JOURNAL OF COMMISSION WORK SESSION
April 7, 2015

City Commission Work Session — Mayor Winters presiding
Civic Center, Commission Chambers

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 and Deputy City Manager; City Attorney; Directors of Fiscal Services and Planning and Community Development; Police Chief; and the City Clerk. Also present was the City's retained bond counsel, Eric McCrady of the law firm Dorsey & Whitney.

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

1. PUBLIC COMMENT

There were no comments from the public.

2. CDBG – CDC ALLOCATION RECOMMENDATIONS

Planning and Community Development Director Craig Raymond provided and discussed a PowerPoint presentation on CDBG – CDC Allocation Recommendations.

Principles & Policies

- City Priorities

Public Facility	30%
Affordable Housing	30%
Public Service	10%
Economic Development	10%
Administration	20%

CDBG Funding

Public Facility	**$200,920***
GFHA – ADA Improvements	$97,737
Community Rec. Center	0
Morony Natatorium	$33,183
Chowen Springs Park	$40,000
Pearson Addition	0
Sidewalk Replacement	$30,000
Paris Gibson Square	$0

* Actual allocation percentage recommended: 28.1% vs. 30% set by Commission

Housing & Admin.

Affordable Housing	**$ 214,752**
Code Enforcement	$31,031
Housing Rehab Specialist	$68,000
Rental Improvement Loan	$68,341
Habitat for Humanity	$24,600
NeighborWorks	$22,780

30% of funding allocated

Administration	**$143,168**

20% of funding allocated

Economic Development

Economic Development	**$50,000**
GFDA LMI Jobs RLF	$50,000

- Due to lack of eligible applications the total 10% as set by the Commission cannot be fully allocated to Economic Development.
- Remaining funding ($21,584) was moved to the Public Service category to help fund those additional activities.
- Actual funding percentage recommended by CDC: 7%

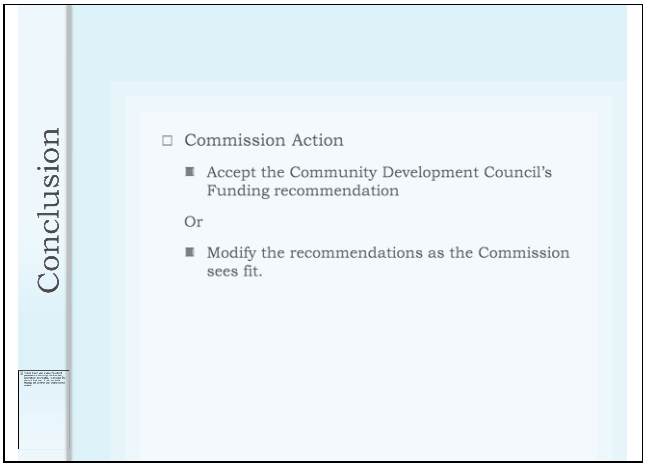
Public Service

Public Service	**$107,000***
Meals on Wheels	$25,000
Boys & Girls Club	$25,000
Family Connections	0
Family Promise of GF	$10,000
CRC/Morony Nat.	$10,000
Senior Citizen Center	$7,000**
Quality Life Concepts	$10,000
Rural Dynamics	$10,000
Sunburst Unlimited	0
Young Parents Ed Ctr	$10,000

*Actual allocation percentage recommended: 15% vs. 10% set by Commission

** Below 10K min award

- Factors affecting Public Service recommendations:
  - With the lack of adequate eligible applications in the Economic Development category the Council choose to move remaining funding to Public Service
  - Amount recommended for the GF Senior Center is below the $10,000 minimum award amount due to the 15% Public Service cap set by HUD. Council would have awarded full amount requested if not for the cap.

