

City of Ellendale Renaissance Zone Development Plan

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I. Description of the Proposed Renaissance Zone

- a. Map of proposed Renaissance Zone (attached)
- b. Inventory of buildings on each included block indicating block number, owner, address, present use and condition (attached)
- c. Natural and historic assets – the proposed Ellendale Renaissance Zone contains properties with historic value. Two are currently listed on the National Register of Historic Places. They are the Dickey County Courthouse and the Ellendale Opera House. In addition, Preservation North Dakota listed the opera house as one of the state’s three most endangered properties in 2006. Many other properties located within the Zone have historic value but are not listed on the Historic Registry. Most of the buildings in the Zone qualify as historic properties, according to the North Dakota State Historical Society. The Ellendale economic development director will continue to work with the state historical society and local property owners to identify properties that could benefit from historical preservation.
- d. Regulatory burden – Development within the Ellendale Renaissance Zone will not be impacted by any local regulatory burden affecting the renovation of historic properties or the incorporation of mixed use development, other than local building permit requirements.

II. Management of the Renaissance Zone

Administration of the Ellendale Renaissance Zone will be conducted by the Ellendale economic development director, with oversight by the Ellendale city council. The city, in collaboration with the Ellendale Job Development Authority (JDA) will utilize ongoing economic and community development activities to promote and develop Zone projects. All potential Zone projects will complete and submit a standard Renaissance Zone Application (attached) to the economic development director who will then present it for approval by the city council.

The Ellendale Job Development Authority (JDA), governed by a seven member board of directors, is funded by a one percent (1%) city sales tax. The revenues collected are placed into a separate Sales and Use tax fund of which seventy-five percent (75%) is dedicated to economic and job development activities and twenty-five percent (25%) is dedicated to Ellendale area capital improvements. With funding supplied, the JDA employs a full-time economic development director and may offer business assistance and incentives.

Cooperation among the city council, city auditor, city assessor, economic development director and JDA will allow for effective coordination efforts to promote and maximize investment in the Zone. Efforts

to promote investment will extend from the recently updated Strategic Plan and will be the primary responsibility of the economic development director with oversight and assistance by the JDA and the city council.

The working relationship between the city council and the JDA will also facilitate administration and close monitoring of Zone projects as well as effective record keeping of all pertinent information. The economic development director will maintain a file on every Zone project approved for local and state tax incentives that will include information on all tax incentives provided the project, establishing an effective verification system.

City and/or JDA personnel will conduct a site visit to each Zone project prior to submission of an application for City Council approval and submission to state agencies. In addition, a site visit will be conducted during the construction phase of each project for purpose of verifying that the project has met all Renaissance Zone requirements. A final report on each project will also be prepared by the applicant, assisted by the economic development director, delineating all investment, construction and other activities undertaken during the course of the project and providing specific information on any deviations from the original project plan and application. This will provide accountability and assurance that proposed investments were actually made and outlined work actually completed as well as provide opportunities to examine and improve the program as the Zone matures.

The City of Ellendale has adopted the State Building Code. The Ellendale city auditor will work with each project to ensure all construction, renovation and remodeling will comply with the State Building Code. In the event a building inspector is needed, the City will contract with an inspector to provide inspection services, and inspection costs will be absorbed by the project.

The city auditor will evaluate each Zone project utilizing tax records and other public documents at the auditor's disposal that can assist in establishing property ownership and ensuring that a project does not involve a restructuring of ownership meant exclusively to access Zone tax incentives without an actual investment in the property.

Each application will require the applicant to have a statement of support from a lender, bank or other financial institution demonstrating that an actual investment will be made in the project approved. Finally, site visits prior to approval and during the construction phase of each project will provide verification that the proposed project actually represents an investment in a Zone project and Zone structure.

The economic development director will be responsible for collecting and maintaining required information and for submitting the yearly report to the ND Department of Commerce Division of Community Services.

III. Goals of the Zone

The City of Ellendale Strategic Plan goals include creating jobs, expanding retail and service offerings, boosting tourism, encouraging entrepreneurship, preserving historical properties, improving community appearance and increasing housing availability to allow for growth. The Main Street business district will serve as anchor for the Zone, surrounded by other business and residential areas.

