



Item: Resolution 9976, Remodeling, Reconstruction or Expansion of Buildings or Structures Tax Benefit for 609 and 611 Central Avenue, located on Lot 12, Block 317, Great Falls Original, Section 3, Township 20 North, Range 3 East, Cascade County, Montana

From: Galen Amy, Planner I, Planning & Community Development Department

Initiated By: Garry Hackett, property owner

Presented By: Mike Haynes, AICP, Director of Planning and Community Development

Action Requested: City Commission set a public hearing for Resolution 9976 on January 15, 2013.

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission set a public hearing to consider Resolution 9976 on January 15, 2013.”

2. Mayor calls for a second, discussion, public comment, and calls the vote.

Staff Recommendation: Pursuant to Section 15-24-1501 Montana Code Annotated (2011), Staff requests the City Commission adopt Resolution 9976 granting a tax benefit for 609 and 611 Central Avenue, located on Lot 12, Block 317, Great Falls Original, Section 3, Township 20 North, Range 3 East, Cascade County, Montana.

Background: The property owner, Garry Hackett, has been reconstructing the building, addressed 609 and 611 Central Avenue, after smoke and water damage occurred in June 2010. The project was completed in March 2011. The applicant is requesting approval of the Remodeling, Reconstruction or Expansion of Buildings or Structures Tax Benefit, and Resolution 9976 has been prepared to comply with the requirement that all applications be approved by resolution.

The applicant originally applied for tax abatement for this project under Section 15-24-1502, MCA. The project was found to be ineligible for tax benefit under that provision. However, after later discussions with Department of Revenue and research into tax abatement statutes, the project was found to be eligible under 15-24-1501, MCA. Because of resultant delays in processing, staff recommends that the tax benefit apply to 2012.

The City Commission has reviewed and approved applications for Remodeling, Reconstruction or Expansion of Buildings or Structures Tax Benefit in the past. The most recent application approved was for Double Bogey, LLC on March 20, 2012, for the \$2.1 million office addition to the beverage warehouse at 1011 Broadwater Drive (Resolution 9953).

The current request for Tax Benefits at 609 and 611 Central Avenue is for improvements to the first floor commercial space and second and third floor apartment remodels to restore damage from a fire in an adjacent building in June 2010. The Department of Revenue has verified the reconstruction and remodel work is complete. In 2010 the total appraised value of the building was \$243,995. The reappraised value for 2012 is \$699,400. In 2010, the “taxable value” of the building was \$4,131 and in 2012 is \$9,463. The amount of ad valorem taxes due is calculated by multiplying the taxable value by the applicable mills. Note that any tax benefit is limited to the increase in taxable value created by the improvements.

Section 15-24-1501, MCA, provides local government the option of giving Tax Benefits for the Remodeling, Reconstruction or Expansion of Existing Buildings or Structures. Section 15-24-1501 MCA reads:

15-24-1501. Remodeling, reconstruction, or expansion of buildings or structures -- assessment provisions -- levy limitations. (1) Subject to 15-10-420 and the authority contained in subsection (4) of this section, remodeling, reconstruction, or expansion of existing buildings or structures, which increases their taxable value by at least 2½% as determined by the department, may receive tax benefits during the construction period and for the following 5 years in accordance with subsections (2) through (4) and the following schedule. The percentages must be applied as provided in subsections (3) and (4) and are limited to the increase in taxable value caused by remodeling, reconstruction, or expansion:

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%

The law governing this incentive was amended in 1985 requiring that each local governing body (City and County) may approve the Tax Benefit on a project by project basis. If one local government body approves the tax benefit and the other does not, the benefit will apply only to the mills levied by the approving governing body. In addition, tax benefits do not include any relief from state-wide levies and local government approval of the application must be by resolution.

City Commission policy regarding the approval of remodeling tax benefits was established by Resolution 9004, approved January 19, 1999, and requires that all property taxes on all property owned by the applicant be current and the applicant be allowed to take advantage of only one City program available to provide local development assistance. This policy came about as a result of concern that certain developers were taking advantage of extremely low interest rates, City sponsored new construction or rehabilitation loan programs designed to improve building

conditions, improve blighted areas and expand the tax base, and also applying for the reduction in property taxes, which had the net effect of canceling some of the benefit the City was supposed to derive from making the original loan.

In applying this policy to the application received from the current owner, we find that all property taxes are current and that the applicants have not received financial assistance from other City programs.

As required by Section 76-15-103, MCA, due notice of the intent to consider Resolution 9976 will be provided through notices of public hearing being published in the *Great Falls Tribune* on December 23, 2012 and January 6, 2013.

Concurrences: The Planning and Community Development Department has coordinated with the Department of Revenue throughout the process.

Fiscal Impact: Approval of the application will allow the new property taxes generated from the expansion to gradually be added to the property owner's existing property taxes over a five-year period in increments of 20% each year. The Department of Revenue will apply the tax benefit to the 2012 tax year.

Alternatives: The City Commission could not set the public hearing. However, such action would deny the applicant due process and consideration of a public hearing, as provided for in City Code and State Statute.

