

The Mandan Renaissance Zone Committee met at noon on Jan. 31, 2012, in the Edward “Bosh” Froelich Room at City Hall. Committee members present were Bruce Strinden, David Leingang, Robert Vayda, Dot Frank, Darren Haugen and Pat Knoll. Absent was Rob Knoll. Others present were City Administrator Jim Neubauer, Business Development and Communications Director Ellen Huber, Bismarck Mandan Development Association Director of Special Projects Richard Mower, and applicant Scott Johnson.

Chairman Strinden called the meeting to order. Committee members reviewed the agenda. Huber noted removal of item 4B-Purchase with improvements at 301 First Street NE by 1802 Wooddale Drive, LLC as the applicant needs to take some more time to determine the scope of improvements to meet the minimum investment level.

Frank moved to approve the agenda with the aforementioned change. Leingang seconded. Motion carried unanimously.

Re-Organization

Nominations for chair for 2012. Maddock nominated Strinden. There were no further nominations.

Haugen moved to cast a unanimous ballot for Strinden as chair. Leingang seconded. Motion approved unanimously.

Nominations for vice-chair for 2012. Vayda nominated Knoll. There were no further nominations.

Frank moved to cast a unanimous ballot for Knoll as vice-chair. Vayda seconded. Motion approved unanimously.

Minutes

Committee members reviewed minutes of the meeting held Sept. 15, 2011.

Frank moved to approve the minutes. Leingang seconded. Motion approved unanimously.

New Business

Consider application for rehabilitation of 116 E Main by Scott Johnson. Maddock noted a potential conflict of interest since he had represented Johnson as a realtor in his purchase of the building from the City. The committee concurred that there was no conflict since the sale was complete.

Huber summarized the project noting that it meets general criteria for a Renaissance Zone project including a use consistent with downtown redevelopment plan, significantly extending the useful life of a building, and providing community benefit.

Minimum investment is another important requirement. The building value on assessing records is \$51,000, thus an investment of at least \$25,500 is required. Additionally, all visible signs of blight are to be resolved. Johnson has submitted estimates for improvements totaling \$109,275, so the application meets the minimum investment requirement.

Huber noted that an application by Johnson for the Storefront Improvement Program for the building has been approved for \$10,000 in matching funds, thus the \$10,000 from the forgivable loan and the \$10,000 in match money cannot be counted toward the minimum investment to meet RZ requirements.

She reported other items of note including that the property owner is serving as the general contractor for the renovations. In previous instances where the owner was a licensed contractor and did part of the work, material purchases and work performed by outside contractors exceeded the minimum investment requirements, so value of owner/contractor labor was not an issue.

Huber explained that Johnson has accounted for enough outside costs in his Renaissance Zone application to meet the minimum investment requirement. She noted that the building is also subject of a business incentive agreement with the city for purchase of the building for \$25,000 with a commitment to invest at least \$100,000 in renovations. Huber noted that she has asked Johnson to document his investment in materials, outside labor as well as any hours and wage rates for any labor provided by his own firm to assure the renovation project meets the requirements of all programs and agreements.

The Storefront Improvement application for the building received a preliminary review by the Architectural Review Commission, but exterior plans must receive final consideration and approval by the Architectural Review Commission before a building permit is issued.

Asked about his timeline, Johnson pointed out that the deadline for completion of the renovations in the business incentive agreement with the City is June 30, 2012.

Haugen asked Johnson if he had tenants yet for the building. Johnson explained that he hasn't marketed it yet. He said if he doesn't have a tenant by July that he would put a business of his own in the building. He noted an inquiry from an individual interested in opening a bridal shop.

Frank moved to recommend approval of the Johnson application for rehab of 116 E Main as a Renaissance Zone project with the 100% five-year property and state income tax exemptions. Leingang seconded. Motion approved unanimously.

Consider application amendment for new construction at 200 W Main St by CRT Investments, LLC. Huber provided the committee with some background information on the original application prior to bringing Kevin Ritterman, the CRT principal on-line via speaker phone.