The goals of the Strategic Plan and Renaissance Zone plan will be consistent and will provide a natural extension of the City's economic and community development strategy. Implementation of the Zone project will result in economic and community development activities promoting and maximizing investment in the Zone. Meeting these goals will improve Ellendale's economy and quality of life.

The City of Ellendale will not recruit businesses from other North Dakota cities to relocate in Ellendale's Renaissance Zone. The City will disqualify a zone project if it finds that any group or organization has solicited businesses from other North Dakota cities to relocate in the zone. However, the City will not discourage business initiatives and individual desires for business relocation or expansion in the zone.

The following goals have been established to achieve success for the zone and to advance the economic and community development plan as well as the City of Ellendale Strategic Plan. The goals focus on renewal, reinvestment, small business development and high quality job creation to enhance the economy and quality of life in Ellendale and the aesthetic appeal of the Renaissance Zone itself.

* **Create High Quality Jobs** - Create opportunities to establish new businesses by marketing state income and local property tax incentives. Ellendale will use the Renaissance Zone to enhance the opportunity for businesses to start up or to locate in Ellendale. An important aspect of this goal is not only to create jobs but also to enhance the quality of life in the community by creating quality jobs. This objective would help move the City of Ellendale toward our major economic and community development goal of improving opportunities in Ellendale.

* **Expand Retail and Service Offerings** - Ellendale's leaders realize the importance of providing enhanced and increased business and professional services, restaurants, activities and specialty retail stores for individuals searching for a unique shopping and service experience. The goal of improving shopping and services will make Ellendale a more significant shopping destination and will encourage residents to "shop at home."

* **Boost Tourism** - The City of Ellendale recognizes the advantages of our central location in our efforts to attract tourists and visitors.

Ellendale, “The Gateway to North Dakota,” is located near the border with South Dakota along historic U.S. Hwy. 281. The JDA and economic development director are charged with the task of promoting tourism, funded by a one percent (1%) bed and breakfast tax. Ellendale hopes to enhance recognition of the City as a tourist destination via increased promotion, advertising and cooperation with regional and state tourism efforts.

An integral part of this effort is improving the appearance of Main Street and the surrounding area in order to present Ellendale as an attractive, safe and interesting place to visit.

* **Encourage Entrepreneurship** – Home grown entrepreneurs will be a vital part of Ellendale’s growth. In order to encourage business startups and expansion, the City and JDA recognize the necessity of remaining “business-friendly.” Both the city and county JDAs offer incentives to grow and locate viable businesses in Ellendale. In addition, the JDA and the economic development director, in alliance with regional and state organizations, offer assistance with business education and promotion. As a part of this effort, the City is striving to make available more business properties, encouraging renovation of abandoned Main Street buildings via the Zone project.

In addition, the business development effort focuses on improving the appearance of the entire business district in support of existing businesses, acknowledging the importance of having an attractive, well-maintained business district to encourage continued and increased customer visits.

* **Preserve Historic Properties** – One of Ellendale’s greatest assets is the presence of numerous historic properties. Many of the City’s buildings date back 100 years or more to a time when large, ornate buildings drew large crowds from throughout the state for events and lodging, and the brick-fronted shops were centers of commerce for the region. In addition, many of the City’s homes are decorated with intricate woodwork and designs not found on modern homes.

The economic development director is working on listing additional properties on the National Register of Historic Places so that owners may obtain the additional historic restoration tax credits. The City recognizes the importance of preserving these buildings that played such important roles during Ellendale’s early days and restoring them to again draw people and activities to the City.

* **Improve Community Appearance** – A city with well-maintained buildings, sidewalks and streets is a more pleasant place to live and visit. Ellendale is striving to improve the general aesthetics of the community, more specifically targeting the commercial district on Main Street by remodeling and/or improving the exterior of structures within the Zone.

The City wants to appear more welcoming, with attractive storefronts, lighting, planters, signage and other features that draw the attention of drivers passing on the highway.

