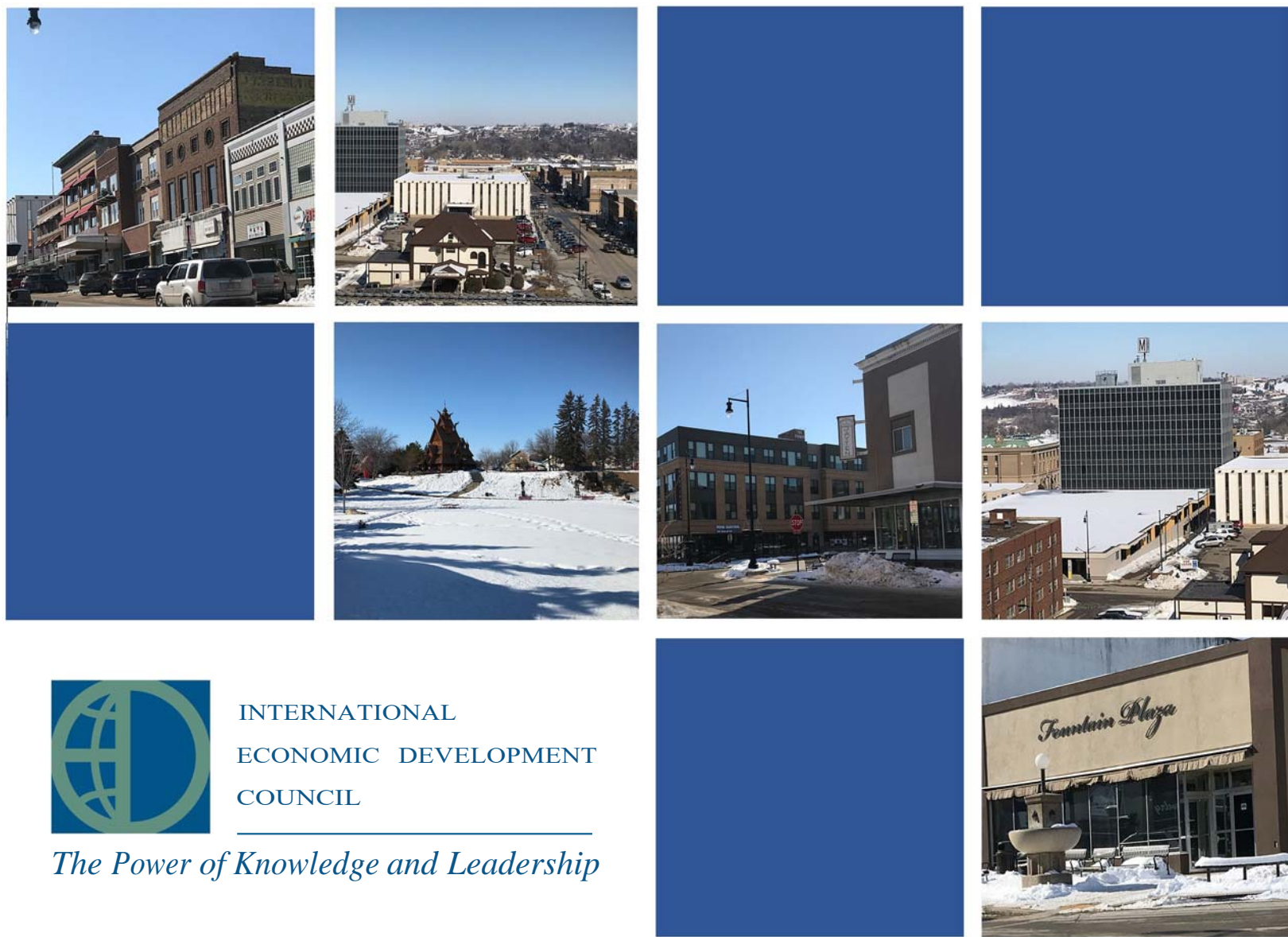


# Economic Recovery and Resiliency Strategies For the City of Minot, North Dakota

## Addendum on Urban Renewal Tools



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

*The Power of Knowledge and Leadership*

**Submitted to:**

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**About IEDC**

The International Economic Development Council (IEDC) is a non-profit, non-partisan membership organization serving economic developers. With more than 5,000 members, IEDC is the largest organization of its kind. Economic developers promote economic well-being and quality of life for their communities, by creating, retaining and expanding jobs that facilitate growth, enhance wealth and provide a stable tax base. From public to private, rural to urban and local to international, IEDC's members are engaged in the full range of economic development experience. Given the breadth of economic development work, our members are employed in a wide variety of settings including local, state, provincial and federal governments, public-private partnerships, chambers of commerce, universities and a variety of other institutions. When we succeed, our members create high-quality jobs, develop vibrant communities, and improve the quality of life in their regions. For more information about IEDC, please visit [www.iedconline.org](http://www.iedconline.org).

# Addendum to IEDC’s June 2018 Report on the Economic Recovery Needs of Minot, North Dakota: Further Advice on Recommended Financial Tools

## Introduction

In June 2018, the International Economic Development Council (IEDC) presented the City of Minot, North Dakota with recommendations for addressing ways in which the downtown economy might recover from the 2011 floods and the oil boom that followed. The recommendations were based on a March 2018 visit to the city by an expert panel of economic developers accompanied by IEDC staff. The panel and staff met with key local stakeholders during their stay.

Among the recommendations presented was an expansion of the city’s economic development toolbox beyond the use of the renaissance and opportunity zones and the MAGIC fund for urban renewal in downtown. Three tools specifically recommended in the report for downtown are:

- tax increment financing (TIF) and TIF districts,
- business improvement districts (BIDs);
- job development authority (JDA).

