

North Dakota[®]

Renaissance Zone Program Guidelines



N.D.C.C. 40-63

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RENAISSANCE ZONE PROGRAM STATEMENT

I. Introduction

The Fifty-sixth Legislative Assembly created the Renaissance Zone Act under N.D.C.C. 40-63, hereinafter referred to as the “Act”, to make it possible for North Dakota cities to apply to the North Dakota Division of Community Services (DCS) to create a **Renaissance Zone** within their jurisdiction.

Such an area is typically in the central city consisting of residential and commercial properties that need to be revitalized and redeveloped to attract businesses and residents. The Act provides for certain types of tax exemptions and credits to encourage investment in these properties. A city may apply for the designation of one Renaissance Zone with a duration of up to 15 years, and may request to establish a Renaissance Fund Organization for the purpose of raising funds to invest in approved zone projects throughout the state or other businesses within its own Renaissance Zone.

The size of the zone is dependent upon the size of the city applying for the Renaissance zone. For communities with less than five thousand population, a Renaissance Zone may consist of an area of up to 34 blocks. For communities of more than five thousand population, the defined geographical area may exceed 34 blocks up to a maximum of 49 blocks, based on one additional block for each additional five thousand population. Additional guidelines can be found in section X Renaissance Zone policies.

The implementation of this Act is the responsibility of the DCS and the Office of State Tax Commissioner.

A Renaissance Zone can be a very important and beneficial tool for community redevelopment and economic investment if properly developed, implemented, and managed. It is crucial that a request to designate a Renaissance Zone is not looked upon simply as a method to provide tax exemptions and credits. The community as a whole needs to be involved in creating a zone and the projects that are approved for the zone need to clearly relate to the long term broader development plans of the city. Local planning and a well thought out and designed Development Plan will be keys to whether or not the DCS will approve the designation of a Renaissance Zone, and if requested, the establishment of a Renaissance Fund Organization.

To apply for a Renaissance Zone, a city must first have a locally adopted comprehensive or strategic plan in place. It must then create a Development Plan (see Appendix B). The Development Plan will describe the area proposed to be designated as the Renaissance Zone; will describe the city’s vision, goals and objectives for the zone and discuss how the proposed zone relates to the broader plans for the city; will identify initially targeted properties; will describe the process and selection criteria to be used to select and approve zone projects; will describe how the zone will be managed and promoted; and, if applicable, will describe the desire to establish a Renaissance Fund Organization.

The contents of this program statement include a description of responsibilities, the tax exemptions and credits provided in the Act, program definitions, program policies, information required for approved projects, and program procedures. Also included as appendices are the program application form, the contents of a Development Plan, a sample resolution from the City to provide the tax exemption, a Memorandum of Agreement (MOA) template between the DCS and each city with a Renaissance Zone, and the procedures for obtaining a Certificate of Good Standing from the Office of State Tax Commissioner. The Office of the State Tax Commissioner has prepared a separate document that explains the implementation of the tax exemptions and credits.

II. The Division of Community Services is Responsible for:

- 1) Approving or rejecting the geographic boundaries of the proposed Renaissance Zone.
- 2) Approving or rejecting the duration of the proposed Renaissance Zone.
- 3) Reviewing each application for a Renaissance Zone designation against the evaluation criteria identified in the Act and designating each zone.
- 4) Approving or rejecting the establishment of a Renaissance Fund Organization.
 - a) Re-allocating Renaissance Fund Organization tax credits.
 - b) Informing cities when another RFO is formed.
- 5) Promoting the Renaissance Zone program.
- 6) Annually monitoring the progress of each designated Renaissance Zone with the approved Development Plan.
- 7) Reporting annually to the Governor and the Legislative Council on the progress of each Renaissance Zone.
- 8) Reviewing project information and giving final approval to each locally approved zone project.
- 9) Providing a yearly report to the budget section of the Legislative Council on the conclusions of audit reports on approved Renaissance Fund Organizations.

III. The Office of State Tax Commissioner is Responsible for:

- 1) Administering all tax exemptions and credits for approved Renaissance Zones.
- 2) Assisting the DCS in determining fiscal impacts of approved zone projects.
- 3) Tracking the allocation of tax credits to each Renaissance Fund Organization.
- 4) Answering all tax related questions.
- 5) Providing a Certificate of Good Standing for each taxpayer requesting approval for a zone project.

IV. The City in which a Renaissance Zone is Designated is Responsible for:

- 1) Appointing a Local Zone Authority to manage, promote, and develop the zone, to include doing recordkeeping and reporting.
- 2) Designating the entity responsible for approving or disapproving projects (city governing body or zone authority).
- 3) Complying with the provisions of the Renaissance Zone Program Statement and the City's approved Development Plan.
- 4) Assuring proper management of a Renaissance Fund Organization, if approved by the DCS.
 - a) Each city approving more than (1) RFO per city will have the following additional requirements:
 - (1) Providing supporting documentation on why another RFO needs to be established.
 - b) After the initial allocations cities must approve and provide letters of support for a RFO to receive additional tax credits.

V. Definitions:

Block - A piece of land usually bounded on all sides by streets or other transportation routes such as railroad lines, or by physical barriers such as water bodies or public open space, and not traversed by a through street. City blocks, because of the common "gridiron" pattern, usually are rectangular. The DCS will consider unusual block configurations such as railroad tracks or a river traversing a block, based on existing city plat or block numbering systems.

- 1) For the purpose of the Renaissance Zone:
 - a) Typical block areas may not be gerrymandered into irregular patterns for the purpose of creating larger block areas designed to target particular buildings or vacant lots.
 - b) A vacant lot may only be included for tax exemptions or credits if it was previously developed.
 - c) Undeveloped lots may generally not be included in the zone for tax exemptions and credits.

Boundary - means the boundary established by vote of the city governing body and approved by the DCS.

Business Incentive Agreement - North Dakota Century Code 54-60.1 requires any business that receives a reduction or deferral of any tax to enter into a business incentive agreement. For purposes of the Renaissance Zone Program this includes any combination of state income exemption, historical tax credit or property tax exemption.

Development Plan - means a written plan that includes the following:

- 1) A map of the proposed Renaissance Zone which indicates the geographic boundaries and blocks, a description of the properties and structures on each block, a description of the present use and conditions of the properties and structures in the zone, and an identification of those properties and structures to be targeted for potential zone projects.
- 2) A description of the existing physical assets, in particular natural or historical assets, of the zone and a plan for the incorporation and enhancement of the assets within the proposed development.
- 3) An outline of goals and objectives and proposed outcomes, including major milestones or benchmarks, by which to gauge success resulting from the designation of the zone.
- 4) A description of the types of projects the city would encourage in the city's targeted properties.
- 5) For a city to allow and approve utility infrastructure projects, the city must address in their Development Plan the following:
 - a) What criteria they will use to approve infrastructure projects.
 - b) How they will monitor projects both in the zone and infrastructure projects outside the zone,
 - c) Determine the tax credits available to property owners affected by the utility infrastructure project.
 - d) The city must also agree to work with the State Board of Equalization to determine the property tax exemption for utility projects and state the exemption in their plan.
- 6) A description of the promotion, development, and management strategies to maximize investment in the zone.
- 7) A plan for the development, promotion, and use of a Renaissance Fund Organization, if one is desired to be established. If a city is not ready to commit to establishing a Renaissance Fund Organization, the city may indicate in the Renaissance Zone application the city's desire to submit a plan for approval at a later date.
- 8) Evidence of community support and commitment from residential and business interests.

Historic Property - Property that is: (1) listed on the National Register of Historic Places; (2) a contributing structure within a National Register Historic District or a certified state or local historic district; or (3) eligible for listing in the National Historic Register of Historic Places.

Investment - For the purpose of North Dakota Century Code § 40-63-04(2), investment means the holding of residential or commercial property that is not used in the taxpayer's trade or business.

Investor - means the individual, partnership, limited partnership, Limited Liability Company, trust, or corporation making an investment in a Renaissance Fund Organization.

Lease - means the lease of space in a building in a designated renaissance zone by a new business moving into the zone or by an existing zone business expanding in the zone, and the continuation of a lease of an existing zone tenant in a building rehabilitated as an approved zone project. For existing zone tenants expanding in the zone, the term does not include existing leased space.

