



Item: Public Hearing - Resolution 10139, Remodeling, Reconstruction, or Expansion of Buildings or Structures Tax Benefit for 3160 10th Avenue South, Described As Lot 1, Block 1, and Lot 1A, Block 1 of Z&Z Tract, located in the NE¼ NW¼ Sec. 17, T20N, R4E, Cascade County, Montana

From: Craig Raymond, Director, Planning & Community Development Department

Initiated By: Robert and Richard Zadick, property owners

Presented By: Craig Raymond, Director, Planning and Community Development Department

Action Requested: City Commission conduct public hearing and adopt Resolution 10139.

Public Hearing:

1. Mayor conducts public hearing, calling three times each for proponents and opponents.
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 10139.”

2. Mayor requests a second to the motion, Commission discussion, and the calls for the vote.
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Staff Recommendation: Pursuant to Montana Code Annotated Section 15-24-1501, Staff requests the City Commission conduct a public hearing and adopt Resolution 10139 granting a tax benefit for Robert and Richard Zadick, for the property located at 3160 10th Ave S. Great Falls, MT.

Background: The property owners, Robert and Richard Zadick, have leased their property to URM Stores Inc., who is undertaking a major remodel and expansion of the former IGA grocery store. The new building, once completed, will also be used as a retail grocery store of approximately 53,722 square feet in size. The full renovation and remodeling of the building is expected to be completed in late summer of 2016. The applicant is requesting approval of the Remodeling, Reconstruction, or Expansion of Buildings or Structures Tax Benefit. Note that any tax benefit is limited to the increase in taxable value created by the improvements.

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

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, indicating 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 made by resolution.

In December of 2015, the City Commission adopted Resolution 10119 establishing certain criteria for the evaluation of tax benefit requests. The following is an outline of the criteria by which each application is to be evaluated for approval, modification or denial, along with a brief staff evaluation of the merits of the project as pertaining to each criteria (in bold):

a. Whether the City's financial condition at the time of the application or consideration of the application warrants granting the application; **the City's current financial condition could be characterized as "in recovery". Strides have been made in stabilizing fund balances; however, various capital projects remain unfunded and public safety needs still exist.**

b. Whether the application meets all pertinent statutory criteria for the particular project; **the application meets all statutory criteria.**

c. Whether the property taxes or other taxes and/or assessments on the property are current; **all property taxes and assessments on the property are current.**

d. Whether the project may unreasonably affect the tax base of the City; **the project likely will not have negative effects on the overall tax base of the City. If the tax benefit is approved**

however, the direct positive tax base on the improvements will be delayed for approximately five years.

e. Whether the project would impact employment opportunities within the City; **while the applicant did not provide employment data for the project, it is anticipated that the project will have a positive effect on employment opportunities both in the short term while under construction, and also long term after construction is complete and the retail store is open to the public. Wage data has not been provided.**

f. Whether the project is located within a Tax Increment Financing (TIF) or Targeted Economic Development (TED) District; **the project is not located within any TIF or TED districts.**

g. Whether the project has already received additional financial assistance from the City or other authorities having jurisdiction; **the applicants have not provided any information regarding this criteria; however, it is believed that no other benefits have been applied for or approved by the City of other authorities having jurisdiction on this project.**

h. As to applications filed pursuant to Mont. Code Ann. §15-24-1601 *et seq.*, whether the Montana State Historic Preservation Office has provided design review assistance and certification for qualifying properties; **not applicable under this specific request.**

i. Whether the project will create affordable housing opportunities; **the project is not anticipated to provide or create affordable housing opportunities.**

j. Whether the project will encourage additional, unsubsidized development in the area of the project, either directly or indirectly, through “spin-off” development; **the project is located in an area which is largely developed. Some properties in the surrounding area have been vacant and have fallen into disrepair. Redevelopment of these properties should be encouraged in order to stimulate further improvements and economic development in already established neighborhoods.**

