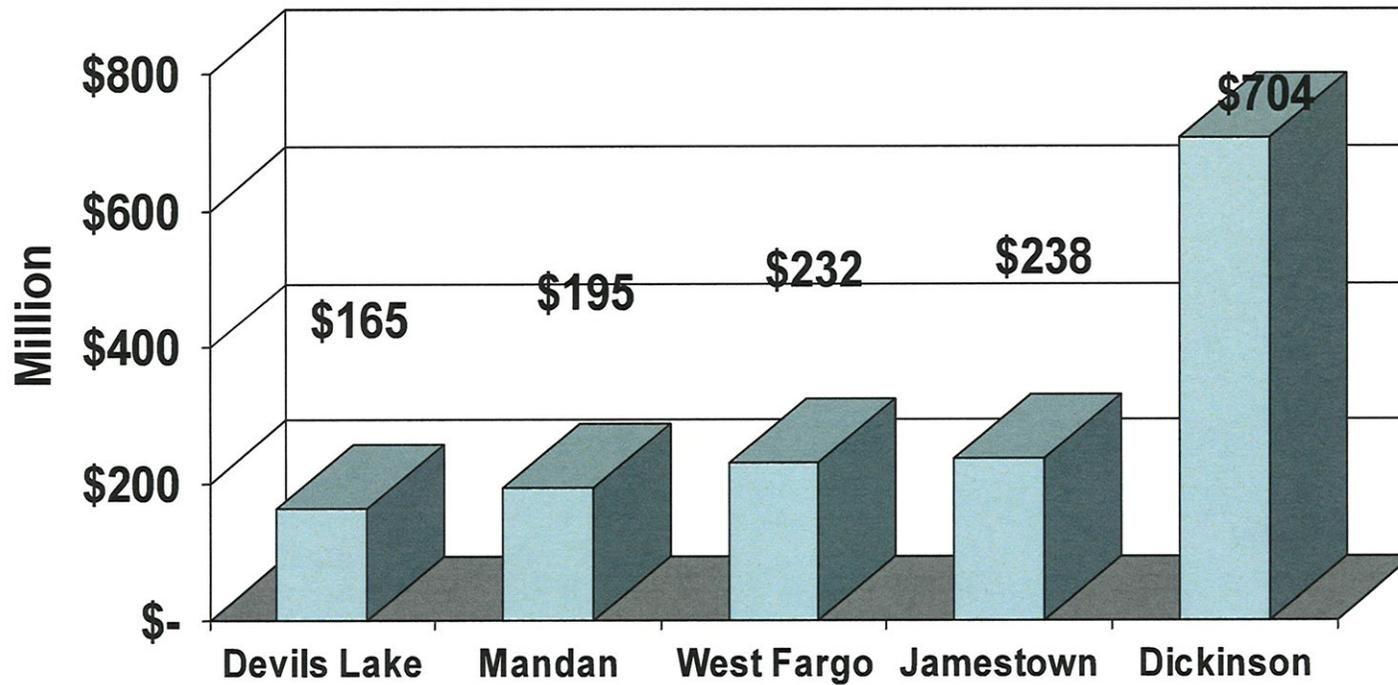
**BISMARCK - \$222,686,304**

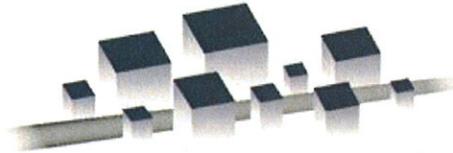


Commercial property accounts for 26% of the taxable valuation in Mandan, compared to 36% in Bismarck.

# What could we achieve?

## 2011 taxable sales & purchases





**RETAIL ATTRACTIONS, LLC**  
**Economic Development Consulting**

**POPULATION**

2011 (Est) - PRIMARY TRADE	28,208
2011 (Est) - CITY LIMITS	18,845
Annual Growth 2000-11 - PRIMARY TRADE	0.97%
Annual Growth 2000-11 - CITY LIMITS	1.07%
Annual Growth 2011-16 (Est) - PRIMARY TRADE	2.10%
Annual Growth 2011-16 (Est) - CITY LIMITS	2.20%

