



Item: Resolution 9964, New or Expanding Industry Tax Benefit, 1408 52nd Street North, Tract 2 of C.O.S. 4591, located NE¼ Sec. 4, T20N, R4E, Cascade County, Montana

From: Mike Haynes, AICP, Director of Planning and Community Development

Initiated By: Steel Etc. Holding Company

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

Action Requested: City Commission conduct public hearing, adopt Resolution 9964, for a New or Expanding Industry Tax Benefit for Steel Etc., 1408 52nd Street North

Public Hearing:

1. Mayor conducts public hearing, calling three times each for opponents and proponents.
2. Mayor closes public hearing and asks the will of the Commission.

Suggested Motions:

1. Commissioner moves:

“I move that the City Commission (adopt/deny) Resolution 9964.”

2. Mayor calls for a second, discussion, and calls for the vote.
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Staff Recommendation: Pursuant to Sections 15-24-1401 and 15-24-1402 Montana Code Annotated (2009), Staff requests the City Commission adopt Resolution 9964 granting a tax benefit to Steel Etc. Holding Company, 1408 52nd Street North, Tract 2 of C.O.S. 4591, located NE¼ Sec. 4, T20N, R4E, Cascade County, Montana.

Background: The property owner, Steel Etc. Holding Company, has redeveloped the previously occupied contractor yard of McIntyre Construction for their scrap recycling and steel sales business operation, including the construction of a new business office building, steel sales building, scrap and recycling building and installation of City utilities. The building permits for these structures were issued in March 2009 by the State of Montana Department of Labor & Industry, Building Codes Bureau, as they had jurisdiction at the time of construction.

On August 4, 2009, City Commission approved annexation with an initial zoning of I-2 Heavy Industrial for ±4.7 acres (Tract 2) of the ±15.9 acre Steel Etc. site, leaving ±11.2 acres (Tract 1) of the site in unincorporated Cascade County. It was acknowledged in the Annexation Agreement (Para. 11) that such an arrangement “will eventually cause confusion and conflicts with the provision of public services,” and Steel Etc. waived the right of protest to the annexation of Tract 1 at such time as it became a “wholly surrounded” unincorporated enclave.

On August 16, 2010, City Commission approved Resolution 9894, granting Steel Etc. a “New or Expanding Industry Tax Benefit” for construction and improvements completed in the fall of 2009 at an estimated cost of \$3,249,750.

On September 6, 2011, City Commission approved Resoution 9942, granting Steel Etc. a “New or Expanding Industry Tax Benefit” for the subsequent investment of \$78,837.58 in taxable personal property (computers, computer software, ATM machine & tractor). On June 7, 2011, Cascade County Commissioners approved a similar request from Steel Etc. for new investment, primarily in heavy equipment, on Tract 1 valued at \$200,466.35.

Steel Etc. is now requesting approval of a tax benefit for \$38,000.00 in taxable personal property for computer software, signature pads and an ATM machine. Steel Etc. concurrently requested that Cascade County Commissioners approve a similar request for new investment, primarily in heavy equipment, on Tract 1 valued at \$1,560,336.95.

Resolution 9964 has been prepared to comply with the requirements of Sections 15-24-1401 and 15-24-1402 MCA (2011), that the application be approved by resolution following due notice as defined in 76-15-103 MCA (2011). Section 15-24-1402 MCA reads:

15-24-1402. New or expanding industry -- assessment -- notification. (1) 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.