Leasehold Improvement – applies to any improvements a leaseholder makes to their space to either expand, or improve the efficacy of their business. The level of investment should increase the current true and full value of the space by an amount defined by the city in their development plan. Since the leaseholder is the person making the improvements the city should expect an investment of at least 50% on the space being improved. Improvements that are normal maintenance cannot be counted, i.e. carpet, paint, etc.

Local Zone Authority - means the city or the entity designated by the city to promote, develop, and manage the zone and may include any nonprofit incorporated entity such as an economic development corporation, community development corporation, main street organization, or chamber of commerce.

Non- Zone project – means a non-participating property owner either in the renaissance zone or outside the renaissance zone that is affected by a public utility infrastructure project. These projects will have a unique number.

Original Principal Amount - means the funds invested in a Renaissance Fund Organization after designation of the Renaissance Zone and before the sunset of that zone.

Primary Residence - An individual taxpayer's primary place of residence is the person's true, fixed, and permanent home, and is the place to which, whenever absent, the taxpayer intends to return.

Public utility infrastructure – Applies to a regulated industry that includes but is not limited to electrical, gas lines and communication infrastructure. It **does not** apply to utility infrastructure that a property owner pays special assessments to the city for a specified period of time (example water, sewer, pavement, etc).

Rehabilitation - as used in sections 40-63-04 and 40-63-05, means the repair or remodeling of a building or public utility infrastructure at a cost that is equal to or exceeds 50 percent of the current true and full value for commercial buildings and 20 percent for single-family homes. The primary purpose of rehabilitation is to repair or remodel existing homes or commercial structures to bring them up-to-date with current building codes and standards and/or to repair or re-model dilapidated conditions. However, a city may also approve a remodeling project for a residential or commercial building that is intended specifically to increase the current true and full value of the property by an amount defined by the city, and may approve re-modeling of a commercial building, to include building additions for business expansion.

Single-Family Residential Property - For the purpose of the Renaissance Zone Act, the purchase by an individual taxpayer of single-family residential property for the individual's primary place of residence will include a single-family detached home, single unit in a duplex, townhouse, and condominium.

Taxpayer - means an individual, corporation, financial institution, or trust subject to the taxes imposed by chapter 57-35.3 or 57-38 and includes a partnership, subchapter S corporation, limited partnership, limited liability company, or any other pass-through entity.

Zone - means a Renaissance Zone proposed by a city and designated by the DCS.

Zone Project - means the purchase, lease, rehabilitation, or historical preservation or renovation of a building or space in a building approved for zone incentives by a majority vote of the city governing body or zone authority.

VI. Available Tax Exemptions and Credits (Detailed information on the tax provisions in this law, including forms and procedures, can be obtained from the Office of State Tax Commissioner or at www.nd.gov/tax/genforms/renaissance.html.)

1) **Income Exemptions and Tax Credits**

(Unless otherwise stated, these income exemptions and tax credits are allowed for income tax purposes under N.D.C.C. ch. 57-38 and financial institution tax purposes under N.D.C.C. ch. 57-35.3)

- a) **Single-family residence tax credit** (*individual income tax only*)—An individual taxpayer who purchases or rehabilitates single-family residential property for the individual's primary place of residence as a zone project is allowed an income tax credit of up to ten thousand dollars in each of five taxable years beginning with the date of occupancy or completion of rehabilitation. (*See Part 3 of Tax Guide*)
- b) **Business or investment income exemption**—A taxpayer that purchases, leases, rehabilitates or makes leasehold improvements to residential, public utility infrastructure, or commercial property for a business or investment purpose as a zone project is allowed to exempt part or all of the income derived from the business or investment location within the zone in each of five taxable years,

beginning with the date of purchase, lease, or completion of rehabilitation. (*See Part 1 of Tax Guide*)

- i.) The maximum amount of income that a taxpayer may exempt from tax under this subsection for any taxable year is five hundred thousand dollars. The limitation in this subdivision applies to the sum of the exempt income derived from the taxpayer's business and investment interests in all zone projects.
 - ii.) If a zone project consists of a physical expansion of an existing building owned and used by the taxpayer for business or investment purposes, the amount of income exempt from tax under this subsection is limited to an amount equal to the income derived from the business, or from the investment use of the building, during the taxable year multiplied by a ratio equal to the square footage added by the expansion divided by the total square footage of the building after expansion.
- c) **Business purchase, expansion, or leasehold improvement tax credit** (*individual income tax only*)—If the cost of a new business purchase, expansion of an existing business, or leasehold improvement made to real property leased for use in an existing business, approved as a zone project, exceeds seventy-five thousand dollars, and the business is located in a city with a population of not more than two thousand five hundred, an individual taxpayer may, in lieu of the income exemption (in part b above), elect to claim an income tax credit of up to two thousand dollars in each of five taxable years, beginning with the date of purchase, or the date the expansion or leasehold improvement work is completed. The election must be made on the individual's timely filed original income tax return. The election is irrevocable. (*See Part 2 of Tax Guide*)
- d) **Nonparticipating property owner tax credit**—If a property owner not participating in a renaissance zone project (either in or outside of the renaissance zone) is required to make changes in utility services or in a building structure because of changes made to property that is part of a zone project, the owner of the nonparticipating property is entitled to state income tax credits equal to the total amount of the investment necessary to complete the required changes. The credit must be approved by the local renaissance zone authority. The credit must be claimed in the taxable year in which the related project was completed. The credit may not exceed the taxpayer's tax liability, and an unused credit may be carried forward up to five taxable years. (*See Part 6 of Tax Guide*)
- e) **Historic Preservation and renovation tax credit**—A credit of twenty-five percent of an investment is allowed for the preservation and renovation of eligible historic property that is part of a zone project, up to a maximum credit of \$250,000. The credit may be claimed in the taxable year in which the preservation or renovation is completed. Any excess credit may be carried forward for a period of up to five taxable years. (*See Part 4 of Tax Guide*)
- f) The income exemptions or tax credits provided by this section do not eliminate any duty to file a return or to report income as required under chapter 57-35.3 or 57-38.

NOTE: Insurance companies subject to North Dakota's gross premium tax under N.D.C.C. ch. 26.1-03 are not eligible for any tax incentives under the Act.

NOTE: The ownership or lease of, or investment in a parcel of property may qualify for an exemption only once, but during the five taxable years of eligibility, the exemption may transfer with the transfer of the property to a qualified user on a prorated basis. If such a transfer occurs, the zone authority must notify the DCS and provide the applicable taxpayer information identified in Section XIV of this Program Statement.

9) Property Tax Exemptions

- a) A municipality may grant a partial or complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated, if the property was purchased or rehabilitated by an individual for the individual's primary place of residence as a zone project. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition or completion of rehabilitation.
- b) A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased or rehabilitated as a zone project for any business or investment purpose. The State Board of Equalization may grant a partial or complete exemption from ad valorem taxation on public utility infrastructure rehabilitated as a zone project. An exemption under this subsection may not extend beyond five taxable years following the date of purchase or completion of rehabilitation.
- c) The property tax year runs from January 1 through December 31. The taxable or exempt status of property for a given property tax year is established on the assessment date of February 1. When applying the RZ property tax incentive, the 5-year property tax exemption period starts with the first assessment date following the project completion date. For example, a project with a completion date in October would receive the property tax incentive beginning January 1st of the following calendar year.

NOTE: A parcel of property may be exempted from property taxes only once, but during the five taxable years of eligibility for that exemption, the property tax exemption may transfer with the property to a qualifying user. If such a transfer occurs, the zone authority must notify the DCS and provide the applicable taxpayer information identified in Section XI of this Program Statement.

4) Renaissance Fund Organization - Exemption and Credits (*See Part 5 of Tax Guide*)

- a) A Renaissance Fund Organization is exempt from any tax imposed by North Dakota Century Code chapters 57-35.3 or 57-38. This exemption may be passed through to any shareholder, partner, and owner if the Renaissance Fund Organization is a pass-through entity for tax purposes. A corporation or financial

institution entitled to the exemption provided shall file required returns and report income to the tax commissioner as required by the provisions of those chapters as if the exemption did not exist. If an employer, a Renaissance Fund Organization is not exempt from complying with the income tax withholding laws.

