# East Industrial Park Tax Increment Financing District Comprehensive Development Plan - Great Falls, Montana



#### 1. INTRODUCTION AND OVERVIEW

The City of Great Falls is committed to fostering the development of secondary, value adding industries, including manufacturing businesses in order to sustain and grow its economy over time. To this end, the City plans to create a tax increment financing



industrial district (TIFID) at a site known as the East Industrial Park for a proposed rail-served heavy industrial park with an emphasis on value-added processing of agricultural products.

However, in order to facilitate development, a variety of infrastructure deficiencies must be addressed, including water, sewer, storm drainage, roadway and rail service. Tax Increment Financing will be a key component in a comprehensive funding strategy to address these

infrastructure deficiencies and will enable Great Falls to leverage other local, state and federal dollars to achieve its goals.

The 2005 Great Falls Growth Policy sets forth a series of goals in support of future economic development including the following:

- Diversify the base economy.
- Enhance, strengthen, and expand the existing economic base.

Further, the Growth Policy specifically points to the need to encourage "value added" manufacturing businesses in both agriculture and non-agriculture sectors. Public investments in infrastructure in the East Industrial Park in support of value adding industry will enable the City to meet these critical goals.

Tax Increment Financing will be a key component in a comprehensive funding strategy to address these infrastructure needs and will enable the City of Great Falls to leverage other local, state and federal dollars to achieve its goals.

### The City of Great Falls

The population of Great Falls (2011 Census Estimate) is 58,950, showing a slight increase since the 2010 Census, when the population was 58,505 and an increase of over 3% since the 2000 census. The median income for Great Falls in 2011 adjusted dollars is \$42,105,

below the state's median of \$44,392 and well below the federal median, which is \$51,484. 27,041 persons are in the Great Falls' civilian labor force including 768 in manufacturing. (American Community Survey 3-year estimate, 2009-2011) According to the Bureau of Labor Statistics, the estimated unemployment rate as of December, 2012 is 5.1%.

Great Falls is located in north-central Montana, in Cascade County. The City is bordered on the west by the Rocky Mountains and to the southeast by the Little Belt and Highwood Mountains. Nearly eighty years after the Lewis and Clark Expedition first explored the "great falls of the Missouri" in 1805, Paris Gibson visited the area and envisioned a prosperous community along the mighty river. Within a few years, Gibson and other early settlers designed and built an attractive, well-planned community with broad, tree-lined streets and over 800 acres of parkland. More settlers arrived in Great Falls in the 1890s to join in the growing development of mining, logging, farming, ranching, and hydroelectric power development, the lattermost becoming the mainstay of the economy.

During the first half of the 20th century, Great Falls grew into a more diverse, urbanized community. As natural resource-based economic activity declined, it was replaced by the military, manufacturing and service sectors. Today, the qualities that first brought settlers to Great Falls continue to attract new residents, businesses and visitors to the beauty, resources, opportunities, and quality of life offered here. (Great Falls Growth Policy)

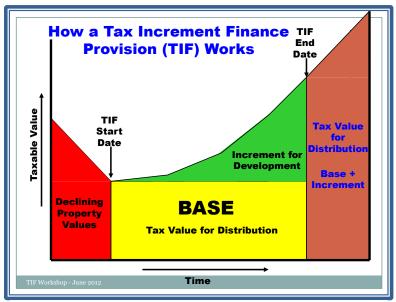
#### <u>History of Industrial Development in Great Falls</u>

In its early years, industrial development in the City of Great Falls was generally located along the Missouri River and rail lines within the downtown core, in close proximity to the City's residential neighborhoods. Through the 19th and 20th centuries, as transportation and industrial technologies advanced, industrial development gradually moved towards the outlying areas of the City. These areas typically provided convenient highway and rail access, as well as separation from incompatible residential and retail land uses around the core.

The 2005 Great Falls Growth Policy indicates that approximately 1,868 acres (3.1%) of the City is used for industrial activities. The Growth Policy favors future industrial development to be in the form of industrial park or other campus like patterns, in locations with ease of access by multiple types of transportation, limited environmental impacts and the potential for generating related growth.