Approval of the application will allow the applicant the benefit of being taxed at 50% of the taxable value each year for the first 5 years after acquisition, and thereafter the percentage must be increased by equal percentages each year as outlined in the following schedule:

First year following acquisition	50%
Second year following acquisition	50%
Third year following acquisition	50%
Fourth year following acquisition	50%
Fifth year following acquisition	50%
Sixth year following acquisition	60%
Seventh year following acquisition	70%
Eighth year following acquisition	80%
Ninth year following acquisition	90%
Tenth year following acquisition	100%
Subsequent years	100%

On July 21, 1998, the City Commission passed Resolution 8967, setting policy for approving projects requesting new or expanding industry tax benefit pursuant to Sections 15-24-1401 and 15-24-1402 M.C.A. (1998). These sections of Code have changed only slightly since and list the same four key criteria:

- (1) "Expansion" means that the industry has added after July 1, 1987, at least \$50,000 worth of qualifying improvements or modernized processes to its property within the same jurisdiction either in the first tax year in which the benefits provided for in 15-24-1402 are to be received or in the preceding tax year.
- (2) "Industry" includes but is not limited to a firm that:
 - (a) engages in the mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the North American Industry Classification System Manual prepared by the United States office of management and budget;
 - (b) engages in the extraction or harvesting of minerals, ore, or forestry products;
 - (c) engages in the processing of Montana raw materials such as minerals, ore, agricultural products, and forestry products;
 - (d) engages in the transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales or receipts are earned from outside the state;
 - (e) earns 50% or more of its annual gross income from out-of-state sales; or
 - (f) engages in the production of electrical energy in an amount of 1 megawatt or more by means of an alternative renewable energy source as defined in 15-6-225.
- (3) "New" means that the firm is new to the jurisdiction approving the resolution provided for in 15-24-1402(2) and has invested after July 1, 1987, at least \$125,000 worth of qualifying improvements or modernized processes in the jurisdiction either in the first tax year in which the benefits provided for in 15-24-1402 are to be received or in the preceding tax year. New industry does not include property treated as new industrial property under 15-6-135.
- (4) "Qualifying" means meeting all the terms, conditions, and requirements for a reduction in taxable value under 15-24-1402 and this section.

As required by 76-15-103 MCA, public notices for this tax benefit application were published in the Great Falls Tribune on March 25 and April 8, 2012.

Concurrences: The Department of Revenue has confirmed that the investments in personal property are eligible for the New or Expanding Industry Tax Benefit.

Fiscal Impact: The City will receive 50% of the taxable value each year for the first 5 years after acquisition, and thereafter the percentage must be increased by equal percentages each year until the full taxable value is attained in the 10th year. In subsequent years, the property will be taxed at 100% of its taxable value. Approval of the application will provide tax benefit to the applicant, but the fiscal impact of the new investment will result in increased tax revenues to the City.

Alternatives: The City Commission may or may not adopt Resolution 9964.

Attachments/Exhibits: Resolution 9964 and Application from Steel Etc. Holding Co.

cc: Department of Revenue, Brenda Ivers, 300 Central Ave, Great Falls, MT 59401
Steel Etc. Holding Company, 1408 52nd St N, Great Falls, MT 59403
Cascade County, Brian Hopkins

RESOLUTION 9964

A RESOLUTION APPROVING THE APPLICATION FOR TAX BENEFITS FOR THE NEW OR EXPANDING INDUSTRY TAX BENEFIT STEEL ETC. HOLDING COMPANY, 1408 52ND STREET NORTH, TRACT 2 OF C.O.S. 4591, LOCATED NE¼ SEC. 4, T20N, R4E, CASCADE COUNTY, MONTANA, AS PURSUANT TO SECTIONS 15-24-1401 AND 15-24-1402 MONTANA CODE ANNOTATED (2011)

* * * * *

WHEREAS, the State of Montana has provided enabling legislation to encourage new industry or expansion of existing industry, and;

WHEREAS, said encouragement allows for new or expanding industries to be taxed at 50% of their taxable value for the first five years, and;

WHEREAS, in years six through ten, the taxes will increase by equal percentages until the full taxable value is attained in the tenth year, and;

WHEREAS, Sections 15-24-1401 and 15-24-1402, MCA, as amended provides the opportunity for local governing bodies to give Tax Benefits for the Remodeling, Reconstruction or Expansion of Existing Buildings or Structures, and;

WHEREAS, The City Commission passed Resolution 8967 on 21st day of July 1998, providing policy for approving projects requesting tax benefits pursuant to Sections 15-24-1401 and 15-24-1402 MCA (1998), and;