These economic development tools have contributed to the economic development success of communities throughout the United States. All three tools are permitted in the North Dakota Century Code.

Based on the recommendations in the report, the City of Minot asked IEDC to further advise on the financial tools—TIFs, BIDs, and JDA. In this addendum to the report, IEDC will address

- 1) the potential advantages and disadvantages of using the available economic development tools ,
- 2) suggestions as to the area or areas of the city which would benefit most from each of the resources and which would be most beneficial in advancing a sustainable economic recovery and resiliency strategy, and
- 3) recommendations to the structure and management of the resources.

## Section One: Advantages and Disadvantages

### Tax Increment Financing

#### *What is Tax Increment Financing (TIF)?*

IEDC defines tax increment financing as a tool to encourage development for a specific project or district. Its distinct feature is the ability to capture future tax revenues to pay for present-day infrastructure and real estate improvements. TIFs are not about raising taxes but are instead about localized capture, through existing tax rates, of additional value (usually of property in the area).

In North Dakota, property taxes are used as the source of funding for tax increment financing. Once a district or project is created, a resolution can be passed to issue a municipal bond to help fund improvements within the district or project. The proceeds are used to finance the

improvements, and the future incremental revenue can be used to pay the debt on the bonds. TIF revenue notes and special assessments are also permissible in North Dakota. At the first or base year of the TIF, the property tax assessments are frozen. During the designated TIF period, incremental property tax revenue collected above the base year level – i.e., because property values have risen due to the investments made - is allocated to the TIF project or district.

The size of a TIF district is left to the municipality to determine. While the city may benefit from a larger district that allows for more properties to be assembled and the ability to undertake larger infrastructure projects, a larger district means more property owners, complex transactions and due diligence. Tax increment districts can be as small as a single site, which provides a concise project within which to budget and capture incremental tax value.

### ***How is TIF used?***

While its roots are steeped in blight remediation, TIFs are now often used as an economic development tool to redevelop downtowns, attract businesses, and retain and expand existing businesses. TIFs are an economic development tool used in 49 states.

TIF funds can be used on a variety of projects outlined by the Century Code and are typically utilized to fund feasibility studies, site preparation, land acquisition, property condemnation, demolition of older structures, infrastructure, and environmental remediation. Administration, planning, engineering, and other redevelopment-related costs are permitted in North Dakota under TIF financing. The projects serve as an in-kind subsidy for public use. In some communities, TIF funds have been used for libraries, parks, public transportation amenities, and other public services.

### ***What are the benefits of using a TIF?***

Funding is secured from private sources and paid back in future – so project risk is offset to the private sector. The public benefits without reducing tax revenues to the city or raising taxes on property owners to make the improvements within the district. In many communities, TIFs help advance projects that would not necessarily move forward without the improvements.

A comprehensive plan for the city and the district is strongly encouraged for the success of tax increment financing. As tax increment financing projects depend on the future increase in tax revenues to pay back the debts, having a plan allows the city can be more selective on the types of businesses and developments that are recruited for the district. For prospective businesses considering a property within the district, a TIF district may signal that the community has a plan for the district and a mechanism for infrastructure improvements.

The use of tax increment financing is completely up to the City of Minot. It does not require an application or competition against other communities for state or federal funding. Furthermore, TIFs can be layered with other economic development financing tools such as a renaissance zone.

### ***What are the challenges of using a TIF?***

The use of tax increment financing does not come with a guarantee that the projects will generate new investments or increases in property values and tax increment. It is, therefore, possible that the demand for municipal services within the district may increase as development increases without the availability to fund the increased services until the district expires. TIF revenue bonds carry an additional risk due to the uncertainty that comes with the tool.

For agencies and departments that share the same tax base, they will experience a stable tax base and would not receive any increase in tax revenue until the district closes.

As businesses choose properties within a TIF district, other neighborhoods may perceive to be at a competitive disadvantage. Similarly, long-time property owners may feel threatened by the improvements.

### *What is allowed by the Century Code?*

Allowed by North Dakota Century Code, TIFs can either be project specific or spread across a defined district. Project-specific tax-increments are used for a single project or property. These projects have fewer users and are focused on the public improvements to the development. With a sole user such as a developer, these deals tend to be less complicated, though can have some issues with bond investors due to the risk in investing with one user. It is important to be transparent and fair with the community as project specific tax increment financing can be seen as giving a development advantage. However, if the development will not occur but for the use of the tool, the alternative (no development or redevelopment) also needs to be considered.

Under Century Code 40-58-02, it is necessary for a project or a district to be determined to be in a slum or blighted area or a commercial or industrial district. In the same section, the Century Code states that urban renewal strategies can be used to “eliminate the causes of unemployment, underemployment, and joblessness...and that tax increment financing is an economic development program designed to facilitate projects that create economic growth and development.”

Prior to the establishment of a tax increment financing project or district, a development or renewal plan should be developed and be in accordance with the city’s comprehensive plan. There must be a public hearing with the city council, the school board, and park district within the county where the urban renewal district is proposed before approving the plan. Once the city council has approved the plan, it may request the county auditor and treasurer to compute, certify and remit tax increments.

Within the district or project, the municipality has the power to authorize, undertake and carry out the projects. The city has the right to contract for the construction and repairs undertaken within the district, acquire real and personal property, and enter properties to conduct studies as necessary. The properties that the city acquires within the district may be transferred or retained for public use.

The City of Minot may issue municipal bonds to be used for the undertaking and carrying out of development and renewal projects within the district. The bonds are exempt from all taxation and may be sold.

With the development of a tax increment financing district or project, the city council “may exercise its urban renewal project powers through a board or commissioner, or through any officers of the municipality as the governing body may by resolution determine” (Century Code 40-58-15). An urban renewal agency is a public body that the mayor, with the consent of the city council, appoints five unpaid commissioners to – each of whom concurrently serve a term of one year. Depending on the authorization given, the urban renewal agency may transact business and exercise urban renewal project powers.