k. Whether the project will facilitate the development process and achieve development on sites which would not be developed without assistance, or would not be developed at a level of acceptable quality; **it is doubtful that this tax benefit is necessary to successfully develop the subject property as adjacent properties have successfully redeveloped without tax assistance.**

l. Whether the project would encourage redevelopment of commercial and industrial areas in the City of Great Falls, resulting in a higher level and quality of re-investment; **the redevelopment of the subject property will have a positive effect on the surrounding area and will likely encourage further redevelopment of surrounding commercial properties.**

m. Whether the project would encourage removal of blight, or the rehabilitation of a high profile or priority site; **while the subject property would previously not have qualified as blight, it was similar to the current condition of surrounding properties, which are vacant, aged and in need of updating and redevelopment.**

n. Whether the application is sought in whole or in part because of increased costs of redevelopment, such as clean-up of a contaminated site, demolition expenses, and the like, over and above costs normally incurred in development; **the subject property was not subject to any unusual costs over and above those customarily incurred in the redevelopment of property.**

o. Whether the project could be developed without the benefit of a tax abatement; i.e., but for the allowance of a tax abatement, the project would not be developed or pursued; **it is believed that the project was not dependant on the tax benefit in order to be successful. The project was planned and consummated prior to the tax benefit application.**

p. Whether conferring the tax benefit will create an adverse impact on existing state, county or municipal services; **granting the tax benefit will have an adverse impact on funding of municipal services in the short term, for a period of five years. It should be noted however, that the redevelopment of the site will have a significant positive impact on the local tax base for a long period of time.**

q. Whether the project contributes to the implementation of other policies adopted by the City, including, but not limited to, the City's Growth Policy; **the project significantly contributes to the goals and policies of the Growth Policy by redeveloping and enhancing existing properties within the City and utilizing existing utilities and infrastructure.**

r. Whether the project would meet other criteria as would be considered reasonable for the best interests of the City; **overall, supporting the redevelopment of the subject property is in the best interest of the City.**

As required by MCA Section 7-1-4127, due notice of the intent to consider Resolution 10139 was provided through notices of public hearing being published in the *Great Falls Tribune* on June 5, 2016, and June 19, 2016.

Concurrences: The Planning and Community Development Department has coordinated with the Montana 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 2016 tax year.

At the current tax rate and estimated post-construction appraisal values, the estimated City tax revenue loss would be approximately \$12,588.00 if the City approved the benefit for "Year of Construction", which reduces the tax rate to 0% for the portion of the improvement value attributed to the remodeling. The estimated total City tax revenue loss over a five year period would be approximately \$37,763 if the City approved the benefit.

Alternatives: The City Commission may or may not adopt Resolution 10139.

Attachments/Exhibits: Enabling Resolution 10119 [Link available on this meeting's page.]
Resolution 10139, Approving Tax Benefit for Robert and Richard
Zadick
Tax Benefit Application

cc: Robert and Richard Zadick, PO Box 1746, Great Falls, MT 59403
Brenda Ivers, Department of Revenue, bivers@mt.gov
Melissa Kinzler, Director of Fiscal Services

RESOLUTION 10139

A RESOLUTION APPROVING THE APPLICATION FOR TAX
BENEFITS FOR THE REMODELING, RECONSTRUCTION, OR
EXPANSION OF BUILDINGS OR STRUCTURES FOR 3160 10TH
AVENUE SOUTH

* * * * *

WHEREAS, MCA Sections 15-24-1501 and 15-24-1502, , 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, said encouragement allows for such redevelopment to be taxed at a reduced rate for the first five years; and

WHEREAS, with the tax benefit, in years one through five, the taxes will increase 20% per year until the project is fully taxed in year six; and

WHEREAS, the City Commission adopted Resolution 10119 on December 1, 2015, providing criteria for evaluating projects requesting tax benefits pursuant to MCA Sections 15-24-1501 and 15-24-1502; and