*** Increase and Renovate Housing** – The City of Ellendale plans to increase the number of attractive, affordable homes available for purchase and to improve the condition and market value of houses in the Zone. Renovation of existing housing stock fulfills goals in the City’s Strategic Plan to increase available, quality housing and will improve the entire city’s appearance, making Ellendale a more desirable place in which to live and to locate a business. An increase in the availability of attractive, up-to-date housing will attract families to Ellendale, helping our school district grow. In addition, renovation of the City’s older homes preserves the Ellendale’s historic character while making homes more comfortable and safe.

Ellendale’s Strategic Plan for the community and for the Renaissance Zone augments ongoing efforts to increase the economic wealth of the community by improving the businesses and residences while maintaining the historic character of the community. We will seek to create high-quality jobs, renovate the central business district, enhance the aesthetic appeal of Ellendale, increase the number of families living and working at quality jobs in the community and expand tourism activities that will increase visitor traffic as well as retail and other commercial activities.

The economic development director believes that as many as three, perhaps more, Zone projects could be developed in the first year. We believe an average of two Zone projects a year is realistic.

The City of Ellendale intends to establish the zone for a period of fifteen years. We believe the Zone will enhance our efforts to continue small business development along Main Street and will encourage investment in businesses and homes in the surrounding area.

IV. Selection of Projects in the Zone

Guidelines for Project Approval:

The City of Ellendale wants to encourage significant investment within the Renaissance Zone to improve deteriorating properties, encourage new construction and fill the available commercial properties in the Main Street business district with new or expanding business ventures. We believe that, by doing so, we can dramatically increase commercial activity within the City, providing additional tax revenues to fund local economic and community development activities geared toward improving the quality of life and economic well-being of Ellendale’s residents.

Ellendale's leaders are confident that, by preserving Ellendale's economic vitality and improving quality of life, our community can maintain or increase population and economic activity. Zone projects will include construction or renovation of property that meets the needs of the community and will enhance the ongoing efforts of the Ellendale City Council and Job Development Authority.

In order to qualify for consideration as a Renaissance Zone project, a proposal must meet the following criteria. A transfer of property ownership does not automatically qualify a property as an approved zone project. The intent of the criteria is to encourage and reward significant levels of investment in zone properties. Each project is based on its own merit.

Current Residential Property

- 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 on the exterior of the building. Greater attention to this guideline is required for property located on Main Street and Hwy. 281.
- Property owner must make capital improvements equal to the greater of the following:
 - a. 20% of the True and Full Value of the property prior to improvement OR
 - b. \$10,000 of capital investment
- Proposed capital improvements must substantially improve the life expectancy of the property. Capital improvements include, but are not limited to, replacement or updating of roof, foundation, structure siding, windows and doors as well as electrical, plumbing, heating and cooling systems. Capital improvements do not include new floor coverings, window treatments, wall coverings or furnishings.
- A vacant lot may be included for tax exemptions or credits only if it was previously developed.

Current Commercial Property

- Property may not have been a 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 on the exterior of the building. Greater attention to this guideline is required for property located on Hwy. 281 and Main Street.

- Property owner must make capital improvements equal to the greater of the following:
 - a. 50% of the True and Full value of the property prior to improvements
 - OR
 - b. \$10,000 of capital investment
- Proposed capital improvements must substantially improve the life expectancy of the property. Capital improvements include but are not limited to replacement or updating of roof, foundation, structure, siding, windows and doors as well as electrical, plumbing, heating and cooling systems. Capital improvements do not include new floor coverings, window treatments, wall coverings or furnishings.
- A vacant lot may be included for tax exemptions or credits only if it was previously developed.

New Commercial Construction or Additions

- Projects including development of new commercial property must be consistent with visions and goals of the City of Ellendale’s Strategic Plan and with the Renaissance Zone development plan.
- Projects that include new commercial properties should also provide a significant benefit to the community, including but not limited to creation of quality jobs, expansion of current business operations within the community, improved aesthetic appeal of the physical structure that increases traffic in and around the project and increased efficiency and profitability for a business expanding or relocating within the City of Ellendale.

