RESTAURANT REWARDS
Sales Tax Rebate & Interest Buy-Down
Incentive Program (Adopted April 5, 2016)

PROGRAM OVERVIEW
Restaurant businesses are an integral part of the Mandan community. Having convenient access to a variety of eateries is important to the quality of life for area residents and to the quality of experience for people visiting our community for various events and attractions. Convenient access to restaurants is also important to the attraction and retention of other types of businesses.

Mandan's demand for restaurants outstrips the supply. According to a 2015 Nielsen opportunity gap analysis, there is a $23 million gap between expenditures and supply or store sales for the category of foodservice and drinking places in Morton County, our primary trade area. Breaking this down further, the analysis shows a near $9 million gap for full-service restaurants, a $7.6 million gap for limited-service eating places, and a $6 million gap for special foodservices.

The Mandan Growth Fund Committee in cooperation with the City of Mandan Business Development Department is proposing a new program to provide financial assurances for new and expanded restaurant facilities to locate and operate in our underserved market. The program is structured to help reduce both start-up and initial operational costs.

The program is available to qualified retail and restaurant businesses new to or expanding in the City of Mandan. Mandan welcomes unique, one-of-a-kind restaurants as well as national franchise and corporate concepts. The program is open to restaurants that are full-service restaurants (table side service), limited service (order w/ cashier, food brought to tables), and fast food (counter service or drive-up only). Restaurateurs may choose any location within the City.

The program is offered through the City of Mandan's Business Development Office through March 31, 2017; at which time the program will be evaluated for a potential one-year extension. The funding source is a portion of the City's 1 percent sales tax revenue. Approval may depend on availability of funds in the Growth Fund at the time of application. Funding for qualified applicants is encumbered on a first-come, first-served basis. Approved applicants will be required to enter into a participation agreement and a business incentive agreement with the City of Mandan.

PROGRAM STRUCTURE & BENEFITS

Sales tax rebate. Restaurants in Mandan collect a total of 3.25% in local taxes from customers:

- 1.75% - City of Mandan sales tax. Of this total, a 1% amount is for uses such as economic development, property tax reduction, infrastructure and debt reduction. The remaining share, 0.75%, is dedicated to a Mandan Park District sports complex approved by voters in June 2015.
- 1% - City of Mandan restaurant and lodging tax. Funds may be used for capital construction and promotion projects to attract visitors to the community to use travel and tourism facilities.
- 0.5% Morton County sales tax. Funds are dedicated to a joint jail project with Burleigh County.

The City of Mandan will rebate back 100% of the collections of the 1% city sales tax for qualified restaurant owners for 5 years.

Example: A restaurant generating $1 million in annual taxable sales would receive a rebate of $10,000.

Interest buy-down. The City of Mandan will set aside $162,000 in the Mandan Growth Fund to provide the local match in the form of a forgivable loan of up to $53,846 for qualified restaurants seeking a Bank of North Dakota Flex PACE interest buy-down. Funds will be available on a first-come, first-served basis. The restaurant must obtain preliminary approval from their commercial lender and the Bank of North Dakota.

Flex PACE utilizes a partnership between financial institutions and the Bank of North Dakota through a participatory lending arrangement in which half of the loan amount is provided by the lead lender and half by the Bank of North Dakota. Funds are used to reduce the interest costs to borrowers by up to 5 percent below the lead lenderôs rate to a rate as low as 1 percent.

The program requires a local match, which in Mandanôs case is 35 percent. If the principal amount of a project warrants it, the program maximum allows for a buy-down of $153,846 with the state bank providing $100,000 and the City of Mandan required to provide $53,846.

Absent this special program, Mandan Growth Fund Committee policy generally requires repayment of the principal of the local match after the term of the buy-down is complete (usually 5 years). The interest rate and repayment terms are determined based on the nature of the project and public benefits provided. Criteria include jobs creation, job quality, contribution to the local economy, project scope and level of private investment, generation of sales tax, and extent to which the borrower is provided a product or service missing or in greater need in the community. Priority projects in the areas of primary sector businesses, retail, child care and affordable housing will generally be considered for a 0% interest rate.

