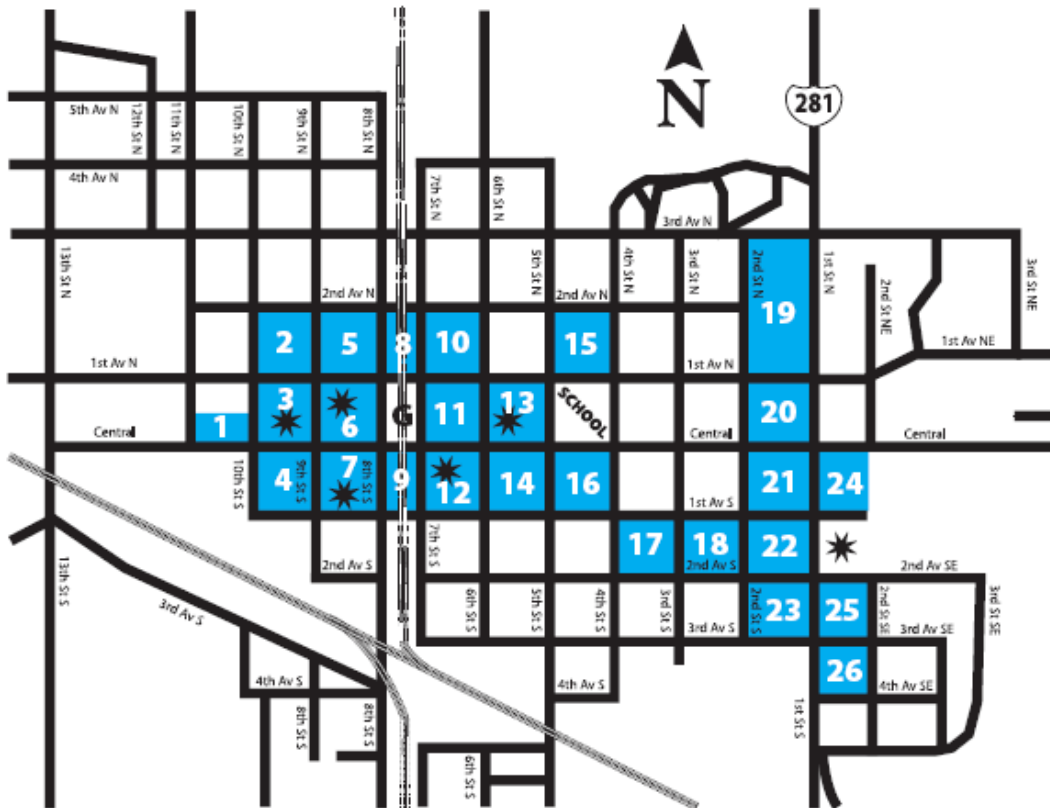


RENAISSANCE ZONE PROGRAM GUIDE



Map of New Rockford Renaissance Zone

■ - Zone Block * - Government-owned Building

Overview

The Renaissance Zone is a state-sponsored program that offers tax incentives for taxpayers who invest in real estate projects within a designated area of a city. The City of New Rockford intends to utilize this program as a catalyst for future development in the city. The primary goals include new business development, housing improvement, tourism expansion and downtown enhancement.

Eligible Activities

- Purchase of a commercial property or primary residence
- New construction of a commercial property or primary residence
- Rehabilitation of an existing commercial property or primary residence
- Lease of property for commercial use

Minimum Criteria

1. Commercial Property

- Property ownership must be transferred after the state authorization of the zone.
- Property may not have been part of a previous zone project.
- Property must be of a conforming use.
- Project must bring property into compliance with all current building codes and improve all deteriorated conditions that are visible from the street.
- Rehabilitation projects require capital improvements equal to the greater of the following:
 - 50% of the true and full value of the property prior to improvements.
 - \$10,000.00 of capital investment.
- Proposed capital improvements must substantially improve the property's life expectancy. Capital improvements do not generally include floor coverings, wall coverings, cabinets, or furnishings.
- New construction or addition projects must meet the vision and goals of the City of New Rockford and adhere to city zoning requirements.
- Continued commercial leases in property rehabilitated as a zone project will be considered as new leases.
- Lease projects will only be approved in commercial property that meets the above minimum criteria.
- Commercial tenants relocating from one zone property to another are not eligible for tax incentives unless there is a legitimate expansion.

2. Residential Property

- A property owner applying for a single family zone project must sign an affidavit stating that the home will be his/her primary residence upon project completion.
- Property may not have been part of a previous zone project.
- Project must bring property into compliance with all current building codes.
- Property owner must make all necessary improvements to eliminate any and all deteriorated conditions that are visible from the street.
- For rehabilitation projects, the property owner must invest an amount equal to the greater of:
 - 20% of the true and full value of the property prior to improvements.
 - \$10,000.00 of capital investment.
- Proposed capital improvements must substantially improve the life expectancy of the property. Capital improvements generally do not include new floor covering, window treatments, wall coverings, or furnishings. Cabinetry may be included if basis for improving life expectancy can be determined.
- Additions or garages may only be included if it is determined that all other necessary improvements have been made to the existing principal structure.

