

PLANNING ADVISORY BOARD ZONING COMMISSION

JULY 14, 2015

Case Number

TIF 2015-2

Applicant & Owner

Great Falls AgriTech Park, LLC

Property Location

North of 18th Avenue
North, both east and west of
67th Street North

Parcel ID Number

Lot 1 2714100 Lot 6 2714125
Lot 2 2714105 Lot 7 2714130
Lot 3 2714110 Lot 8 2714135
Lot 4 2714115 Lot 9 2714140
Lot 5 2714120 Lot 10 2714145

Requested Action

Reimbursement from East
Industrial Park TIFID for
eligible development
expenses

Recommendation

Approval of Request

Project Manager

Jennifer Reichelt

Deputy City Manager

East Industrial Park Tax Increment Financing Industrial District Funding Application Submitted by Great Falls AgriTech Park, LLC



Overview

Tax increment financing (TIF) is a mechanism that allows communities to use new tax dollars resulting from increasing taxable value for reinvestment within the geographic area in which they are derived for a period of 15 years, or up to 40 years if the incremental taxes were pledged to the repayment of a bond. The City of Great Falls currently has five TIF districts.

The City Commission established the East Industrial Park Tax Increment Financing District (District) in 2013. The City Commission adopted Resolution 10014 on March 5, 2013, which documented the existence of infrastructure deficiencies and established the boundaries for the industrial area. On May 7, 2013, the Commission adopted Ordinance 3105, which adopted an East Industrial Park Tax Increment Financing District Comprehensive Development Plan (Plan), which included a TIF provision.

The District is generally located north of 18th Avenue North, both east and west of 67th Street North and is approximately 395+ acres in size. The base year of the District is 2013 and the East Industrial TIF will be in effect until 2028 (15 years) unless the District's life is extended (through debt issuance against the District which would involve Commission action).

The Great Falls AgriTech Park, LLC, a for-profit Montana limited liability company (Developer), proposes to develop a 196-acre, multi-tenant, rail served, heavy industrial park within the District.

The project site is comprised of ten individual lots, which the Developer has an exclusive option to purchase. Currently, the Developer has purchased lots 1 and 2 and resold them to Pacific Steel & Recycling and Montana Specialty Mills, respectively.

The Developer has formed the Great Falls AgriTech Owners Association, LLC, a for-profit Montana limited liability company (Association), whose members include the Developer and the owners of record of the ten individual lots comprising the project site (Property Owners).

Great Falls AgriTech Park, LLC TIF Application

The Developer and the Association submitted a TIF Application requesting to receive tax increment financing assistance with respect to certain infrastructure improvements associated with the Project, consisting of road, water, sewer and rail improvements at a total cost not to exceed \$6,789,867, including interest.

The Developer and the Association propose that the Developer and certain current and future property owners finance the infrastructure improvements, the costs of which will be reimbursed by the City to the Association from tax increment revenues generated by the Project.

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 (PAB). The 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. A TIF industrial development project (of this value), requires the Commission to conduct a public hearing and make certain findings as set forth in State Law (MCA 7-15-4217).

Staff from Fiscal Services, Planning and Community Development, Park and Recreation, Public Works, as well as the Deputy City Manager, with advice from Dorsey & Whitney, LLP, bond counsel to the City, jointly reviewed and evaluated the Project and the infrastructure improvements and determined:

- The Project and the infrastructure improvements would be beneficial to the public and would result in the rehabilitation and redevelopment of the District.
- The infrastructure improvements (including the rail improvements) are eligible for tax increment financing in accordance with State Law and the purpose and goals of the District and Plan.
- The City should enter into a development agreement with the Developer and the Association with respect to the Project and the infrastructure improvements.

Infrastructure Improvements & Reimbursement Obligation

The Developer and the Association propose to install the infrastructure improvements in three phases. The City will not accrue or pay interest until specific performance based tax increment levels are reached during each phase of the project.

The Developer will be reimbursed through the available tax increment. The Developer will receive 85% of the tax increment revenues received by the City each year from the Project.