The expenses for clearance, development, redevelopment, rehabilitation, and conservation of the area in accordance with the development or renewal plan is subject to reimbursement from the tax increment fund. The city council may issue general obligation bonds, special improvement warrants, or refunding improvement bonds to pay for the development or renewal projects. Once all expenses have been paid, and all bonds, notes, and obligations have been paid, the district shall be retired.

A TIF may be established for up to 25 taxable years without establishing a new base. A new base year may be used to compute tax increments up to an additional five years after which, the district will be closed.

The City is allowed to use tax increment financing to assist a private developer with the development of industrial or commercial property.

***How are TIFs managed?***

TIF districts are typically managed through a team of municipal employees. These may include the finance director, the economic development director, and the city manager/administrator. The Century Code also allows for an urban renewal agency with five appointed, unpaid commissioners to manage the work of the development or renewal plan.

***TIFs in North Dakota***

Five municipalities in North Dakota currently employ tax increment financing districts. Bismark previously had a TIF district, however, due to public opposition, it was discontinued in 2017.

| <b>City/<br/>Municipality</b> | <b>Managing<br/>Organization</b>               | <b>Notes</b>   |
|-------------------------------|--|--|
| Fargo                         | Planning and Development Department            | Instituted in 2017, operates as a combination of a Tax Increment Financing district and Payment in Lieu of Taxes (PILOT).  |
| West Fargo                    | City of West Fargo Economic Development office | Operates in several distinct areas throughout the city   |
| Grand Forks                   | Local Government Advisory Committee            | The Local Government Advisory Committee was created as an amendment to TIF practices in 2017 where changes were made to the financing and application processes. |
| Mandan                        | Mandan City Commission                         | Commenced in 2008 and was most recently revised in 2012  |
| Wahpeton                      | City of Wahpeton                               | Outlined the TIF district and operational guidelines in 2006   |

## Business Improvement District

### *What is a Business Improvement District (BID)?*

A Business Improvement District is a commercial area in which an organization funded and overseen by local business owners provides enhanced services to improve the local business climate. A BID organization can coordinate and enact specific measures in the interest of improving a commercial center, raising property values and the tax base, and attracting outside businesses to the area. Businesses within the district benefit from the enhanced services and public safety, promotions, special events, and a go-to organization. Other names for BIDs sometimes include Community Improvement Districts, Special Improvement Districts, or Business Improvement Zones. BIDs do not replace or reduce city responsibility and jurisdiction. The city may not hence neglect previous obligations in maintenance or security services that are provided prior to enacting the district.

Funding for BIDs comes from a special assessment tax levied on commercial property owners within the district. In districts focused on businesses, residents in the district are excluded from both the assessment tax and voting rights within the BID. These special assessments are unique to each BID and are decided by the board of directors or the BID stakeholders. The most common formulas for determining the special assessment for property owners within the BID are examining and calculating: front footage (if most of the benefits will be seen by ground floor retail), gross building square footage, and finally by assessed valuation (the most recent valuation for use by the city in computing property tax, a useful method if there is high variability between building valuation in the BID area. All of the money collected from the valuation tax is given back to the district. In addition to the valuation tax, BIDs can be funded in part by from fundraising efforts, grants, and any revenues from any special events such as farmer's markets, concerts, art exhibitions, and other such events that will entice people to the district.

Sunset clauses can be included in a BID charter, often for a time span of five or ten years, however, the majority of BIDs end up renewing the charter. These renewal periods are helpful in examining the most effective and least effective policies and addressing any grievances -often from those on the edge of the BID property area or those with the least valuable property- and working to implement changes. These renewal processes coupled with an elected board of directors helps to encourage participation, oversight, and accountability on how the money is spent, how the assessment is levied, and how needs and priorities in the district may change over time.

### *How are BIDs used?*

BIDs are used primarily for maintenance of the district and marketing for the district. District maintenance often includes litter and garbage removal, graffiti removal, snow shoveling, sidewalk cleaning and clearing, and landscaping efforts. Marketing and promotional undertakings can vary by BID but often include uniform signage for the district and special event support or planning.

Efforts to improve security and lighting can fall under BID duties to extend the hours that pedestrians will spend in the BID as a means of increasing consumption and revenue. BIDs will sometimes employ staff to patrol streets and provide information and directions to visitors. Along with streetlights, BIDs may invest in other small-scale capital improvements such as signs, flower or shrubbery arrangements, bike lanes, or facade restorations. Some BIDs are responsible for holiday light displays and special events to attract customers to the district.

Other actions that BIDs have been known to undertake include: attempting to recruit new businesses and assist in expanding existing businesses, maintaining and publishing commercial real estate vacancies, and promoting historic preservation. BIDs can also focus on parking accessibility, sometimes by subsidizing parking to make it more appealing for clients to drive to the district and park for extended periods.

BIDs can be most successful when they are specifically tailored to the needs and demands of not only the district but also the local consumers and the surrounding community. In smaller cities, cleaning and security will be less of a priority than in BIDs in large cities. Rather small town BIDs tend to focus on consumer attraction. It is often recommended that consumer and commercial surveys are put forward to the community at the onset of the formation of the BID in order to see what services are most in need of attention, attractions, and services that are most likely to draw people to the district, and services that property owners see as being most lacking. Some BIDs will commission surveys, sometimes conducting them at regular intervals even after the BID formation.

While BIDs can be a business retention tool in the district, it can also be a tool for attraction. Restaurants, gyms, residential housing or other beneficial businesses and services can contribute to the attraction of new businesses to the district. BID operators can also work to incentivize or persuade businesses to extend their hours, especially with businesses that close relatively early or on Sundays. Once hours are extended, the BID can invest in advertising the change in hours and encouraging people to take advantage of the change.