Attachments/Exhibits: Resolution 9976
Application

cc: Garry Hackett, 3912 18th Avenue South, Great Falls, MT 59405
Brenda Ivers, Department of Revenue
Melissa Kinzler, Director of Fiscal Services

RESOLUTION NO. 9976

A RESOLUTION APPROVING THE APPLICATION FOR TAX BENEFITS FOR THE REMODELING, RECONSTRUCTION, OR EXPANSION OF EXISTING BUILDINGS OR STRUCTURES FOR GARRY HACKETT, 609 AND 611 CENTRAL AVENUE, LOCATED ON LOT 12, BLOCK 317, SEC 3, TWN 20 N, R3E, CASCADE COUNTY, MONTANA

* * * * *

WHEREAS, State Statutes (15-24-1501, MCA), as amended provide the opportunity for local governing bodies to give Tax Benefits for the Remodeling, Reconstruction or Expansion of Existing Buildings or Structures; and

WHEREAS, the local governing body must review each application and determine if it is to be approved or denied; and

WHEREAS, a copy of the processed application form, reflecting the governing body's decision, must be mailed to the Department of Revenue before April 1 of the tax year for which the benefits are sought;

WHEREAS, this tax benefit will also apply to tax year 2012; and

WHEREAS, Garry Hackett has submitted a tax benefit application for reconstruction of a building located at 609 and 611 Central Avenue, Lot 12, Block 317, Great Falls Original, Section 3, Township 20 North, Range 3 East, Cascade County, Montana.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF GREAT FALLS, MONTANA, AS FOLLOWS:

That the City Commission of the City of Great Falls does hereby approve said application for Tax Benefit for the Remodeling, Reconstruction or Expansion of Existing Buildings or Structures as submitted.

PASSED AND ADOPTED by the City Commission of the City of Great Falls, Montana, on this 15th day of January, 2013.

Michael J. Winters, Mayor

ATTEST:

Lisa Kunz, City Clerk

(SEAL OF CITY)

APPROVED FOR LEGAL CONTENT:

David L. Nielsen, Interim City Attorney



305-12-2-23-03-0001
P#162250
865-8478

RECEIVED
MONTANA
Rev. 8-01

OCT 03 2011

Application for Tax Exemption and Reduction for the Remodeling, Reconstruction or Expansion of Existing Commercial Buildings or Structures

This application must be submitted to the appropriate local governing body or bodies by the property owner of record or his agent. The decision of the local governing body or bodies must be mailed to the Department of Revenue before April 1 of the tax year for which the benefits are sought.

I, GARRY HARTLEY whose mailing address is

3912-18th AVE S GREAT FALLS MT 59405

Please Print

do hereby make application for tax exemption and reduction for the remodeling, reconstruction or expansion of existing commercial building(s) or structure(s), in accordance with 15-24-1502, MCA, on the following described lands. (Please attach an additional page if the legal description does fit within this space.) Legal Description: 609-611 Court Rd

61 Falls Original Bl 317 lot 12

I submit the following information in support of this application:

- > Date that the remodeling, reconstruction or expansion will start OCT 2009
- > Date that the remodeling, reconstruction, or expansion will be completed July 2011
- > Date that the earliest building permit was received Aug 2009
- > (The construction period for a specific project may not exceed 12 months.)
- > Estimated cost of the remodeling, reconstruction or expansion \$ 499,000
- > Please supply a brief description and diagram of the remodeling, reconstruction or expansion. If additional space is required, please attach additional pages.
- > The commercial building or structures has not been used in a business for 17 months.
- > Property taxes on the building or structures are delinquent X yes no.

Under penalty for perjury, I hereby certify the facts herein stated are true. I further acknowledge by my signature that I have reviewed the information on the reverse side of this form and understand its meaning.

Garry Hartley Date 3 Oct 2011 Year 2011
Signature of Property Owner or Agent

Signature of Property Owner or Agent Date _____ Year _____

For County Government Purposes Only

Application received by county governing body on _____ year _____. This application for exemption and reduction for the remodeling, reconstruction or expansion of existing commercial buildings or structures is hereby: _____ Approved _____ Disapproved

By _____, Chairman-County Commission on _____, year _____

For City Government Purposes Only

Application received by city governing body on _____ year _____. This application for tax exemption and reduction for the remodeling, reconstruction or expansion of existing commercial buildings or structures is hereby: _____ Approved _____ Disapproved

By _____, Authorized Agent of City Government on _____, year _____

For Department of Revenue Use Only

Application received by the Department of Revenue on Oct. 3rd, year 2011.

> The remodeling, reconstruction or expansion of the existing commercial building or structure increases the taxable value of that structure or building by at least 5% X yes no.

> This application for tax exemption and reduction for the remodeling, reconstruction, or expansion of existing commercial buildings or structures is hereby: _____ Approved _____ Disapproved

> If approved, the appropriate tax benefits will be granted for the _____ tax year.

Reasons:

By _____, County Appraiser on _____ year _____