# East Industrial Park Tax Increment Financing Industrial District

The City of Great Falls intends to establish a Tax Increment Financing Industrial District at a site known as the East Industrial Park. The base year for the purposes of measuring any incremental value will be 2013 and the base value will be calculated as of January 1, 2013.



Tax increment financing 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. (Figure 1.) Until 1989, tax increments could only be used for rehabilitation efforts within urban

Figure 1. Schematic of Tax Increment Financing

renewal areas, which were usually blighted central business districts. In 1989, the Montana Legislature amended the Montana Urban Renewal Law to enable municipalities to create special industrial districts which could employ tax increment financing to assist in the development and retention of secondary, value-adding industries. In doing so, the Legislature noted that the State of Montana wishes to encourage secondary, value-adding industrial manufacturing that uses Montana timber, mineral, oil and gas, coal and agricultural resources in the production of goods in the state. The legislation recognized that secondary, value-adding industries, in order to be competitive in today's world economy, require expensive infrastructure that is beyond the means of most Montana communities. Senate Bill 472 resulted in Section 7-15-4299 Montana Code Annotated (MCA), originally codified in 1989 and amended in 2007. This law enables communities to assist in industrial development in areas that are deemed to be infrastructure deficient. Tax increment financing may now be used for improvements as defined in 7-15-4288 MCA.

In March of 2008, the Montana Department of Revenue, under its administrative rule making authority, more specifically defined "secondary industries" as those that use

mechanical or chemical processes to transform materials or substances into new products in the manner defined as manufacturing in the North American Industry Classification System Manual. These industries engage in the:

- ➤ Processing of raw materials, such as minerals, ore, oil, gas, coal, agricultural products, and forestry products; or
- ➤ Processing of semi-finished products that are used by the industry as a raw material in further manufacturing.

"Value-added" is defined as an increase in the worth of the raw or semi-finished product that results from a mechanical or chemical transformation and may not be attributable to a mere increase in existing production.

In order to make use of this innovative economic development strategy, the City of Great Falls must adopt a **comprehensive industrial development plan**, which defines the specific geographic area within which the tax increment will be measured and reinvested. Further, the plan must outline those activities that the local government intends to undertake in order to successfully develop (or retain) value-adding industrial activity. Further, the boundaries of the district must ensure that the district can host a diversified tenant base of multiple independent tenants.

#### 2. DISTRICT DESCRIPTION

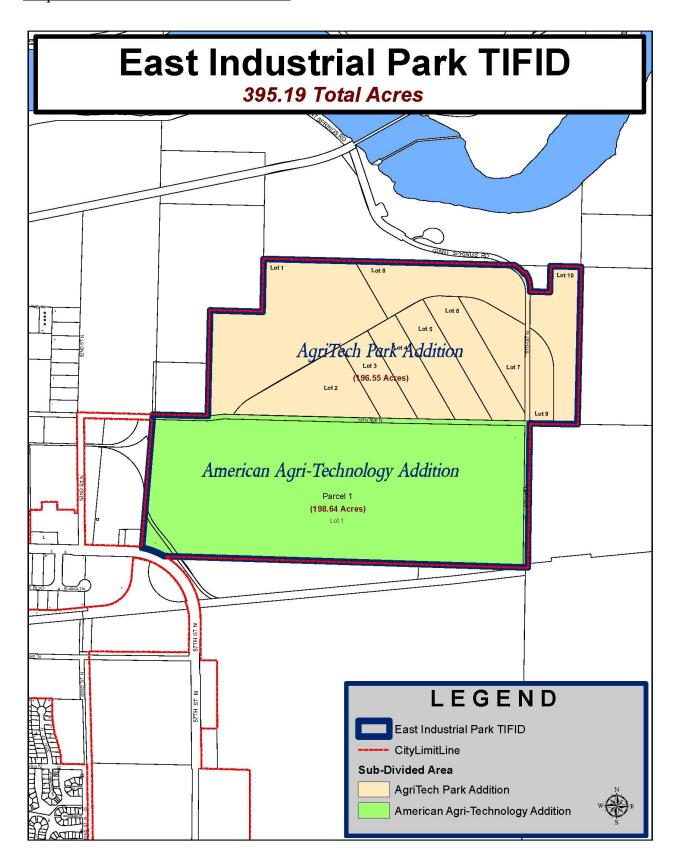
The East Industrial Park is generally located north of 18th Avenue North, both east and west of 67th Street North.

