

## Kelly Matalka

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**From:** John Zakian  
**Sent:** Wednesday, May 23, 2018 2:08 PM  
**To:** Chuck Barney - Mayor; Mark Jantzer; shaun.sipma@outlook.com; Lisa Olson; Shannon Straight; podrygula@srt.com; Josh Wolsky  
**Cc:** Tom Barry; Kelly Matalka; David Lakefield; Kelly Hendershot  
**Subject:** Proposed Renaissance Zone Application Fee  
**Attachments:** RikkiTestimony on RFO Audits 092817.docx

Based on the discussion at the last City Council Meeting and tabling of this item, I thought it might be helpful to follow-up with additional information

- Using the experience with the recent application I processed, 30 hours were necessary to review the application, prepare all the necessary presentation to the Renaissance Zone Board and City Council, and once authorized, prepare and submit necessary forms and documentation to the state administrator for state approval. Once approval is received, it is expected there will be an additional 10 hours necessary to complete the required MOU for the project. During the project period, it can be expected that there should be periodic monitoring of the progress of the project which will likely entail another 20 hours. Once the project is completed, there will be another 30 hours required to review the documentation of completed investment and prepare the necessary forms to allow the 5 year abatement period to commence. Therefore, conservatively it can be expected that a project will involve 90 hours. At a blended estimated salary rate of all staff involved of \$45 an hour, the average application will cost more than \$4,000.
- There have been 8 Renaissance Zone Fund Organizations with some active in the past and some now active. The state program manager for the Renaissance Zone was kind enough to provide me with a copy of her most recent annual report which provides an overview of these organizations and the investments they have generated. While this can be a source of funding activity to invest in Renaissance Zones, it turns out that these organizations focus on projects and not administrative costs unless directly related to projects.
- The program manager advised me she is not aware of any of the 57 cities with Renaissance Zones having an application fee
- There is nothing in the Century Code precluding a fee from being charged
- Having had a chance to review our history from the beginning with approved applications, it turns out that about we have about 15% which only apply for the state income tax exemption (commercial tenants) which might make it somewhat difficult to determine a fee based on value.
- I appreciate some concern expressed that an application fee might discourage applications but the strongly held view within the economic development profession is that a reasoned and reasonable fee to apply for tax benefits is not an impediment to any proposed project with the financial wherewithal to carry out the proposed project and it is widely understood that an application fee is not an unreasonable requirement in order to secure a tax benefit.
- Based on the above and the previous discussion, it is unreasonable, unfortunately, to establish a fee which reasonably covers the average cost but it would not be unreasonable to establish a fee in the range of \$600 to \$900. Based on the complete history of Renaissance Zone applications, the average investment has been between \$100,000 and \$125,000 and a fee in this range should not prove to be any impediment. Establishing a fee in this range will at least allow us to begin to cover a reasonable portion of the cost.

I hope this information is helpful.

John

John R. Zakian