- b) A credit against state tax liability as determined under North Dakota Century Code sections 57-35.3-03, 57-38-30, or 57-38-30.3 is allowed for investments in a Renaissance Fund Organization. The amount of the credit is fifty percent of the amount invested in the Renaissance Fund Organization during the taxable year. Any amount of credit which exceeds a taxpayer's tax liability for the taxable year may be carried forward for up to five taxable years after the taxable year in which the investment was made.
- c) If an investment in a Renaissance Fund Organization which is the basis for a credit under this section is redeemed by the investor within ten years of the date it is purchased, the credit must be disallowed, and any credit previously claimed and allowed with respect to the investment must be paid to the tax commissioner with the appropriate return of the taxpayer covering the period in which the redemption occurred. When payments are made to the tax commissioner, the amount collected must be handled in the same manner as if no credit had been allowed.

VII. Renaissance Fund Organization - Establishment and Administration

- 1) Each city with a designated Renaissance Zone may establish a Renaissance Fund Organization, if the detailed plan for such an organization is clearly established in the development plan and approved with the plan, or is submitted at a later date to the DCS for approval after the designation of a Renaissance Zone. (“**Establish**” means to create its own Renaissance Fund Organization or to contract with an entity to act as its Renaissance Fund Organization.)
- 2) The purpose of a Renaissance Fund Organization is solely to raise funds to be used to finance zone projects and other projects located in designated renaissance zones. A Renaissance Fund Organization may provide financing to projects undertaken by individuals, partnerships, limited partnerships, limited liability companies, trusts, corporations, nonprofit organizations, and public entities. The financing may include any combination of equity investments, loans, guarantees, and commitments for financing. The amount of financing is not limited.
- 3) Renaissance fund organization officers and employees may be actively involved in the enterprises in which the renaissance fund organization invests but the renaissance fund organization may not invest in any enterprise if any one renaissance fund organization officer or employee owns more than forty-nine percent of the ownership interest in the enterprise. A renaissance fund organization may not invest in an enterprise if renaissance fund organization officers and employees collectively own more than forty-nine percent of the ownership interests, either through direct ownership or through ownership of interest in a passthrough entity.

- 4) Income to a Renaissance Fund Organization derived from the sale or refinancing of zone properties financed wholly or in part by the organization may be dispersed as annual dividends equal to the income, minus ten percent, derived from all sources and proportional to the investment. In the event of a loss to the fund resulting in a temporary diminishment of the fund below the original principal amount, no annual dividend may be paid until the fund is restored.
- 5) Income to a Renaissance Fund Organization derived from interest or the temporary investment of its funds in certificates of deposit, bonds, treasury bills, or securities may be used for administration.
- 5) Allocation and reporting of tax credits
 - a) There is a statutory ceiling on the total amount of tax credits allowed in all years for investments made in Renaissance Fund Organizations.
 - b) The total amount of tax credits allowed under the statutory ceiling are allocated by DCS among three city population categories to ensure that cities of all sizes with established renaissance zones have an opportunity to access the limited number of tax credits.
 - c) Following are the three city population categories:
 - Category 1: 0 to 5,000 people
 - Category 2: 5,001 to 30,000 people
 - Category 3: Over 30,000 people
 - d) DCS reserves the right to allocate the available tax credits to benefit the overall Renaissance Fund Organization tax credit program.
 - e) For purposes of monitoring the usage and availability of the limited number of tax credits, and to verify taxpayers' eligibility for the tax credits, a Renaissance Fund Organization shall complete an RFO Investment Reporting Form for each investment it receives.
 - (1) The RFO Investment Reporting Form may be obtained from the North Dakota Office of State Tax Commissioner.
 - (2) The completed form must be filed with the North Dakota Office of State Tax Commissioner within 30 days of receiving the investment.
 - (3) To find out the status of available tax credits, contact the North Dakota Office of State Tax Commissioner.
 - f) All Renaissance Fund Organizations will be notified by DCS if the statutory ceiling on total tax credits allowed is reached, as determined from the investment reporting forms filed with the North Dakota Office of State Tax Commissioner.

- 6) If after a Renaissance Fund Organization is established and problems arise that require a change in the initial structure approved with the City's Development Plan, the zone authority must notify the DCS of the change that is to occur.
 - a) A Renaissance Fund Organization shall secure an annual audit of its financial records, prepared by an independent certified public accounting firm in accordance with generally accepted auditing standards. The audit report must include a statement of the percentage of annual investments received by the organization which have been invested by the organization in investments permitted under the law, including the use of investments, distinguishing between organization investments made in Renaissance Zones and outside Renaissance Zones. A Renaissance Fund Organization shall file a copy of each audit of its financial records with the governing body of the city in which it was established, the DCS, and the Tax Commissioner. The DCS shall provide an annual report to the budget section of the legislative council showing the conclusions of audit reports filed under this subsection. This audit is due annually no later than August 1 for each previous year in which the Renaissance Fund Organization operated.
 - b) Each Renaissance Fund Organization must maintain records on each investor evidencing that they are not delinquent in payment of any state and local tax liability.

VIII. Income Tax Statistical Information

- 1) An exception to the income tax secrecy provisions is provided by the Act for the purpose of providing to a local zone authority statistical information regarding the exemptions and credits claimed in a zone. Statistical information is not reportable, either within a particular zone or statewide, if there are fewer than five taxpayers claiming a particular exemption or credit.

IX. Pass-Through of Tax Exemption or Credit

- 1) A partnership, subchapter S corporation, limited partnership, limited liability company or any other pass-through entity that purchases or leases property in a Renaissance Zone for any business purpose, invests in a historic preservation or renovation of property within a Renaissance Zone, or invests in a Renaissance Fund Organization must be considered to be the taxpayer for purposes of any investment limitations in Section VI of this program statement, and the amount of the exemption or credit allowed with respect to the entity's investments must be determined at the pass-through entity level. The amount of the total exemptions or credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the pass-through entity. This does not apply if the pass-through entity is a financial institution as defined by North Dakota Century Code 57-35.3.

X. Renaissance Zone Policies

- 1) For cities with a population fewer than 5,000, a Renaissance Zone cannot be more than 34 square blocks. For cities with a population greater than 5,000, the Renaissance

Zone may be expanded above 34 square blocks by one block for each additional 5,000 population, up to a maximum of 49 blocks. All blocks must have a continual boundary and must be contiguous. If a block with commercial and residential property contains any government owned buildings, the city may add a half block. However, all counted blocks must still have a continual boundary and must still be contiguous. No further break-down of a block for counting purposes is allowed. Half blocks may only be added after the initial 34 blocks are identified. Half blocks are not permitted when adding blocks based on each 5,000 population increment.

- a) The exception to the contiguous and continual boundary is a city may have up to a three block area that is not contiguous with the rest of the Renaissance Zone, this (3) block area is part of the total blocks a city may use for their Renaissance Zone.
 - b) Once a city has determined that a block has been completed satisfactorily the city may ask that the block(s) be removed from the Renaissance Zone and that additional block(s) be added to the zone. A city will need to submit the following information to DCS:
 - (1) Evidence of a public hearing
 - (2) Brief narrative explaining why the block is complete.
 - (3) Minutes from the city council approving the removing of the old blocks and adding of the new blocks.
 - (4) Inventory of the blocks – addresses, owner of the building, condition.
- 2) The proposed Renaissance Zone must include both commercial and residential property.
 - 3) The initial duration of a Renaissance Zone may not exceed 15 years.
 - a) Once the initial duration of the Renaissance Zone has been completed a city may make application to DCS to extend the duration of the zone in five year increments.
 - b) In order to be considered for an extension, Commerce will need the following:
 - (1) Updated development plan, including an updated inventory.
 - (2) Explanation of why extension is needed.
 - (3) Letters of support from the school district and county.
 - (4) Results of the public hearing.
 - (5) City council minutes documenting approval.
 - c) A new MOU will be executed upon approval of the extension.
 - 4) A city may not propose or be part of more than one Renaissance Zone.
 - 5) A city may apply for a Renaissance Zone for an area of less than the number of eligible blocks and, at a later date, request expansion of the zone up to the maximum number of blocks permitted.

