

JOURNAL OF COMMISSION WORK SESSION
April 1, 2014

City Commission Work Session
Civic Center, Commission Chambers

Mayor Winters presiding

CALL TO ORDER: 5:30 p.m.

ROLL CALL: City Commissioners present: Michael J. Winters, Bill Bronson, Fred Burow, Bob Jones, and Bob Kelly.

STAFF PRESENT: City Manager; Deputy City Manager; City Attorney; Directors of Fiscal Services, Park and Recreation, Planning and Community Development, and Public Works; Fire Chief; Police Chief; and the Deputy City Clerk.

**** Action Minutes of the Great Falls City Commission. Please refer to the audio/video recording of this meeting for additional detail. ****

1. PUBLIC COMMENT

Mayor Winters asked if there were any comments from the public.

Richard Liebert, 289 Boston Coulee Road, commented on the importance of individual voting convictions. He also applauded the timely tax abatement discussion, especially with the approaching budget cycle.

2. PROPERTY TAX ABATEMENT DISCUSSION

Deputy City Manager Jennifer Reichelt reported the Commission requested additional information on property tax abatements. She provided a handout related to research on the tax abatement issue.

City Attorney Sara Sexe provided and discussed a PowerPoint presentation overview of property tax abatements.

<p style="text-align: center;">Types of Tax Abatements</p> <ul style="list-style-type: none">• Remodeling Benefit<ul style="list-style-type: none">· MCA 15-24-1501 <i>et seq.</i>· Resolution 9004· Residential Properties· Commercial Properties<ul style="list-style-type: none">· Abatement· Exemption• New & Expanding Industry<ul style="list-style-type: none">· MCA 15-24-1401 <i>et seq.</i>· Resolution 8967• Historic Properties Tax Abatements<ul style="list-style-type: none">· MCA 15-24-1603 <i>et seq.</i>· Resolutions 8728 & 8730	<p style="text-align: center;">Tax Abatements Regulations</p> <ul style="list-style-type: none">• All tax abatements, under these provisions apply only to the number of mills levied and assessed for high school and elementary school districts and levied and assessed by the local governing body.<ul style="list-style-type: none">· May not apply to other levies under state law.• All are subject to recapture if the properties do not continue to meet each type's statutory requirements.<ul style="list-style-type: none">· Generally, the recapture is equal to the amount of taxes avoided, plus interest and penalties during any period the abatement period.• All have a March 1 application deadline.• All require the governing body to hold a hearing or deny or approve the application within 120 days of receiving the application, or the applicant may seek from the district court a writ of mandamus to compel the governing body to make a determination.
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New & Expanding Industry

- **Mont. Code Ann. Sec. 15-24-1401 *et seq.*** provides the framework.
- "Expansion" means that the industry has added at least \$50,000 worth of qualifying improvements or modernized processes to its property either in the first tax year in which the benefits are to be received or in the preceding tax year.
- "New" means that the firm is new to the jurisdiction and has invested at least \$125,000 worth of qualifying improvements or modernized processes either in the first tax year in which the benefits are to be received or in the preceding tax year.
 - New industry does not include property treated as new industrial property under [15-2-231](#).

New and Expanding Industry, cont.

- Must qualify under Mont. Code Ann. Sec. 15-24-1401 *et seq.*
- In the first 5 years after a construction permit is issued, qualifying improvements or modernized processes that represent new industry or expansion of an existing industry, as designated in the approving resolution, must be taxed:
 - At 50% of their taxable value.
 - Subject to [15-10-420](#), each year thereafter, the percentage must be increased by equal percentages until the full taxable value is attained in the 10th year.
 - In subsequent years, the property must be taxed at 100% of its taxable value.

Tax Abatement Projects New & Expanding Industry

	Tax Yr 2013	Tax Yr 2012	Tax Yr 2011	Tax Yr 2010	Tax Yr 2009	Total
Steele, Etc Holding Co (New & Expanding Industry & New & Expanding Machinery & Equipment)	\$5,847.06	\$5,172.71	\$4,964.41	\$4,646.15		\$20,630.32
Montana Eggs, LLC (New & Expanding Industry & New & Expanding Machinery & Equipment)	\$5,634.23	\$5,821.63				\$11,455.86
Total	\$11,481.28	\$10,994.34	\$4,964.41	\$4,646.15	\$0.00	\$32,086.18

