



# Renaissance Zone Program



This guide to the Bismarck Renaissance Zone program includes:

1. *Background Information*
2. *Current Renaissance Zone Boundaries*
3. *Minimum Project Approval Criteria*
4. *Available Tax Exemptions*
5. *Application Procedures*

Full program requirements are available in the Renaissance Zone Development Plan on the City of Bismarck website.

## Background Information

The Renaissance Zone program provides tax incentives to both residents and businesses for revitalization and redevelopment activities within the Renaissance Zone boundaries. The purpose of the program is to encourage reinvestment in downtown properties, which strengthens the core of the community and helps bolster the economy of the whole region.

Bismarck's Renaissance Zone was established in 2001 and has been expanded over the years to include a 37 block area. The Renaissance Zone program recently received a five-year extension and will remain effective until at least 2022.

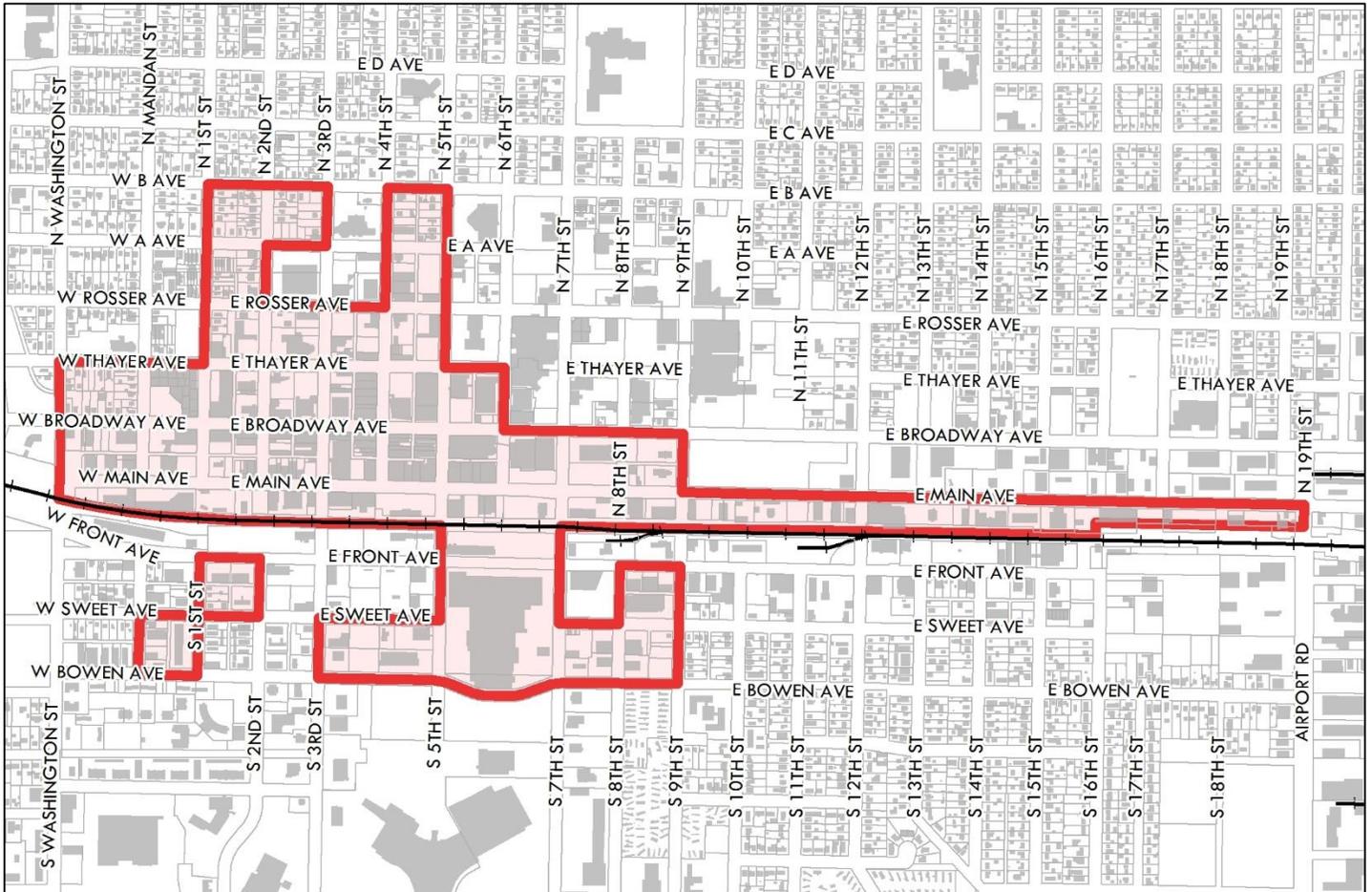
The Renaissance Zone provides both property and income tax exemptions to property and business owners who invest in qualified projects. There are five different types of Renaissance Zone projects: rehabilitation, new construction, purchase with major improvements, lease, and historical preservation and renovation. Based on the level of improvements made, projects are eligible for up to a 100% property tax exemption on the improvements for a five-year period. Business /investment projects are also eligible for a 100% state income tax exemption on income generated from the location. For owner-occupied residential properties, a state income tax credit of up to \$10,000 per year for up to five years is also available.