#### ***What are the benefits of using a BID?***

Business Improvement Districts create a steady stream of income that is marked exclusively for services and programs within a district, as well as a clear organizational model with leadership. In many communities, a BID provides a unique combination of private and public sectors and the management and oversight that each sector brings to a district. The funds from the BID can be used to hire a professional to lead the efforts within the district and organize the leaders. Business owners and community leaders are on the front line of decision making, generating more participation, as well as more applicable and effective policies to positively impact the district. As BIDs are state-backed and have the legal authority to collect and raise assessments over time, it prevents any threat of free-riding within the district. BID leaders can see demonstrable results in just a year or two, as many business owners feel that they do not have time to wait for the implementation of city zoning projects or master plans.

Creating a BID can be a tool to demonstrate investment and community engagement and increase the attractiveness and appeal of the district. The organization managing the BID can provide some of the services for a district that was previously unfulfilled or did not have an organization responsible. In the development of a BID, a three or five-year strategic plan for the district including a budget and a scope of services can be required. This requirement benefits the district by having a direction for the initial period and materials that can be used to develop support for the assessment among the business owners.

#### ***What are the challenges of using a BID?***

There are numerous challenges that a BID can face, both initially and in the future. In North Dakota, BID formation requires three-quarters approval from business owners in the district. Additionally, identifying or developing the entity that will initiate the plan for BID with the majority



of the stakeholders in agreement on the leadership and the direction has the potential to be an obstacle in implementing the BID. It is imperative that at its inception the assessment formula and scope of services be agreed upon by the stakeholders leading the effort to initiate the business improvement district.

While the business improvement district's programs and improvements can benefit many of the businesses within the district, there can also be unintended consequences when there is a hike in property value. While raising property values is often a major motivation in instituting a BID, there runs a risk of small businesses and residents no longer being able to afford the rent or property taxes. Larger companies are often able to absorb the impact of increases in rent and property values, with the risk of leaving small businesses and residents behind.

Determining the size of the district can lead to obstacles its success. A district that is too large can stretch the services provided while a district that is too small can create feelings of being left out by businesses on the edge of the district. Furthermore, the success of the BID is at risk when the scope of services are too broad for the budget or where there is uneven prioritization of services such as focusing most of the funding on security and not enough on marketing or snow removal.

#### *What is allowed by the Century Code?*

The section of the North Dakota Century Code that addresses the formation of BIDs is Chapter 40-22.1 Special Assessments For Promotion of Business Activity. Allowances for attempts to make improvements are permitted by any means not in contradiction with what is outlined in the code. The code explicitly states that “advertising, public information, marketing, maintenance and decoration of public places, promotion of public events, furnishing of music in any public place, providing professional management, planning, and promotion, and the general promotion of trade activities” are permissible means of promoting the development and attraction of business. The century code gives the municipal government permission to make and execute necessary or convenient agreements to exercise the powers and functions under this chapter, including contracts. The century code explicitly forbids the issuing of bonds or any other form of indebtedness in anticipation of the collection of assessments.

Century Code 40-22.1-02 states that a BID can be created by a municipal ordinance or resolution: “The governing body of the municipality shall designate the district by an appropriate name and by a number distinguishing it from other improvement districts. A municipality may make and finance any improvement and levy special assessments for the improvement under any alternate procedure in this title.”

Any BID must include all of the properties within the BID area, which is determined to benefit from the creation of the BID under the consultation of the city auditor, or the auditor's designee. The century code also states that “The jurisdiction of a municipality to make, finance, and assess the cost of any improvement project may not be impaired by any lack of commonness, unity, or singleness of the location, purpose, or character of the improvement, or by the fact that any one or more of the properties included in the district is subsequently determined not to be benefited by the improvement, or by a particular portion of the improvement.” A petition signed by three-fourths of business owners in the area that is to be added to the district is required, and the governing body of the BID may enlarge it.

All plans and specifications for the BID must be approved by the municipal government, and all plans, specifications, and estimates must be kept on file with public access in the city auditor's office. A resolution declaring improvements necessary must be filed and displayed in the city newspaper. This resolution must refer to the reports on file and include a map of the district. However, it is not necessary if a written petition for improvement signed by the majority of those in the BID is presented. If one-third or more of the business owners file a protest against the resolution, it will bar further proceeding of the applicable part or area of the improvement project.

### ***BID Management Models***

The most common BID management style is an elected board of directors. These directorial boards are not-for-profit and may be comprised of any formation of property owners, residents, merchants, and holders of public office. The board's duties can include decisions on budgets, goals, policies, and staffing. Some cities will decide to have a full-time professional staff managing the BID, while others may have just one full-time director. In small communities, the BID may completely forego a professional staff and leave all decisions in the hands of the board of directors. Some communities will assign BID management to a local government staff planner or another organization, often the nonprofit that took responsibility for forming the BID.

### ***BIDs in North Dakota***

Fargo is the only municipality to utilize a business improvement district in North Dakota. Operating since 2012, the Downtown Community Partnership Business Improvement District maintains, improves, enhances and promotes downtown Fargo.

## **Jobs Development Authority**

### ***What is a Jobs Development Authority?***

A jobs development authority is an independent, local authority whose main task is to work as a catalyst for job creation within a municipality. Similar to a redevelopment authority or downtown development authority in other states, a jobs development authority can receive development funds such as tax increment financing and millage. An appointed board of directors manages the jobs development authority.

Job development authorities can receive funds from city tax revenues, revenues from real or personal properties, and investments.