The original application was for construction of a four-story, mixed use building with about 6,000 sf of commercial space at street level and approximately 30 apartments above. The building was substantially complete in approximately August 2010.

Build-out of the commercial space is not yet complete. A dirt floor remains. The developer plans to pour the concrete floor, install plumbing and electrical after a tenant or tenants are identified so that it can be finished to suit their needs.

The developer is requesting to finalize the project as a Renaissance Zone project using a 2010 completion date, to allow the approved 100% five-year property and state income tax exemptions to begin. If approved, since the 2011 tax statements have already been issued, CRT Investments would then request tax abatement for 2011 based on the Renaissance Zone exemption.

Ritterman joined the meeting via speaker phone. He provided additional background on the project, noting that CRT Investments had initially had IMM managing the property. They've since switched to a local firm. The asking rate for lease of the commercial space is \$10 psf. He indicated they would build a vanilla shell for a tenant plus allow an additional \$10 to \$15 psf build-out allowance. They can divide the space into as many as 3 to 4 spaces.

Frank expressed concern that citizens want to be assured of thorough follow-through on projects, that applicants are held to commitments to receive incentives.

Ritterman said he's thought about building out one unit of 1,500 to 2,000 sf on the side of the space next to the theater. He discussed the original goal of securing a restaurant tenant, which is likely to have specific water and sewer line configurations.

Strinden acknowledged that certain uses like a restaurant, particularly franchises, want a specific layout, so he noted understanding of why Ritterman wants to wait. There was discussion of how much space would be left if a unit were built out. Ritterman said it would leave roughly 4,500 sf. He said a typical sit-down restaurant is 4,000 to 6,000 sf.

Haugen asked if a decision on allowing an amendment for this project sets a precedent for future projects. Huber responded that each project must be considered on its merits, that the state leaves the decision about the scope of a project needed for finalization to the local community.

Leingang asked if an approval for finalization now would take the heat off the fire for the developer to get the building fully occupied.

Maddock commented that build-out is costly. He said someone could come in and need changes that require moving the sewer lines in the concrete.

Haugen said he tended to side with the investor. He commented that it was difficult for Mandan to find a developer for the lot, that it is a good-looking, sound building and the developer did it on speculation. He said, if financing is involved, the developer's feet are on fire regardless of the exemptions.

Frank questioned if there might not be sufficient financial recovery on the residential components of the building without need for revenue from the main floor.

Strinden said there's no question the development group has a substantial investment in place and would not want a lot of space sitting empty. He noted that he would hate to see a basic build-out only to have it need to be torn out and changed.

Huber asked Ritterman if he could help potential tenants better understand the costs the developer will take on in the build-out versus the tenants' responsibilities. Some sample and floor plans scenarios providing approximate costs could be helpful.

Ritterman said he realizes a tenant won't get benefit of the full five-years of pass-through on the property tax exemption if the window for the exemption is started before a tenant is in place. He said, "Believe me, I want tenants. Our ROI depends on the street level space."

Strinden asked about the time impact if a vanilla shell or unit was built out and then a restaurant tenant needed changes. Ritterman said sewer lines and drains would be the major items, requiring concrete cutting, etc. He said it's a lot more expensive and would add about two weeks of labor.

Strinden asked committee members for any further questions or comments.

Haugen moved to recommend approval of the request for project finalization.
Vayda seconded.

Frank noted that she appreciates the investment by the developer in Mandan and the project. She anticipates further feedback from taxpayers regarding the agreement.

A roll call vote on the motion to recommend approval of the request for project finalization carried with 5 in favor and Frank opposed.

Vayda then asked Maddock if there is much new commercial space in Mandan on the market and about lease rates. Maddock explained that the Capital Credit Union project was the only other new construction available. At least part of it is now leased. Maddock said the \$10 psf is very reasonable for new construction with new projects in Bismarck garnering rents of \$15 to \$18 psf. He also noted rising steel costs pushing lease rates.

Frank moved to adjourn the meeting. Leingang seconded. Motion carried unanimously.

Ellen Huber,
Business Development Director

Bruce Strinden
Chairman
Renaissance Zone Committee