

JOURNAL OF COMMISSION WORK SESSION
September 16, 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; City Attorney; Directors of Fiscal Services and Library; Police Chief; Deputy Director of Planning and Community Development; Historic Preservation Officer; 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. ****

Mayor Winters reported that the current Work Session meeting would not be streamed live on the internet; CenturyLink was working on the problem. However, the meeting would air as usual on cable channel 7, and the recorded meeting made available on the City's website when CenturyLink has resolved the problem.

1. PUBLIC COMMENT

Kathleen Gessaman, 1006 36th Avenue N.E., supports allocating money such as tax increment financing (TIF) for reconstruction of buildings downtown, but believes programs should be reevaluated for the length of time they run.

Ron Gessaman, 1006 36th Avenue N.E., does not support TIF or tax abatement programs. He believes groups requesting City services should have to pay for them. He believes it is unfair to provide these tax breaks to groups when other businesses must compete with them. Businesses come to the City because of the quality of the community. If money is not available to provide amenities for the community, quality services do not exist.

Ellen Sievert, Historic Preservation Officer, discussed the struggle to revitalize the downtown. She explained that tax abatement recipients continue to pay the amount of taxes owed prior to the project, and the Downtown Master Plan states that the downtown must be incentivized.

Brett Doney, Great Falls Development Authority President and Downtown Development Partnership (DDP) representative, stated one of the purposes of the DDP is to make recommendations to the Commission on the use of downtown TIF funds. He offered to make a presentation to the Commission on guidelines the DDP has adopted for project specific TIF requests.

2. YEAR-END BUDGET REVIEW

Director of Fiscal Services Melissa Kinzler provided an unaudited year-end review of the financials of the City of Great Falls for Fiscal Year 2014. She also provided and discussed a Fiscal Year 2014 – Unaudited Year-end Review highlight handout. She noted that 101% of taxes that were budgeted in FY 2014, mostly due to the Bresnan/Charter protested taxes being settled in August, 2014. That additional revenue help the fund balance grow to 12%.

Director Kinzler noted the balance sheet was included this year. She compared the income statement to a checkbook that shows revenue and expenses, and the balance sheet to a savings account showing the history of the fund.

Director Kinzler reported at risk funds are listed on the handout, showing total revenue over expenses and the unrestricted fund balance.

Director Kinzler noted that departments did not spend all of their budget, and that helped grow the general fund balance in an effort to get to the adopted policy of 17%.

City Manager Greg Doyon discussed examples of at risk funds that are monitored for trends. There was discussion on the electric fund, and Manager Doyon noted there is no update on Barrett's Minerals.

3. ROCKY MOUNTAIN BUILDING UPDATE AND TAX ABATEMENT DISCUSSION

NeighborWorks Great Falls Director of Rental Development and Rocky Mountain Building Development Venture, LLC, Development Consultant Neil Fortier reported the Rocky Mountain Building has been vacant since the fire in May, 2009. The building is blighted, a blemish on the downtown, and a poor representation of downtown Great Falls; time is of the essence to preserve this historic building, as the structural integrity of the building is deteriorating.

Mr. Fortier reported that TD&H Engineering has been engaged to do a full structural analysis of the building, and results should be available in approximately four weeks. Plans are currently underway to restore, rehabilitate, and make new the Rocky Mountain Building. Ownership has plans to develop approximately 40 residential units, along with commercial space on the main floor and the ground floor. Total development costs are currently in excess of \$11 Million. As financing comes together, plans are to commence construction by March, 2015, with a completion deadline of April, 2016.

Mr. Fortier noted that an economic incentive is needed to move the project forward. Rocky Mountain Building Development Venture, LLC, is requesting tax abatement for the Rocky Mountain Building as a means of moving the project forward. Property taxes would continue to be paid by the ownership entity, based upon the current assessed market value of the property. The tax abatement would continue for a period of five years, at which time the ownership would then pay taxes based upon the fully assessed market value of the property after construction completion and rehabilitation.

Mr. Fortier believes the Rocky Mountain Building project would be a huge catalyst for downtown Great Falls.

Mr. Fortier introduced Maury Novak and Mark Cappis, two of the principals in Rocky Mountain Building Development Venture, LLC.

Mark Cappis, 332 36th Avenue NE, believes the Rocky Mountain Building is a key to expanded growth downtown. He also believes TIF's and tax abatements provide an advantage to everyone in the community because an \$8 - \$10 Million building will be on the tax rolls in five years. Having the buildings occupied and providing a thriving downtown is a huge boon to the community.

Commissioner Kelly questioned the cost to demolish the structure if the proposed project does not go through. He also questioned the timeframe required for Commission action on the project.

Mr. Fortier noted there is a sense of urgency due to the new market tax credits; the allocation will be returned to Montana CDC within the next 20 business days. From the time when the allocation is returned, Rocky Mountain Building Development Venture, LLC, will have 30 days to submit commitments to Montana CDC in order to remain at the top of their list for those new market tax credits, which will amount to \$3.2 Million in equity on the day construction begins.

Mr. Fortier noted Rocky Mountain Building Development Venture, LLC, would need to have a complete package of commitments by the end of the first week in November. The three local banks they are working will have their commitments within 10 business days, and Mr. Fortier stated that he would like to make a formal request for the tax abatement at the next Commission meeting.

Commissioner Kelly questioned a possible phase-in tax abatement allocation. Mr. Fortier responded that serious consideration would be given to a schedule that would reflect a gradual scale.

Commissioner Bronson questioned the parking issue for the project. He noted there is a large lot north of the Rocky Mountain Building.

Mr. Fortier responded there will be a need for approximately 48 parking spaces for the building. Rocky Mountain Building Development Venture, LLC, may make a request to the City to sell a portion of that lot.

Commissioner Burow questioned an \$11 Million renovation for a finished product that is worth less than the renovation cost. Mr. Fortier responded that soft costs not associated with the market value of a property are typical. Currently the property is paying \$7,079 in taxes each year; the expectation is the ownership would be paying approximately \$37,000 in yearly property taxes once the project is completed. And, as an owner, the goal is for the property to appreciate in value.

City Manager Greg Doyon commented that the Commission has been provided information on current policies regarding tax abatements, and the Commission has not provided direction to make changes.

4. DISCUSSION OF POTENTIAL UPCOMING WORK SESSION TOPICS

City Manager Greg Doyon noted the military update may be scheduled for the next Work Session.

Mayor Winters discussed the Tuesday and Thursday radio programs.

ADJOURN

There being no further discussion, Mayor Winters adjourned the informal work session of September 16, 2014, at 6:25 p.m.