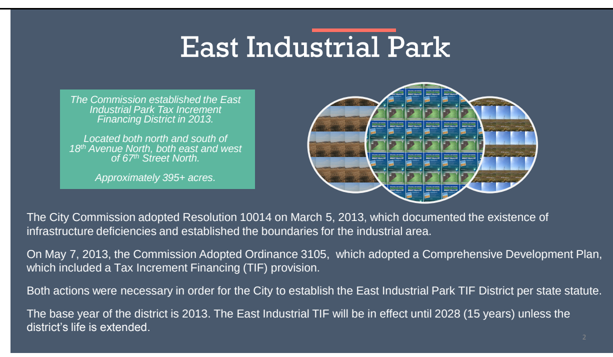


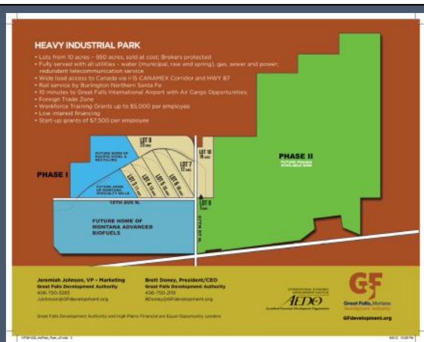
Director Raymond inquired if the Commission was inclined to go along with the CDC's recommendations, or have staff modify the recommendations and bring back other alternatives for Commission consideration.

After Commission discussion, it was the consensus of the Commission to follow the recommendations of the CDC.

3. AGRITECH PARK DEVELOPMENT AGREEMENT FINANCING SCENARIOS

Deputy City Manager Jennifer Reichelt and Erin McCrady of Dorsey & Whitney provided and discussed a PowerPoint presentation on AgriTech Park Development Agreement Financing Scenarios.





5

The AgriTech Park

Overview

Great Falls Development Authority (GFDA) is currently the developer of the AgriTech Park land, located within the East Industrial TIF District.

The Great Falls AgriTech Park is shovel-ready and zoned PUD with I-2 underlay.

The site is approximately 196.5+ acres and divided into 10 lots.

Currently lots 1 & 2 have signed tenants, lot 4 & 5 have pending contracts.
- Lot 1 – Pacific Steel & Recycling ($12k per acre)
- Lot 2 – Montana Specialty Mills ($12k per acre)
- Lots 3 & 4 – Helena Chemical ($20k per acre)
- Lot 5 - Pending

Property Highlights*

Asking $30,000 per acre

Low-Interest financing available through Great Falls Development Authority and partners

The new rail in the AgriTech Park will connect to an existing Burlington Northern Santa Fe line

Lots range between 7 acres - 950 acres

Will be fully served with all utilities

Convenient location near I-15 Corridor and Hwy 87

10 minutes to Great Falls International Airport; Air Cargo Opportunities

*As advertised on LoopNet.com

6

Public Infrastructure Request

- GFDA has requested that the City reimburse property owners for public infrastructure improvements consisting of street, utilities and rail.
- According to GFDA, the Public Infrastructure at the AgriTech Park is estimated to cost approximately $6,747,271 Million

Phase 1 - $4,593,326
- Pacific Steel & Recycling will front the cost for rail improvements for lots 1-8 - $3.55 Million
- Montana Specialty Mills will front the cost for all non rail infrastructure for lots 1-5 - $1.04 Million

Phase 2 - $570,566
- Remaining non rail Infrastructure costs for lot 6 - $570,566

Phase 3 - $1,583,379
- Remaining non rail infrastructure costs for lots 7-10 - $900,729
- Remaining rail improvements for lots 9-10 - $682,650

- Phase 2 and 3 improvements will be paid for by future unnamed property owners at those sites.

7

Development Agreement - Overview

- The TIF development agreement is between the City, GFDA and AgriTech Owners Association.
- The park rail line will be owned by the AgriTech Park Owners Association.
- The Development Agreement will establish a commitment by GFDA to develop the AgriTech Park and a commitment to reimburse property owners for the infrastructure improvements.
- The development agreement will remain in effect until December 31, 2028, which is when the district expires.
- Nothing in the development agreement obligates the City financially except with respect to the available tax increment.
  - ***This is important in the event that the district does not generate enough increment to pay off the principal or interest owed***.
- Agreement was developed by legal counsel – Dorsey & Whitney.

