HYPOTHETICAL RZ PROJECT

To illustrate the expected fiscal impacts if a Renaissance Zone program were established, the following uses a real-life property as an example.

Scenario

A new owner intends to rehab a commercial structure that has been vacant for a long time. She intends to open up a new retail establishment. In addition to fixing the deteriorated conditions that would preclude her from obtaining a Certificate of Occupancy, she will also be installing renovating the layout and installing new fixtures and finishes throughout.

Investment

For this example, let us assume that the total cost of the project is $56,350. This is 50% of the true and full value - the minimum required by the State for commercial projects.

	True and Full Value	Taxable Value*	Prop. Tax Owed†
Pre-rehab	$112,700	$5,653	$1,353.81
Post-rehab	$169,050	$8,452.50	$2,030.71

** For commercial properties, taxable value equals 10% of the “assessed value” which itself is half of the true and full value.*

† These amounts are calculated using the 2019 mill levies. It assumes the project is located in the boundary of the Maple River Water Resource District which levies 240.25 mills. Special assessments are not included.

Without an abatement, the property taxes owed will increase by $676.90. If the owner were to apply and be approved for the RZ incentive before the project began, she will receive a 100% exemption on the value of the building. The land value would still be taxed, as required by the state. Continuing with the real-life example, the post-rehabilitation values would be as follows:

Building value	$150,650
Land value*	$18,400
True and full value	$169,050

** For the sake of simplicity, it is assumed that the value of the land will not increase. For this hypothetical project, the increase in value is attributed solely to the improvements the owner has undertaken.*

Property Tax Incentive Structure

An exemption of 100% of the building value applied throughout the five-year period will be $1,807.33 per year and will total $9,036.65 by the end. This calculation obviously does not take into consideration reappraisals of the property or mill levy changes.

In 2019, the City of Kindred received 22.4% of a property owner’s tax bill. 41.4% went to the Kindred School District, 21.7% to the County, and the remaining 14.5% to other entities.

Applied to the example, it would mean the cost to the city – via foregone tax revenue – would be $404.84 per year and $2,042.20 in total over the five years.