

RESOLUTION 10456

A RESOLUTION APPROVING THE APPLICATION FOR THE NEW OR EXPANDING INDUSTRY TAX BENEFIT FOR CALUMET MONTANA REFINING LLC'S RENEWABLE FUEL CONVERSION PROJECT, LOCATED AT ITS FACILITY ON 1900 10TH STREET NE, GREAT FALLS, MT, FURTHER DESCRIBED AS GOVERNMENT LOTS 2-3, MARK 8, LOCATED IN SEC. 01, T20N, R3E, CASCADE COUNTY, MONTANA, PURSUANT TO MONT. CODE ANN. §§ 15-24-1401 AND 15-24-1402

* * * * *

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, Mont. Code Ann. §§ 15-24-1401 and 15-24-1402 provide the opportunity for local governing bodies to give Tax Benefits for New or Expanding Industry, and;

WHEREAS, the applicant, Calumet Montana Refining, LLC, has submitted an application for a New or Expanding Industry Tax Benefit pursuant to Mont. Code Ann. §§ 15-24-1401 and 15-24-1402 for the property located at 1900 10th Street NE, described as Government Lots 2-3, Mark 8, City of Great Falls, Cascade County, MT, and;

WHEREAS, in order for a taxpayer to receive the tax benefits, following due notice as defined in Mont. Code Ann. § 7-1-4127 and a public hearing, the City Commission, having jurisdiction, must have approved by separate resolution for each project the application for tax benefits, and;

WHEREAS, the City Commission adopted Resolution 10119 on the 1st day of December, 2015, Establishing Criteria for Evaluating Tax Abatement or Benefit Requests.

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

Following a public hearing and taking into consideration the criteria established in Resolution 10119, the City Commission of the City of Great Falls does hereby approve Calumet Montana Refining, LLC's Application for a 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 May 3, 2022.

Bob Kelly, Mayor

ATTEST:

Lisa Kunz, City Clerk

(SEAL OF CITY)

APPROVED FOR LEGAL CONTENT:

Jeffrey M. Hindoiem, City Attorney



New or Expanding Industry Classification Application

This form must be submitted to the appropriate local governing body by the property owner of record or the owner's representative prior to commencement of construction or by March 1 of the tax year the benefits are requested. Refer to 15-24-1401 and 15-24-1402, Montana Code Annotated (MCA) and Administrative Rules of Montana (ARM) 42.19.1235 for detailed information on the application process.

Required Information

Applicant Name Calumet Montana Refining, LLC.	Property Address 1900 10th St NE
Mailing Address 1900 10th St NE	City Great Falls
City Great Falls	State MT ZIP 59404
State MT ZIP 59404	County Cascade
Email ron.colwell@calumetspecialty.com	Geocode (This can be found on the classification and appraisal notice.) 02-3015-01-2-05-01-0000
Contact Phone 406-454-9871	Assessment Code 0001878725

Remodeling, Reconstruction or Expansion Information

Construction start date October 2021

Estimated construction completion date November 2022

Date first building permit received October 7, 2021

Is an extension of construction period requested? No
 Yes, a 6 month extension is requested.

Note: The construction period for a specific project may not exceed 12 months unless and extension is approved by all affected local government bodies.

Estimated cost of remodeling, reconstruction, or expansion \$ <300MM

Brief description and diagram of the remodeling, reconstruction or expansion.
(If additional space is required, please attach additional pages.)

Calumet is actively pursuing a Renewable Diesel Conversion project to use soy oil and other biomass feedstocks to produce renewable diesel through a portion of the Great Falls refinery that will be modified for this purpose as well as building a new "green" hydrogen plant. A substantial portion of the potential estimated environmental project cost is anticipated to be certified as pollution control property by the MDEQ.

The scope of work and construction details are described/illustrated in the attached pages.

Applicant Signature Ronald Z. Colwell, General Manager for Montana Renewables **Date** October 11, 2021

These sections to be completed by the Department of Revenue and appropriate local governing bodies.

For Department of Revenue Use Only

Application received by the department from the local government body on _____.

The remodeling, reconstruction or expansion of existing buildings or structures will increase the taxable value by at least 2.5 percent. Yes No

Comments _____

Signature _____ Date _____

Printed Name _____ Title _____

For City Government Use Only

Application received by the city governing body, _____, on _____.