**EDUCATIONAL ATTAINMENT**

Earned a College Degree	33.70%
Some Post-Secondary Education	55.50%

**COMPOSITION**

Family Households	69.89%
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**AVERAGE INCOME (2011 Estimate)**

Household Income	\$62,001
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**OCCUPATION**

White Collar Workers	56.40%
Blue Collar Workers	43.60%
Unemployment Rate	3.90%

**HOUSING**

Owner Occupied Housing	77.69%
Median Housing Value	\$110,417
Houses less than 10 years old	15.03%

**Mandan**

**North Dakota**

**OPPORTUNITY GAP HIGHLIGHTS**

**PRIMARY TRADE**

**TOTAL RETAIL LEAKAGE** **\$250,140,424**

Food and Drink	\$31,816,024
Building Materials	\$22,893,863
Grocery Stores	\$22,697,379
Clothing and Clothing Accessories	\$22,461,109
Health and Personal Care	\$15,431,961
Full Service Restaurants	\$14,910,754
Non-Store Retailers	\$13,948,277
Electronics and Appliances	\$11,059,846
Sporting Goods, Hobby, Books and Music	\$9,826,607
Furniture and Home Furnishings	\$7,703,032
Office Supplies, Stationery, Gift	\$5,337,935
Automotive Parts and Accessories	\$1,067,895

The Opportunity Gap represents the difference between retail sales in specific categories of goods and services where reported demand (purchases by consumers living in an area) exceeds reported sales by merchants (supply) within the same defined trade area. Data is derived from the Consumer Expenditure Survey as administered by the U.S. Bureau of Labor Statistics and from the Census of Retail Trade, made available through the U.S. Census.

**About the City of Mandan**

Mandan, North Dakota is located along Interstate 94. A first ring suburb of state capital Bismarck, Mandan's primary trade area is west of the Missouri River, running north and south. For more unique retailers and those less commonly found in Bismarck, the trade area also stretches to the east. No other significant market areas exist within 50 miles of the Bismarck-Mandan population center. Most of the retail choice is east of the river, leaving Mandan and points west with few convenient options.

Mandan has a low unemployment rate and a highly educated population. The Mandan area has been recognized as a growth center for the Upper Great Plains and the economy remains strong due to oil, energy, diversified industries and a still evident pioneer spirit. The city has completed significant downtown, infrastructure and streetscape improvements, has a master plan and is now aggressively seeking to fill gaps in the retail and restaurant offerings in the trade area. Traffic from all points west of Bismarck enters through Mandan, so retailers have the opportunity to capture those shoppers. Mandan's various tax collections for 2012 have increased significantly through April with hotel occupancy up 55%, restaurant & lodging up 22% and sales tax up 17%.

For more information about the City of Mandan contact Retail Attractions at (918) 376-6707 or [info@retailattractions.com](mailto:info@retailattractions.com)  
 Visit [www.retailattractions.com](http://www.retailattractions.com) to download this and other information about Mandan and other client cities

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## 2012 Mandan Community Survey

Community

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- [Browse Responses](#)
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- [Crosstab Responses](#)
- [Download Responses](#)
- [Share Responses](#)

Community Survey Preliminary Report (97) [Edit Report](#) [Add Report](#)

### Response Summary for "Community Survey Pr..."

Total Started Survey: 124  
Total Finished Survey: 97 (78.2%)

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#### PAGE: GENERAL VIEWS OF MANDAN

3. Please rank the following factors in importance to improving Mandan.

[Create Chart](#) [Download](#)

	1	2	3	4	5	6	7	Rating Average	Response Count
More retail shopping	19.8% (20)	<b>26.7% (27)</b>	25.7% (26)	13.9% (14)	4.0% (4)	8.9% (9)	1.0% (1)	2.86	101
More restaurants	11.9% (12)	23.8% (24)	<b>26.7% (27)</b>	20.8% (21)	7.9% (8)	5.0% (5)	4.0% (4)	3.20	101
More hotels	4.0% (4)	2.0% (2)	8.9% (9)	11.9% (12)	22.8% (23)	21.8% (22)	<b>28.7% (29)</b>	5.28	101
More service-related businesses	2.0% (2)	5.0% (5)	10.9% (11)	24.8% (25)	<b>27.7% (28)</b>	24.8% (25)	5.0% (5)	4.65	101
More industrial development	2.0% (2)	1.0% (1)	5.9% (6)	12.9% (13)	17.8% (18)	18.8% (19)	<b>41.6% (42)</b>	5.66	101
Lower taxes	<b>48.5% (49)</b>	12.9% (13)	7.9% (8)	6.9% (7)	8.9% (9)	10.9% (11)	4.0% (4)	2.63	101
Street repair & maintenance	11.9% (12)	<b>28.7% (29)</b>	13.9% (14)	8.9% (9)	10.9% (11)	9.9% (10)	15.8% (16)	3.71	101
<b>answered question</b>									<b>101</b>
<b>skipped question</b>									<b>23</b>

