

PLANNING ADVISORY BOARD ZONING COMMISSION

APRIL 28, 2015

Case Number

TIF2015-3

Applicant & Owner

Joe Stanek
Dali, LLC

Property Location

East off of U.S. Highway 87 and north of Great Bear Avenue, in the immediate vicinity of ADF International, Inc. and Malteurop

Parcel ID Number

N/A

Requested Action

Reimbursement from CMATP TIFID for eligible development expenses

Recommendation

Approval of the request

Project Planner

Galen Amy

Central Montana Agricultural and Technology Park Tax Increment Financing Industrial District Funding Application



Overview

The Central Montana Agriculture and Technology Park Tax Increment Financing Industrial District (CMATP TIFID) applies to property located in the northern portion of the City of Great Falls, east of U.S. Highway 87 (see Exhibit A - Boundary Map).

The CMATP TIFID includes the existing Malteurop barley malting plant, ADF International, Inc. steel fabrication facility and paint shop, and undeveloped land owned by Dali, LLC. On November 18, 2014, Joe Stanek of Dali LLC made formal application for Tax Increment Financing (TIF) funds to construct Innovation Street, and install infrastructure and boulevard landscaping in the project area. See attached Exhibit B - Aerial Map and Exhibit C - Application for more information.

The City Commission has an approved "Tax Increment Application Process" for considering funding requests from the private and public sectors for tax increment assistance from TIF Districts. Upon receipt of an application, City staff is assigned the responsibility of reviewing the funding request and making a recommendation to the Planning Advisory Board. The Planning Advisory Board (PAB) then considers the application, and makes a recommendation to the City Commission. For final action, the City Commission considers the PAB recommendation and approves or rejects the funding request, along with any special terms of approval.

TIF Request

Joe Stanek of Dali LLC has requested that TIF funds be used to construct the dedicated public right-of-way, Innovation Street, including paving, curb and gutter, as well as required boulevard landscaping and irrigation. The water main will be extended the length of Innovation Street, and gas, electric, and fiber optic lines will be extended along Innovation Street and the north side of Great Bear Avenue. When this project is completed all 12 lots in the Great Bear Subdivision No. 2 - Phase I & II will have all the necessary infrastructure and services available for new development, increasing their marketability. These lots can fulfill the needs of small industrial businesses, such as contractor yards, and Dali LLC anticipates the permanent creation of 36-60 permanent jobs.

Eligible Public Improvements

Innovation Street (curb, gutter, asphalt)	\$296,792
Natural gas installation	\$ 21,999
3 Phase power	\$ 54,652
Fiber optic	\$ 8,000
ROW landscaping	\$ 20,000
Engineering	<u>\$ 25,000</u>
TOTAL ELIGIBLE ACTIVITIES	\$426,443

The TIF Application attached as Exhibit D shows the applicant's project financing and includes preliminary construction drawings. Prior to construction, the applicant will be required to submit updated construction drawings to be reviewed and approved by the Public Works Department. It is also standard City policy that sidewalks go in at the time the lots are developed.

Montana Code Annotated (MCA) Regulations

Creation and administration of TIF Districts is governed by Montana State Urban Renewal statutes (Title 7, Chapter 15, Parts 42 and 43, MCA). The excerpted sections of MCA that authorize the requested TIF expenditures are underlined below:

7-15-4288. Costs that may be paid by tax increment financing. The tax increments may be used by the municipality to pay the following costs of or incurred in connection with an urban renewal project, industrial infrastructure development project, technology infrastructure development project, or aerospace transportation and technology infrastructure development project:

(4) the acquisition, construction, and improvement of infrastructure, industrial infrastructure, technology infrastructure, or aerospace transportation and technology infrastructure that includes streets, roads, curbs, gutters, sidewalks, pedestrian malls, alleys, parking lots and offstreet parking facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, waterlines, waterways, water treatment facilities, natural gas lines, electrical lines, telecommunications lines, rail lines, rail spurs, bridges, spaceports for reusable launch vehicles with associated runways and launch, recovery, fuel manufacturing, and cargo holding facilities, publicly owned buildings, and any public improvements authorized by Title 7, chapter 12, parts 41 through 45; Title 7, chapter 13, parts 42 and 43; and Title 7, chapter 14, part 47, and items of personal property to be used in connection with improvements for which the foregoing costs may be incurred;

In conformance with State regulations, in 2013 the City adopted the Central Montana Agriculture and Technology Park Comprehensive Development Plan (Plan) which provides the considerations and goals for the CMATP TIFID in relation to the community, as well as outlining a general process for identifying projects for expenditure of TIF funds. The main considerations behind these goals are as following: 1) the overall economic development goal is to establish and expand those sectors of the economy that will employ people in high-paying jobs, support families, and enhance the community; 2) the City will continue to direct industrial development to specific locations on the urban fringe to protect and enhance the pristine environment along the river and the City's residential neighborhoods; and 3) the City of Great Falls is surrounded by

prime agricultural land capable of producing large quantities of consistently high quality grains and livestock, critical to the area's economic base.