This application for tax benefits for the remodeling, reconstruction or expansion of existing buildings or structures is: Approved Disapproved

If approved, the tax benefits will be implemented for Tax Year _____.

The construction period for a specific project may not exceed 12 months unless an extension is approved by all affected local government bodies. We approve an additional _____ month(s) extension to the 12-month construction period.

Signature _____ Date _____

Printed Name _____ Title _____

Note: Please forward a copy of the processed application with the governing body's decision to the local Department of Revenue field office with signed resolution.

For County Government Use Only

Application received by the county governing body, _____, on _____.

This application for tax benefits for the remodeling, reconstruction or expansion of existing buildings or structures is: Approved Disapproved

If approved, the tax benefits will be implemented for Tax Year _____.

The construction period for a specific project may not exceed 12 months unless an extension is approved by all affected local government bodies. We approve an additional _____ month(s) extension to the 12-month construction period.

Signature _____ Date _____

Printed Name _____ Title _____

Note: Please forward a copy of the processed application with the governing body's decision to the local Department of Revenue field office.



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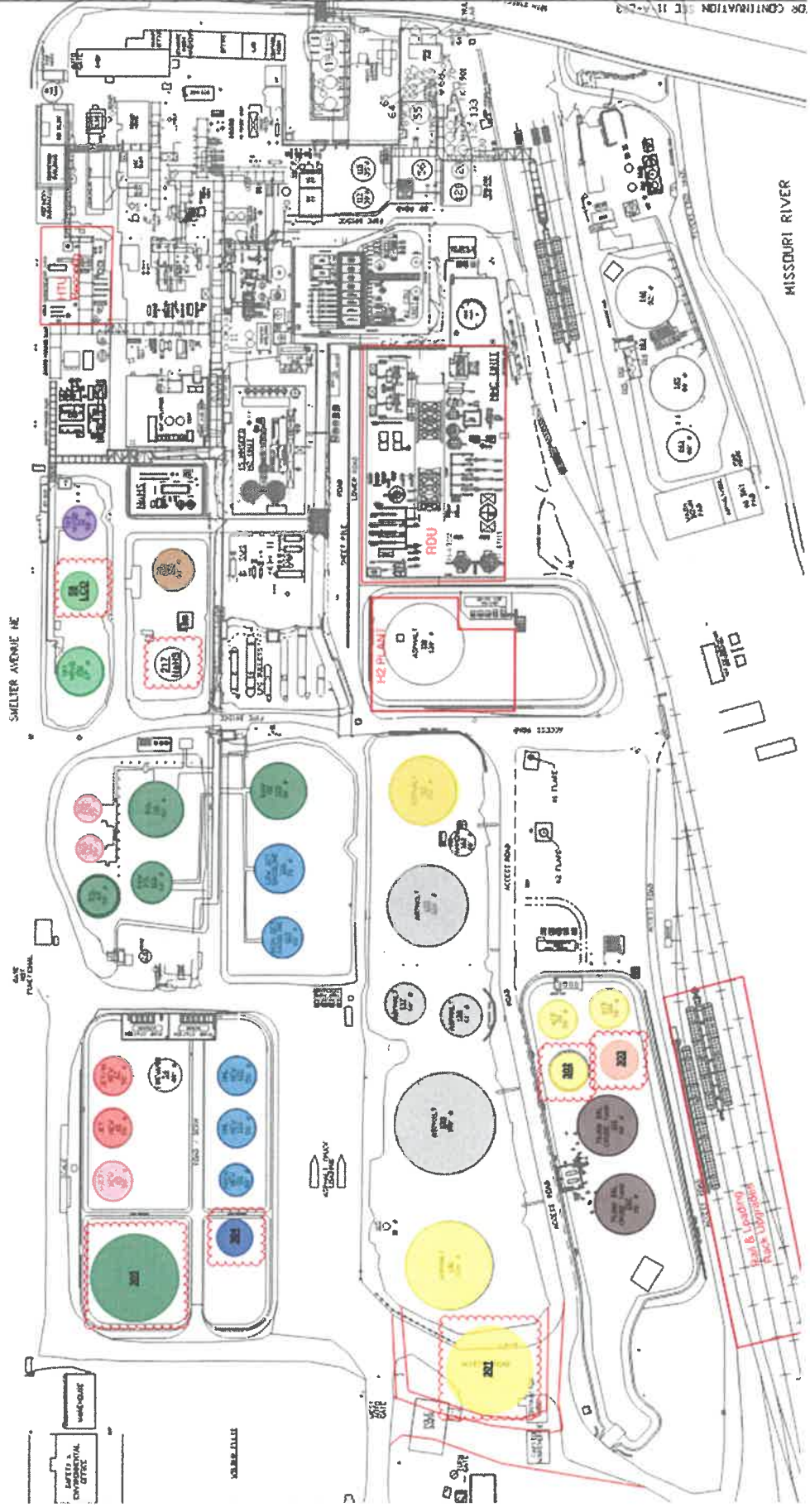
CALUMET's Montana Renewable Diesel Conversion Project NEIC Application Attachment