Interest will accrue and begin being paid at a rate of 4% per year, once the Project Site has reached its performance based market value for each phase of the project. The taxable property market value must be certified by the Department of Revenue (Phase 1 - \$35.7 million, Phase 2 - \$46.4 million, Phase 3 - \$71.4 million). Interest will not accrue on the Reimbursement Obligations until such milestones are achieved.

The City's reimbursement obligation shall not begin until the infrastructure improvements are complete and accepted by the City. The City is also required to approve the costs of all infrastructure improvements before reimbursement.

It is proposed that the City reimburse the Association for the costs of the infrastructure improvements from available tax increment (Reimbursement Obligation) as follows:

- *Costs of the Phase 1 infrastructure improvements* – The City will reimburse the Developer an amount up to \$4,635,922. Interest payments will begin once the Project Site has a market value of at least \$35.7 million* and is generating tax increment of at least \$671,000 annually.
- *Costs of the Phase 2 infrastructure improvements* – The City will reimburse the Developer an amount up to \$570,566. Interest payments will begin once the Project Site has a market value of at least \$46.4 million* and is generating tax increment of at least \$860,110 annually.
- *Costs of the Phase 3 infrastructure improvements* – The City will reimburse the Developer an amount up to \$1,583,379. Interest payments will begin once the Project Site has a market value of at least \$71.4 million* and is generating tax increment of at least \$1.2 million annually.

**As certified by the Department of Revenue*

Rail Improvements

Burlington Northern Santa Fe (BNSF) owns and operates over 3,000 miles of rail lines spanning the State of Montana (State) and which run south of and parallel to 18th Avenue North in the City. The BNSF rail lines constitute the sole means of rail transportation in and out of the City, linking the City with the rest of the State and much of the rest of the United States.

Given the proximity of the District to the BNSF rail lines, the Plan identifies the development of rail as an important infrastructure component within the District that will help encourage secondary value-adding industries that take advantage of the agricultural resources of the surrounding area.

In order to develop the District in accordance with the Plan, a rail line needs to be extended northeasterly from the BNSF rail lines through the Project Site, reconnecting to the BNSF rail lines east of 67th Street North (Rail Improvements). As set forth in State Law, tax increment revenues may be used to pay for, among other things, the costs of rail lines and to provide direct assistance to secondary value-adding industries to assist in meeting their infrastructure and land needs within the District.

Highlights of the Rail Improvements include:

- The Association shall own the Rail Improvements, and shall not merge, consolidate or sell, assign, convey, transfer, lease, or otherwise dispose of the Rail Improvements without the prior written consent of the City.
- The Association shall not apply for tax-exempt status under State or federal law.
- Prior to commencing construction of the Rail Improvements, each Property Owner shall grant to the Association, for the benefit of the Association, each Property Owner, other rail users that are not Property Owners and the City, a perpetual, exclusive easement for railroad purposes upon which the Rail Improvements will be built (Rail Easement).
- The Association shall allow other rail users that are not Property Owners to construct switches and rail extensions that connect to the Rail Improvements and to use the Rail Improvements, subject to use and fee arrangements similar to those of the other Property Owners.
- The Association will be responsible for all maintenance and repair of the Rail Easement. The Association will also insure and keep the Rail Easement parcel and any future expansion of the line in good repair and condition at its own expense and in accordance with all applicable local, State and federal laws and regulations.

If the Association, the Developer or any Property Owner shall default in the performance of any of its obligations with respect to the Rail Improvements, or if bankruptcy proceeds are commenced by or against the Association, then the City may declare a reversion to the City of the Rail Improvements, the connections and all agreements permitting the connection of the Rail Improvements to the BNSF rail line.

Preliminary Findings

City staff and legal counsel from Dorsey & Whitney, LLP have met extensively over the past six months to review the Project, TIF Application and Development Agreement as well as the proposed infrastructure improvements and financing plan. The City Commission has also had three separate Work Sessions on the topic (April 7, 2015, April 29, 2015 and May 7, 2015).