Being located within a Renaissance Zone does not automatically qualify an applicant for incentives. All projects must be approved by the City of Bismarck and the North Dakota Department of Commerce – Division of Community Services before a potentially eligible purchase, lease occupation or rehabilitation of property occurs. If the qualifying event occurs prior to obtaining all required approvals, a project cannot be designated as a Renaissance Zone project. The property tax and state income tax exemptions are available upon completion of the approved project.

Projects in the DC – Downtown Core and DF – Downtown Fringe zoning districts require downtown design review approval. This is a separate process, but typically occurs in conjunction with the Renaissance Zone process.

# Current Renaissance Zone Boundaries

Projects must be located within the Renaissance Zone boundaries to be eligible:



## Minimum Project Approval Criteria

*In order to qualify for consideration as a Renaissance Zone project, all proposals must meet the criteria of the Development Plan.*

### Minimum Criteria for All Proposals

1. The project and resulting use are consistent with the goals and objectives of this Development Plan.
2. The project is within the current boundary of the Bismarck Renaissance Zone.
3. The property or lease space has not received Renaissance Zone funding in the past. However, a lease of space within a building rehabilitated or constructed through a previous Renaissance Zone project and the rehabilitation of a property within which a previous lease Renaissance Zone project has been completed may be eligible.
4. All construction and renovation activities associated with a Renaissance Zone project must comply with all other code requirements, including Downtown Design Review if the property is within the DC - Downtown Core or DF – Downtown Fringe zoning districts.
5. The Renaissance Zone Authority may also apply Downtown Design Review, based on the Downtown Design Guidelines, in their review of Renaissance Zone projects that are outside of the DC - Downtown Core or DF – Downtown Fringe zoning districts.

6. All required state forms, such as the Certificate of Good Standing and the Business Incentive Agreement, are completed and submitted before final approval.

**Rehabilitation Projects (no purchase)**

1. Tentative approval by the State Department of Commerce is secured before start of construction. No work completed prior to tentative approval of the project may be counted toward the required levels of investment.
2. Exterior rehabilitation is sufficient to eliminate any and all deteriorated conditions visible on the exterior of the building.
3. Project investment equals at least 50% of the assessed building value for commercial projects or 20% of the assessed building value for residential projects. And unless waived by the Renaissance Zone Authority, the investment must be at least:
  - a. \$40 per square foot of the entire building (not including basement) in capital improvements for commercial properties, or
  - b. \$15 per square foot of the entire building (not including basement) in capital improvements for residential properties.

**New Construction (or additions to an existing building)**

1. Tentative approval by the State Department of Commerce is secured before start of construction. No work completed prior to tentative approval of the project may be counted toward the required levels of investment.
2. Unless waived by the Renaissance Zone Authority, the investment must be at least:
  - a. \$150 per square foot for commercial projects or \$100 per square foot for residential projects in capital investment based on the square footage of all floor area of the entire building. The minimum investment for mixed-use projects is determined by a weighted average of the proportion of residential and commercial area to the total building area.

**Commercial Leases**

1. The tenant is a new or expanding business moving into the Renaissance Zone, an existing business

expanding within the Renaissance Zone, or the continuation of a lease by an existing Renaissance Zone tenant in a building rehabilitated as an approved Renaissance Zone project.

2. Tentative approval by the State Department of Commerce is secured before the occupation of the lease space and start of business by the tenant.
3. If the lease space is within a building previously rehabilitated or constructed as an approved Renaissance Zone project no minimum level of investment is required for lease projects. Otherwise, the following additional standards must be met:
  - a. The lease project includes a minimum investment of \$40 per square foot in capital improvements or permanent cosmetic improvements based on the square footage of the entire lease space.
4. The building within which the lease project is proposed does not contain any known structural deficiencies or deteriorated conditions visible on the exterior of the building that may compromise the investment made in the lease space. The Renaissance Zone Authority may require an inspection or owner’s affidavit if there is reason to believe such deficiencies may exist.

**Purchase with Improvements**

1. Tentative approval by the State Department of Commerce is secured before the property is transferred to the new owner.
2. Projects are eligible for a benefit based on the level of investment as a percentage of the true and full valuation of the building according to the following table. The Renaissance Zone Authority has the discretion to deviate from these guidelines on a case-by-case basis if specific building condition and/or other project specific factors warrant.