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#### PAGE: BUSINESS DEVELOPMENT IN MANDAN

12. Do you support incentives to attract new & grow existing businesses in Mandan?

[Create Chart](#) [Download](#)

	Response Percent	Response Count
<b>Yes</b>	<b>45.9%</b>	<b>45</b>
Maybe/uncertain	38.8%	38
No	15.3%	15
<b>answered question</b>		<b>98</b>
<b>skipped question</b>		<b>26</b>

12. Do you support incentives to attract new & grow existing businesses in Mandan?

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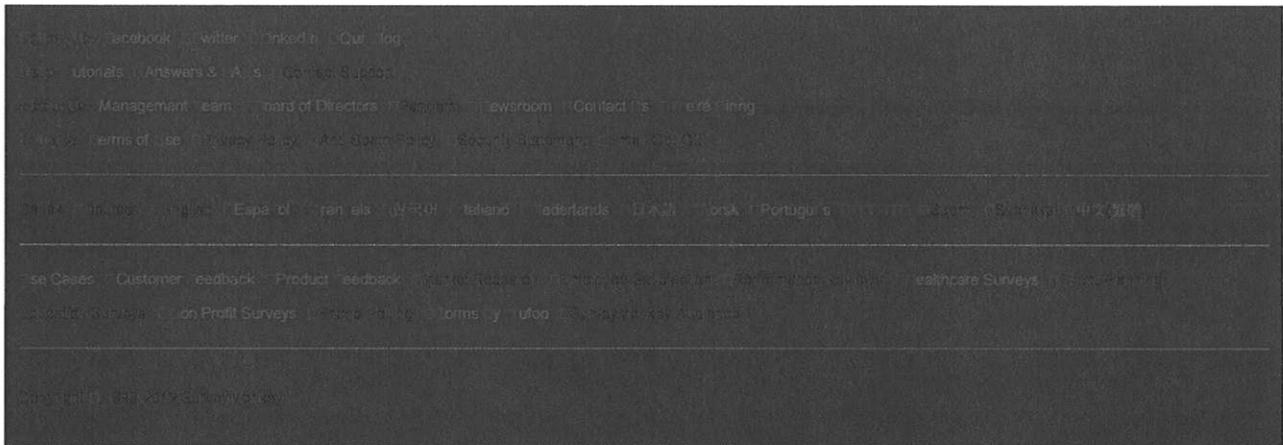
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Comment Show Responses	20
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**answered question** 98