CMR has this unique opportunity to lead Montana's energy transition to high quality renewable fuels which is an emerging market driven by cultural trends and desire to reduce carbon emissions or footprint. The Renewable Diesel Conversion Project converts a portion of the plant to allow both conventional fossil fuels production as well renewable fuels production. The renewable production is expected to be 10,000 – 15,000 barrels per day while the conventional production will be reduced to 10,000 – 15,000 barrels per day.

Key elements of the project are:

- Conversion of the existing hydrocracking unit (MHC) to a renewable diesel unit (RDU) – this requires significant physical modifications to the unit.
- Construction of a new “green” hydrogen plant (No 4 H₂ Plant) – this is required to meet the hydrogen demand of the RDU by using the RDU off gases as feedstock for the hydrogen plant.
- Conversion of the existing hydrotreating unit (HTU) to co-process kerosene, diesel, and gas oil – this allows continued conventional fuels production.
- Modifications to the crude distillation unit (CDU2) – this is to turn down the unit to effectively process the reduced crude rates.
- Reconfiguration of the tanks, pumps, piping, etc. including construction of new tanks and facilities – this is required to provide storage and segregation of the conventional fluids from the renewable fluids.
- Modifications of the plant rail system – this is required to offload the biomass feedstock coming in by rail as well as load the renewable fuels going out by rail.
- Modifications of the plant utility systems – this is required to support the various utility needs of the units, storage, and rail operations.

These elements are illustrated in the following two documents: first is the block flow diagram showing the flow of the process through the units; and second is the plot plan showing the location of work within the plant.



DR CONTINUATION T 11-1-2

SHELTER AVENUE NE

MISSOURI RIVER

SAFE PLANT

SAFETY & ENVIRONMENTAL OFFICE

WAREHOUSE

SHELTER DAM

H2 PLANT

RDU

ACCEPT ROAD

H2 FLASK

ACCEPT ROAD

H2 FLASK

H2 FLASK

H2 FLASK

H2 FLASK

H2 FLASK

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November 29, 2021

NEIC Application for Renewable Diesel Conversion (RDC) Project to Address Resolution No. 10119

In response to Resolution No. 10119 of the City of Great Falls City Commission establishing criteria for evaluating tax abatement or benefit requests, Calumet is providing the following statements addressing criteria spelled out in part 2.0 (a-r) as applicable to Calumet's NEIC application already submitted to the Planning and Community Development Department and accepted as complete.

- a. Whether the City's financial condition at the time of the application or consideration of the application warrants granting the application – (to be answered by City)
- b. Whether the application meets all pertinent statutory criteria for the particular project – it is the opinion of Calumet that the application is complete and meets all pertinent statutory criteria for the RDC project.
- c. Whether the property taxes or other taxes and/or assessments on the property are current – all property taxes and assessments on the Calumet Montana Refining property are current or are in the appropriate stage of assessment and/or appeal.
- d. Whether the project may unreasonably affect the tax base of the City – in 2021, Calumet's property taxes to the City of Great Falls is \$1,585,142 which is approximately 6% of the City's total property tax revenue of \$26 million. Calumet will be applying for the Montana Department of Revenue permanent tax exemption for new pollution control equipment and therefore we anticipate a remaining \$50 million of property valuation for NEIC abatement. If the City grants the NEIC tax abatement per MCA 15-24-1402, this equates to an unbudgeted increase of \$1.4 million over a 10 year period. Rejecting the application puts execution of the project at risk and only increases Calumet property taxes an additional \$0.8 million over the same 10 year period. This is a solid investment in growing a long-term industrial partner that was established in 1922. The growth from this project will also increase dependence upon City utilities by the refinery as well as additional employment resulting from the project. Utilities and other services are the major source of revenue for the City.
- e. Whether the project would impact employment opportunities within the City – the RDC project impacts the employment opportunities within the City in a very positive way. Current estimates of temporary construction contractors to be employed on the project are about 400 skilled contractors receiving good wages and per diem for living expenses over the course of construction of 14 months. Permanent employment at the refinery has already begun with 26 new hourly hires and is expected to continue with a number of professional hires; all of which are highly sought after positions due to much higher