# **Legal Description**

The East Industrial Park TIFID encompasses 395.19 acres and is described as follows:

"All of the new Agri-Tech Park Addition including Lots 1-10, and platted right of way, 196.55 acres, located in T21N, R4E, Section 34 and all of Parcel 1 (Lot 1) of the American Agri-Technology Addition...198.64 Acres, located in T20N, R4E, Section 3...P.M.M. Cascade County, Montana"

The new district boundary will be described as follows: All (Lots 1-10) of AgriTech Park Addition and its platted right of way...and all of parcel 1 (that includes platted right of way), of the American Agri-Technology Addition.



#### 3. GOALS OF THE EAST INDUSTRIAL PARK TIFID

#### Considerations:

- In preparing the 2005 Great Falls Growth Policy, the staff solicited input and recommendations related to economic development from business people, residents and Neighborhood Council members. Comments received call for a "sustainable" economy that strengthens the community without degrading the high quality of life in the area. Citizens stressed that 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. They noted that, in planning for economic growth, industries that can both offer high-paying jobs and enhance the quality of life in the community should be pursued.
- Great Falls is fortunate to be home to many natural amenities and features, including the areas in close proximity to the proposed East Industrial Park. Adjacent to, and north of, the Park is Giant Springs State Park comprised of state-owned (Fish Wildlife and Parks FWP) land and PPL Montana land managed by FWP. West of the Park is largely undeveloped property owned by water-bottler Source Giant Springs with some industrial uses beyond that (north of 18th Avenue North and west of 52nd Street North). East of the Park is more undeveloped land owned by the Loy Trust, with Whitmore Ravine running generally south to north through that property and out-falling into the Missouri River.
- 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 East Industrial Park Tax Increment Financing Industrial District are:

Based on these critical considerations, the goals of the East Industrial 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 valueadding 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.

# 4. INFRASTRUCTURE ANALYSIS – STATEMENT OF INFRASTRUCTURE DEFICIENCY

As noted above, the development of secondary, value-adding industries in the East Industrial Park will require upgrades to water and sewer services and rail services. In addition, the location of the site, in close proximity to the Missouri River, will require that projects are designed in a fashion that protects the integrity of the River Corridor and associated amenities. More specifically, the deficiencies can be described as follows:

- 1. Water, Sewer and Rail The proposed East Industrial Park has one lot located south of 18th Avenue North, eight lots located on the north of 18th Avenue North and, two lots located east of 67th Street North. The site will require extensions of water and sewer to serve industrial uses from their existing location in 18th Avenue North east to 67th Street North, then both north and south on 67th Street North. Development of the District will also require creation of a lift station. In addition, the site will require extensions of the existing rail spur, that now runs south of, and parallel to, 18th Avenue North to just east of 52nd Street North. The rail will need to be extended to the east to serve the lot south of 18th Avenue North and cross 18th Avenue North northeasterly through the northern lots in the District, ultimately crossing 67th Street and then running south between the two lots, located east of 67th Street North.
- **2. Roadway** There are two public roadways within the District and improvements to both of these roadways are necessary. 18<sup>th</sup> Avenue North requires a 2-inch overlay from the existing location of the 5-inch asphalt thickness easterly to 67<sup>th</sup> Street North. 67<sup>th</sup> Street North requirements will include a geotextile, 12-inch thickness gravel subbase, 3-inch thickness crushed gravel and 5-inch thickness asphalt cement concrete. The width of the pavement shall be 36 feet. In addition, 6-foot wide paved bicycle lanes are required on both 18<sup>th</sup> Avenue North and 67<sup>th</sup> Street North.
- 3. Utilities Telephone, cable, natural gas, fiber optic and electricity are available to the property. However, with the exception of electricity, these services will need to undergo significant upgrade to accommodate industrial uses. While these utilities are present in the area, most of the property is not served. Therefore, in addition to upsizing current utility infrastructure, extensions of these facilities will be required to serve individual needs.