WHEREAS, in order for a taxpayer to receive these tax benefits, the City Commission, having jurisdiction, must approve the application by separate resolution for each project, following due notice as defined in MCA Section 7-1-4127 and a public hearing; and

WHEREAS, Robert and Richard Zadick, owners of 3160 10th Avenue South, described as Lot 1, Block 1, and Lot 1A, Block 1 of Z&Z Tract, located in the NE¼ NW¼ SEC. 17, T20N, R4E, Cascade County, Montana, have submitted an application for Remodeling, Reconstruction, or Expansion of Existing Commercial Buildings or Structures Tax Benefit pursuant to MCA Sections 15-24-1501 and 15-24-1502.

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 Remodeling, Reconstruction, or Expansion of Existing Commercial Buildings or Structures Tax Benefit pursuant to MCA Sections 15-24-1501 and 15-24-1502.

ADOPTED by the City Commission of the City of Great Falls, Montana, on this 21st day of June, 2016.

Bob Kelly, Mayor

ATTEST:

Lisa Kunz, City Clerk

(SEAL OF CITY)

APPROVED FOR LEGAL CONTENT:

Sara R. Sexe, City Attorney



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

MAR 03 2016

CITY OF GREAT FALLS

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

I, Robert Zadick and Richard Zadick whose mailing address is
Name of Applicant - Please Print
P.O. Box 1746, Great Falls, MT 59403

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 not fit within this space). Legal Description: See attached

- ◆ I submit the following information in support of this application:
- ◆ Date that the remodeling, reconstruction or expansion will start Week of February 22, 2016
- ◆ Date that the remodeling, reconstruction, or expansion will be completed Estimated September 2016
- ◆ Date that the earliest building permit was received. February 18, 2016
- ◆ (The construction period for a specific project may not exceed 12 months.)
- ◆ Estimated cost of the remodeling, reconstruction or expansion \$ approximately \$3,500,000
- ◆ Please supply a brief description and diagram of the remodeling, reconstruction or expansion. If additional space is required, please attach additional pages. Plans have been submitted to the City of Great Falls. The project includes expansion and complete remodel of the building and parking area.
- ◆ The commercial building or structures has not been used in a business for 5+ months.
- ◆ Property taxes on the building or structures are delinquent yes x no.

Under penalty of 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.

[Signature]
Signature of Property Owner or Agent

Date March 3 Year 2016

[Signature]
Signature of Property Owner or Agent

Date 3/2 Year 2016

For County Government Purposes Only

Application received by county governing body on _____ year _____. This application for exemption and reduction for 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 exemption and reduction for 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 Purposes Only

- ◆ Application received by Department of Revenue governing body on _____ year _____.
- ◆ 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% 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.

By _____, County Appraiser on _____, year _____

Parcel 1

Lot 1, Block 1 of Z & Z Tract, an addition to the City of Great Falls, Cascade County, Montana, according to the official map or plat thereof on file and of record in the office of the Clerk and Recorder of said County, described as follows:

A TRACT OF LAND IN THE NE1/4 NW1/4 OF SECTION 17, TOWNSHIP 20 NORTH, RANGE 4 EAST, PRINCIPAL MERIDIAN, MONTANA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTH RIGHT OF WAY LINE OF TENTH AVENUE SOUTH AND THE WEST RIGHT OF WAY LINE OF 32ND STREET SOUTH, WHICH POINT OF BEGINNING LIES SOUTH 0°33' WEST, 149.1 FEET AND NORTH 88°54' WEST 60 FEET, FROM THE NORTH QUARTER CORNER OF SECTION 17, TOWNSHIP 20 NORTH, RANGE 4 EAST; THENCE CONTINUING NORTH 88°54' WEST, A DISTANCE OF 358 FEET ALONG THE SOUTH RIGHT OF WAY LINE OF TENTH AVENUE SOUTH TO A POINT; THENCE RUNNING SOUTH 0°33' WEST, PARALLEL TO THE EAST RIGHT OF WAY OF 32ND STREET SOUTH, A DISTANCE OF 418 FEET TO A POINT ON THE NORTH RIGHT OF WAY LINE OF ELEVENTH AVENUE SOUTH; THENCE RUNNING SOUTH 88°54' EAST ALONG THE NORTH RIGHT OF WAY LINE OF ELEVENTH AVENUE SOUTH AND PARALLEL TO THE SOUTH RIGHT OF WAY LINE OF TENTH AVENUE SOUTH, A DISTANCE OF 358 FEET TO A POINT ON THE WEST RIGHT OF WAY LINE OF 32ND STREET SOUTH; THENCE RUNNING NORTH 0°33' EAST ALONG THE WEST RIGHT OF WAY LINE OF 32ND STREET SOUTH A DISTANCE OF 418 FEET TO THE POINT OF BEGINNING.

Less and except that portion conveyed to the Montana Department of Transportation in Bargain and Sale Deed recorded May 30, 2014 as Document No. R0290948.

Less and except any portion purportedly conveyed for public roadway.

Less and except Lot 1A of the Amended Plat of Lot 1, Block 1, First Supplement to Z and Z Tract.

Parcel 2

Lot 1A of the Amended Plat of Lot 1, Block 1, First Supplement to Z and Z Tract, an addition to the City of Great Falls, Cascade County, Montana, according to the official map or plat thereof on file and of record in the office of the Clerk and Recorder of said County.

Deed Reference: Document No. R0042355 and Document No. R0318752

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

Acknowledgment of Application Procedures and Criteria

A. I acknowledge the following:

- i. Failure to make application prior to completion of a building permit or prior to commencement of construction will result in the waiver of the construction period tax exemption and reduction. Additionally, all subsequent tax exemption and reduction, if approved, will be calculated as of the date the building permit was completed or as of the date construction began, whichever is earlier.
 - ii. If the remodeling, reconstruction or expansion of the existing commercial building or structure does not increase the taxable value of that structure or building by at least 5%, the application will be automatically denied.
 - iii. "Construction period" means a period of time that commences with the issuance of a building permit and which concludes when the local DOR office determines that the structure is substantially completed, not to exceed 12 months. If more than one building permit is issued, the date on the earliest building permit issued will constitute the commencement of the construction period. In those cases where building permits are not issued, the commencement of the construction period is that time determined by the local DOR office to be the start of construction. That determination will coincide with the date the contract is let, the date the application is approved by the governing body, or when site work begins, whichever occurs first. For purposes of determining the eligibility for tax benefits, the construction period for a specific project may not exceed 12 months.
 - iv. The computation of the tax exemption and reduction will be dependent upon the approval of the application by all affected governing bodies.
 - v. For projects which are entirely physically located outside the boundaries of incorporated cities or towns, the governing body of the affected county has sole authority to approve the tax benefits for the project.
 - vi. If the project is entirely physically located within an incorporated city or town, both the governing body of the affected county and the governing body of the incorporated city or town must approve the application by resolution before the tax exemption and reduction may be extended to the project. If the city alone approves the application, the exemption and reduction will apply only to the number of mills levied and assessed by the incorporated city or town. The number of mills levied and assessed by the county governing body will not be affected nor will any tax exemption and reduction be extended by the county to the project.
 - vii. Only additional value created after an application has been filed may be considered for tax exemption and reduction.
 - viii. I do hereby consent to having a representative of the Department of Revenue reappraise and revalue my structure for purposes of ad valorem taxation.
- B. It is the responsibility of the applicant to ensure the application is delivered to all affected levels of local government for their review. Further, it is the responsibility of the applicant to ensure the completed application is forwarded to the Department of Revenue prior to April 1 of the tax year for which the benefits are sought.**