**skipped question** 26



**MANDAN PROPERTY TAX EXEMPTION FOR NEW & EXPANDING BUSINESSES**

**PROJECT STATUS**

Since policy adopted by City Commission in February 2011/Revised June 2012

Updated 9/17/12

	Applicant	Address	Description	GF Approval	Comm. Approval	Proposed Investment	Estimated Annual Property Tax	Years/Terms Granted	Status
4	Jessara Properties LLC Mike Wachter	2401 40th Ave SE	2-story, 24-unit apt bldg w/ underground parking	5/11/11	6/7/2011	\$1,600,000	\$32,750	2 yrs, 100%	not started
2	Prairie View Properties LLP Randy Rhone	6th Ave SE & 3rd St SE	Little Caesars strip mall	5/11/2011	6/7/2011	\$500,000	\$10,250	5 yrs, 100% pending job creation verify end of year 2	lapsed
3	Spence Koenig	4100 21 St SE	Pioneer Seed & RDO Irrigation	7/8/2011	6/21/2011	\$550,000	\$11,275	5 yrs, 100% pending job creation verify end of year 2	complete
4	High Plains Apache Sales & Service Paul Peterson	1701 Eastside Court	new business - shop, showroom office	8/11/2011	8/16/2011	\$700,000	\$14,329	5 yrs, 100% pending job creation verify end of year 2	complete
5	Shorestone Development Inc. Mark Payne	4400 21st Street SE 4410 21st Street SE 4420 21st Street SE	32-unit apartment building (2011 construction start) 32-unit apartment building 32-unit apartment building	8/11/2011 8/11/2011 8/11/2011	8/16/2011 8/16/2011 8/16/2011	\$1,766,666 \$1,766,666 \$1,766,666	\$36,163 \$36,163 \$36,163	2 yrs, 100% 2 yrs, 100% 2 yrs, 100% (if started w.i. 1 yr)	complete under construction permit issued April 2012
6	Acteva Assisted Living Center Mike Schmitz	3010 12 <sup>th</sup> Avenue NW	50-unit assisted living complex	9/27/2011	10/4/2011	\$6,282,000	\$128,589	5 yrs, 100%	not proceeding
7	ProFinish	160 Riverwood Ave SE	shop/office building	10/25/11	11/1/2011	\$450,000	\$9,211	5 yrs, 100% pending job creation verify end of year 2	complete
8	Infinity Ventures LLC	4102 Shoal Loop SE 4202 Shoal Loop SE 4302 Shoal Loop SE	36-unit apartment bldg 36-unit apartment bldg 36-unit apartment bldg	10/25/11 10/25/11 10/25/11	11/1/2011 11/1/2011 11/1/2011	\$2,716,666 \$2,716,666 \$2,716,666	\$55,609 \$55,609 \$55,609	2 yrs, 100% 2 yrs, 100% (if started w.i. 1 yr) 2 yrs, 100% (if started w.i. 1 yr)	complete under construction permit not yet issued
2011 TOTAL						\$15,149,996	\$310,131		
9	Summit Housing did not receive tax credits	4402 Shoal Loop SE	48-unit apartment bldg	1/5/2012	2/7/2012	\$5,040,004	\$101,652	2 yrs, 100%	not started
10	Jessara Properties LLC Mike Wachter	600 Meadow Ridge Loop NW	24-unit apartment bldg 24-36 unit apartment bldg 24-36 unit apartment bldg	2/28/2012 2/28/2012 2/28/2012	3/6/2012 3/6/2012 3/6/2012	\$5,760,000 \$43,565 \$43,565	\$29,043 \$43,565 \$43,565	2 yrs, 100% 2 yrs, 100% (if started w.i. 1 yr) 2 yrs, 100% (if started w.i. 1 yr)	under construction permit not yet issued permit not yet issued
11	Lakewood Landing LLC Shorestone Development	4401 21 St SE	40-unit assisted living & 32-unit senior living	2/28/2012	3/20/2012	\$5,000,000	\$100,845	2 yrs 100%, 75%, 50%, 25%	permit issued
12	Missouri Valley Petroleum	1722 Mandan Avenue	30,000 sq office/warehouse building	2/28/2012			\$76,642	5 yrs, 100%	withdrew application
13	Windriver Properties	2201 40th Ave SE	100 X 240 building for lease	2/27/2012	4/17/2012	\$1,060,000	\$21,359	5 yrs, 100% pending job creation verify end of year 2	under construction
14	Glass Concrete Construction	2151 3rd Street SE	60 X 125 building for equipment, service	4/24/2012	5/15/2012	\$400,000	\$8,060	2 yrs 100%, 75%, 50%, 25%	under construction
15	Art Mariner (GR-8 Auto)	2021 46th Ave SE	60 X 100 building for retail services	5/30/2012	6/19/2012	\$220,000	\$4,433	5 yrs, 100% pending job creation verify end of year 2	under construction
16	MTP Holdings, LLC	2003 Marina Rd	30-unit, level apartment bldg, underground parking	5/30/2012	6/19/2012	\$3,840,000	\$77,376	2 yrs, 100%	permit not yet issued