Remodeling Benefit

- **Mont. Code Ann. Sec. 15-24-1501 *et seq.*** provides the framework.
- Subject to applicable law, **remodeling, reconstruction, or expansion of existing buildings or structures, which increases taxable value by at least 2 1/2%**, may receive tax benefits during the construction period and for the following 5 years in accordance with the following schedule:
 - Construction period 0%
 - First year following construction 20%
 - Second year following construction 40%
 - Third year following construction 60%
 - Fourth year following construction 80%
 - Fifth year following construction 100%
 - Following years 100%

Options - Remodeling Benefit

- A local government may, in the resolution, modify the percentages that apply to the first year following construction through the fourth year following construction.
- A local government may not modify the percentages that apply to the fifth year following construction or years following the fifth year.

Remodeling of Certain Commercial Structures

- Subject to applicable law, additional options are for remodeling, reconstruction, or expansion of existing buildings or structures, which increases taxable value by at least 5%.
- The property may not have been used in a business for at least 6 months preceding the application.
- May receive **tax exemption** during construction, not to exceed 12 months, and for up to 5 years after construction is completed. It is limited to 100% of the increased taxable value from the construction.

Remodeling of Certain Commercial Structures, Cont.

- Also, can get a property tax reduction for years following the exemption period, according to the following schedule:
 - First year following exemption 20%
 - Second year following exemption 40%
 - Third year following exemption 60%
 - Fourth year following exemption 80%
 - Fifth year following exemption 100%
 - Following years 100%

Tax Abatement Projects Remodeling – Commercial & Residential

	Tax Yr 2013	Tax Yr 2012	Tax Yr 2011	Tax Yr 2010	Tax Yr 2009	Total
Wendt, Inc (Remodeling Benefit-Comm)				\$635.51	\$1,297.76	\$1,933.27
McDonald's (Remodeling Benefit- Comm)			\$917.80	\$1,844.44	\$3,372.24	\$6,134.48
Russell Country Properties (Remodeling Benefit- Comm)		\$680.59	\$1,282.90	\$1,815.95	\$2,367.78	\$6,147.22
Ogar Enterprises, LLC (Remodeling Benefit- Comm)		\$509.75	\$980.62	\$1,419.15	\$1,895.63	\$4,805.15
Prospector Land Co, LLC (Remodeling Benefit- Comm)			\$3,889.38	\$4,923.24		\$8,812.62
DMW, Inc (Remodeling Benefit- Comm)	\$686.26	\$1,332.76	\$1,896.30	\$2,400.36		\$6,315.68
Double Bogey, LLC (Remodeling Benefit- Comm)	\$7,293.18	\$10,214.87	\$8,308.97			\$25,816.99
Hackett Garry L & Cheryl D ETAL (Remodeling Benefit- Res)	\$1,232.50	\$1,354.20				\$2,586.70
Total	\$9,211.91	\$14,092.17	\$17,275.97	\$13,038.65	\$8,933.41	\$62,552.11

Historic Properties Tax Abatements

- Must qualify under Mont. Code Ann. Sec. 15-24-1601 *et seq.*
- Subject to 15-10-420, these sections apply to a historic property undergoing rehabilitation, restoration, expansion, or new construction that meets criteria established by:
 - a designated local design review board (if one is established), or
 - the state historic preservation office

Design Review – Historic Property

- City Commission Resolution 8728 directed the State Historic Preservation office to provide design review assistance and certification in 1995 in determining qualifying properties.

Eligibility – Historic Property

- A property that meets the design review criteria is eligible for the property tax abatement if it is:
 - Located within the boundaries of a national register historic district and contributes to the district, as determined by the state historic preservation office;
 - Is a newly constructed property within the boundaries of a national register historic district that meets design review criteria as being architecturally compatible with the historic district, as determined by the local review board or the state historic preservation office; or
 - Listed individually in the National Register of Historic Places.

Eligibility – Historic Property

- If the property qualifies under the Historic guidelines, and is certified by the State Historic Preservation office, it:
 - "May receive a tax abatement during the construction period, not to exceed 12 months, and for up to 5 years following completion of the construction."*
 - The tax abatement is limited to 100% of the increase in taxable value caused by the rehabilitation, restoration, expansion, or new construction.
 - The governing body must have approved each application by separate resolution, setting forth the process for the use of any tax abatement provisions, following due notice and public hearing on the application.