- 6) If the city determines that a block(s) within the Renaissance Zone is not progressing (no activities are taking place), the city may request the Department of Commerce/Division of Community Services to delete the block(s) and add another equal, contiguous area to the original zone.
- 7) A city must conduct at least one public hearing on the final Development Plan.
- 8) A city must have an adopted current comprehensive or strategic plan in order to be eligible to submit an application for the designation of a Renaissance Zone.
- 9) The use of grant funds as the sole source of investment in the purchase of a building or space in a building does not qualify a taxpayer for any tax exemption or credit available under the Act, and grant funds may not be counted in determining if the cost of rehabilitation meets or exceeds the current true and full value of the building.
- 10) Except for an investment in a Renaissance Fund Organization, the income tax exemptions and credits may only be approved with the purchase, lease, or rehabilitation of real property.
- 11) To be eligible for state tax exemptions or credits, a taxpayer may not be delinquent in payment on any state and local tax liability. The city or local zone authority is responsible for maintaining documentation pertaining to a taxpayer's status with local taxes for each approved zone project. Each Renaissance Fund Organization is responsible for maintaining this documentation on each investor.
- 12) Any project requesting approval for Renaissance Zone historic preservation and renovation tax credits must be reviewed and approved by the State Historical Society.
- 13) Within its Development Plan, the city must describe how it will assure that it will not actively recruit businesses into its Renaissance Zone from other North Dakota cities.
- 14) Approved zone projects may only be for activities that occur after the designation by the DCS of a Renaissance Zone. In addition, before a potentially eligible purchase, lease or rehabilitation (to include historical preservation and renovation) of property occurs, the zone project must first be approved by the city and the DCS as a zone project. In the case where a taxpayer has a potential zone project for the purchase or lease of property but because of an emergency must make the purchase or enter into the lease prior to approval of the zone project by the city and state, the city may consider approving the purchase or lease as a zone project if the taxpayer submits a zone project application to the city within thirty days following the purchase or lease. The city must obtain and maintain documentation indicating the purchase or lease date, and the date of receipt of the zone project application
- 15) A Renaissance Fund Organization must provide an annual audit to the local zone authority or other designated zone entity, and the DCS, no later than August 1 or the following year. (See Section VIII of this Program Statement for additional guidance.)

- 16) If a city is not making progress in implementing its Development Plan or is not abiding by the provisions of the MOA, the DCS may withdraw the zone designation for future projects.

NOTE: The DCS reserves the right to ask for additional information with respect to demonstrating compliance with all program policies.

XI. DCS Project Approval Procedures and Required Project Information

- 1) Before a locally approved zone project transaction may occur, the DCS must also approve the zone project. DCS approval, however, is only to assure that a zone project and its local approval are consistent with the city's Renaissance Zone Development Plan, and that all information about the locally approved zone project and taxpayer are provided. The DCS will use the following procedures for its approval:
 - a) **Purchase Only** - The DCS will give approval to permit a purchase to occur. Following approval of the zone project, the city must then provide the DCS with the date of purchase for final approval and designation of the five-year tax exemption or credit period. If the city adds any local requirements, such as for rehabilitation, the five-year tax exemption will start when the local requirements are completed.
 - b) **Lease Only** - The same procedures as for Purchase only are used for approval, unless lease hold improvements must be made before a business can occupy a building or space in a building. In such a case, the five-year business income tax exemption period will begin when the business actually takes occupancy.
 - c) **Leasehold Improvements** - This pertains to a business where the leaseholder wants to make improvements to their space and because the building is in good condition the property owner does not want to rehab the whole building, the leaseholder may with the property owner's permission make this a leasehold improvement project. The same procedure will be used as for the lease and the five-year tax exemption will take place when the local requirements are completed. It is important for the building owner to realize that **if** they rehab the building at a future date that this space does not qualify as a zone project. Therefore, the property owner must sign the application along with the leaseholder.
 - d) **Purchase with Major Improvements** - This pertains to a business that purchases a vacant building for its business, but must first make major improvements before it can occupy or lease out the building. The DCS will use the purchase only approval procedures, but the five-year tax exemption period will not begin until the improvements are completed and the business occupies the building. For rental property, the five-year tax exemption period will begin with the date of the first rental. The city must provide the date the space is occupied or rented for final approval and designation of the five-year business income tax exemption period.
 - e) **Rehabilitation Only** - The DCS will give conditional approval until the project is completed and the city verifies that the rehabilitation costs meet or exceed the

current true and full value of the building. At that time, the DCS will give final approval and designate the five-year tax exemption period. The city must also give conditional approval until the final costs are verified and submitted to the DCS.

- f) **Historical Preservation and Renovation** - If this is a standalone zone project, the DCS will give approval for the work to begin, and will start the six-year tax credit period upon completion and verification of final costs by the city and final approval from the State Historical Society. If this is part of a purchase or rehabilitation, those procedures will be used to permit the preservation and renovation to begin. The six-year tax credit period will be determined upon completion and verification of final costs by the city and final approval from the State Historical Society.
- g) **Utility Infrastructure** - In addition to the above requirements for project approval a city must indicate in the Renaissance Zone Project Information whether the project is a utility infrastructure project and type of project.

NOTE: A potential zone project does not have to be approved just because it meets the minimum state and local program requirements. The city has the right to reject a project, especially if the public benefit is minimal or non-existent.

- 2) In order to receive DCS approval on zone projects, the following information must be submitted to the DCS:
 - a) Project Information:
 - (1) Project description, to include if it involves a purchase, a lease, rehabilitation, purchase with major improvements, historical preservation or renovation, utility infrastructure or a combination of any of these. If it is a lease project, describe if it is a new lease, the continuation of a lease as a result of a building that has been rehabilitated, a business expansion, new business moving into the zone or a leasehold improvement. For business and investor projects, the description must include what the building will be used for, i.e. type of business.
 - (2) Address and Renaissance Zone block number.
 - (3) Whether or not the project is being funded by a Renaissance Fund Organization. If so, describe the type and amount of financing and name of the Renaissance Fund Organization.
 - (4) For rehabilitation projects, provide a description of the work, the current true and full value of the building, and the estimated costs.

- (5) For projects that involve historical preservation or renovation, but are not part of a rehabilitation project, provide a description of the work and the estimated costs.
- (6) Provide the estimated state and local tax benefit to the taxpayer for five years.
- (7) Zone Authority and City Documentation:
- (8) Date of approval or conditional approval. Provide a copy of minutes or other supporting documentation that indicates the formal approval by the approving entity.
- (9) For projects involving business or investment property, identify from the Development Plan the specific criteria used to approve the project.
- (10) For business and investor zone projects, describe the benefit to the zone and city.

NOTE: Even though an activity may be eligible under the program, the city does not have to approve it if the public benefit cannot be determined.

(11) Other Documentation:

- a) For projects involving renovation to historical property, provide a letter of consultation from the State Historical Society. Upon completion, provide documentation of approval from the State Historical Society.
- b) Evidence that the taxpayer is current on state taxes. **(Taxpayers can contact the Office of State Tax Commissioner to receive a Certificate of Good Standing. This request must indicate that it is for a Renaissance Zone project.)**

3) Provide the following information for the applicable type of tax exemption or credit:

- a) Income tax exemption for purchase or rehabilitation of single-family residential property:
- b) Taxpayer's name (both names for joint filers).
- c) Taxpayer's social security number (both for joint filers).
- d) Taxpayer's telephone number
- e) Mailing address if different from the street address identified in 1b above.

- f) Expected date of occupancy and exact date of occupancy when it occurs. Expected date of completion of rehabilitation or historical preservation or renovation and the exact completion date when it occurs.
 - g) Evidence that the home purchased is the taxpayer's primary residence.
- 4) Income tax exemption for the purchase, lease, rehabilitation, and/or historical preservation and renovation by a business or investor:
- a) Business name (trade name, doing business as) or investor's name.
 - b) Taxpayer's telephone number
 - c) Mailing address if different from the street address identified in 1b above.
 - d) Legal name of business if different from trade name.
 - e) Federal employer identification number or (social security number, if a sole proprietor).
 - f) Type of entity (partnership; corporation; subchapter S corporation; cooperative; sole proprietorship; Limited Liability Company; limited liability partnership).
 - g) Whether or not the entity is subject to the financial institution tax (N.D.C.C. § 57-35.3)
 - h) Expected date of purchase, lease, completion of rehabilitation and/or historical preservation and renovation, and the exact date when it occurs. For purchase with major improvements include the expected and final purchase date, the expected date of occupancy or first rental, and the final dates when they occur.