MANDAN PROPERTY TAX EXEMPTION FOR NEW & EXPANDING BUSINESSES									
PROJECT STATUS									
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Updated 9/17/12									
Applicant	Address	Description	GF Approval	Comm. Approval	Proposed Investment	Estimated Annual Property Tax	Years/Terms Granted	Status	
18	Wal-Mart Real Estate Business Trust	Old Red Trail & 8th Ave NW	150,000 sf retail store	7/11/2012	8/7/2012	\$10,000,000	\$201,690	2 yrs 100%	permit not yet issued
19	Novaspect Holdings, Inc.	2813 37th St NW	20,000 sf shop w/ 3,000 sf office	8/30/2012	9/4/2012	\$1,600,000	\$32,270	2 yrs 100%, 75%, 50%, 25%	permit not yet issued
20	Diversity Homes	201 46th Ave SE	5,987 sf office & garage space	8/30/2012		\$550,000	\$11,093	5 yrs, 100% pending job creation verify end of year 2	
21	Edgewood Management Group	40th St SE & McKenzie	72-units assisted living	8/30/2012		\$6,800,000	\$137,149	2 yrs 100%, 75%, 50%, 25%	
22	BOS Solutions	2916 34th St NW	8,800 sf office and service space	8/30/2012		\$1,200,000	\$24,203	5 yrs, 100% pending job creation verify end of year 2	
2012 TOTAL						\$36,430,000	\$811,293		

Adopted by the City Commission - February 15, 2011  
Revised June 5, 2012  
*September 2012 Suggested Changes by City Business Development Director Ellen Huber*

**CITY OF MANDAN  
COMMERCIAL PROPERTY TAX EXEMPTION  
POLICY AND GUIDELINES**

The City of Mandan is committed to high quality development in all parts of the city, to growing its commercial property base and to the improvement of the quality of life for its citizens through enhanced employment opportunities, reduced property taxes, increased sales and use tax revenues, and better access to needed products and services. To help meet these goals, the City Commission has adopted guidelines and criteria for granting business incentives. Applications are subject to the review and approval by the Mandan Growth Fund Committee and Mandan City Commission.

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Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1)

It is the policy of the City to provide business incentives for the purpose of attracting new business and industry to the City and to encourage expansion and modernization of existing business facilities. The City will generally consider a property tax exemption only for eligible business facilities and/or properties that meet one or more of the following public benefits:

- Creation and retention of job opportunities within the community,
  - Types of jobs — professional, managerial, technical, skilled, unskilled
  - Emphasis on full-time positions
- Increased local use taxes (sales, hotel and restaurant, or occupancy)
- Filling a gap in the community or region's retail market profile,
- Diversification of economic base
- Ability of the project to pull in people from other communities
- Synergies with existing businesses in the community
  - Enhancing an industry sector that is a base of the local economy
  - Filling a gap in the supply chain for a core industry or business sector
  - Providing a product or service needed by other businesses in the region
- Growth potential of company and industry and potential spin-off benefits
- Adding value to local resources
- Making use of an underutilized asset (either facilities or land)

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Other potentially positive and negative impacts:

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  - Diversification of economic base
  - Growth potential of company and industry and potential spin-off benefits

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o Impact on city services

- o Can the company be accommodated within existing service levels, or will additional capacity be needed?
- o Is the company locating where better use of existing services will take place or further the development plans of the City?
- o Utilization of local resources
  - o Will the company be an exporter from our region?
  - o Will it provide support services to existing companies?
  - o Use of raw materials and services developed in the area

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**Additional limitations and standards**

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- A new or expanded business in the community must not gain unfair advantage with existing competitors through use of the exemption. Applicant should be prepared to demonstrate that an unfair advantage is not gained over any possible existing competitor for the amount of exemption received.
- Property tax incentives must be approved prior to the start of construction.
- Projects that are primarily warehousing (for the storage of goods, raw materials or commodities) would not receive an incentive unless the owner proves need or provides other information to justify the exemption.

Projects involving relocation of an existing business from another N.D. community to Mandan will generally not receive an incentive unless the business is expanding in some manner such as square footage, number of employees, or scope of products and services.

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Annual reports — By February 15 of each year, the recipient of the exemption will file an annual employment verification report with the Bismarck – Mandan Development Association.

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An exemption that has been granted will be considered lapsed and invalid if construction has not begun in one year and completed in two years. Notice will be sent to the project operator 90 days prior to the exemption lapsing.