Tax Abatement Projects – Historic Properties

	Tax Yr 2013	Tax Yr 2012	Tax Yr 2011	Tax Yr 2010	Tax Yr 2009	Total
Lawyers, Guns, and Money (Historic Properties Tax Abatement)	\$4,046.40					\$4,046.40
Total	\$4,046.40	\$0.00	\$0.00	\$0.00	\$0.00	\$4,046.40

Great Falls Tax Abatements

	Tax Yr 2013	Tax Yr 2012	Tax Yr 2011	Tax Yr 2010	Tax Yr 2009	Total
Wendt, Inc (Remodeling Benefit - Comm)				\$635.51	\$1,297.76	\$1,933.27
McDonald's (Remodeling Benefit - Comm)			\$917.80	\$1,844.44	\$3,372.24	\$6,134.48
Russell Country Properties (Remodeling Benefit - Comm)		\$650.59	\$1,282.90	\$1,815.98	\$2,367.78	\$6,147.22
Ogas Enterprises, LLC (Remodeling Benefit - Comm)			\$509.75	\$980.62	\$1,419.15	\$1,895.63
Prospector Land Co, LLC (Remodeling Benefit - Comm)				\$3,588.38	\$4,923.24	\$8,512.62
DMW, Inc (Remodeling Benefit - Comm)	\$686.26	\$1,332.76	\$1,896.30	\$2,400.36		\$6,315.68
Double Bogey, LLC (Remodeling Benefit - Comm)	\$7,293.15	\$10,214.87	\$8,308.97			\$25,816.99
Steele, Etc Holding Co (New & Exp. Industry & New & Exp. Machinery & Equipment)	\$5,847.05	\$5,172.71	\$4,964.41	\$4,646.15		\$20,630.32
Montana Eggs, LLC (New & Expanding Industry & New & Expanding Machinery & Equipment)	\$5,634.23	\$5,821.63				\$11,455.86
Lawyers, Guns, and Money (Historic Properties Tax Abatement)	\$4,046.40					\$4,046.40
Hackett Garry L & Cheryl D ETAL (Remodeling Benefit - Res)	\$1,232.50	\$1,354.20				\$2,586.70
Total	\$24,739.59	\$25,086.51	\$22,240.38	\$17,684.80	\$8,933.41	\$98,684.69

Evaluation Criteria Suggestions

- The City's financial and economic status at the time of the application or consideration of the application
- The application's meeting all statutory criteria for the particular project
- The status and currency of the property or other taxes on the property
- The project's effect on the tax base and environment of the City
- The project's effect on employment opportunities within the City
- Whether the project is located within a Tax Increment Financing District
- Whether the project has received other financial assistance from the City
- The design review assistance and certification for qualifying properties from the state historic preservation office for requests under Mont. Code Ann. §15-24-1601 *et seq.*
- The valuation of the property and the associated taxes
- Whether conferring the tax benefit will create an adverse impact on existing state, county or municipal services
- Other criteria

Commissioner Kelly recommended other evaluation criteria to include hearing from a school district representative on the pro and con affects of a proposed abatement, since the school district would be directly affected.

Commissioner Bronson believes different criteria may be required to evaluate individual tax abatements to give due consideration to what was considered by the legislature. He recommended bringing these matters to the Montana League of Cities and Towns for consideration in future legislatures.

City Attorney Sexe noted the Commission can grant or deny applications for tax abatements based on standards set forth by the Commission.

City Attorney Sexe suggested consideration be also given to the cost verses benefit to the community as a result of the approval of a tax benefit.

Commissioner Bronson reported that property owners can include conditions of sale that will not allow tax abatements for property within a TIF district.

Rebecca Engum, Vice President-Business Strategy, Great Falls Development Authority, noted the objective is to bring money into a TIF district. If property taxes are abated, no money would be going into the district.

City Manager Greg Doyon noted that a stated community goal to focus on a particular area may require discretion when considering tax benefits.

Commissioner Burow believes TIF districts should be allowed to expire. If a need still exists, the application process can begin once again.

The consensus of the Commission was to continue to utilize the tax abatement tool with additional criteria and flexibility.

Historic Preservation Officer Ellen Sievert noted tax abatements were adopted to encourage downtown development. At the end of the tax abatement period, there will likely be a tax base that is huge compared to the current tax base.

ADJOURN

There being no further discussion, Mayor Winters adjourned the informal work session of April 1, 2014, at 6:28 p.m.