



Item: Resolution 10018 - New or Expanding Industry Tax Benefit for 1408 52nd Street North, located on Tract 2A of COS 4786, NE 1/4 of Section 4, Township 20 North, Range 4 East, PMM, Cascade County, Montana

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

Initiated By: Steel Etc. Holding Company

Presented By: Craig Raymond, Interim Director of Planning and Community Development

Action Requested: City Commission set a public hearing for Resolution 10018 on June 18, 2013.

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission set a public hearing to consider Resolution 10018 on June 18, 2013.”

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

Staff Recommendation: Pursuant to Section 15-24-1401 and 15-24-1402 Montana Code Annotated (2011), Staff requests the City Commission adopt Resolution 10018 granting a tax benefit for 1408 52nd Street North, located on Tract 2A of COS 4786, NE 1/4 of Section 4, Township 20 North, Range 4 East, PMM, Cascade County, Montana.

Background: The property owner, Steel Etc. Holding Company, 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 of 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. On July 3, 2012, City Commission approved annexation and an additional, abutting ±0.427 acres to former Tract 2, creating Tract 2A consisting of ±5.103 acres, and unincorporated Tract 1A consisting of ±10.773 acres, Certificate of Survey (COS) 4786.

It was acknowledged in the Annexation Agreement (Paragraph 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 estimated at \$3,249,750.

On September 6, 2011, City Commission approved Resolution 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 and 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.

On April 17, 2012, City Commission approved Resolution 9964, granting Steel Etc. a New or Expanding Industry Tax Benefit for personal property including computer software, signature pad and an ATM machine at an estimated cost of \$38,000.00. 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.

Steel Etc. is now requesting approval of a tax benefit estimated at \$1,017,723.00 for construction and improvements of additional building space for new taxable personal property of a new baler for cardboard recycling. Steel Etc. is concurrently requesting that Cascade County Commissioners approve a similar request for new investment of heavy equipment valued at \$527,250.00, on Tract 1A.

Resolution 10018 has been prepared to comply with the requirements of Sections 15-24-1401 and 15-24-1402 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 Section 7-1-4127 MCA, due notice of the intent to consider Resolution 10018 will be provided through notices of public hearing being published in the *Great Falls Tribune* on May 26, 2013 and June 9, 2013.

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

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 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: Enabling Resolution 8967
Resolution 10018, approving tax benefit for Steel Etc.
Application

cc: Steel Etc. Holding Company, 1408 52nd St. N., Great Falls, MT 59403
Brenda Ivers, Department of Revenue, bivers@mt.gov
Melissa Kinzler, Director of Fiscal Services, mkinzler@greatfallsmt.net
Brian Hopkins, Cascade County, 121 4th St. N. #2A, Great Falls, MT 59401

RESOLUTION NO. 8967

A RESOLUTION SETTING POLICY FOR
APPROVING PROJECTS REQUESTING NEW OR
EXPANDING INDUSTRY TAX BENEFITS AS
ALLOWED UNDER 15-24-1402 MCA

* * * * *

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 20% per year until the project is fully taxed in year ten, and;

WHEREAS, the City of Great Falls desires to clarify which new or expanding industries will receive this benefit, and;

WHEREAS, the following policy will guide the City Commission in granting approval for the new or expanding industrial tax credit.

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

THE NEW OR EXPANDING INDUSTRY TAX BENEFIT POLICY IS APPROVED AS FOLLOWS:

The City of Great Falls will grant the New or Expanding Industry Tax Benefit specified in 15-24-1402 MCA to projects meeting the following criteria:


1. The Industry has added after July 1, 1987, at least \$50,000 worth of qualifying improvements or modernized processes to its property within the City of Great Falls.
2. (a) Industry that qualifies for the tax credit engages in the mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing and listed in the 1972 Standard Industrial Classification Manual prepared by the United States Office of Management and Budget; or
(b) Engages in the processing of Montana raw materials including minerals, ore, agricultural products and forestry products; or
(c) 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; or
(d) Earns 50% or more of its annual gross income from out of state sales.

3. A "new" firm is new to the City of Great Falls and has invested at least \$125,000 worth of qualifying improvements or modernized processes in the jurisdiction either in the first tax year in which benefits provided for in 15-24-1402 MCA are to be received or in the preceding tax year. (The tax credit will not be new industry approved for new industrial property under 15-6-135 MCA and taxed at 3% of its market value.)
4. "Qualifying" means meeting all the terms, conditions, and requirements for a reduction in taxable value under 15-24-1401 and 15-24-1402 MCA.