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After an exemption has been granted, if the project operator needs to locate the operation in another facility, the exemption may be transferred to the new building. The value of the new building cannot be more than 15 percent higher than that of the building for which the exemption was originally granted. If the new building is more than 15 percent greater in estimated value, the Growth Fund Committee will reconsider the exemption.

**General levels of exemption**

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Amount of exemption for a project that provides one or more significant public benefits (as listed previously) will be according to the following schedule:

- o Year 1 — 100%
- o Year 2 — 100%
- o Year 3 — 75%
- o Year 4 — 50%
- o Year 5 — 25%

~~Annual reports — By February 15 of each year, the recipient of the exemption will file an annual employment verification report with the Bismarck – Mandan Development Association.~~

A qualifiedAn exceptional project may receive up to 100% exemption in each of years 3, 4 and 5 provided that because of one or more of the following conditions:

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- It provides two or more significant public benefits (as listed previously), and/or
- At the end of year two, at least one full-time job has been created for every \$100,000 of the building's value subject to the tax exemption. Jobs created in the 12 months prior to the date of application may be considered toward meeting this requirement. Jobs must be maintained in years 3, 4, and 5. Jobs must be based at the project location to apply toward this requirement. Out of town or traveling jobs stemming from the project location may be awarded partial credit in situations where permanent local residency of employees is likely.

- ~~An exemption that has been granted will be considered lapsed and invalid if construction has not begun in one year and completed in two years. Notice will be sent to the project operator 90 days prior to the exemption lapsing.~~
- ~~After an exemption has been granted, if the project operator needs to locate the operation in another facility, the exemption may be transferred to the new building. The value of the new building cannot be more than 15 percent higher than that of the building for which the exemption was originally granted. If the new building is more than 15 percent greater in estimated value, the Growth Fund Committee will reconsider the exemption.~~

*The Board of Commissioners may waive any of these requirements if they deem a business should receive additional incentives because of its benefits to the community.*

#### **Improvements to Commercial**

NDCC 57-02.02 allows exemptions for property renovations, remodeling, alterations, and additions. A property tax exemption is available for all improvements to commercial buildings or structures. The value of qualifying improvements is exempt. The last assessment on the building or structure prior to commencement of the improvements remains for the duration of the exemption period, unless equalization or revaluation of building values is necessary. The exemption does not apply to land values, which may be changed whenever justified. The exemption is valid for the prescribed period and does not terminate upon the sale or exchange of the property. It is transferable to subsequent owners.

#### **Payments in Lieu of Taxes**

The City of Mandan may consider up to a five-year payment in lieu of tax (PILOT) in years 6-10 for a new or expanded business. A qualified project may be required to pay only 50% of taxes that would otherwise be due, provided the following guidelines are met:

- The project size must have at least \$700,000 market value of newly constructed buildings or structures.
- A minimum of 20 new full-time jobs providing an average wage of \$9.00 per hour excluding benefits must be created by the end of year 5. These jobs must be maintained years 6-10.
- Annual reporting requirements by the recipient will continue in years 6-10.
- An inflation factor may be included in the payment schedule and also in the average hourly wage. This inflation factor will be determined at the time the payment schedule is set.
- If the project fails to meet any of the above listed guidelines in years 6-10, the project will not be eligible for any percentage of the reduction in taxes. The tax reduction on this project cannot be re-applied for if the requirements are again met in the future and the initial 10-year period has not expired.

#### **Multi-Family Residential**

Tax incentives for multi-family housing may be considered for qualifying projects under the federal low income housing tax credit program, for projects with a mixed-use commercial component, or for projects of 24 units or more. Multi-family projects of 24-plus units may receive an exemption up to 100% for two years.

**Sale to Non-Profit**

If a property receiving a tax exemption is sold or in any way transferred within a period of time equal to 2.5 times the length of the exemption to an entity exempt from property tax, the property owner will be required to pay back all tax revenue given as part of the exemption.

Non-profits may be asked to make payments in lieu of taxes for essential services.

**Other Clawback Provisions**

If the project fails to deliver on public benefits that were the basis for approval of an exemption, the City Commission may revoke the exemption and/or require that all or part of the exemption be paid back.

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