After thorough review and evaluation of the Project and infrastructure improvements City staff has determined:

- No persons will be displaced from their housing by the Project or the infrastructure improvements.
- The Project and the infrastructure improvements substantially satisfy the review criteria of the funding application process and meet the purpose and goals of State Law, the District and Plan.
- The Plan, as modified to include the Project and the infrastructure improvements, conforms to the comprehensive plan (or parts thereof) for the City as a whole.
- The infrastructure improvements (including the Rail Improvements) constitute public improvements in accordance with State Law.
- The Plan, as modified to include the Project and the infrastructure improvements, will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the rehabilitation or redevelopment of the District by private enterprise.
- A sound and adequate financial program exists for the financing of the infrastructure improvements.

Representatives from Planning and Community Development Department, Fiscal Services, Park and Recreation, Public Works and the Manager's Office concur on approving the TIF Application for funding and associated development agreement.

Fiscal Impact

The City's Reimbursement Obligation shall not arise with respect to any phase of infrastructure improvements until completion and acceptance by the City of such phase of infrastructure improvements and approval of the costs by the City and interest shall not accrue on the City's Reimbursement Obligation with respect to any phase of Infrastructure improvements until the taxable property in the Project Site has achieved a specified minimum market value.

The Reimbursement Obligation shall be a limited obligation of the City payable solely from the available tax increment. No other City funds will be available or used to pay the Reimbursement Obligation. The Reimbursement Obligation, including interest, shall terminate on December 31, 2028 and any unreimbursed costs of the Infrastructure Improvements, including interest, shall no longer be payable by the City.

The City shall be under no obligation to extend the sunset date of the District and in the event the City elects to extend the sunset date of the District, the City shall be under no obligation to extend such termination date regardless of whether any costs of the infrastructure improvements, including interest, remain unpaid.

Montana Code Annotated (MCA) TIF Regulations

The creation and administration of TIF Districts are governed by State Law. According to Montana Code Annotated (7-15-4288) tax increment can only be used for the following purposes:

The tax increments may be used by the local government to pay the following costs of or incurred in connection with an urban renewal area or targeted economic development district as identified in the urban renewal plan or targeted economic development district comprehensive development plan:

1. land acquisition;
2. demolition and removal of structures;
3. relocation of occupants;
4. the acquisition, construction, and improvement of public improvements or infrastructure, including streets, roads, curbs, gutters, sidewalks, pedestrian malls, alleys, parking lots and off-street 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, 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;
5. costs incurred in connection with the redevelopment activities allowed under 7-15-4233;
6. acquisition of infrastructure-deficient areas or portions of areas;
7. administrative costs associated with the management of the urban renewal area or targeted economic development district;
8. assemblage of land for development or redevelopment by private enterprise or public agencies, including sale, initial leasing, or retention by the local government itself at its fair value;
9. the compilation and analysis of pertinent information required to adequately determine the needs of the urban renewal area or targeted economic development district;
10. the connection of the urban renewal area or targeted economic development district to existing infrastructure outside the area or district;
11. the provision of direct assistance to secondary value-adding industries to assist in meeting their infrastructure and land needs within the area or district; and
12. the acquisition, construction, or improvement of facilities or equipment for reducing, preventing, abating, or eliminating pollution.

City of Great Falls TIF 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 previously. 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.

Recommendation

The Planning Advisory Board recommends to the City Commission that the City authorize the TIF Application submitted by the Great Falls AgriTech Park, LLC and all associated funding.

Next Steps

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

Exhibits

Exhibit A—East Industrial Park TIFID Boundary Map

Exhibit B—East Industrial Park TIFID Aerial Map

Exhibit C—AgriTech Flyer/Layout

Exhibit D—AgriTech Plat

Exhibit E—TIF Application

Exhibit F—Development Agreement

Cc: Jim Rearden, Public Works Director
 Dave Dobbs, City Engineer
 Melissa Kinzler, Fiscal Services Director
 Jennifer Reichelt, Deputy City Manager
 Brett Doney, Great Falls Development Authority, bdoney@gfdevelopment.org
 John Juras, TD&H Engineering, John.Juras@tdhengineering.com