PASSED by the Commission of the City of Great Falls, Montana, on this 21st day of July, 1998.

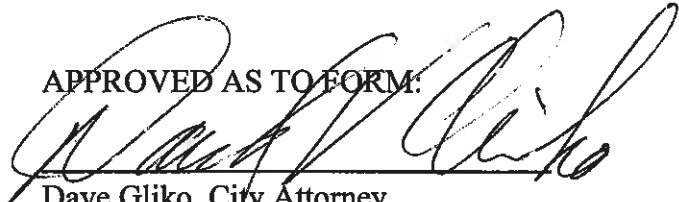


 Joan Bennett, Mayor

ATTEST:


 Peggy J. Bourne, City Clerk

(SEAL OF CITY)

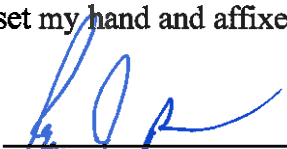
APPROVED AS TO FORM:


 Dave Gliko, City Attorney

State of Montana)
 County of Cascade : ss.
 City of Great Falls)

I, Peggy J. Bourne, City Clerk of the City of Great Falls, Montana, do hereby certify that the foregoing Resolution No. 8967 was placed on its final passage and passed by the Commission of the City of Great Falls, Montana, at a meeting thereof held on the 21st day of July, 1998, and approved by the Mayor of said City, on the 21st day of July, 1998.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Seal of said City, this 21st day of July, 1998.



 Peggy J. Bourne, City Clerk

(SEAL OF CITY)

use to the total tax-exempt and taxable use during the preceding calendar year multiplied by the market value of the property.

History: En. Sec. 1, Ch. 90, L. 1993.

Part 13

Montana Economic Land Development Act (Repealed. Sec. 1, Ch. 48, L. 1985)

Part Compiler's Comments

Histories of Repealed Sections:

- 15-24-1301. En. 84-7501 by Sec. 1, Ch. 549, L. 1975; R.C.M. 1947, 84-7501.
 15-24-1302. En. 84-7502.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7502.1.
 15-24-1303. En. 84-7503.1 by Sec. 2, Ch. 582, L. 1977; R.C.M. 1947, 84-7503.1.
 15-24-1304. En. 84-7504.1 by Sec. 3, Ch. 582, L. 1977; R.C.M. 1947, 84-7504.1; amd. Sec. 6, Ch. 274, L. 1981.
 15-24-1305. En. 84-7505.1 by Sec. 4, Ch. 582, L. 1977; R.C.M. 1947, 84-7505.1.
 15-24-1306. En. 84-7508.1 by Sec. 5, Ch. 582, L. 1977; R.C.M. 1947, 84-7508.1.
 15-24-1307. En. 84-7509.1 by Sec. 6, Ch. 582, L. 1977; R.C.M. 1947, 84-7509.1.
 15-24-1308. En. 84-7510.1 by Sec. 7, Ch. 582, L. 1977; R.C.M. 1947, 84-7510.1; amd. Sec. 24, Ch. 693, L. 1979.

- 15-24-1309. En. 84-7511.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7511.1.
 15-24-1310. En. 84-7512.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7512.1.
 15-24-1311. En. 84-7513.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7513.1; amd. Sec. 25, Ch. 693, L. 1979.
 15-24-1312. En. 84-7514.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7514.1.
 15-24-1313. En. 84-7516.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7516.1.
 15-24-1314. En. 84-7517.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7517.1.
 15-24-1315. En. 84-7518.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7518.1.
 15-24-1316. En. 84-7519.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7519.1.
 15-24-1317. En. 84-7515.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7515.1.
 15-24-1318. En. 84-7520.1 by Sec. 1, Ch. 582, L. 1977; R.C.M. 1947, 84-7520.1.

Part 14

New Industry — Real Property Improvements

15-24-1401. Definitions. The following definitions apply to 15-24-1402 unless the context requires otherwise:

(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:

- engages in the mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget;
- engages in the extraction or harvesting of minerals, ore, or forestry products;
- engages in the processing of Montana raw materials such as minerals, ore, agricultural products, and forestry products;
- engages in the transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales of

(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 15-24-1401 and 15-24-1402.

History: En. Sec. 2, Ch. 564, L. 1981; amd. Sec. 1, Ch. 574, L. 1987; amd. Sec. 2, Ch. 694, L. 1991.

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. 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.