3. The purchase only of an existing commercial property within the zone will generally not be considered as a zone project unless it is for the purpose of preventing a building from becoming vacant or for job retention or creation. Restructured ownership is not classified as a purchase, and thus will not be considered for exemptions and/or credits under the New Rockford Renaissance Zone.

4. Each project will be evaluated by the RZA to determine the extent to which it fits the criteria outlined above. During the review process, the RZA will access local public records and do a visual assessment of the property to ensure that no proposed work has occurred prior to application. Applicants found to be delinquent in paying any local or state taxes will not be considered for approval.

Approved zone projects will only reflect activities occurring after the designation by the DCS of a Renaissance Zone. In addition, before a potentially eligible purchase, lease, or rehabilitation of property occurs, the zone project must first be approved by the City and the DCS. If an emergency requires that a taxpayer enter into a lease or purchase agreement prior to approval as a zone project, the City may consider approving the purchase or lease as a zone project if the taxpayer submits a zone application within 30 days of the purchase or lease date. The taxpayer must also include a copy of the lease or purchase agreement for verification by the Renaissance Zone Authority.

The RZA will review each proposed Renaissance Zone project application and make recommendations to the City Commission. The City Commission meeting will be advertised and considered a public hearing for information either in favor or against the project. The City Commission will then either approve or disapprove of the project.

Upon approval by the City Commission, the Executive Director of the New Rockford Area Community Betterment Corporation will forward the application to the Division of Community Services in Bismarck for final approval.

Renaissance Zone Incentives

The following tax exemptions will be granted for approved projects that meet the Renaissance Zone criteria.

I. Property Tax Exemptions

A. Commercial Property

1. New commercial construction on vacant lot(s) is eligible for a 100% property tax exemption for a period of five (5) years.
2. Current property owners whose rehabilitation projects meet the Renaissance Zone criteria shall be eligible for a 100% property tax exemption for five (5) years on the value of improvements. The city assessor shall assess the property's value upon completion of the project, and the exemption will apply to the increase in value that results.
3. When purchasing an existing building requiring rehabilitation, the property owner is eligible for property tax exemptions on the existing building and improvements for a five-year period based on the following scale: 100% exemption for years one (1) and two (2) and a 50% exemption for years three (3) thru five (5).
4. Projects involving dilapidated property shall be eligible for 100% exemption from property taxes if the existing property is demolished and replaced by a new structure. A property owner who proposes building demolition prior to new construction on target lot(s) must demolish existing structures set for removal prior to application for project consideration in zone.
5. Existing properties purchased in the zone that require no improvements will be given an exemption not to exceed 25% of the value for a period of five (5) years.

B. Residential Property

1. New residential construction on vacant lot(s) is eligible for a 100% property tax exemption for a period of five (5) years.
2. Current property owners whose rehabilitation projects meet the Renaissance Zone criteria shall be eligible for a 100% property tax exemption for five (5) years on the value of improvements. The city assessor shall assess the property's value upon completion of the project, and the exemption will apply to the increase in value that results.

3. When purchasing an existing housing unit requiring rehabilitation, the property owner is eligible for a 100% property tax exemption for a period of five (5) years based on the value of improvements only. The city assessor shall assess the property's value both at the time of purchase and upon completion of improvements, and the exemption will apply to the increase in value that results.
4. Projects involving dilapidated housing units shall be eligible for 100% exemption from property taxes if the existing property is demolished and replaced by a new structure. A property owner who proposes building demolition prior to new construction on target lot(s) must demolish existing structures set for removal prior to application for project consideration in zone.
5. Existing housing units purchased in the zone that require no improvements will be given an exemption not to exceed 25% of the value for a period of five (5) years.

Note: The above exemptions apply only to structures; property tax on land is not exempt.

II. State Income Tax Exemptions and Credits

An individual taxpayer who purchases (includes new construction) or rehabilitates single-family residential property for the individual's primary residence as a zone project is exempt from up to ten thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3 for five taxable years beginning with the date of occupancy or completion or rehabilitation.

Any taxpayer who purchases (includes new construction), leases, or rehabilitates residential or commercial property for any business or investment purpose as a zone project is exempt from any tax on income derived from the business or investment locations within the zone for five taxable years, beginning with the date of purchase, lease or completion of rehabilitation.

If the cost of a new business purchase or expansion of an existing business, approved as a zone project, exceeds seventy-five thousand dollars, an individual taxpayer may, in lieu of an exemption provided in subsection b above, elect to take an income tax exemption of up to two thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3. The election must be made on the taxpayer's zone project application. The election is irrevocable and binding for the duration of the exemptions provided in subsection b and c. If no election is made on the zone project application, the taxpayer is only eligible for the exemption provided in subsection b.

The exemptions 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.

III. 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 of \$250,000. This credit is against state tax liability as determined under sections 57-35.3-03, 57-38-29, 57-38-30, and 57-38-30.3 of the North Dakota Century Code. The credit may be claimed in the year in which the preservation or renovation is completed. Any excess credit may be carried forward for a period of up to five years from the date of the investment.

Detailed information on the tax provisions in this law, including updates, forms and procedures, can be obtained from the Office of State Tax Commissioner or online at www.nd.gov/tax.

For more information, contact:

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