- 4. Stormwater and Land Related Concerns There are currently stormwater/drainage and groundwater investigations underway for areas within the District. The findings of these reports may require off-site improvements including an outfall storm drain and other associated storm water infrastructure. Additional stormwater infrastructure will be identified as development occurs on each lot in the District.
- **5. General Improvements** Additional infrastructure and public services deficiencies will be identified over time. For example, emergency services buildings and equipment, site security, transloading and cargo facilities, and other improvements and services may be required.

#### 5. INDUSTRIAL DEVELOPMENT ACTIVITIES TO BE UNDERTAKEN

The City of Great Falls will work with other public entities and private developers to establish an industrial and economic development framework to enable it to target and recruit secondary, value-adding industries. Targeted industries will likely include agriprocessing, as Great Falls has a significant competitive advantage over other markets. The City's location within the Golden Triangle region of north-central Montana provides access to a wide-variety of consistently high-quality wheat, barley and other small grains.

Additionally, the proximity to a variety of energy sources, rail transportation and a major highway network enhances the City's potential for general manufacturing, energy generation, steel fabrication and other value adding industries.

#### <u>Identification of secondary, value-adding industries</u>

A list of industries that could be targeted for development within the East Industrial Park Tax Increment Financing Industrial District is presented in Table 1, by North American Industry Classification System (NAICS) code.

Table 1. Potential Industries for the East Industrial Park		
NAICS Code	Industry	
236210 Industrial Building Construction	This industry comprises establishments primarily responsible for the construction (including new work, additions, alterations, maintenance, and repairs) of industrial buildings (except warehouses). The construction of selected additional structures, whose production processes are similar to those for industrial buildings (e.g., incinerators, cement plants, blast furnaces, and similar non-building structures), is included in this industry. Included in this industry are industrial building general contractors, industrial building for-sale builders, industrial building design-build firms, and industrial building construction management firms.	
Sector 23237 Heavy and Civil Engineering	The Heavy and Civil Engineering Construction subsector comprises establishments whose primary activity is the construction of entire engineering projects (e.g., highways and dams), and specialty trade contractors, whose primary activity is the production of a	

Construction	specific component for such projects. Specialty trade contractors in Heavy and Civil Engineering Construction generally are performing activities that are specific to heavy and civil engineering construction projects and are not normally performed on buildings. The work performed may include new work, additions, alterations, or maintenance and repairs.  Specialty trade activities are classified in this subsector if the skills and equipment present are specific to heavy or civil engineering construction projects. For example, specialized equipment is needed to paint lines on highways. This equipment is not normally used in building applications so the activity is classified in this subsector. Traffic signal installation, while specific to highways, uses much of the same skills and equipment that are needed for electrical work in building projects and is therefore classified in Subsector 238, Specialty Trade Contractors.  Construction projects involving water resources (e.g., dredging and land drainage) and projects involving open space improvement (e.g., parks and trails) are included in this subsector. Establishments whose primary activity is the subdivision of land into individual building lots usually perform various additional site-improvement activities (e.g., road
32311 Prefabricated Metal Building and	building lots usually perform various additional site-improvement activities (e.g., road building and utility line installation) and are included in this subsector.  Establishments in this subsector are classified based on the types of structures that they construct. This classification reflects variations in the requirements of the underlying production processes.  This U.S. industry comprises establishments primarily engaged in manufacturing prefabricated metal buildings, panels, and sections.
Component Manufacturing	
332812 Metal Coating, Engraving (except Jewelry and Silverware), and Allied Services to Manufacturers	This U.S. industry comprises establishments primarily engaged in one or more of the following: (1) enameling, lacquering, and varnishing metals and metal products; (2) hot dip galvanizing metals and metal products; (3) engraving, chasing, or etching metals and metal products (except jewelry; personal goods carried on or about the person, such as compacts and cigarette cases; precious metal products (except precious plated flatware and other plated ware); and printing plates); (4) powder coating metals and metal products; and (5) providing other metal surfacing services for the trade. Included in this industry are establishments that perform these processes on other materials, such as plastics, in addition to metals.
3112 Grain and Oilseed Milling 311224 Soybean and Other Oilseed Processing	This U.S. industry comprises establishments primarily engaged in crushing oilseeds and tree nuts, such as soybeans, cottonseeds, linseeds, peanuts, and sunflower seeds. Examples of products produced in these establishments are oilseed oils, cakes, meals, and protein isolates and concentrates.
325193 Ethyl Alcohol Manufacturing	This U.S. industry comprises establishments primarily engaged in manufacturing nonpotable ethyl alcohol.