### ***How are Jobs Development Authorities used?***

A jobs development authority in North Dakota may

- Acquire through gift, trade or purchase (and hold, improve and dispose of) real or personal property
- Loan, grant, or convey any funds or other real or personal property held by the authority
- Invest funds held by the authority
- Use funds held by the authority to guarantee loans or make other financial commitments to enhance economic development.
- Take an equity position in, provide a loan to, or use any other innovative financing mechanism to provide capital for a new or expanding business or a business relocating to North Dakota.
- Make and exercise contracts and sue or be sued.

- Hire a professional who's responsible for seeking and promoting new economic development opportunities within a city
- Request a tax levy and to use the money raised for job creation within the city.

### ***What are the benefits of using a Job Development Authority?***

Job Development Authorities have high levels of autonomy and authority when it comes to economic development projects. As an independent body, they can enter into contracts, make investments and take an equity position in a new or expanding business. Jobs development authorities can make investments to drive private sector development in an area.

Minot's City Council (the governing body for the municipality) may create a job development authority by resolution and has the authority to appoint the board of directors. A job development authority has the right to hire personnel to be responsible for the day to day operations.

### ***What are the challenges of using a Jobs Development Authority?***

A jobs development authority board of directors adds one additional group focused on economic development within the city limits. The Minot City Council can approve a levy to finance the work of the job development authority. If a levy is approved, the city auditor needs to develop a separate account, which adds some additional responsibilities to the position.

As with most other economic development programs and efforts to increase property values, JDAs can pose unintended and undesirable consequences for low-income families such as displacement if they are unable to keep up with rising rents as property values rise. Similarly, small businesses are also more subject to displacement in the face of rising property values and larger companies who may be attracted to the area in light of new economic development. This displacement can exacerbate inequality within a community.

### ***What is allowed by the Century Code?***

Chapter 40-57.4 states that a Jobs Development Authority may be established or dissolved by an official resolution. A public hearing must be held to hear any concerns before the resolution is officially adopted. If the resolution is adopted, and the authority created, a motion to dissolve the authority must appear on the ballot of the following, regular election. Any motion to discontinue the authority requires a majority of those voting in order to pass. Once the Authority is created, it falls to the governing body of the city or municipality to appoint the Authority's board of directors; appointees must be selected based on character, training, and ability, and regardless of political affiliation.

Each member of the board must first take the oath provided for civil officers. The oath must then be filed with the city auditor. Members of the board of directors are prevented by the Century Code to receive any compensation for their service on the board although they may be reimbursed for mileage and other expenses.

Section 40-57.4-03 of the Century Code outlines 13 essential functions of the Jobs Development Authority. These functions revolve around contracting, hiring, levying taxes, providing loans and grants, overseeing how funds are acquired, and dispersed. The final function is broad-ranging - namely "To exercise any other powers necessary to carry out the purposes and provisions of this chapter."

It is up to the city government to create a Jobs Development Authority fund, and it may levy a tax on the municipality with the stipulation that it must not exceed “the limitation in subsection 12 of section 57-15-10.” At the time that the levy is sought, a job development authority seeking approval must file with the city auditor and include a financial report from the preceding year.

***How are Jobs Development Authorities Managed?***

According to the Century Code, members on the board are to serve terms of 3 years or until there are qualified persons to replace them. These terms are to begin the first of January, and will ideally see one-third of board members facing expiring terms at a time - on the 31st of December. A Chairperson is to be elected annually by the board as well as a Vice Chairperson, secretary, and treasurer. A separate executive committee is to be elected within the board of directors, and with duties that are delegated by the board of directors as a whole

***Job Development Authorities in North Dakota***

Two counties and a municipality currently employ a job development authority in North Dakota.

| <b>County/<br/>Municipality</b> | <b>Organization</b>                        | <b>Management Structure</b>   |
|---------------------------------|--|---|
| Dunn County                     | The Dunn County Job Development Authority  | Since 2012, the JDA has been managed by a county employee and focuses on job creation and economic development in Dunn County |
| Hettinger County                | Hettinger County Job Development Authority | Managed by a board of directors headed by an executive director.  |
| Rugby                           | Rugby Job Development Authority            | Board of directors comprised of city and government members, financial institution members, and at-large members              |

**Section Two: Where to Use Each Tool**

***Business Improvement District***

The entire downtown commercial neighborhood would benefit from a business development district. Currently, Downtown Minot has multiple groups planning events, seeking membership fees and sponsorships, and no clear leader. A business improvement district would allow downtown businesses to have a go-to organization that plans events for downtown, markets the district and provides services such as snow removal.

***Jobs Development Authority***

Trinity Health is offering eight buildings to the City of Minot when they vacate to move to their new campus. With limited capacity within the city government, it is recommended to establish a Jobs Development Authority as an independent authority in the city to accept the properties and manage the plans and redevelopment of the buildings.

### *Tax Increment Financing*

Initially, a tax increment financing district would be beneficial in the downtown commercial neighborhood for redevelopment. There are many buildings that may benefit from being within the district including the M building and the Trinity Health buildings. The building the Severson Entrepreneurship Academy considers for an incubator may also benefit from being within a TIF district.

Another area that may benefit from the TIF district in the city would be the commercial area around the airport. As an important gateway to the city, the land surrounding the airport is valuable to attracting a variety of developments. Depending on the type of industries planned for the available green space properties surrounding the airport—whether it is value-added manufacturing or agriculture or industries that demand frequent travel or tourist attractions—the properties can benefit from a TIF for the infrastructure development and improvements needed for site preparations.

The Industrial Park of Minot may benefit from a TIF district to make the infrastructure improvements and site preparations to attract businesses in the targeted industries.

## **Section Three: Structure and Management**

In the June 2018 report, the IEDC expert panel recommended the formation of an economic development partnership organization that brought together all of the economic development organizations under one 'roof'. While there would be an individual leader at the head of the partnership, each partner organization would have their own board of directors. In an ideal arrangement, the partnership organization would develop a strategic plan for downtown redevelopment with input from all partners. The partnership would be responsible for leading the direction of downtown and following the plan accordingly.