**Capital Investment      Property Tax Exemption**

Less than 10%	0%
10% to 22%	40%
20% to 34%	60%
36%-49%	80%
50% & More	100%

# Available Tax Exemptions

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## State Income Tax Incentives

*The City of Bismarck includes additional rules for project eligibility that are beyond state criteria:*

- **Business/Investment Income Tax Exemption:** Any taxpayer that purchases, leases or rehabilitates residential or commercial property for any business or investment purpose as an approved Renaissance Zone project may be exempt from any tax on income derived from the business or investment locations within the Renaissance Zone for five taxable years, beginning with the month of purchase, lease, or completion of rehabilitation. In the City of Bismarck, improvements must be made with any purchase to be eligible. For rehabilitation projects without purchase, the cost of rehabilitation must equal or exceed fifty percent (50%) of the property's value for tax purposes.
- **Residential Individual Income Tax Exemption:** Any individual taxpayer who rehabilitates a single-family residential property for the individual's primary place of residence as an approved rehabilitation or purchase with improvements Zone project is eligible for an income tax credit of \$10,000 per year for five taxable years beginning with the month the rehabilitation is complete. The allowable tax credit may not exceed the individuals total tax liability in any given year. In the City of Bismarck, the cost of rehabilitation cost must equal or exceed twenty percent (20%) of the residence's value, or must be completed with the purchase and before occupation of the unit.

## Property Tax Incentives

- **Business/Investment Properties:** The City may grant a partial or complete exemption from property taxation on buildings constructed or rehabilitated as an approved Renaissance Zone project for any business or investment purpose. An exemption granted under this provision may not extend beyond five taxable years following the date of purchase with improvements or rehabilitation.
- **Single-family Residential Properties:** The City may grant a partial or complete exemption from property taxation on single-family residential

property, exclusive of the land on which it is situated, if the property is the individual's primary place of residence and is rehabilitated as an approved Renaissance Zone project. An exemption granted under this provision may not extend beyond five taxable years following the date of acquisition or rehabilitation.

## Historic Preservation and Renovation Tax Credits

*This is a separate process that is administered by the State Historical Society. Information on applying for these rehabilitation tax credits can be found on the State Historical Society's web site.*

- **State Income Tax Credit:** A credit against state tax liability is allowed for investments in the historic preservation or renovation of property within the Renaissance Zone. The amount of the credit is 25% of the amount invested, up to a maximum of \$250,000. The credit may be claimed in the year in which the preservation or renovation is complete, and any excess credit may be carried forward for a period of up to five taxable years.
- **Federal Income Tax Credit:** A credit of 20% of an investment is allowed for the rehabilitation of an eligible historic property that will be used for commercial purposes. In order to qualify for this tax credit, the project must be approved by both the State Historical Society and the National Park Service – Technical Preservation Services.

## Application Procedures

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*The following procedures are typically followed for all Renaissance Zone projects:*

### Preliminary Preparations

1. Applicant verifies that the proposed project is meets all of the eligibility criteria.
2. Applicant contacts the City Community Development Department – Planning Division staff to set up a meeting to discuss the proposed project.

3. Applicant completes and submits the Renaissance Zone Project Application and provides all required information, with enough time to be approved before the qualifying event occurs (lease, purchase, construction, rehabilitation).

### **Project Review Process**

1. City staff reviews the Renaissance Zone application. If the City requests additional information during this initial review period, the information should be provided promptly in order to avoid delays.
2. City staff schedules a public hearing before the Renaissance Zone Authority during their next regularly scheduled meeting, if it is determined that the application is complete. The applicant will receive notice of the date and location of the meeting.
3. The Renaissance Zone Authority will meet to hear and discuss the application and the proposed project. During this hearing, the applicant or his/her representative may present to the Authority. Other interested parties may also present regarding the application. Following the hearing, the Renaissance Zone Authority will either continue deliberations to a future meeting or make a recommendation on the proposed project to the Bismarck Board of City Commissioners.
4. The Board of City Commissioners will consider the project application and the Renaissance Zone Authority recommendation and make a final determination regarding the designation of a Renaissance Zone project.
5. City staff will forward any approved project to the North Dakota Department of Commerce - Division of Community Services with a request for tentative approval.

### **Project Completion Process**

6. Applicant initiates and completes the project. City staff will continue to work with the applicant to ensure the project is completed as proposed and that all required documentation is submitted. Any material change to an approved

Renaissance Zone Project must be approved by the Renaissance Zone Authority. An approved Renaissance Zone Project not completed within 12 months of the anticipated completion date may be subject to additional review by the Renaissance Zone Authority.

7. Applicant notifies the City and submits that the project is completed and submits the appropriate documentation and verification that any conditions of the Commission approval are met.
8. The City and State will issue a letter of final approval and the tax exemption period will begin. Any projects completed prior to February 1 of the year will be eligible for the property tax exemption for that year. Projects completed after February 1 will begin the 5-year exemption on the following year.

### **Additional Resources**

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*The following documents may be consulted for additional information regarding the City of Bismarck Renaissance Zone. The latest versions of all documents are available through the City of Bismarck website:*

- City of Bismarck Renaissance Zone Development Plan
- North Dakota Renaissance Zone Program Guidelines (North Dakota Department of Commerce)
- Guidelines for Renaissance Zone Tax Incentives (North Dakota Office of State Tax Commissioners)
- Chapter 40-63 Renaissance Zone in the North Dakota Century Code
- Previous minutes and agenda packets of the City of Bismarck Renaissance Zone Authority.

*For additional information, contact the City of Bismarck Planning Division at 355-1840 or visit the City-County Office Building 221 N. 5th St. during standard office hours.*