NOTE: The DCS reserves the right to reject an approved zone project or to continue negotiating its approval. When a project is approved by the DCS, the local zone authority will be notified in writing.

NOTE: If after a project is approved and the property changes hands or a replacement project is approved during the five-year exemption period, the city does not need to have formal approval for the transfer or the replacement project. The zone authority, however, must notify the DCS of the change and provide the applicable information about the new homeowners, business, and/or investor. The zone authority must also notify the DCS if any other change occurs in the status of the business or investor that would affect the exemption approved. See Section XIV for guidance.

XII. Program Implementation Procedures

- 1) Submission of a Renaissance Zone Application:

There is no specific time frame for submission of an application for a city to receive a Renaissance Zone designation. An application consists of an application form

(Appendix A), a Development Plan (See Appendix B for the plan format), a resolution that the city will provide the tax exemptions and credits permitted in the Act (Appendix C), and, if applicable, a request to establish a Renaissance Fund Organization. Applications are to be sent to the DCS for review. The DCS will review each application using the following criteria provided in the Act:

- a) The viability of the Development Plan.
- b) The incorporation and enhancement of unique natural and historic features into the Development Plan.
- c) Whether the Development Plan is creative and innovative in comparison to other applications.
- d) Public and private commitment to and other resources available for the proposed Renaissance Zone, including the provisions for a Renaissance Fund Organization.
- e) How a Renaissance Zone designation would relate to a broader plan for the community as a whole.
- f) How the local regulatory burden, in particular that burden associated with the renovation of historic properties and that burden associated with mixed use development, will be eased for developers and investors in the Renaissance Zone.
- g) The strategies for the promotion, development, and management of the zone, including the use of a local zone authority if designated.
- h) Any other information required by the DCS.

The DCS will involve other state agencies as deemed necessary and appropriate in the review of Renaissance Zone applications. The DCS will make every effort to conduct an initial review of an application as expeditiously as possible, given availability of staff and the number of applications received. Applications will be reviewed in the order in which they are received.

The DCS may approve, reject, or continue to negotiate an application for a Renaissance Zone designation. If an application that is approved contains a request to establish a Renaissance Fund Organization, the DCS may approve, reject, or continue to negotiate the Renaissance Fund Organization request. The DCS may also change the requested duration period of the zone.

2) Memorandum of Agreement

- a) Upon approval of a Renaissance Zone designation, to include, if applicable, the establishment of a Renaissance Fund Organization, the DCS will develop a MOA (Appendix D) to be signed by the DCS and the city. This MOA will serve as an agreement on the part of the city to accept its responsibilities for managing the Renaissance Zone and Renaissance Fund Organization; for submitting required

project information to the DCS; for maintaining required records and information; for submitting all information requested by the DCS for annual reports to the Governor and the Legislative Council; and for permitting the DCS to monitor all zone and fund activities as deemed necessary by the DCS. Failure to comply with the provisions of the MOA may be grounds for the DCS to withdraw the city's Renaissance Zone Designation and operation of a Renaissance Fund Organization. The DCS may also separately withdraw the approval of a Renaissance Fund Organization if monitoring and yearly audits reveal noncompliance with the provisions of the Act for a Renaissance Fund Organization.

- 3) Submission of Approved Projects to the Office of State Tax Commissioner.
 - a) Each time the local zone authority or local governing body approves a zone project, the project information identified in Section XI of this Program Statement must be submitted to the DCS for review and final project approval. The DCS will maintain the information on all approved zone projects. At the end of each year, or other time frame as designated by the Office of State Tax Commissioner, the DCS will provide the information to the Office of State Tax Commissioner for use in processing tax returns for eligible Renaissance Zone tax exemptions and credits. The city must provide any additional information requested by the Office of State Tax Commissioner.

XIII. Recordkeeping for Annual Monitoring and Reporting

- 1) Cities that have Renaissance Zone property located within a Tax Increment Financing (TIF) district must report on that property on an annual basis. The form can be found at <http://www.communityservices.nd.gov/uploads/resources/846/sfn-60123-rz-&-tif-report-022312-savable.pdf>. This report shall be submitted no later than August 1 of the following year.
- 2) Cities that have a TIF district must also provide a separate report about that District. The report can be found at www.ndrz.nd.gov.
- 3) Each city must provide an annual report on the progress of the Renaissance Zone. The information to be collected and maintained by each zone authority is listed below. This information is to be reported yearly on a date to be determined by the DCS, generally by March 1 of each year. **Reporting can be done online at www.ndrz.nd.gov.**
 - a) Number of new businesses created.
 - b) Number of existing businesses in the zone that expanded in the zone.
 - c) Number of businesses that expanded into the zone.
 - d) Number of new jobs created.
 - e) Number of new apartment buildings constructed and number of units.
 - f) Number of existing apartment buildings purchased and number of units.

- g) Number of apartment buildings rehabilitated and number of units.
- h) Number of commercial buildings or space in buildings, leased and amount of space leased.
- i) Number of new residents.
- j) Estimated increased value of properties declared as zone projects.

XIV. Procedures to Transfer State and Local Tax Exemption and Credits

- 1) If the owner or leasee of property who received approval for a zone project should vacate the property, the Renaissance Zone program contains a unique incentive to encourage a new qualified taxpayer to purchase or lease the property. Under N.D.C.C.40-63-03(6), the tax exemptions and credits approved for the original zone project may be transferred during the five-year eligibility period to another qualified taxpayer, **with the exception of historical tax credits, non-participating property owner affected by a zone project and Renaissance Fund Organizations tax credits.**
 - a) The following describes the procedures to request a transfer of the state and local tax exemptions and credits:
 - (1) The new taxpayer must apply for the transfer.
 - (2) The city must determine if the new taxpayer qualifies under the state program and the city's Development Plan. The city does not have to request formal approval from the city council or commission.
 - (3) The city must notify the DCS that the original taxpayer is no longer eligible for the tax exemption and provide a final date of eligibility.
 - (4) The city must provide the following information:
 - (5) Date business, investor, or homeowner vacated the property.
 - (6) Date of transfer.
 - (7) The new qualified taxpayer's name, address, telephone number and, as applicable social security or federal identification number.
 - (8) A brief description of the new taxpayer's business or investment. No description is needed if the transfer is for a primary residence.
 - b) The DCS will send a letter canceling the original taxpayer's eligibility and issue, under the same zone project number, an approval for the transfer. The approval letter will identify the remaining tax exemption eligibility period for the new qualified taxpayer.

XV. Technical Assistance

For questions concerning this Program Statement and the Development Plan contact:

Rikki Roehrich

North Dakota Department of Commerce
Division of Community Services
1600 East Century Avenue, Suite 2
PO Box 2057
Bismarck, ND 58502-2057
(701) 328-2687
Email: rroehrich@nd.gov

For questions concerning the Tax Incentives contact:

Lorie Bowker
ND Office of State Tax Commissioner
16th Floor - State Capitol
600 East Boulevard Avenue
Bismarck, ND 58505-0599
(701) 328-1296
Email: lbowker@nd.gov

APPENDIX A

NORTH DAKOTA RENAISSANCE ZONE APPLICATION

***A fillable PDF can be found at**

<http://www.communityservices.nd.gov/uploads/resources/816/sfn-55205-north-dakota-renaissance-zone-application-9.1-savable.pdf>

APPENDIX B

DEVELOPMENT PLAN

***A fillable PDF can be found at**

<http://www.communityservices.nd.gov/uploads/resources/816/sfn-55205-north-dakota-renaissance-zone-application-9.1-savable.pdf>

Development Plan

I. Description of the Proposed Renaissance Zone

1. Provide a map which identifies the geographic boundaries and blocks in the proposed Renaissance Zone. Number each proposed block. To claim half blocks because of government buildings, identify the tax exempt government buildings.
2. Provide an inventory of the buildings on each block indicating block number, owner, address and their present use and condition, and identify those properties to be initially targeted for projects. Indicate for those properties to be initially targeted the types of projects the city wants to encourage in those properties.
3. Provide a list of the natural and historical assets/sites in the zone, the location of each, and description of how they will fit into and be enhanced by the zone.
4. Provide a description of any local regulatory burdens that may affect renovation of historic properties and the incorporation of mixed use development, and how these burdens will be eased for developers and investors.