8

Development Agreement - Tax Increment

- An 85%/15% split has been proposed:
  - AgriTech Park Owners Association will receive 85% of the tax increment generated from the AgriTech Park.
  - 15% of the increment will go back to the City for staff time, legal fees, internal service charges, admin fees, other related expenses and/or TIF related projects.
- The 85%/15% split is being proposed because the AgriTech Park is the only increment generator in the district and staff felt it was advisable to hold back some funds/increment to cover costs associated with the District.
- The full increment to be generated annually, at full build-out (lots 1-10 completed) is estimated at $1,332,610.
  - Build-out is estimated at year 2020
  - Full increment being seen by 2022

9

Development Agreement – Interest Request

- GFDA has requested that the City pay interest on this project in the amount of 4%.
- The request was made because the tenants are being asked to finance the project and are fronting costs associated with the public infrastructure.
- Staff and legal counsel had concerns with the request to pay interest due to:
  - Uncertainty of the timing of the sale and development of the lots
  - Uncertainty taxable value of new construction on the lots
- Without certainty as to when the tax increment becomes available it is not possible to create a pay-down schedule on the principal amount of the infrastructure. Interest can potentially accrue indefinitely on the unpaid principal balance of the City's obligation.
- MCA 7-15-4217 - Requires a finding by the City Commission that a "sound and adequate financial program exist for the financing of the project."

10

The Finances

Full increment will only be generated once the build-out of lots 1-10 is completed. At full build-out the estimated increment received will be $1,332,610 annually.
- Build out is estimated at 2020
- Full increment is estimated to be seen by 2022
- AgriTech's 85% - $1,132,718.50
- City's 15% - $199,891.50

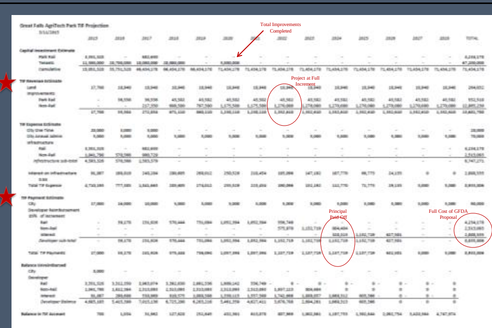
If principal payments are made (only) the project could be paid off by 2024, in 9 years.

Staff has developed three performance based scenarios for consideration, which staff believes results in a sound and adequate plan of finance.

Interest adds an unknown variable to the project depending on how the deal is structured.
- Interest at 2% can add an additional $289,797 - $575,533 to the project
- Interest at 4% can add an addition $621,644 - $1.2 Million to the project

11

Pro-Forma Provided by GFDA



12

GFDA's Original Proposal

GFDA's original proposal included a request for 4% interest to help assist the first two tenants with the costs of street, utilities and rail. The first two tenants will be fronting the costs for the rail (lots 1-8) and non rail improvements (lots 1-5).

GFDA is concerned that if the City does not pay interest, tenants may not be able to secure financing for infrastructure.

GFDA's Original Proposal		
	4%	4% with no Principal Payment
Principal	$6,747,271	$6,747,271
Interest	$2,088,535	$4,559,844
Total	**$8,835,806**	**$11,307,115**

Interest was also requested for future tenants who pay for the non rail improvements for lots 6-10 and the remaining rail.

The interest would be accruing throughout the life of the project, without actually paying down the principal amount.

13

City's Original Proposal

The City's original proposal included not paying interest and that the increment generated go directly towards paying down the principal.

Traditionally interest is not paid to developers unless a minimum level of increment is achieved.