EXHIBIT A - EAST INDUSTRIAL PARK MAP

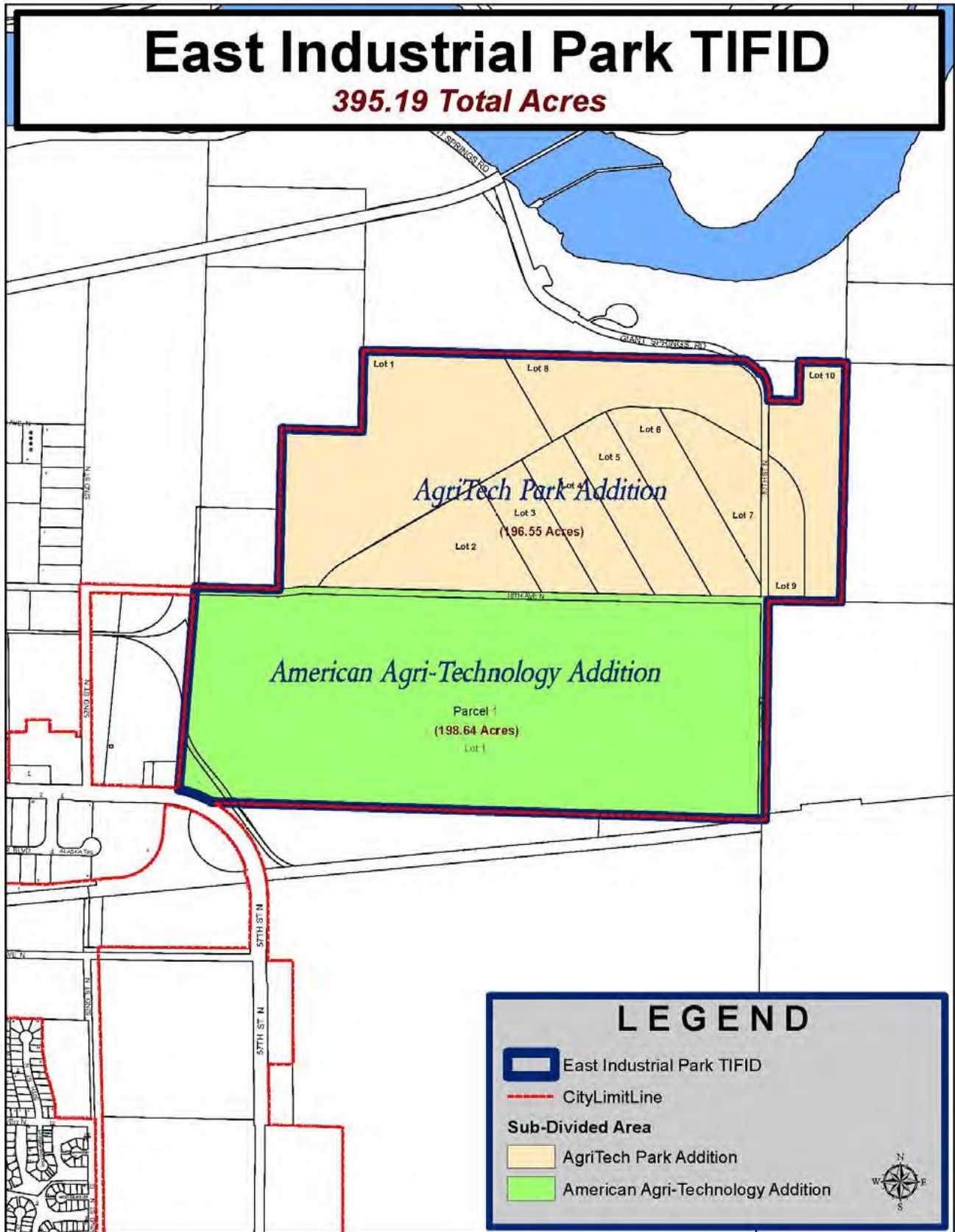


EXHIBIT B - EAST INDUSTRIAL