(2) (a) In order for a taxpayer to receive the tax benefits described in subsection (1), the governing body of the affected county or the incorporated city or town must have approved by separate resolution for each project following due notice as defined in 76-15-103 and a public hearing, the use of the schedule provided for in subsection (1) for its respective jurisdiction. The governing body may not grant approval for the project until all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude approval.

(b) The governing body may end the tax benefits by majority vote at any time, but the tax benefits may not be denied an industrial facility that previously qualified for the benefits.

(c) The resolution provided for in subsection (2)(a) must include a definition of the improvements or modernized processes that qualify for the treatment that is to be allowed in the taxing jurisdiction. The resolution must provide that real property other than land, personal property, improvements, or any combination thereof is eligible for the tax benefits described in subsection (1).

(3) The taxpayer shall apply to the department for the tax treatment allowed under subsection (1). The application by the taxpayer must first be approved by the governing body of the appropriate local taxing jurisdiction, and the governing body shall indicate in its approval that the property of the applicant qualifies for the tax treatment provided for in this section. Upon receipt of the form with the approval of the governing body of the affected taxing jurisdiction, the department shall make the assessment change pursuant to this section.

(4) The tax benefit described in subsection (1) applies only to the number of mills levied and assessed for local high school district and elementary school district purposes and to the number of mills levied and assessed by the governing body of the county which the benefit covers which the governing body has so

RESOLUTION 10018

A RESOLUTION APPROVING THE APPLICATION FOR TAX BENEFITS FOR THE NEW OR EXPANDING INDUSTRY TAX BENEFIT FOR STEEL ETC. HOLDING COMPANY, 1408 52ND STREET NORTH, TRACT 2A OF COS 4786, LOCATED NE¼ SEC. 4, T20N, R4E, PMM, 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 2A of COS 4786, located NE¼ Sec. 4, T20N, R4E, PMM, 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 AND ADOPTED by the City Commission of the City of Great Falls, Montana, on this 18th day of June, 2013.

Michael J. Winters, Mayor

ATTEST:

Lisa Kunz, City Clerk

(SEAL OF CITY)

APPROVED FOR LEGAL CONTENT:

David L. Neilsen, Interim City Attorney



RECEIVED
MAR 13 2013
DEPT. OF REVENUE

PA#2616700 -> out of City Limits
* PA#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

Legal Description of Affected Property Legal Desc. 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
building space for new baler for cardboard recycling 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 Recycling - Metal & paper

Total gross sales or receipts \$ 34,856,479

Total gross income \$

Sales and receipts from outside of Montana..... \$ 32,417,607

Income earned from sales outside of Montana..... \$ schedule attached
(attach income statements)

Signature of Applicant Robert B. McIntyre

Print Name Robert B. McIntyre Date 3/13/13

**ADDENDUM TO EXPANDING INDUSTRY CLASSIFICATION APPLICATION
STEEL ETC. 2012**

P#2616800 - IN CITY LIMITS

BUILDINGS

Baler Building	495,511.00
Baler Model REB-1	350,000.00
Addition to Recycling Building	<u>172,212.00</u>
Total	<u><u>\$ 1,017,723.00</u></u>

The Baler Building houses a baler used for processing cardboard products for recycling. The addition to the Recycling Building is for customer drop-off of cardboard products for recycling.

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

STEEL ETC. HOLDING COMPANY, with their annuities unto the said Grantee(s)

STEEL ETC. HOLDING COMPANY
 JANUARY - DECEMBER, 2012

Out of State Sales

<u>CUSTOMER</u>	<u>LOCATION</u>	<u>PERCENT OF TOTAL REVENUE</u>	<u>CUMULATIVE TOTAL</u>	<u>REVENUE</u>
Schnitzer Steel Industries	Portland, OR/Tacoma, WA	35.6%	35.6%	11,546,577
Utah Metal Works, inc.	Salt Lake City, UT	15.8%	51.4%	5,113,280
RAW Materials, Inc.	Chicago Heights, IL	16.0%	67.4%	5,177,151
Burlington Northern	Fort Worth, TX	8.5%	75.8%	2,742,372
Progress Rail Services Corp.	Alberville, AL	3.5%	79.4%	1,146,581
Michels Corporation	Brownsville, WI/Monroe, LA	0.8%	80.2%	273,792
A&K Railroad Materials	Salt Lake City, UT	2.7%	82.9%	882,251
RSR Corporation	Dallas, TX	0.7%	83.6%	224,436
US Pipeline	Corine, UT/Evanston, WY/Wells, NV/Bamidji, MN	0.1%	83.7%	30,275