II. Management of the Renaissance Zone

1. Identify who will manage day-to-day Renaissance Zone activities and, the membership of the local zone authority, if one is established.
2. Describe how the city will market and promote its Renaissance Zone.
3. Describe how the city will monitor the progress of each zone project until it is completed.
4. Describe how the city will monitor projects during the five-year tax exemption period for possible transfer of the tax exemption to another qualified taxpayer or for termination of the tax exemptions.
5. Describe how the city will maintain records on each Renaissance Zone project, to include collecting required reportable information (See Section XIII of the program guidelines).

III. Goals and Objectives of the Zone

1. Describe what the city hopes to accomplish in its zone. Include a description of the city's vision for the area and the major activities such as rehabilitation of buildings, new construction, leasing of buildings, etc. it wants to encourage.
2. Describe how the city's goals and objectives for the Renaissance Zone fit into the overall comprehensive or strategic plans for the city.

- 3 Identify milestones or benchmarks to monitor progress of the Renaissance Zone in achieving the city's goals and objectives for the zone.

IV. Selection of Projects in the Zone

1. For commercial zone projects describe the local requirements for project approval. These may include such things as a minimum cost per square foot for rehabilitation; requiring rehabilitation when someone purchases a building; job creation; an expected increase in property value after rehabilitation; landscaping; leasehold improvements; etc. The city may with DCS approval, revise the selection criteria and local requirements.
2. For single-family zone projects, describe how the city will determine "primary residence," and describe any local requirements that must be met, such as rehabilitation or other work to increase property value in order to be approved as a zone project. The city may, with DCS approval, revise the local requirements.
3. Describe types of projects, if any, that the city will not approve for state and tax exemptions. One example might be not approving a purchase of a building that does not need to be rehabilitated, unless it is for the purpose of preventing a building from becoming vacant or for job retention or creation. Other examples might be not approving specific types of businesses or projects that only involve a purchase.
4. Describe the process for receiving, reviewing, and approving applications for zone projects to determine if they meet state and local requirements, and to assure that the purchase, rehabilitation, lease, and historical preservation and renovation has not started or been completed before local and state approval as a zone project.
5. Describe how projects will be reviewed to determine public benefit, and not just benefit to the taxpayer.
6. Describe the basis for determining the amount of local property tax to be exempted for five years. Some examples are 100% exemption of the current taxes for five-years; 100% of the cost for improvements; some other percentage for purchases of buildings that don't require rehabilitation; a sliding scale exemption; different percentages for exemption for residential versus commercial; etc. Each potential zone project applicant must be able to determine from the description the amount of the exemption that will be approved for his or her potential zone project. The city, with DCS approval, may revise the property tax exemptions.
7. State in the plan if the city will allow utility infrastructure projects. If the city will allow projects then the city must describe how they will monitor the approved projects in and outside the Renaissance Zone.
 - a. How they will work with the State Board of Equalization to determine the property tax exemption and what the property tax exemption is for the utility companies

V. Renaissance Fund Organization

1. Describe if the city will establish its own Renaissance Fund Organization or contract with an existing or new organization to act as its Renaissance Fund Organization.
2. Describe how the Renaissance Fund Organization will be managed and marketed, how it will obtain commitments from investors, and how it will keep track of original investors.
3. Describe how the Renaissance Fund Organization and local zone authority or other designated entity will work together to assure that funds raised are allocated to approved zone projects or other investments in the city or in other Renaissance Zone cities. If an organization is under contract by more than one Renaissance Zone city, describe how the city will assure that the organization will keep track separately of funds raised and allocated for its Renaissance Zone. Describe the city's role in deciding if its investor funds will be used in non-zone projects in its own city or other Renaissance Zone cities.
4. If a new organization will be established by the city, provide copies of the legal documentation for the creation of the Renaissance Fund Organization. If the city intends to contract with an organization, provide a copy of the contract. If the city intends to contract with an organization that does not yet exist, describe the organization to be created and the expected date for the creation of the organization.
5. If the city wants to establish a Renaissance Fund or Organization at a later date, explain why and whether it intends to establish its own or to contract with an organization.

VI. Local Commitment

1. Describe the results of the final legal public hearing on the Development Plan. How many people attended? What issues were raised? How did the city address the issues?
2. Provide letters of support from the community. A letter of support from the school district and county must be included.
3. Provide a resolution from the city indicating that it will approve the tax exemptions and credits provided for in the Renaissance Zone Act (See sample resolution in Appendix C of the Renaissance Zone Program Statement).

NOTE: The DCS reserves the right to ask for additional information deemed necessary to review the Development Plan.

Please include a Table of Contents with your Development Plan that clearly identifies where to find the discussion of each of the above questions.

(Submit the original and 1 copy of the Development Plan).

APPENDIX C

SAMPLE RESOLUTION FOR THE ESTABLISHMENT OF A RENAISSANCE ZONE

A RESOLUTION FOR THE ESTABLISHMENT OF A RENAISSANCE ZONE IN THE CITY OF _____.

WHEREAS, the City of _____ recognizes the need to encourage investment within a defined geographic area of its jurisdiction that needs to be revitalized, and

WHEREAS, the Renaissance Zone Act (North Dakota Century Code (N.D.C.C.) ch. 40-63 authorizes cities to apply to the Division of Community Services (DCS) for the designation of an area within their respective political boundaries as a Renaissance Zone and, as a precondition of such application, to enact a resolution which provides within the designated and approved Renaissance Zone state income tax and local property tax exemptions, historical tax credits, and, if applicable, investment tax credits in a Renaissance Fund Organization, which resolution will be contingent upon DCS approval of the application, and

WHEREAS, enactment of such exemptions and credits will result in improving the economic, physical, and social conditions with the proposed Renaissance Zone, and

WHEREAS, the City of _____ is participating in an application to the DCS seeking approval of a Renaissance Zone (and a Renaissance Fund Organization).

NOW, THEREFORE, BE IT RESOLVED by the City of _____, that, contingent upon DCS approval of the city’s Renaissance Zone (and if applicable, a Renaissance Fund Organization) application, the city will approve the tax exemptions and credits provided for in the Renaissance Zone Act.

ENACTED by the _____ (council or commission) of the City of _____ North Dakota, this _____ day of _____ 2001 (or other year).

ATTEST:

_____ By: _____

APPENDIX D

SAMPLE MEMORANDUM OF AGREEMENTS

**RENAISSANCE ZONE
MEMORANDUM OF AGREEMENT**

Between
The North Dakota Division of Community Services
and
The City of _____

This Memorandum of Agreement (MOA) between the North Dakota Division of Community Services (DCS) and the City of _____ (City), effective ____/____/____, establishes a Renaissance Zone for the City (see attached map) pursuant to N.D.C.C. 40-63. The City may establish a Renaissance Fund Organization pursuant to this approval. The City’s Development Plan and any related Renaissance Zone goals as submitted and approved by DCS are binding as if those items were set out at length in this MOA. The City’s Renaissance Fund Organization may initially only plan for, based on availability, tax credits of \$_____.00 under N.D.C.C. § 40-63-07(6).

The City agrees that it will fulfill its responsibilities under the Renaissance Zone Program Statement. The City further agrees that it will follow its Development Plan as submitted to DCS, that it will provide all requested information to DCS, and that it will meet its obligations under N.D.C.C. 40-63. If the City does not fulfill these requirements, or if the City fails to make adequate progress after the DCS provides 90 days written notice that its progress has been inadequate, then DCS may take action against the City. This action may include canceling Renaissance Zone approval for future projects as outlined in Part X, Paragraph 18, of the Program Statement.

If N.D.C.C. 40-63 is amended or repealed by the Legislative Assembly, all changes will apply to the Renaissance Zone or to this MOA automatically on the effective date of the legislation. Any changes to the Development Plan, or to any other matter, required by any legislative changes, must be made in writing and signed by both parties. The failure of the parties to agree to any changes required by legislation before the effective date of the legislation will automatically terminate Renaissance Zone approval without further action by DCS, unless DCS waives the termination in writing. Any project or investment completed before the effective date of any legislative changes is grand fathered under the prior law unless the new law requires otherwise.