PARK AERIAL MAP

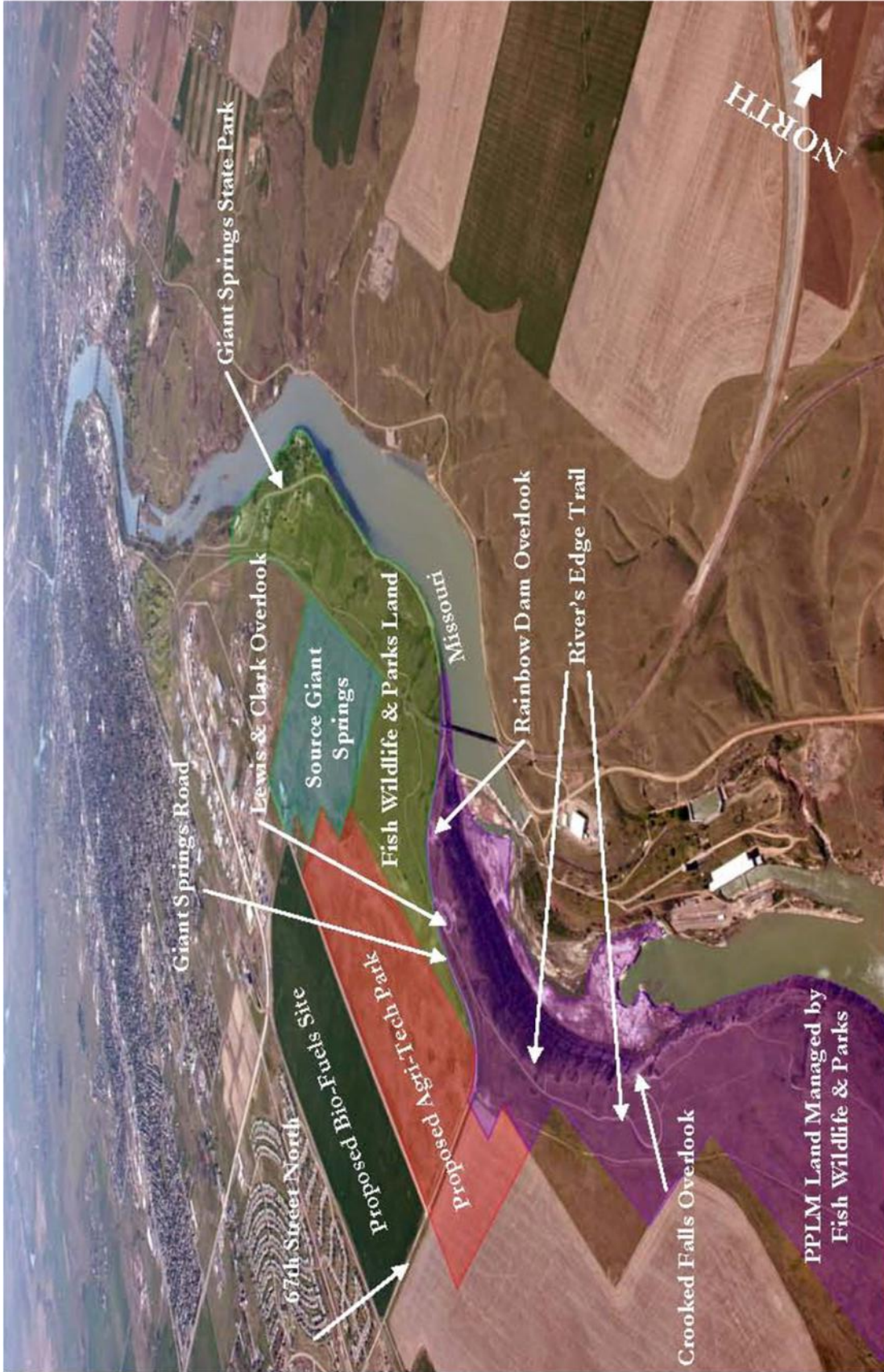


EXHIBIT C - AGRITECH FLYER/SITE LAYOUT