With this recommendation in mind, it would be advisable for the business improvement district to be a part of the partnership with its own board of directors. The board of directors could be made up of representatives from businesses that represent all of the different downtown organizations currently in existence. As part of the Partnership, the organization can make sure the businesses have a voice in the plan for downtown while leveraging the partnership to provide the resources needed for the local businesses.

A jobs development authority should be established in advance of Trinity Health vacating the buildings downtown. The board of directors should be established in accordance to Century Code Chapter 40-57.4 with the leadership participating in the economic partnership's planning for downtown. It is recommended to use the same board of directors for the urban renewal agency so not to dilute or stress the volunteer pool. The economic development partnership organization could provide staff support for the JDA through a contract with the city.

An urban renewal agency should be developed to manage the tax increment financing district in accordance with Century Code Chapter 40-58-16. The five commissioners, the same members of the JDA board of directors, should work closely with the economic partnership to ensure the projects developed in the TIF district are in line with the plan established for downtown. Similarly, the

economic development partnership organization could provide staff support for the JDA through a contract with the city.

If the city elects not to establish an economic partnership organization, the city of Minot should consider contracting with a 501(c)3 organization to manage the BID and work closely with the JDA and urban renewal agency. Downtown Grand Junction would be a good model to consider replicating where there are shared efficiencies and advisors directing their BID and downtown development authority (discussed further in the following section). The joint model allows for Downtown to have a unified voice. An RFP process should be used to identify the 501(c)3 organization with which to contract for management of the BID. The RFP process allows for all downtown and economic development organizations to submit a proposal on a level process at the opportunity to manage the BID.

## Section Four: Further Recommendations

IEDC contacted the comparable cities in nearby states and provinces—Brandon, Manitoba, Grand Junction, Colorado, Great Falls, Montana, Lethbridge, Alberta, Pocatello, Idaho and Sioux City, Iowa—to learn more about their tools and strategies used for urban renewal. In a review of their strategies, it is recommended that the City of Minot consider the following best practices to replicate:

- Brandon, Manitoba uses a business license program to encourage active uses of vacant and boarded up buildings in its downtown. Property owners whose buildings remain vacant in the downtown core must meet certain qualifications, undergo inspection and pay a license fee that increases annually. Buildings not meeting these requirements can have their title transferred to the city. In Minot, these buildings could be transferred to the Jobs Development Authority. It will further limit the number of speculators in downtown.
- Grand Junction, Colorado has one organization managing their BID and their downtown development authority. The organization shares staff and board of directors, which allows for efficiencies and flexibility in the economic development tools used in downtown. Additionally, the businesses and city know there is one point person to contact about anything related to downtown. It answers the question of who is responsible for downtown.
- In Great Falls, Montana, the city recognized they already had many of the partners without wanting to create one more partner with a staff for their main street program. Instead, they developed a 501(c)3 with a board of directors made up of the partner organization leaders or representatives. The partners have more responsibilities without staff support. The City of Lethbridge has a similar model with their Heart of the City Committee. This model may be a good way to start though it is recommended for the organization to eventually hire a professional in accordance with the Century Code to manage the day-to-day operations.
- Another consideration out of the City of Great Falls is to leverage every economic development tool possible including historic tax credits (Downtown Minot is a historic district!), new market tax credits (there have been CDFIs in North Dakota in the past) and the opportunity and renaissance zones.
- The City of Lethbridge has a grant program to encourage upper-level residential units in their downtown. These grants have attracted the development of market price housing in an area that is traditionally low rents. The units attract talented workers to live and hopefully

work and play in the downtown core. A similar program may benefit some of the vacant upper-level areas and drive the development of new storefront businesses.

- A second tool from the City of Lethbridge is their incentive program for events held downtown. The small services such as security and road closures may help bring more events into downtown and encourage businesses to stay open to support these programs.

These recommendations are further explained in the following descriptions. It is suggested to use the summaries as a menu of the variety of tools employed to revitalize and nurture the economic health in their downtowns. All of the communities expressed a willingness to be a resource to the City of Minot as strategies are considered, and questions arise. A study tour is recommended to learn how a particular strategy is employed.

### *Brandon, Manitoba*

Starting in the 1970s, the City of Brandon had a business investment area (BIA) for 20 years that was successful. The business community overwhelmingly supported the BIA including meeting the requirement of two-thirds of businesses approving. When the federal funding dried up, it was no longer viable. Approximately 11-12 years ago, the merchants went to the City Council to request re-creation of the BIA. Unfortunately, their efforts to reinvent the program led to splintering.

In 2008 the city council recognized the need for one downtown organization and mandated the development of the Brandon Downtown Association. The city provides the organization \$300,000 to operate as a non-profit that is run at arms-length. It is fully funded by the city, and the city approves the board of directors. Originally, the provincial government provided match funding, which has since dried up. The organization has one staff member who works at city hall but is separate from the economic development department. It is budgeted through the economic development department, which defends and validates their existence to the city council and administers their funding. However, the economic development director has no responsibility for the success or failure of the organization or their activities. When needed, the economic development director will mentor but not make decisions on policy or program concerns. While originally focused on clean up and merchant support, the organization is now focused on redevelopment of the downtown and business attraction.

Previously, downtown was viewed as a place with low rents. The Brandon Downtown Association decided to offer incentives for redevelopment. A redevelopment grant is offered for up to 35 percent or \$175,000 of project costs as long as certain conditions are met. To encourage entrepreneurs to open downtown, a rent abatement program was established. If the landlord participates in the rent match grant program, an entrepreneur can receive two months free rent on a one year lease with the match split between the landlord and Brandon Downtown Association. The program offers additional months of the free rent for longer leases for up to five years.