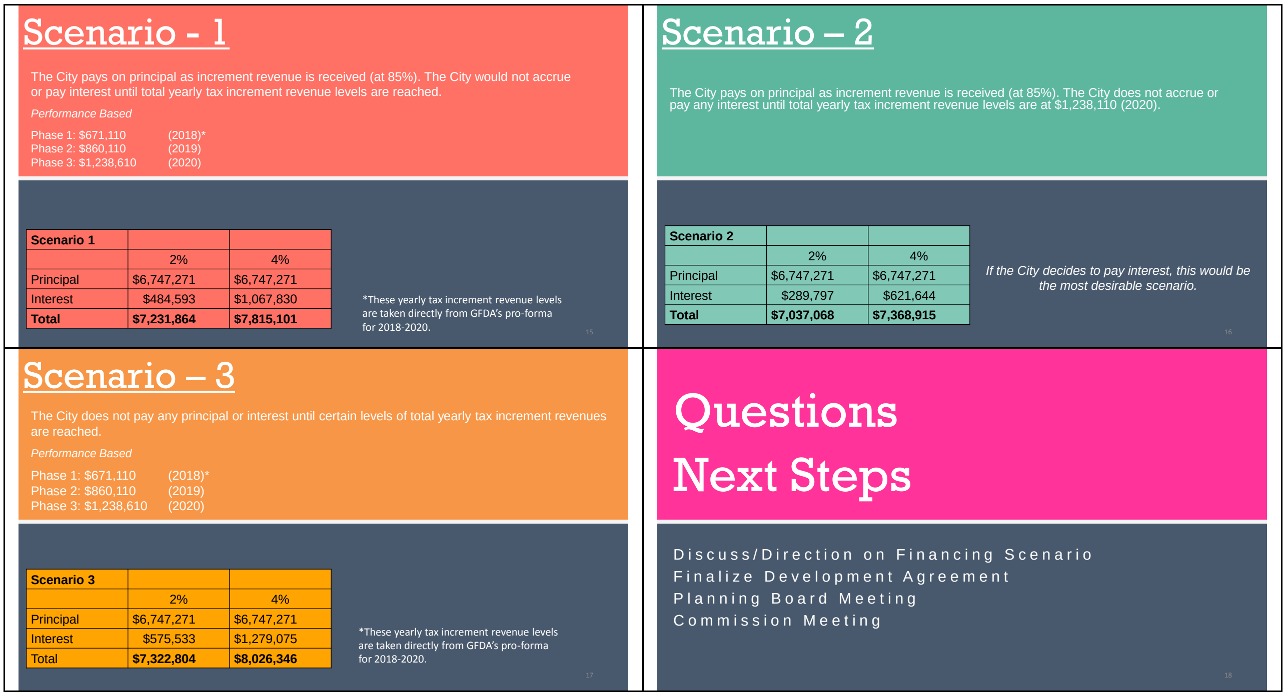
Due to the unknowns in this project – it would not be financeable by a bank or bondable at this time. If the Commission chose to, there would be the ability to bond for this project once full increment is achieved (2022).

Staff recommended paying on the principal only, in an effort ensure that there is adequate funding to pay back the tenants who invested in the public infrastructure and rail as quickly as possible.

In most construction projects, the financing costs are ***known*** and ***expected costs,*** which the developer and/or contractor assumes responsibility for when they take on a development.

Paying interest could set a precedent for future Tax Increment Financing projects.

14



After Commission discussion, Manager Doyon recommended that the City Commission digest the information presented and a special work session be scheduled for a continuation of this item. He encouraged the Commission to submit questions in the interim.

Deputy Manager Reichelt noted at some point staff would like to continue negotiating with Great Falls Development Authority to complete the development agreement and GFDA's TIF application.

4. DISCUSSION OF POTENTIAL UPCOMING WORK SESSION TOPICS

Manager Doyon announced that the Great Falls Regional Airport Board will present an airport update at the next regularly scheduled work session.

ADJOURN

There being no further discussion, Mayor Winters adjourned the informal work session of April 7, 2015, at 6:56 p.m.