



**AGENDA, WORKING SESSION
MANDAN CITY COMMISSION
SEPTEMBER 27, 2012
FORMER MORTON COUNTY LIBRARY ROOM,
MANDAN CITY HALL
NOON
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

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.

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.~~

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 business facilities and/or properties that provide one or more of the public benefits listed below. The following criteria are only guidelines. Each application will be evaluated on its own merits.

- Creation and retention of job opportunities within the community.
 - Types of jobs — professional, managerial, technical, skilled, unskilled
 - Emphasis on full-time positions with employee benefits
- 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 attract 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)

Other potential impacts (positive and negative)

- ~~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.
 - 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~~

Additional limitations and standards

- 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 not generally receive an incentive unless the business is expanding in some manner such as square footage, number of employees, or scope of products and services.
- 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.
- 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.

General levels of exemption

Tier 1 — An exemption for the first two years of the project at 100% of structural value may be considered for a project that provides a significant public benefit (as listed previously).

Tier 2 — An exemption using a stepped down schedule (Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, and Year 5 — 25%) may be considered for a project that provides two or more significant public benefits (as listed previously) or that creates at least one full-time job by the end of year two 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.

Tier 3 — An exemption of 100% for five years may be considered for a project that:

- Provides three or more significant public benefits (as listed previously)
- Is certified by the Economic Development & Finance Division of the N.D. Commerce Department as a primary sector business, which through the employment of knowledge or labor adds value to a product, process, or service that results in the creation of new wealth. The term includes tourism but does not include production agriculture.

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, **and** for projects with a mixed-use commercial component, ~~or for projects of 24 units or more.~~ Multi-family projects ~~of 24-plus units~~ **in general** may receive an exemption ~~up to 100%~~ **on the first \$75,000 in value per unit** 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.