Incentives for Businesses Leasing Commercial Property

- Tenant must be leasing space in a building approved as a Zone project for current or new commercial property.
- Building is determined by City to have been restored or rehabilitated prior to the establishment of the Zone meeting all required criteria and now needs additional incentives to bring building to full occupancy.

Purchase-only Residential Property

- Property may not have been part of a previous zone project.
- Projects that consist of the simple purchase of residential property with no investment in renovation or remodeling should include demonstrable community benefits including, but not limited to, the relocation of new residents to Ellendale and preventing a residential property from becoming vacant.

Purchase-only Commercial Property

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Transfer of State and Local Tax Exemption and Credits

If the owner or leasee of an approved Renaissance Zone project property vacates the property, the tax exemptions and credits approved for the original zone project may be transferred during the five-year eligibility period to another qualified taxpayer.

- The new taxpayer must apply for the transfer.
- The city must determine if the new taxpayer qualifies under the state program and the city development plan. The city does not have to request formal approval from the city council.

Property Affected by a Zone Project

Property Tax Percentage of Exemption

- Single family property tax exemption - renovation. The city will grant a 100% exemption from ad-valorem taxation for five taxable years on improvements to single family residential property that is rehabilitated by an individual for use as the individual's primary residence.
- Single family property tax exemption - construction. The city will grant a 100% exemption from ad-valorem taxation for five taxable years on the construction of a single family residential property built by an individual for use as the individual's primary residence.
- Single family property tax exemption - vacant building purchase only. The city will grant a 50% exemption from ad-valorem taxation for five taxable years on the purchase of a vacant building to be used for residential purposes.
- Business investment property tax exemption - renovation. The city will grant a 100 % exemption from ad-valorem taxation for five taxable years on the improvements on any property rehabilitated as an approved Zone project for any business purpose.
- Business investment property tax exemption - construction. The city will grant a 100% exemption from ad-valorem taxation for five taxable years on any property newly constructed as an approved Zone project for any business purpose.

- Business investment property tax exemption - vacant building purchase only. The city will grant a 50% exemption from ad-valorem taxation for five taxable years on the purchase of a vacant building to be used for business purposes.

Income Tax Exemption

- An individual who purchases or rehabilitates single-family residential property as the individual's primary residents is exempt from up to \$10,000 of personal income tax liability for five taxable years beginning with the date of occupancy or completion of rehabilitation.
- A taxpayer who purchases, leases, rehabilitates or makes leasehold improvements to residential, public utility infrastructure or commercial property for any business or investment purpose is exempt from any tax on income derived from the location within the zone for five taxable years beginning with date of purchase, lease or completion of rehabilitation.
- If the cost of a new business purchase, leasehold improvement or expansion of an existing business approved as a zone project exceeds \$75,000, an individual taxpayer may, in lieu of the income tax in the previous item may elect to take an income tax exemption of up to \$2,000 of personal income tax liability. The election must be made on the taxpayer's zone project application or it is not available. The election is binding and irrevocable for the entire exemption period. If this election is not made on the zone project application, the taxpayer is only eligible for the exemption in the previous item.
- Owners of completed projects may claim the property tax exemption via the form available at <http://www.nd.gov/tax/genforms/-schedule-rz09.pdf>

V. Renaissance Fund Organization

The City has decided to establish a Renaissance Fund Organization at a later date. Examination of properties in Ellendale has revealed that a significant number of potential Zone projects can benefit immediately from the implementation of the Zone and, therefore, other methods of promoting and maximizing investment in the Zone are not needed at this time. In the future the City would likely establish an Organization as we are aware of no other organization possessing adequate familiarity with the unique assets and challenges in Ellendale to merit a contractual relationship to administer an Ellendale Renaissance Fund Organization. If and when the City establishes an RFO, the city will notify the Department of Commerce.

VI. Local Commitment

a. Public hearings - A public hearing was held on November 13, 2006 at the Community Center in Ellendale. Six members of the public attended the meeting. The economic development director explained the purpose of the Renaissance Zone and incentives created by implementing the Zone.

The economic development director presented the preliminary draft of the Renaissance Zone plan to the Dickey County Commissioners on January 2, 2007. The Commissioners subsequently issued a letter supporting the Zone.

