

The Mandan Renaissance Zone Committee met at noon on Aug. 6, 2013, at City Hall. Committee members present were Bruce Strinden, Robert Vayda, David Leingang and Mike Braun. Rob Knoll, Darren Haugen and Pat Maddock were absent. Also present was City Business Development and Communications Director Ellen Huber and Blake Nybakken representing Dakota Commercial and Development Company.

Chairman Strinden called the meeting to order.

Leingang moved to approve the agenda. Vayda seconded. Motion carried unanimously.

Minutes

Committee members reviewed minutes of the meeting held July 11, 2012.

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

New Business

Consider application for new construction at corner of Collins Avenue & Main Street. Huber provided an overview of the project. Crown Equity LLC is planning to invest \$3,885,000 in construction of a four-story, mixed-use building consisting of 3,000 square feet of commercial space with 29 units of one-, two-, and three-bedroom apartments. The building plan indicates a footprint of 11,513 square feet with total area of 46,052 square feet.

The minimum investment for new construction per Mandan Renaissance Zone criteria is \$55 per square foot. The project exceeds the minimum with an estimated investment of \$84 psf. The building's estimated value upon completion is \$3 million. Another Renaissance goal or objective is that any new construction project should include street-level retail and off-street parking. The developer is having site plans finalized. Where the plan indicates green space on the interior of the lot, it is to instead have approximately 12 parking spaces. The developer also intends to enter into a rental agreement with the City of Mandan for approximately 25 available spaces in the lot to the east of the Fire Station.

The project is to be reviewed by the Mandan Architectural Review Commission at a meeting later in the day.

The projected value of the building upon completion is \$3 million. Estimated taxes on the building total \$59,100. The commercial portion of the building is expected to account for 20% of the building's value. This puts the estimated annual property tax on the commercial section at \$11,820 and the tax on the apartment portion at \$47,280.

Huber explained that the City Commission and Dakota Commercial Development previously entered into a business incentive agreement tied to the purchase agreement for the property, which is being sold for \$16,250. The agreement outlined accountability provisions beyond

normal Renaissance Zone requirements. The City agreed to assist the Developer in the application process for full Renaissance Zone tax benefits for the retail portions of the property and two years on the residential portions of the project. The agreements stipulates that if the developer does not have the commercial space fully leased or sold and occupied within one year of the issuance of the Certificate of Occupancy for the remainder of the building, 50% of any Renaissance Zone tax benefits granted for the commercial space would be withdrawn. If the developer does not have the commercial space fully leased or sold and occupied within two years of the Certificate of Occupancy for the remainder of the building the remaining 50% of any Renaissance Zone tax benefits for the commercial space would be withdrawn.

Given these parameters and assuming timely leasing of the commercial space, the estimated property tax benefit is \$59,100 on the commercial portion over 5 years and \$94,560 on the residential portion for 2 years, for a total estimated tax savings of \$153,660. The estimated state income tax exemption is zero as the owner will opt for depreciation of the building instead. The certificate of good standing is to be forthcoming from the N.D. Tax Department and will be needed prior to state submission.

Huber noted that the North Dakota Housing Finance Agency has approved the project for a commitment of \$1 million from the Housing Incentive Fund (HIF) to provide for affordable housing. The funding is contingent upon the dollars being raised by citizens willing to designate their state income tax liability toward the project. Nybakken wasn't certain of the rental rates, but thought they'd be in the range of \$750 per month, similar to the Mandan Place property at 200 W Main. Huber noted that Crown Equity principal Kevin Ritterman would be available to participate in the meeting via speaker phone, but the committee didn't think that was necessary.

In discussing parking, it was noted that spaces without time restrictions are also available on the south side of first street. Leingang said the developer should be encouraged to also seek cooperative arrangements with adjacent property owners such as Randy Keller and the empty lot, which belongs to Jim Sullivan.

Braun indicted he had a concern about visibility at the corner with no setback on the building. Huber explained that buildings in the downtown core zoning overlay district are allowed to be built lot line to lot line. The standards actually discourage building setback, indicating that infill buildings should be in line with those adjacent to them.

There was discussion about leasing of the commercial space and concern about whether that space would need to be complete for Renaissance benefits to commence. Nybakken explained that it takes about 90 to 120 days to fit up a space. If they fit it for an office user, it could preclude a restaurant from taking the space, so they previous to not begin build-out until they have a tenant. The clawback provision included in the previous agreement with the City was the Commission's preference because it allows for the project to get underway and provide much needed housing while still encouraging timely leasing of the commercial space. The most the exemption on the commercial space would be if not leased after two years would be 100% for one year and 50% for the next with nothing thereafter.

Vayda moved to recommend approval of the application as a Renaissance Zone project with the property tax exemptions as stipulated in the previous business incentive agreement. Leingang seconded. Motion approved unanimously.

Update on 2013 Legislative Action. Huber reported on HB1166, which placed a cap on the amount of income that can be subject to exemption for a commercial project. With the cap at \$500,000, it essentially amounts to an exemption of no more than \$20,000 annually. HB1166 also had a provision that limits incentives for an addition project to its pro-rata share of the overall building.

Other business. Vayda asked if the Renaissance Zone Committee needed to consider term limits for its members. Huber explained that the committee was only established in 2005, so had not yet encountered that issue. Vayda suggested the topic be discussed at a future meeting. There was no further business.

Braun moved to adjourn the meeting. Vayda seconded. Motion passed unanimously.

Ellen Huber,
Business Development
& Communications Director

Bruce Strinden
Chairman
Renaissance Zone Committee