WHEREAS, In order for a taxpayer to receive the tax benefits, the City Commission, having jurisdiction, must approve by separate resolution for each project, following due notice as defined in Section 76-15-103 MCA and a public hearing, and;

WHEREAS, Steel Etc. Holding Company, 1408 52nd Street North, Tract 2 of C.O.S. 4591, located NE¼ Sec. 4, T20N, R4E, Cascade County, Montana has submitted an application

for new or expanding industry tax benefit pursuant to Sections 15-24-1401 and 15-24-1402 MCA.

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 new or expanding industry tax benefit pursuant to Sections 15-24-1401 and 15-24-1402 MCA amended.

PASSED by the Commission of the City of Great Falls, Montana, on this 17th day of April, 2012.

Michael J. Winters, Mayor

ATTEST:

Lisa Kunz, City Clerk

(SEAL OF CITY)

APPROVED FOR LEGAL CONTENT:

James W. Santoro, City Attorney



RECEIVED

FEB 21 2012

DEPT. OF REVENUE

PH 2616700 -> out of City Limits
PH 2616800 -> In City Limits

MONTANA
CAB-1
Rev. 02-08

New or Expanding Industry Classification Application

This page is completed by applicant.

Assessment Office Great Falls City Planning

County Cascade

Name of Applicant Steel Etc

Mailing Address 1408 52nd St N

Great Falls, MT 59405

Legal Description of Affected Property Legal Description Attached PARCEL #2616800

1. Date construction permit issued 2-19-09
(If no permit is required, please specify the date when certificate was issued in lieu of building permit.)

2. This application covers the (expansion/new) construction of the additional NEW
equipment and technology to expand operations plant.

3. Has an application for new industry classification under 15-6-135, MCA been made to the Department of Revenue for these facilities? Yes X No

4. Please list the qualifying property below.

See Addendum

Please attach site plat, construction prints and detailed equipment list identifying the above property, along with complete installed costs for each qualifying component.

5. Complete this section only if the application is for a firm that:

- engages in transportation, warehousing or distribution of commercial products, if 50% or more of the gross receipts are earned from outside the state; or
- earns 50% or more of its annual gross income from out-of-state sales.

Type of business Scrap Metal Recycling

Total gross sales or receipts \$ 30,751,961

Total gross income \$

Sales and receipts from outside of Montana..... \$ 27,181,143

Income earned from sales outside of Montana..... \$ Schedule Attached
(attach income statements)

Signature of Applicant Robert B. McIntyre

Print Name Robert B. McIntyre Date

This document prepared by:

Chicago Title Insurance Company
101 River Drive North-Lower Plaza
Great Falls, MT 59401

After recording return to:

STEEL ETC HOLDING CO
P O BOX 1259
GREAT FALLS MT 59403-1259

Order No. 80177-01

WARRANTY DEED

For Value Received Rex E. Cowie and Gloria J. Cowie, the grantor(s) do(es) hereby grant, bargain, sell and convey unto STEEL ETC. HOLDING COMPANY, P O BOX 1259, GREAT FALLS, MT 59403-1259, the grantee(s), the following described premises, in Cascade County, Montana, to-wit:

Remainder Tract of the MINOR SUBDIVISION PLAT OF COWIE ADDITION to the City of Great Falls, Cascade County, Montana, according to the official plat or map thereof on file and of record in the office of the Clerk and Recorder of said County, described as follows: Beginning at the intersection of the North right of way line of the US 87 Bypass and the West line of 52nd Street North being the Southeast corner of the tract and the True Point of Beginning for the Remainder; thence North 89°10' West, a distance of 279.1 feet; thence North 1°13' West, a distance of 150.0 feet; thence South 89°10' East, a distance of 279.1 feet; thence South 1°13' East, a distance of 150.0 feet to the True Point of Beginning.