On January 8, 2007, the Ellendale City Council discussed the Renaissance Zone plan and approved a resolution establishing the Zone.

On February 12, 2007, the economic development director presented information on the Zone to the Ellendale Public School board. After discussion, the board approved a letter of support for the Renaissance Zone project.

Business letters of support - several business owners submitted letters supporting establishment of the Renaissance Zone.

On November 5, 2007, the economic development director presented a request to the Dickey County Commissioners to attain an updated letter expressing continued support for the project including the three additional blocks. The Commissioners issued a letter supporting the expanded zone.

The economic development director scheduled a public meeting to convey information about the expanded zone. The meeting was held on November 27, 2007, at the Ellendale Public Library, and the mayor and one other business owner attended.

The final public meeting was held at the regular city council meeting on January 8, 2008. No members of the public attended for the purpose of discussing the Renaissance Zone project.

During the presentations, discussion included

- Determining building value after expiration of tax incentives - Questions were raised about the taxable value of business improvements after five years.
- Determining style of Main Street storefronts - Questions were asked about whether the Zone project encourages a common style for storefronts.
- Determining incentives for improvements vs. maintenance - Questions were raised about whether maintenance items such as shingling and repainting qualified for tax incentives.
- Determining Zone blocks - Questions were asked about the block selection process.

- Qualifying property - Questions were asked about the required age of properties qualified for Zone projects.
 - City incentives - Questions were asked about how the Zone incentive plan fits with current city incentives for business expansion.
 - Value to community - Questions were asked about whether or not other towns that have established a Renaissance Zone believe it has helped them.
 - Limits of Zone - Questions were asked about whether or not it is possible to add blocks to the Zone in the future.
 - Qualifying restoration - Questions were asked about the qualifying of specific historic restoration such as original wood flooring and tin ceilings.
 - Energy efficiency improvements - Questions were asked about whether modifications to improve energy efficiency were qualifying improvements.
- b. Resolution of issues raised through public hearing and public input:
- Determining building value - The City Assessor explained that business property valuations are based on comparison with values of businesses sold annually in Ellendale and throughout the surrounding area. Approved improvements to residences will add value to the property, but the amount of the dollar investment does not increase the assessed value by an equal amount.
 - Determining style of Main Street storefronts - The economic development director said that, although the city will likely determine a common design to recommend for Main Street storefronts, adoption of a common style is not at this time part of the Renaissance Zone plan.
 - Determining incentives for improvements vs. maintenance - The City Assessor explained and the City Council concurred that approved projects must be improvements rather than maintenance. Capital improvements include replacing or updating a roof, foundation, siding, windows and doors along with electrical, plumbing, heating and cooling systems.
 - Determining Zone blocks - The economic development director explained the method for choosing blocks to be included in the Renaissance Zone according to the state rules. The hub of the Zone includes 20 contiguous blocks surrounding the intersection of Hwy. 281 and Main Street. For each public building located in the Zone, i.e., City Hall, the library/senior center/fire hall and the city swimming pool, an additional ½ block was added. Following the state legislature's 2007 action, an additional three blocks were

added, within ½ mile of the previous Zone border and contiguous to one another. Selection of any of the blocks was based on determination by the mayor, economic developer and other volunteers that the blocks contain deteriorating and vacant properties.

- Qualifying property - The city did not set a minimum age for buildings eligible for tax incentives.
- City incentives - The incentives offered for Zone projects will not be in addition to current city incentives offered on a case by case basis for new business construction in Ellendale.
- Value to community - The economic development director gathered information from others towns that had established a Renaissance Zone. For the most part, although the Zone program was slow to catch on, the cities' leadership reported that residents and businesses were taking advantage of the incentives.
- Limits of Zone - In the future, there is a possibility to add blocks to the approved Zone.
- Rehabilitation of old buildings - Restoration of original wood floors and tin ceilings is considered renovation and is an acceptable component of a Zone project.
- Energy efficiency improvement - Installation of features that improve energy efficiency, such as windows, doors, siding, interior walls to improve air circulation, etc., as approved on a case by case basis, are considered appropriate renovation.