221117 Biomass Electric Power Generation	This U.S. industry comprises establishments primarily engaged in operating biomass electric power generation facilities. These facilities use biomass (e.g., wood, waste, alcohol fuels) to produce electric energy. The electric energy produced in these establishments is provided to electric power transmission systems or to electric power distribution systems.
221112 Fossil Fuel Electric Power Generation	This U.S. industry comprises establishments primarily engaged in operating fossil fuel powered electric power generation facilities. These facilities use fossil fuels, such as coal, oil, or gas, in internal combustion or combustion turbine conventional steam process to produce electric energy. The electric energy produced in these establishments is provided to electric power transmission systems or to electric power distribution systems.

Further research and analysis will be required to determine which of these industries can be actively recruited based on market conditions and the East Industrial Park's site's unique position in the market place. Issues such as energy costs related to operations and transportation, distance from markets and overall industry trends, as well as infrastructure requirements will help determine industries to be targeted.

# Capital Improvements Planning and Implementation

The City of Great Falls will undertake the necessary planning required to more particularly identify the infrastructure required to support the development of targeted secondary, value-adding industries. This planning effort will address necessary capital improvements and the associated costs. Infrastructure design and development could include roads and other transportation infrastructure such as rail lines, pedestrian ways, sewage pre-treatment, sewer lines, water wells and mains, utilities, street lighting, communication infrastructure such as cell towers and additional fiber cable and buildings.

# TIFID Program Criteria

The City of Great Falls will use tax increment financing in conjunction with other funding mechanisms to support the development of secondary value-adding industry within the East Industrial Park. Infrastructure projects selected for funding will be required to meet certain criteria, based on the goals of this TIFID Plan. Suggested eligibility criteria for reviewing both city-initiated and industry-initiated requests for public infrastructure improvements projects might include the following:

- 1. The project must be located within the authorized TIFID area.
- 2. Any developer who wishes to apply for tax increment assistance for the construction of public infrastructure will be asked to enter into an assessment agreement with the local government. An assessment agreement is a document which obligates the developer to pay all property tax obligations for the period

during which the tax increment is being used to assist the developer, but no longer than the authorized life of the tax increment provision of the TIFID in which the development is located. This obligation remains in effect, even in the event that the developer closes or moves its facilities. Further, depending on the nature of the assistance, the developer may have to agree to continue to pay taxes at least at the property tax rate which was in effect at the time the agreement is executed, regardless of changes in the tax rate by the State of Montana.

- 3. Specific criteria which will be used to evaluate applications for assistance will include but are not limited to:
  - a. Job Creation Developments will be evaluated based upon the number of direct jobs created. Advantage will be given to developments where the wages and benefits for the jobs meet or exceed the current average Great Falls Per Capita Personal Income.
  - b. Taxable Valuation In most cases, developers who contribute more to the community's tax base will be eligible for greater assistance.
  - c. Value-adding Developers must be engaged in "secondary industries", defined as those industries that use mechanical or chemical processes to transform materials or substances into new products in the manner defined as manufacturing in the North American Industry Classification System Manual. Those developers which make use of Montana's mineral, agricultural, energy and timber resources will receive preferential treatment compared to those which do not.
  - d. Leverage-Ratios Tax increment funds may not be used to finance the entire cost of development. Those investments of tax increment financing which result in a larger infusion of private or other public capital will receive preferential treatment compared to those which result in smaller infusion of private or other public capital.

Each project will be analyzed individually to determine the amount of financial assistance available based upon the factors stated above. Final criteria will be approved by the Great Falls City Commission and employed by the staff in reviewing project proposals.