Eligibility

1. Application must be reviewed and have full approval by the Mandan Growth Fund Committee AND the Mandan City Commission prior to the opening of the restaurant or the expansion of an existing restaurant. Applications after the actionable event are not eligible.
2. Applications will be considered for first-time restaurateurs, new and expanding concepts by existing restaurateurs, and expansion by restaurateurs from outside the City. An inter-city relocation is not eligible for the sales tax rebate without expansion as compared to the previous location.
3. For an expansion of an existing restaurant, any sales tax rebate would be measured as the increase in sales above reported quarterly sales for the prior two years.
4. Delivery or take-out only concepts are not eligible.
5. If the enterprise includes liquor sales, at least 50% of revenue must be generated by food sales on an annual average.
6. The Mandan Growth Fund Committee will review each application on a case-by-case basis and reserves the right to make other exclusions if the use is not consistent with approved City redevelopment and development plans; if it does not benefit the health, safety and welfare of the community; or if the business activity does not meet the objectives of this program.

Conditions

1. In lease situations, a minimum 3-year agreement is preferred.
2. Restaurant must be open for business a minimum of 30 hours per week. If an applicant proposes to be open fewer hours, justification must be presented with the application.
3. *Pending further discussion — First-time restaurant operators or applicants that have been in business for less than one year must submit application to the local N.D. Small Business Development Center office and after start-up participate in quarterly consultations with the SBDC or another approved business consultant.*
4. Installation of an automatic door is required for at least a main entrance to the building as required by Mandan Municipal Code Section 111-2-9.

Application Process

1. Submit the application and all required attachments to the City of Mandanõs Business Development Office *(application to be developed pending approval of program proposal).*
2. City staff will make every effort to review completed applications (along with all necessary supporting documentation required for the application process) within a 2-week period.
3. The Mandan Growth Fund Committee will meet to review application and make recommendation to the Mandan City Commission. MGF meetings are scheduled as needed. Applicants will be notified of the meeting and asked to attend to present their request for assistance.
4. An application recommended for approval will be forwarded to the Mandan City Commission for consideration. The City Commission meets the first and third Tuesdays of the month at 5:30 p.m. Applicants will be notified of the meeting and asked to attend to represent their request.
5. Recommendations of the Growth Fund Committee will be presented to the City Commission for consideration of final approval within 45 days after a complete application is submitted.

Implementation Procedures

1. Business has 1 year from City Commission approval to be open and operational. This includes having a certificate of occupancy and being compliant with all laws and health regulations. The applicant may request an extension in writing to the City Commission. The extension may or may not be approved based on documentation of progress toward the goal. If the extension is not approved or the deadline passes without a qualified restaurant opening, the amount allocated to the applicant will be forfeited by the applicant.
2. An approved restaurant will be required to provide the N.D. Tax Department with authorization to release data to the City of Mandan regarding its quarterly sales tax remittance. It will also be required to submit a copy of its monthly or quarterly sale tax remittance report to the City of Mandan.
3. The City of Mandan will provide the sales tax rebate to the approved restaurant on a quarterly basis, within 1 month of the data being made available.
4. Applicant (and landlord in lease situations) must be current on all municipally applied taxes, special assessments, utility bills, or loans. Payments will cease if either party fails to be current on these obligations.
5. Payments cease if applicant discontinues the business, moves the business from Mandan, or fails to comply with any and all building, fire, health or zoning codes or regulations applicable to the business.
6. The subsidy will be structured as an interest-free loan that will be pro-rated and forgiven over the course of 5 years from date of opening, provided the restaurant remains in continuous operation within the City of Mandan. A participating restaurant that locates outside the City before this time shall repay a pro-rata share of the subsidy.
7. Following the first 12 months of subsidization and through the fifth year of operation, each applicant will be required to submit an annual report to the Business Development Office to provide information about full-time and part-time employment, wages and benefits.

Application form and template legal agreement pending. For more information, contact the City of Mandan Business Development Office, phone 701-667-3485.