Except therefrom that portion of land conveyed to the State of Montana Department of Transportation by Bargain and Sale Deed, recorded April 26, 2004 on R-0081145, records of Cascade County, Montana.

DEED REF: 248-1328

... said premises, with their appurtenances unto the said Grantee(s)

**ADDENDUM TO EXPANDING INDUSTRY CLASSIFICATION APPLICATION
STEEL ETC.**

P#2616800 - IN CITY LIMITS

FURNITURE, FIXTURES & MISC EQUIP

RIMAS NTP Software - Final 1/3 of Total	20,000.00
Signature Pads	2,000.00
ATM - Cash Dispenser On-Site Final 1/2	<u>16,000.00</u>
	\$ 38,000.00

The investment in technology listed above is to bring our operation up to state-of-the-art levels for our industry. This completes the purchase of the system which is now in operation at our facility. Last year the initial payments were \$78,838 bringing the total cost of the project to over \$116,000.

STEEL ETC. HOLDING COMPANY
 JANUARY - DECEMBER, 2011

<u>CUSTOMER</u>	<u>LOCATION</u>	<u>PERCENT OF TOTAL REVENUE</u>	<u>CUMULATIVE TOTAL</u>
Schnitzer Steel Industries	Portland, OR/Tacoma, WA	44.0%	44.0%
Utah Metal Works, Inc.	Salt Lake City, UT	16.6%	60.7%
RAW Materials, Inc.	Chicago Heights, IL	8.2%	68.8%
Progress Rail Services Corp.	Alberville, AL	4.0%	72.8%
Burlington Northern	Fort Worth, TX	3.3%	76.1%
Michels Corporation	Brownsville, WI/Monroe, LA	1.4%	77.5%
A&K Railroad Materials	Salt Lake City, UT	1.1%	78.6%
Mardian Scrap Recycling, Inc	Aberdeen, SD	0.9%	78.4%
Trinity Products, Inc	O'Fallon, MO	0.7%	79.4%
Durbano Metals	Ogden, UT	0.6%	79.9%
Barnard Pipeline	Salt Lake City, UT	0.5%	80.4%
US Pipeline	Corine, UT/Evanston, WY/Wells, NV/Bamidji, MN	0.5%	80.9%
RSR Corporation	Dallas, TX	0.5%	81.4%
Kahn Steel Co, Inc	Kansas City, MO	0.4%	81.9%
Inland All Battery	Spokane, WA	0.4%	82.2%
Dayton Bag & Burlap Co.	Dayton, OH	0.3%	82.5%
Recycling 4 U	New Plymouth, ID	0.2%	82.7%
Jomax Construction Co, Inc	Great Bend, KS	0.1%	82.8%
Henkels & McCoy, Inc	Mansfield, PA	0.1%	82.9%
General Scrap, Inc	Minot, ND	0.1%	83.1%
Alblon Ridge Colony	Picture Butte, AB, Canada	0.1%	83.2%

This page is completed by taxing jurisdiction.

A public hearing on the matter of *New or Expanding Industry* (tax rate) _____
_____ plant was held at the _____ County
Courtthouse at _____ AM/PM, on the _____ day of _____, 20____.

1. Due notice as defined in 76-15-103 was given. True and exact copies of said notices were provided.
Yes _____ No _____

2. The statutory \$50,000 investment requirement for expansion or modernization has been met.
Yes _____ No _____

3. The statutory \$125,000 investment requirement for new investments or modernized processes has
been met. Yes _____ No _____

This application is made under the provisions of 15-24-1402, MCA, and by the resolution adopted
by the _____ of _____ County,
(Taxing jurisdiction)
on the _____ day of _____, 20____.

We, the undersigned, _____ of _____
(Title) (Taxing jurisdiction),
(approve/disapprove) this application for _____.

We find that it (does/does not) conform to the criteria as set forth in the resolution adopted by
this _____ on the _____ day of _____, 20____.

Approved tax incentive to be implemented beginning in _____
(Assessment year)

Name _____ Title _____

Name _____ Title _____

Name _____ Title _____