Based on these critical considerations, the goals of the Central Montana Agriculture and Technology Park Tax Increment Financing Industrial District are:

- To foster economic vitality in the City of Great Falls and increase employment opportunities through infrastructure development in support of secondary value-adding industry
- To provide support for industries that preserve the quality of life for all residents
- To help assure that industrial development activities reflect the City of Great Falls' commitment to the stewardship of its agricultural and natural resources including the Missouri River Corridor and associated restoration, interpretive, recreation and conservation programs currently underway
- To encourage secondary, value adding industries that take advantage of the area's vast agricultural resources
- To facilitate the investment in a site suitable for industrial development based on its proximity to both rail and highway transportation infrastructure

City of Great Falls Review Criteria

In order to approve TIF participation requests, they must be determined to meet the criteria recommended in the Plan, as well as be determined eligible for TIF participation in accordance with the MCA guidelines presented in the previous section. To aid in this determination, the City of Great Falls' Tax Increment Application Process established twelve specific criteria to assess the merits of the project in relation to the Plan.

Those criteria are:

1. Public Infrastructure Improvements - Public infrastructure improvements have the benefit of improving and impacting an entire district. Each district may have its own Capital Improvement Plan, which may include things such as roadway improvements, storm drains, sewer and waterlines, railroads, etc.
2. Economic Stimulus - The amount of economic activity to be generated within the district through the development is assessed, as well as the leverage ratio of public to private investment. In general, the maximum limit of any one development is 10% of the construction/rehabilitation costs, exclusive of acquisition costs. Projects clearly demonstrating extraordinary benefit to Districts or the community may, at the discretion of the City Commission, receive additional TIF assistance for eligible items. All applications should contain credible, measurable information substantiating the project's economic stimulus in the District and the community.
3. Tax Generation - The increase in taxable value due to the new district development, including construction/rehabilitation, as estimated by the County Assessor's office to determine tax increment generation.
4. Employment Generation - Total employment generated by the district development as assessed in terms of new permanent and part-time jobs, and construction jobs.
5. Elimination of Blight (applies to Urban Renewal Districts) - The development's direct and indirect impact on the physical and fiscal deterioration within the appropriate district and the community, as identified in the appropriate district plan.
6. Special or Unique Opportunities - The extent to which the district's development represents a unique opportunity, meets a special need, or addresses specific district or community goals. The restoration of a historic property or the provision of an unmet community need is an example of special and unique opportunities.
7. Impact Assessment - The extent of both positive and negative environmental impacts, appropriateness of the development's project design, and impact on existing businesses or residents.
8. Financial Assistance - Other forms of financing available to the Applicant. Lender participation, industrial development revenue bonds, and state and federal grant monies, for example, are examined to assess the need for TIF assistance.
9. Development Feasibility - A determination of feasibility is made based on the strength of the Applicant's demonstration of market demand for the development in the district as contained primarily on the pro forma and financing commitments.

10. Developer Ability to Perform - An assessment of the Applicant's capability to undertake the relative complexities of the development based on past performance on similar projects.
11. Timely Completion - The feasibility of completing the development according to the Applicant's development schedule.
12. Payment of Taxes - All property taxes, special improvement district assessments and other assessments on the project property must be paid to date.

Determination of Appropriateness

The requested improvements are eligible for TIF funding according to Montana Code Annotated (MCA) guidance. Further, they contribute to the majority of the twelve criteria listed in the City's Tax Increment Application Process. Below are some of the primary areas to which the project contributes.

Public Infrastructure Improvements - The proposed project will benefit 12 lots in the TIFID that are currently lacking multiple public infrastructure improvements.

Tax Generation - Infrastructure improvements and construction of the roadway will increase the taxable value of the lots being served by the improvements. In addition, this project makes the subject lots more marketable and shovel ready for new development in the near future, which will also increase the City's tax base once they are developed and the TIFID sunsets.

Financial Assistance - The applicant has other forms of financing available. See application.

Timely Completion - The applicant is proposing this spring, 2015, to start construction. The Development Agreement has already been agreed upon, so it seems feasible that moving forward with the development process, after review of this TIF application and completion of the proposed improvements, would occur in a timely manner.

The Development Agreement also fully covers assurances related to the developer's ability to perform.

No outstanding financial commitments exist in the CMATP TIFID. Staff determines the work is eligible and appropriate, and the level of funding recommended for this application reflects the need to maintain a reserve in the TIFID in order to fund previously identified future infrastructure improvements, including, but not limited to, storm water management, which will benefit multiple properties in the CMATP. Therefore, it is recommended that the City reimburse the Developer for costs of the Infrastructure Improvements (as defined in the Development Agreement) in an amount equal to the 50% of the actual cost of the Infrastructure Improvements, provided that such reimbursement amount shall not exceed \$191,653 in the aggregate.