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than average wages and benefits. Payroll and benefits average over \$100,000 annually per Calumet employee. Calumet also expects additional employment of full and part-time contractors and indirect jobs in the community. Calumet has been very forthright with government leaders, legislators, and agricultural interests on our desire to leverage this opportunity with Montana stock growers and farmers to develop feedstocks for the renewable diesel process versus out-of-state supply.

- f. Whether the project is located within a Tax Increment Financing (TIF) or Targeted Economic Development (TED) District – (to be answered by City)
- g. Whether the project has already received additional financial assistance from the City or other authorities having jurisdiction – Calumet has not applied for any other financial assistance from the City. We intend to apply for Montana state Air or Water Pollution Control and Carbon Capture Equipment abatement.
- h. Whether the Montana state historic preservation office has provided design review assistance and certification for qualifying properties – this is not applicable for RDC project.
- i. Whether the project will create affordable housing opportunities – this is not applicable for RDC project.
- j. Whether the project will encourage additional, unsubsidized development in the area of the project, either directly or indirectly, through “spin-off” development – as stated above, spin-off employment is expected in the community to provide additional support to the refinery as a result of this investment as well as the potential for high value-added agricultural development to provide locally sourced feedstocks for renewable diesel. Calumet is preparing for this agricultural growth by including in the project a feedstock clean-up unit that will provide the ability to source raw vegetable oils and animal tallows from local producers.
- 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 – Calumet believes there is potential but does not have any plans or a way to assess the impact in this regard.
- 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 – Calumet believes there is potential but does not have any plans or a way to assess the impact in this regard.
- m. Whether the project would encourage removal of blight, or the rehabilitation of a high profile or priority site – the RDC project is located within the fence line of the refinery.



- 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 RDC project, by nature of developing the project with the fence line of the refinery, does include limited and purpose driven site demo and clean-up to free up much needed plot space for the new equipment and processes.

- 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 – Calumet has been forthright with communicating that we do not have the capital reserves to complete the RDC project and is actively pursuing further equity investment to help with funding for a return on their investment. Tax abatement under state statutes provides similar investment by City, County, and State authorities in the project to encourage growth with a return through additional tax base from that growth. This tax abatement per the statutes helps Calumet attract other investors and abates property taxes in the short term while the business is developing.

- p. Whether conferring the tax benefit will create an adverse impact on existing state, county or municipal services – (to be answered by City)

- 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; and/or – in regards to the City’s Growth Policy, this project checks the box on a number of listed goals within that policy. Here is are just a few key goals and principles:

Economic (pg 68):

- To diversify and strengthen the City’s economic base by ensuring growth, quality development and employment opportunities.
- To enhance, strengthen and expand the City’s existing economic base.
- To attract new businesses and support the expansion of existing businesses in a manner that bolsters employment opportunities in the City.
- To continue to forge partnerships with...business-related organizations in a manner that will attract future development.

Physical (pg 88):

- Encourage the most appropriate use of land throughout the City.

Implementation (pg 117):

- Pursue Demonstration Projects in the City.
- Maintain a Good Business Climate of the City.

Environmental (pg 145):

- Incentivize and promote renewable, clean energy and energy efficiency standards as viable options in the City.

3.0 2025 Economic Vision and Goals (pp 148-149):

- “The creation of primary sector jobs have increased the City’s tax base.”
- “The energy sector has greatly expanded. It is an economic engine... The energy sector is balanced between the clean conversion of conventional and



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traditional sources of fuels with a complimenting mix of alternative sources such as...bio-fuels, etc.”

- r. Whether the project would meet other criteria as would be considered reasonable for the best interests of the City – (to be answered by City)