Director
Division of Community Services

Mayor
City of _____

Date

Date

**RENAISSANCE ZONE
MEMORANDUM OF AGREEMENT**

Between
The North Dakota Department of Commerce, Division of Community Services
and
The City of _____

This Memorandum of Agreement (MOA) between the North Dakota Department of Commerce, Division of Community Services (DCS) and the City of _____(City), effective ____/____/____, extends the Renaissance Zone for the City (see attached map) for five years, pursuant to N.D.C.C. 40-63. The City’s Renaissance Fund Organization is also extended for five years, pursuant to this approval. The City’s Development Plan and any related Renaissance Zone goals as submitted and approved by DCS are binding as if those items were set out at length in this MOA.

The City agrees that it will fulfill its responsibilities under the Renaissance Zone Program Statement. The City further agrees that it will follow its Development Plan as submitted to DCS, that it will provide all requested information to DCS, and that it will meet its obligations under N.D.C.C. 40-63. If the City does not fulfill these requirements, or if the City fails to make adequate progress after the DCS provides 90 days written notice that its progress has been inadequate, then DCS may take action against the City. This action may include canceling Renaissance Zone approval for future projects as outlined in Part X, Paragraph 18, of the Program Statement.

If N.D.C.C. 40-63 is amended or repealed by the Legislative Assembly, all changes will apply to the Renaissance Zone or to this MOA automatically on the effective date of the legislation. Any changes to the Development Plan, or to any other matter, required by any legislative changes, must be made in writing and signed by both parties. The failure of the parties to agree to any changes required by legislation before the effective date of the legislation will automatically terminate Renaissance Zone approval without further action by DCS, unless DCS waives the termination in writing. Any project or investment completed before the effective date of any legislative changes is grandfathered under the prior law unless the new law requires otherwise.

Director
Division of Community Services

Mayor
City of _____

Date

Date

APPENDIX E

PROCEDURES TO OBTAIN CERTIFICATE OF GOOD STANDING FROM THE OFFICE OF STATE TAX COMMISSIONER

***A fillable PDF can be found at**
<http://www.nd.gov/tax/genforms/rzrequestingcertificategoodstanding.pdf?20140206130539>



**REQUEST FOR RENAISSANCE ZONE CERTIFICATE OF GOOD STANDING
- STATE TAXES ONLY**

OFFICE OF STATE TAX COMMISSIONER
SFN 28220 (09-2013)

To obtain a Renaissance Zone Certificate of Good Standing for state tax purposes, please complete this form. Submit completed form to the Office of State Tax Commissioner—see bottom of page.

Name of taxpayer <i>(If a sole proprietorship or filing as a disregarded entity, provide name of business and name of individual who owns the business.)</i>			
Applicant is a(n): <input type="checkbox"/> Individual <i>(sole proprietorship or disregarded entity)</i>			
<input type="checkbox"/> Regular ("C") corporation		<input type="checkbox"/> Subchapter S corporation	
<input type="checkbox"/> Other _____		<input type="checkbox"/> Partnership <i>(all types)</i>	
		<input type="checkbox"/> LLC <i>(filing as an S corporation)</i>	
		<input type="checkbox"/> LLC <i>(filing as a partnership)</i>	
<i>(Complete page 2 if not an individual or regular ("C") corporation)</i>			
Taxpayer's mailing address	City	State	ZIP Code
Taxpayer's social security number or federal employer identification number (FEIN) <i>(If a sole proprietorship, provide social security number of owner and, if applicable, FEIN of the business.)</i> _____			
Is taxpayer a newly created business this year? If yes, skip question 6 <input type="checkbox"/> Yes <input type="checkbox"/> No			
Did taxpayer file a North Dakota income tax return for last year? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If no, please explain _____			
If taxpayer is a business, what is the principal business activity? _____			

If taxpayer is a partnership, subchapter S corporation, or a limited liability company treated like a partnership, complete page 2 of this form.

Does (or will) taxpayer sell tangible personal property or services for which North Dakota sales tax must be collected from the customer? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If yes, has taxpayer applied for or obtained a North Dakota sales tax permit? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If not, please explain _____		
Does (or will) taxpayer have employees from whom North Dakota income tax must be withheld? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If yes, has taxpayer registered for North Dakota income tax withholding? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If not, please explain _____		
Taxpayer's signature	Printed name	Contact Telephone Number

PRIVACY ACT NOTIFICATION

In compliance with the Privacy Act of 1974, disclosure of a social security number or Federal Employer Identification Number (FEIN) on this form is required under N.D.C.C. § 57-01-15, and will be used for tax reporting, identification, and administration of North Dakota tax laws. Disclosure is mandatory. Failure to provide the social security number or FEIN may delay or prevent the processing of this form.

Mail request to Individual Income Tax Section
Office of State Tax Commissioner
600 E. Boulevard Ave., Dept. 127
Bismarck ND 58505-0599

Fax request to 701.328.1942

Important: The certificate of good standing will be sent only to the taxpayer or to the taxpayer's representative designated by the taxpayer on a properly completed North Dakota Form 500.

If the taxpayer is a partnership, subchapter S corporation, or limited liability company treated like a partnership, provide the name and social security number (SSN) or federal employer identification number (FEIN) for each of the entity's owners.

Name of owner _____

Social Security Number or Federal Employer Identification Number _____

Name of owner _____

Social Security Number or Federal Employer Identification Number _____

Name of owner _____

Social Security Number or Federal Employer Identification Number _____

Name of owner _____

Social Security Number or Federal Employer Identification Number _____

Name of owner _____

Social Security Number or Federal Employer Identification Number _____

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Social Security Number or Federal Employer Identification Number _____

Name of owner _____

Social Security Number or Federal Employer Identification Number _____

Name of owner _____

Social Security Number or Federal Employer Identification Number _____

Name of owner _____

Social Security Number or Federal Employer Identification Number _____

If additional lines are needed, attach additional pages.

APPENDIX F

POLICY ON DELETING BLOCKS FROM A RENAISSANCE ZONE

APPENDIX F

POLICY ON DELETING BLOCKS FROM A RENAISSANCE ZONE

The purpose of the Renaissance Zone program is to provide a variety of state and local tax incentives to encourage the revitalization of a specific designated area of a city. This area is identified by a city through a planning process called a Development Plan. The area designated is generally based on a vision for the area established by the city, taking into consideration the general conditions and uses of the buildings in the area; availability of vacant properties and buildings; the potential for attracting new residents and businesses; and the potential of the area to enhance the overall attractiveness of the city. The Development Plan is intended to serve as the guide for the city in promoting the revitalization of the area and in targeting the state and local tax exemptions to make the city's vision for the area become a reality over a period of fifteen years.

Planning fifteen years into the future is not an easy task, and planning should never become stagnant. As time goes by, situations change and a good planning process needs to be able to react to changing times. When the Renaissance Zone law was first enacted, it did not provide for the ability to change. Once designated, the blocks within the zone could never be changed. In 2001, the Legislature recognized the need to provide a city with the ability to rearrange its Renaissance Zone by permitting the deletion of a block(s) that the city determined is not "progressing" after five years of having a zone, and then permitting adding another contiguous block(s) that might have a better chance to produce results consistent with the city's vision. In 2003, the Legislature once again recognized how difficult it is to project into the future by permitting a city to request the deletion of a non-progressing block(s) and adding another contiguous block(s) at any time.

Since the Renaissance Zone program is all about planning for the revitalization of a specific targeted area, an inherent conflict arises when a city begins to request an adjustment to its zone boundaries based on a short term view of the potential for projects to materialize. It changes the entire nature of the program from one of planning for the revitalization of a specific area, to one of potentially simply reacting to projects that pop up in other contiguous blocks not currently in the zone. This is not to say that the projects are not consistent with the vision, goals and objectives of the zone, especially since they are contiguous to the zone, but requesting an adjustment based primarily on a short term opportunity certainly is not consistent with the intent of the program, and could have a negative impact on the block(s) that is deleted.