Recommendation

The Planning Advisory Board recommends to the City Commission that the City authorize the proposed project and associated funding from the Central Montana Agricultural and Technology Park Tax Increment Financing Industrial District.

Next Steps:

The recommendation of the Planning Advisory Board will be forwarded to the City Commission.

Attachments:

Exhibit A - CMATP TIFID Boundary Map

Exhibit B - Aerial Map

Exhibit C - Application

Exhibit D - Development Agreement

Cc: Jim Rearden, Public Works Director
Dave Dobbs, City Engineer
Melissa Kinzler, Fiscal Services Director
Jennifer Reichelt, Deputy City Manager
Joe Stanek, Dali LLC, joestanek@westernamericanretail.com
John Juras, TD&H Engineering, John.Juras@tdhengineering.com



EXHIBIT B - AERIAL MAP

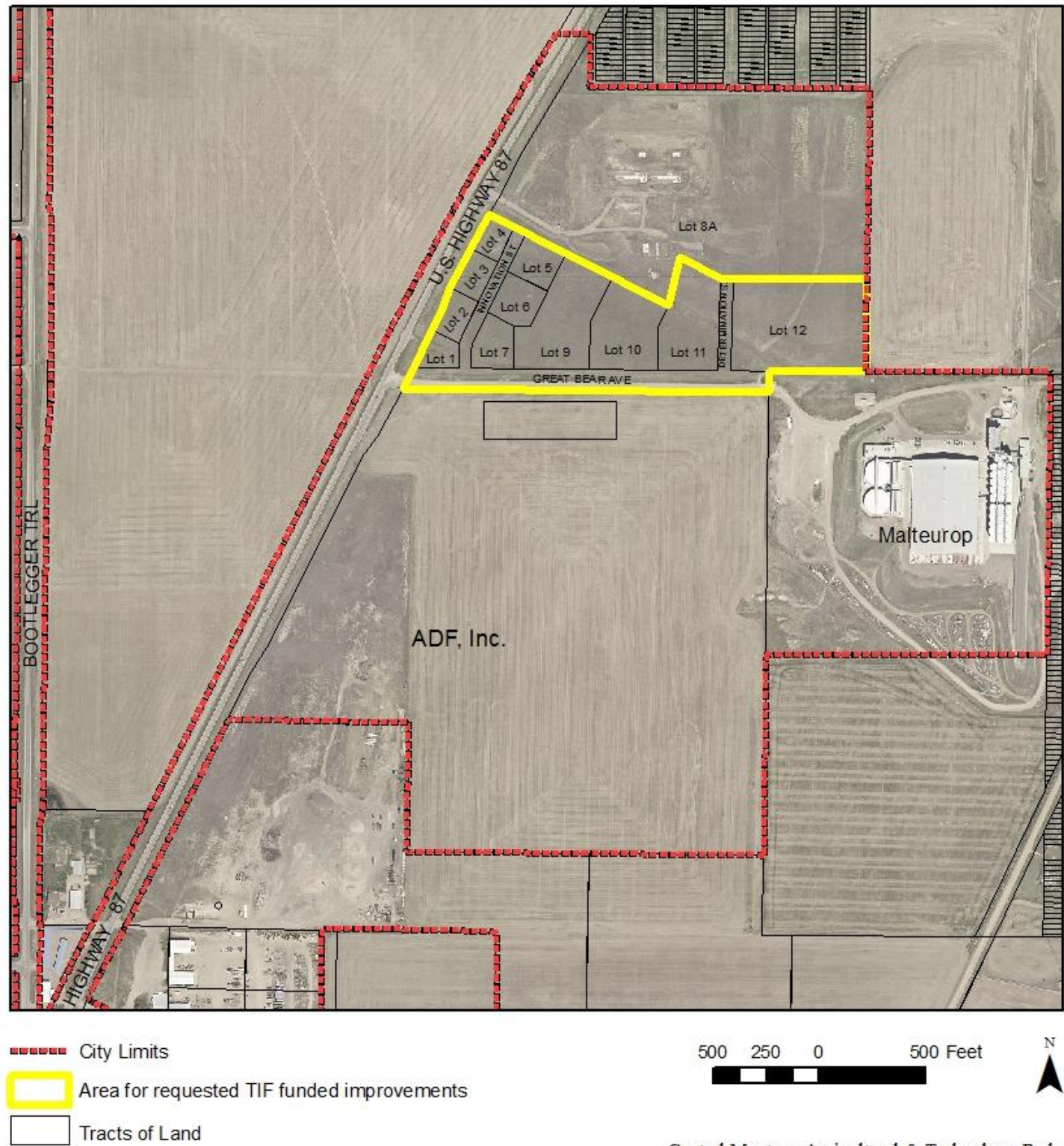


EXHIBIT C – APPLICATION

EXHIBIT D – DEVELOPMENT AGREEMENT
