

The Mandan Renaissance Zone Committee met at 12:15 p. m. on February 11, 2011, in the Edward Boshö Froelich Room at City Hall. Committee members present were Jay Feil, Rob Knoll, Pat Maddock, David Leingang and Robert Vayda. Absent were Bruce Strinden and Dot Frank. Others present were Business Development Director Ellen Huber, City Administrator Jim Neubauer, Richard Mower of the Bismarck Mandan Development Association, and Capital Credit Union Vice President Loni Bienek.

Feil called the meeting to order. Committee members reviewed minutes of the meeting held January 10, 2011.

Maddock moved to approve the minutes. Knoll seconded. Motion approved unanimously.

Persons in attendance introduced themselves.

New Business

Consider a Capital Credit Union application for new construction at 600 E Main Street.

Huber summarized the application for the construction of a two-story building of 9,300 sf in total with 3,680 sf on the main floor and second story and a partial basement of 1,940 sf. The upper floor will include some lease space. The estimated cost of construction is \$1.625 million including some site work. The investment will be well in excess of the minimum \$55 per square foot local requirement for Renaissance Zone project qualification. The project will likely retain and expand jobs with the additional lease space on the second floor.

The Assessing Department estimates the value of the building upon completion at \$1.5 million. Based on the current tax rate of 409 mills, estimated taxes on the new building are \$30,675 annually, for a five-year exemption value of \$153,375. The existing building will be demolished upon completion of the new credit union with the space to be used for off-street parking. The existing building's value is \$117,800, resulting in a temporary tax loss of \$2,409 annually for a five-year total of \$12,045. The payback for this project, once it is on the tax rolls beginning in year 6, is approximately 2.5 times its current tax revenue in the first year alone. The credit union is not subject to state income or financial institution tax.

Loni Bienek of Capital Credit Union added that the credit union is planning to bury utility lines as part of the project. The lease to Newman Signs for the billboard on the property was a 15-year lease. Bienek was uncertain of the time remaining on the lease with the previous property owner.

The amount of lease space available is about 2,000 sf. Vayda asked about the going rate for lease space. Maddock indicated it would be about \$12 to \$15 psf. Vayda was concerned about vacancies and competition for more space. Huber noted that newer properties tend to sell or lease within a reasonable period of time. A majority of the vacancies are in properties that have not been recently renovated. She also noted the potential for some new businesses based on projects in the works, but pointed out she is obligated to keep the nature of these projects confidential until such time as the parties either apply for public assistance or until they are ready to publically disclose their plans.

Capital Credit Union plans to begin construction in April and have the building complete by December 2011. The credit union currently has eight employees in Mandan. They will initially lease the extra second story space but do plan to hire a mortgage loan officer for Mandan next year and are looking at the possibility of moving their call center to Mandan in five or more years.

The project has been preliminarily reviewed by staff in the Building Inspection and Engineering departments, but it has not yet been formally reviewed by the Mandan Architectural Review Commission, so any recommendation will need to be subject to MARC approval.

Knoll moved to recommend approval of the project to the City Commission.
Leingang seconded. Motion approved unanimously.

The recommendation will be presented to the City Commission at its meeting on Feb. 15. Architectural review will be needed prior to taking out a building permit.

Election of officers.

Maddock moved to appoint Bruce Strinden as chair. Feil seconded. Motion approved unanimously.

Vayda moved to appoint Rob Knoll as vice chair. Leingang seconded. Motion approved unanimously.

Discussion regarding Renaissance Fund Organizations. Background materials provided to the committee included explanations and a status report from the N.D. Commerce Department and a sample contract between the City of Fargo and one of its RFOs. Huber provided an overview of RFOs, noting that it allows the creation of an investment group where by investors can receive a 50 percent state income tax credit over the course of five years for investment. The investment must remain in place for 10 years. State income tax credits are appropriated by the legislature and are allocated in three tiers according to city population. An RFO could be helpful to larger, more complex projects such as the former Mandan Supply and Equipment site, the Iverson building, redevelopment on the Collins and Main parcels, the Lewis and Clark building, or other projects that require \$1 million in investment or more. Fifty percent of investment in an RFO must occur within a Renaissance Zone, but 50 percent can be outside the zone. Huber is seeking bylaws from a Fargo RFO.

Huber explained the steps for establishing an RFO indicate that the first step to modify Mandan's development plan to address a Renaissance Zone Fund Organization and submit it to the N.D. Department of Commerce. An RFO could be independent from the city. Its investors could establish bylaws and then submit those bylaws to the City for approval.

Maddock would like to see more info from other communities that have RFOs, as to whether funds have been used. Huber noted a report from the Commerce Department shows credits have been mostly used in Fargo. One community has an RFO that has invested very little of their fund with most of it remaining in a certificate of deposit. Current legislation does not require investment in a project beyond commitment of the funds to receive the state income tax credit.

Feil noted that it should not just be a tax incentive, but that real investment should occur. Huber noted that a city's agreement with an RFO can have these sorts of stipulations. The RFO board of directors would determine how it would use funds as long as in allowed ways such as loans, equity positions, or stock purchases.

Leingang asked if there were any downsides. Huber said perhaps that it is another program to manage for a city and it is somewhat complex. Neubauer mentioned the possibility for legal fees. Huber recommended the committee move forward with drafting an amendment to the development plan for the next meeting. The committee concurred.

Review minimum criteria. The current minimum for commercial projects involving new construction is \$55 per square foot. While Bismarck has a \$75 psf minimum requirement, consensus was to leave as is to allow flexibility. The committee noted that the Architectural Review Commission standards provide some checks and balances to assure quality buildings.

Commercial rehabilitation projects currently require a 50 percent minimum investment. Some communities have an additional dollar amount of minimum investment or on a per square foot basis.

Feil departed for another meeting. Knoll took over as chair of the meeting.

Leingang moved to add a \$15,000 minimum to the commercial rehabilitation requirement. Maddock seconded. Motion approved unanimously.

Residential rehabilitation projects currently require a 20 percent minimum investment. Again, some of the other communities have minimum dollar amount requirements, too.

Leingang moved to add a \$10,000 project minimum to the residential rehabilitation requirements. Maddock seconded. Motion approved unanimously.

Other business. Huber noted that the Mandan Architectural Review Commission is still considering the boundaries and standards for the downtown core relating to single family, twin homes and multi-family residential under eight units. The discussions relate to the status of the Schlosser Home Contracting application or construction of a twin home in the core area. Vayda, who also serves on the MARC, noted that the commission had taken action this week to recommend allowing the lower density residential uses with review and approval by MARC. City Commission action will be required before any official changes are made.

Maddock moved to adjourn the meeting. Leingang seconded. Motion approved unanimously.

Ellen Huber,
Business Development Director

Jay Feil
Chairman
Renaissance Zone Committee