Our current position is that a deleted block may not be reinstated in a city's Renaissance Zone. This position is based on our interpretation of the definition of "deleted," and on our desire to maintain the planning nature of the program, as opposed to turning it into a program that simply reacts to projects. Recently we have been asked if we would consider permitting a deleted block to be reinstated at a later date if projects materialize. Recognizing that situations do change over time; that it is difficult to project fifteen years into the future; and that deleted and added blocks are still within the general area of the original planned zone, we are establishing the following policies for requesting the deletion of a block(s) and the potential reinstatement of the deleted block(s):

1. **Requesting deletion of a block(s):** To determine that a block is not progressing, the city must describe its efforts to encourage zone projects in the block; why the city believes that no zone projects will occur in the block during the remaining life of the zone; and how deleting the block will change their Development Plan. The city must give the public an opportunity to provide comments on the deletion of the block; provide the results of the public hearing or comment period; provide letters of support; and revise its Development Plan to reflect the deletion of the block. While the Renaissance Zone law does not specify a minimum number of years for a zone to be in existence before being able to request the deletion of a block, a request from a city with a zone for less than five years will require more justification. A request to delete a block simply to accommodate one potential project on another contiguous will not be approved, unless the project encompasses the entire block.
2. **Requesting the addition of another contiguous block(s):** The city must describe why the contiguous block has been selected to replace the deleted block; revise its Development Plan to provide information about the new block, to include a building inventory and how the new block fits into the vision, goals and objectives of the zone; provide an opportunity for the public to submit comments on the addition of the contiguous block; and provide letters of support for the addition of the contiguous block. The addition of a new block by deleting an existing zone block must be based on the potential for multiple projects, except where a project encompasses the entire new block. The request to add a new block must thoroughly describe potential projects.
3. **Requesting the reinstatement of a deleted block(s):** The city must describe what changes occurred to warrant reinstating the block; provide the public with an opportunity to provide comments; provide letters of support; and revise its Development Plan to reflect reinstatement of the block, to include providing a building inventory. A request to reinstate a previously deleted block must be accompanied by a request to delete an existing block.

Appendix G

Renaissance Zone Project Application

***A fillable PDF of this form can be found at**

<http://www.communityservices.nd.gov/uploads/resources/686/rz-project-information-form.pdf>

RENAISSANCE ZONE PROJECT APPLICATION
NORTH DAKOTA DEPARTMENT OF COMMERCE/DCS
SFN 59291 (9/0/14)

APPENDIX G

In order to receive DCS approval on zone projects, the following information must be submitted to the DCS:

1. Type of project

Business Residential Utility Infrastructure Project (UIP)

2. If this is a UIP, project is the applicant a renaissance zone project? Yes No

a. To be considered a Renaissance Zone project, the project would need to take place in the Renaissance Zone and be a utility company.

b. If this is a property owner affected by a UIP not participating in a renaissance zone project, is the property owner in the Renaissance Zone? Yes No

3. Name of applicant(s)/or business name _____

If business, type of entity _____

(Provide a copy of the Certificate of Good Standing from Tax Department)

Address and renaissance zone block number as it appears in the development plan property listings.

Address _____

City _____ **Renaissance Zone Block** _____

4. For residential projects provide evidence that the home purchased is the taxpayer's primary residence.

5. Project Type:

a. Purchase (to include new construction)

b. Purchase with major improvements

c. Lease

i. What type of lease?

New Expansion Continuation of a Lease Leasehold Improvement

If this an expansion, what is the additional square feet of the expansion? _____

ii. If it is a lease project, does it involve the relocation of a business from one location in the city to the Renaissance Zone or from one zone property to another zone property? Yes No

d. Rehabilitation

i. Commercial 50% of the True and full value

Or

ii. Residential 20% of the true and full value

iii. Current true and full value \$ _____

iv. For rehabilitation projects, provide a description of the work and the estimated costs.

Work to be Done	Estimated Cost

6. Does this project involve historical preservation or renovation? Yes No

a. For projects that involve historical preservation or renovation, but are not part of a rehabilitation project, provide a description of the work and the estimated costs. **A letter of approval from the Historical Society is required to claim any historical tax credits either on a rehabilitation project or renovation.**

b. Information for historical properties may be obtained by contacting the Historical Society at: (701) 328- 2666.

7. For projects other than the purchase(includes new construction) or rehabilitation of a single family home and historical preservation and renovation, describe how the overall benefit(s) of the project to the community meets or exceeds the financial and tax benefit to the businesses or investor.

8. Is the project being funded by a Renaissance Fund Organization? Yes No

If yes, describe the type and amount of financing and name of the Renaissance Fund Organization.

9. Provide the estimated state and local tax benefit to the taxpayer for five years (applies to all projects).

Total State tax benefit for five years \$ _____

Total Property tax benefit for five years \$ _____

Total Non-participating owner tax credit \$ _____

10. Zone Authority and City Documentation:

Date of approval or conditional approval ____/____/____

Provide a copy of minutes or other supporting documentation that indicates the formal approval by the approving entity.

11. Identify from the Development Plan the specific criteria used to approve the project

12. Evidence that the taxpayer is current on state taxes. **(Taxpayers can contact the Office of State Tax Commissioner to receive a Certificate of Good Standing. This request must indicate that it is for a Renaissance Zone Project.)** See Appendix E.

Letter of Good Standing Attached? Yes No

13. Expected date of occupancy ____/____/____

NOTE: The DCS reserves the right to reject a zone-approved project or to continue negotiating its approval. When a project is approved by the DCS, the local zone authority will be notified in writing.

If after a project is approved and the property changes hands or a replacement project is approved during the five year exemption period, the DCS does not need to approve the transfer or the replacement project. The zone authority, however, must notify the DCS of the change and provide the applicable information about the new homeowners, business, and/or investor. The zone authority must also notify the DCS if any other change occurs in the status of the business or investor tax would affect the exemption approved.

Once the project is completed, DCS must be informed by email, Fax or letter of the exact date of completion, and project number before the final letter of approval can be issued.

On historical renovations/rehabilitations documentation from the Historical Society approving the final restorations must be submitted to DCS prior a final letter of approval can be issued.

Signature

Date

10. Evidence that the taxpayer is current on state taxes. (**Taxpayers can contact the Office of State Tax Commissioner to receive a Certificate of Good Standing. This request must indicate that it is for a Renaissance Zone Project.**) See Appendix E.

a. Letter of Good Standing Attached? Yes No

11. Expected date of occupancy ____/____/____

NOTE: The DCS reserves the right to reject a zone-approved project or to continue negotiating its approval. When a project is approved by the DCS, the local zone authority will be notified in writing.

If after a project is approved and the property changes hands or a replacement project is approved during the five year exemption period, the DCS does not need to approve the transfer or the replacement project. The zone authority, however, must notify the DCS of the change and provide the applicable information about the new homeowners, business, and/or investor. The zone authority must also notify the DCS if any other change occurs in the status of the business or investor tax would affect the exemption approved.

Once the project is completed, DCS must be informed by email, FAX or letter of the exact date of completion, and project number before the final letter of approval can be issued.

On historical renovations/rehabilitations documentation from the Historical Society approving the final restorations must be submitted to DCS prior a final letter of approval can be issued.

Appendix H

Business Incentive Agreement

Business Incentive Agreements

Per NDCC 54-60, Renaissance Zone applicants with commercial projects are required to submit a business incentive agreement upon project completion. If the benefit is greater than \$25,000 than the beneficiary will be required to report on job development and wage information for at least two years. The value of the agreement is the summation of the property taxes exemption, state income tax and historical credits. The business incentive agreement form **SFN 59686** can be found at: <http://www.commerce.nd.gov/uploads/4/sfn59686businessincentiveagreementsaveable.pdf>

1. Renaissance Zone project applicant/recipient is to complete the business incentive agreement form SFN: 59686 in addition to the Renaissance Zone application.
2. Renaissance Zone project is reviewed under the established review procedures by the city and state.
3. The start date of the benefit will be the date the project is completed.
4. Recipient will be responsible for providing a yearly Recipient Report to DCS by March 1st for a period of two years or until the agreed upon goals are met. A recipient report will be provided to the recipient by DCS.
5. DCS will be responsible for reporting on the Business Incentive agreement (BIA) to the Legislative Council.
6. **If** the benefit transfer to a new business and the new business meets the definition of the Business Incentive Agreement the new business will also be required to sign the Renaissance Zone application and report on jobs, wages and benefits for two years.

Appendix I

Record Keeping for Annual Monitoring and Reporting Information must be reported to DCS by **March 1** for the previous calendar year.

Visit www.ndrz.nd.gov to submit your report.