The City of Brandon offers what they call a spot-TIF for buildings 75 years old and older within their downtown boundaries. For the first five years, the increment of municipal taxes above the base year is 100 percent abated. For years five to ten, the increment of municipal taxes above the base year is abated by 50 percent. The spot-TIF program is for eligible smaller projects. For larger projects, the city can partner with the provincial government as an incentive. This program is managed through a partnership between the City of Brandon Economic Development Department, Brandon Downtown Association and the City of Brandon Finance Department.

As a strategy to drive foot traffic and change the culture of downtown, the City of Brandon gifted parcels of land to Brandon University to develop a downtown campus.

Currently, the City requires vacant buildings to obtain a license to be vacant or boarded up. A vacant building must meet certain requirements before being processed as a boarded-up building license. Buildings with a boarded-up license pay a base rate of \$3500 and an annual increase of \$1500 as long as the building meets certain conditions. If the building does not meet the conditions, the building enters the 'order to maintain' process, which after 120 days of notices, sees the title transferred to the city. Buildings can go between vacant and boarded up licenses as long as certain requirements are met. Information on the process can be found at <http://brandon.ca/building-safety/information-and-handouts>. In the future, the City is looking at a reverse taxation program for long-standing vacant buildings to deter them from remaining vacant. A bylaw would be passed for the standard tax rates to increase the longer the building remains vacant to deter absentee landlords.

### *Grand Junction, Colorado*

In 1981, the City of Grand Junction, Colorado developed a Downtown Development Authority – the oldest such body in the state. After a previous downtown merchants association had issues with funding and staffing, the city formed a business improvement district in 2006. The city looked into participating in the main street program but found Downtown Grand Junction already captures many of the features of the main street program.

Grand Junction has a unique model for Colorado where the Downtown Development Authority and the business improvement district are housed in the same building and share the same board of directors and staff. Originally started as one organization, there was a year where the organizations broke apart to try to be separate organizations but then came back together again. This setup allows the organization to share efficiencies and support one another. The joint organization, known as Downtown Grand Junction, has an executive director, an event manager, a marketing director, and an office manager.

The downtown tax increment financing district funds the Downtown Development Authority (DDA). It focuses on capital improvements, reinvestment in downtown, façade grant matches and riverfront project development. The TIF district covers the entire downtown area and is the only TIF in their valley. After a successful 30 year cycle at 100 percent incremental tax revenue, the Grand Junction City Council extended the TIF for an additional 20 years at 50 percent tax revenues. There is some discussion on developing two new TIF districts—one around the commercial airport area and a second one in the commercial area.

The business improvement district is funded half through BID fees and half through sponsorship and vendor fees. Next year is projected to be the first year they experience a surplus. Downtown Grand Junction offers a hefty event schedule to drive foot traffic downtown. Recently, Downtown Grand Junction partnered with the City of Grand Junction and Colorado Mesa University to offer a free shuttle between the university, airport, and downtown, which brings students and tourists into downtown.



As a joint organization, Downtown Grand Junction gives the DDA and the BID a wider range of tools and opportunities for downtown. Where tax increment financing can be restrictive in the use of funds, the business improvement district offers flexibility.

An additional tool the city council has given Downtown Grand Junction is a sales tax TIF from the city to use to fund police officers within downtown.

Downtown Grand Junction and the Grand Junction Economic Partnership have recently been exploring becoming involved in supporting a technology community in downtown. Three partners including the Mesa County Library launched a downtown coworking space three years ago as a drop in membership coworking space. It has grown to where the coworking program is now full. The community is discussing partnering with a private developer on a space to send the businesses and workers who are ready to graduate from the space.

One unique feature of downtown Grand Junction is that its main street is considered a park and is maintained by the city's parks and recreation department. The city is responsible for all maintenance and landscaping in downtown. In 1962, as there was a decline in the need for a wide main thoroughfare in downtown, the city redesigned downtown with planter boxes and trees. At the time, it was considered progressive and was awarded all American city awards. Concern for who would maintain the work that was done, the city designated the main street a park placing its upkeep to the responsibility of the parks department. In 2010, the City of Grand Junction updated the layout from the 1960s design.

### *Great Falls, Montana*

Downtown Development Partnership is a 501(c)3 organization that is managed by a board of directors and does not have a staff. As the community was organizing to become a main street organization, the partners decided to leverage the existing organizations to coordinate and increase their services. The business improvement district, the chamber of commerce, the city, the county, the development authority (economic development organization), NeighborWorks chapter, the neighborhood council, the parking commission, historic preservation advisory commission, and the school district have permanent seats on the board of directors. Their projects and programs depend on the partners committing, which allows the partners to encourage one another to make downtown a priority.

The business improvement district was founded in 1989. It is managed by a board of directors of property owners who are appointed by the city commissioners for a four-year term. The BID has a half-time staff director and a couple of part-time staff. It offers downtown properties seven grant opportunities—Façade, Residential, Interior, Sidewalk, Art, Outdoor Living, Pedlet (an extension of a pedestrian path into a parking space) and Business Incentive. The BID's goal is "to maintain, beautify, and stimulate development in Great Falls' historic downtown district."

Tax increment financing districts are administered by the city. There are currently five TIF districts within Great Falls—the Central Montana Agriculture and Technology Park, West Bank, Great Falls International Airport, East Industrial Park and Great Falls Downtown Urban Renewal. The Great Falls Downtown Urban Renewal is downtown's second TIF district. A downtown loan program with \$300,000 is capitalized by the expired TIF district funds when the bond was paid off. It is used by the private sector to make capital improvements that add value to the property.