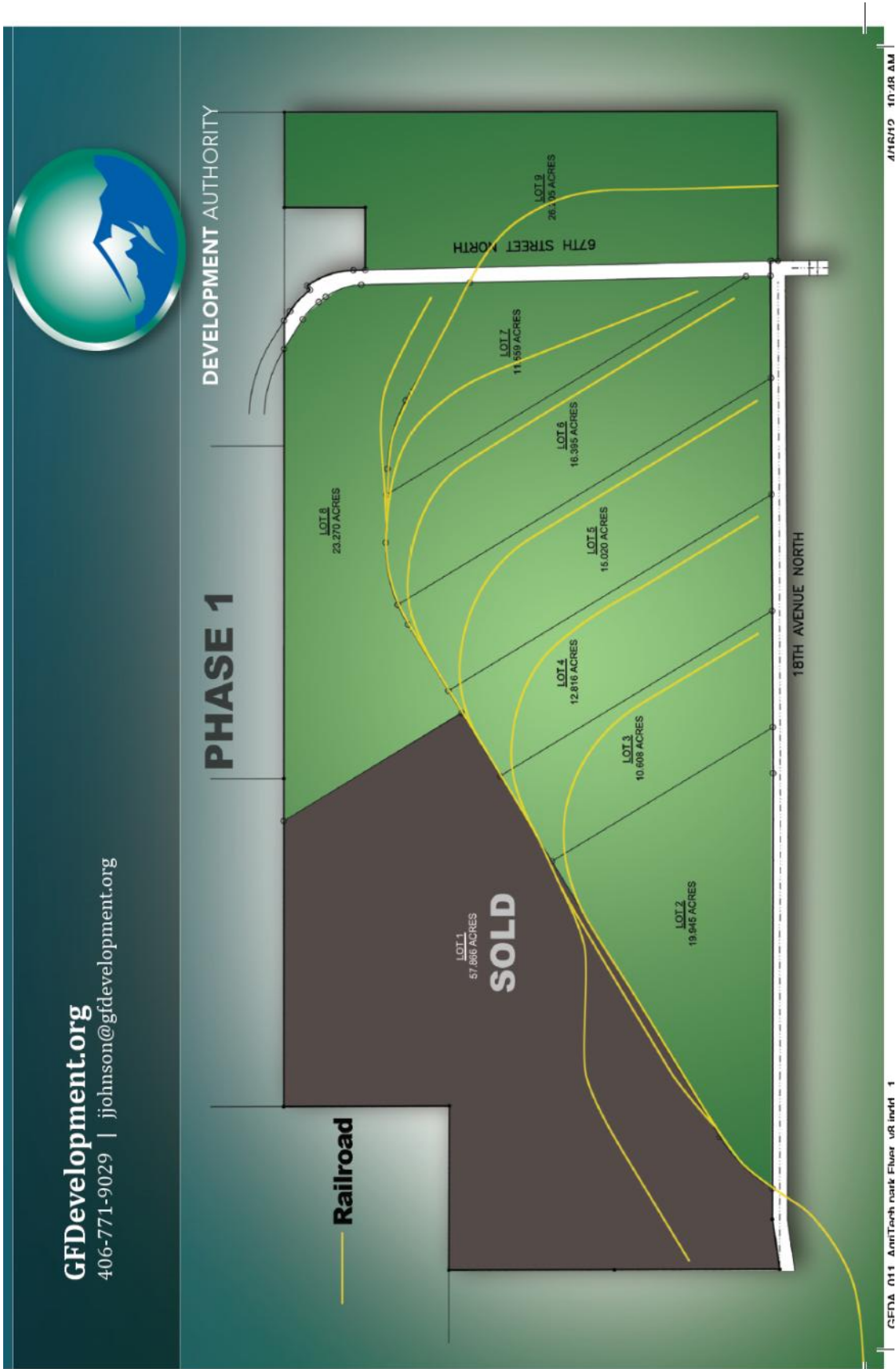


EXHIBIT E – TIF APPLICATION

EXHIBIT F – DEVELOPMENT AGREEMENT