Great Falls has adopted the approach of the more tools you have in your toolbox, the better. Their CDFI fund offers various loan funds to businesses for real estate and startups. An EPA-funded brownfield offers free environmental assessments. The historic fund offers free historical analyses. The CDBG loan and BID offer grants for second story housing to encourage more downtown residences. The state authorizes tax abatements for renovations that enhance the downtown for up to ten years. The abatement program is utilized for projects, not within the TIF district.

### *Lethbridge, Alberta*

The City of Lethbridge, Alberta uses a three-prong approach with a downtown redevelopment manager on staff who oversees the Heart of City committee, the Downtown Business Revitalization Zone and Economic Development Lethbridge. The downtown redevelopment manager is a full-time employee responsible for working with all economic development partners and all downtown issues.

The Heart of the City Committee is a standing council, whose members are appointed, to make policy recommendations for downtown to the city council and administer the city incentives. The fifteen-member council is a cross-section of the community including an engineer, a retail representative, city council member, economic development representative, among others. Their downtown tax abatement program allows any building or renovations with more than two stories and valued at over \$1 million eligible to apply for up to a five-year tax abatement. The committee reviews and makes recommendations on all applications.

The Heart of the City offers an event grant to incentivize groups to hold events in downtown. The grants may fund road closures, security or other needs. With their events arena on the outskirts of town, it does not benefit downtown. The incentive allows the downtown businesses to benefit from the foot traffic brought by the events.

The Downtown Business Revitalization Zone is similar to a business improvement district with every business in the zone assessed a tax levy. It has a full-time executive director. The revitalization zone is responsible for marketing downtown, planning events and the clean streets programs. It was previously charged with urban renewal. A small amount of their budget is assigned to signage. Through a fee-for-service contract with the city, the revitalization zone hires a staff person for minimum wage from a shelter to be responsible for keeping downtown clean and keeping an eye on maintenance needs. Over the years, their farmers market event has made downtown a destination to visit. Economic Development Lethbridge works to attract businesses into downtown and assists with expansions as necessary. A representative from Economic Development Lethbridge sits on the Heart of the City Committee.

In an effort to increase residential housing opportunities in downtown, a \$30,000 per door incentive for adding upper-level residential units was introduced by the city. The incentive assists building owners to convert vacant upper-level units into residential units. Originally the program funded 35 units and needed to expand to meet demand. As an example, a 1950s building that sat vacant for at least ten years was converted into 16 apartments on the upper levels, and the first floor was converted to mixed-use commercial.

The City of Lethbridge has developed long-term capital improvement plans to include large amounts of green space and redevelopment of the downtown and a commercial corridor. The long-term plans include timelines offering the city a clear plan to follow.

### *Pocatello, Idaho*

Downtown Pocatello has had a business improvement district since 1991, managed by Old Town Pocatello. The organization has a contract with the city that is renewed annually. Old Town Pocatello functions beyond the BID encompassing all of the historic district. Their primary responsibilities are marketing, master planning and promoting events. The city is responsible for the enhanced services such as snow removal from the street. Old Town Pocatello encourages property owners to remove it from the sidewalks. The organization may do fundraising and grant writing. Currently, the only funding is from the city. Old Town Pocatello is managed by a staff of one.

Using funds from a former revolving loan fund, property owners in Downtown Pocatello can apply for a façade improvement loan. The fund has approximately \$85,000 left.

The city-run Pocatello Development Authority, founded in 1988, manages the tax increment financing districts for the city. The city staff works for the development authority, and the planning director for the City of Pocatello serves as the executive director of the Pocatello Development Authority. The authority was created by an ordinance for the city to operate the work within the TIF districts. It is also possible for the authority to assist in other economic development projects since it has unrestrictive funds from rental property.

While there are no active TIF districts in the downtown, there was one previously that was used for infrastructure improvements such as water and sewer line updates. There are however four TIF districts within the community—one for the airport land and business park, one in a commercial district called North Yellowstone, One at the former naval ordinance plant called Naval Ordinance Plant, and one along the Portneuf River known as the North Portneuf Urban Renewal Area. In Idaho, schools are debt protected from TIFs and receive the percentage of incremental taxes from the district. The city has used more than 20 TIF districts.

The North Yellowstone TIF was a blighted area that is now a successful commercial center. It has added \$90 million to the tax base and is on the path to close early after 14 years upon paying off its bonds.

### *Sioux City, Iowa*

According to the City of Sioux City Economic Development Department, the biggest economic development tool in Iowa is tax increment financing. In Iowa, there is not a requirement to demonstrate blight or slum conditions to develop a TIF district. Sioux City uses TIFs mainly for industrial and commercial areas. As part of a strategy to diversify their economy, the city has used a TIF for a new industrial park south of their airport. Another example of TIF use in Sioux City is for a new shopping center development to encourage commercial growth. Every time the city adds a TIF district, they update their plan to reflect the new district. The city manages the TIF districts with an involved the city council.

There are two TIF districts in the downtown area. However, the city sees a stronger return outside of downtown. A façade grant program was set up for storefronts within the downtown districts. The city has encouraged more mixed-use renovations of older buildings in the downtown, and a casino opening helped stimulate growth in the area – notably through the new hotel built with the casino and through the city building an events center across from the casino and a shared parking lot.

The Downtown Partners started, in 1988, as a main street group funded through a self-supported municipal improvement district (similar to a business improvement district). The tax levy is renewed every five years. A 501(c)4 organization, the Downtown Partners are staffed by a full-time director and a part-time administrative assistant. In 2016, the Downtown Partners developed a strategic plan. The organization focuses on beautification, marketing, and special events downtown.

Sioux City is fortunate to have one of the reinvestment districts in the state that uses sales taxes, rather than property taxes, for the TIF. The 25-acre district that was designated will capture hotel and motel state taxes for twenty years and includes four new projects.