# **Financing**

Once targeted industries and required capital improvements have been more clearly identified, the next step will be to develop the mechanisms to implement the overall TIFID program. Given that private industrial development will generate the property taxes necessary to finance a portion of the infrastructure development, recruitment and infrastructure development must occur hand in hand. It is likely that construction of public infrastructure will be financed through the sale of Tax Increment Bonds in combination with other state and federal funding programs. Tax increment financing mechanisms can include:

- ➤ Tax Increment Bonds Tax increment revenues would be pledged to pay bond principal and interest annually. The size and term of the bond would depend on tax increment revenues available from private sector taxpayers within the TIFID. While Montana law provides that tax increment districts may only be authorized for 15 years, the time period may be extended to coincide with the term of a tax increment bond, but no longer than an additional 25 years. As noted above, it may be necessary for the private taxpayer(s) to enter into an agreement with the City of Great Falls to assure, for the term of the bond, the annual payment of all property taxes due or an equivalent amount if the taxpayer no longer holds property in the district. The amount of tax increment realized each year must be enough to cover all bond payments due, as well as an adequate reserve.
- Annual Tax Increment Appropriations The City may finance smaller public infrastructure improvements from its annual tax increment receipts by appropriation. Funds available each year would be determined by the size of the annual increment and any prior commitments (such as bond debt service requirements and administrative costs).
- ➤ Tax Increment Financing Revolving Loans The Montana TIF statutes provide for the establishment of loan programs, whereby TIF funds may be loaned for the construction of private infrastructure or other activities in support of the goals of the TIF district. As principal and interest payments are made, the funds may be loaned again, even after the TIF District sunsets.
- ➤ Conventional Financing The City may borrow funds from commercial lending institutions in order to finance public infrastructure improvements. Annual tax increment revenues will pay principal and interest on the loan. A conventional loan agreement will not, however, extend the authorized 15 year time period for a TIFID.

Per 7-15-4291 MCA, The City of Great Falls may enter into agreements with the other affected taxing bodies to remit to such taxing bodies any portion of the annual tax increment not currently required for the payment of the costs listed in 7-15-4288 MCA or pledged to the payment of the principal of premiums, if any, and interest on bonds.

# **Industry Recruitment**

Once the District is established, local staff and resources and/or consultant services could be used to assist in the development of business plans, market studies and general research to recruit secondary, value-adding industries to the TIFID. Once the District starts generating revenue, TIFID funds may be directed to these activities as well.

# Partnership Development

The TIFID program will rely on cooperative efforts among the City of Great Falls, TIFID property owners, and economic development organizations to achieve its goal of fostering industrial development. In many cases, these cooperative partners will work jointly on market analyses, business recruitment and capital improvements planning. Also, as noted above, it will be necessary to work with other local, state and federal entities in providing additional financing and matching funds to build industrial infrastructure in the TIFID. Potential partnerships can be forged using a variety of programs and funding mechanisms. A sampling of these includes:

# **Programs**

- ➤ The Treasure State Endowment Program (Montana)
- ➤ Community Development Block Grant (U.S. Department of Urban Development
- > The Montana Intercap Program
- ➤ Economic Development Administration (U.S. Department of Commerce)
- ➤ Water, Wastewater and Solid Waste Action Coordinating Team (a group of professionals from state, federal, and non-profit organizations that finance, regulate, or provide technical assistance for community water and wastewater systems)
- ➤ Community Transportation Enhancement Program Under 23 USC 133 (d) (2) (Federal Code), 10 percent of the Surface Transportation Program monies are awarded to each state for transportation enhancements.

# **Funding Mechanisms**

- ➤ Local mill levies for transportation infrastructure (7-14-4101 MCA)
- ➤ Transportation Improvement Authority (7-14-1001, MCA)
- ➤ Special Improvement Districts (7-12-4101 MCA)
- ➤ Debt Financing Counties can make use of various kinds of debt financing to fund industrial development projects. These include general obligation bonds,

special improvement district bonds and revenue bonds as well as Tax Increment Financing Bonds.

> State Fuel Tax (15-70-101MCA)

### 6. PROGRAM ADMINISTRATION

In the near term, the East Industrial Park Tax Increment Financing Industrial District will be managed directly by the City of Great Falls. No later than April of each year the City Commission, in conjunction with staff, will prepare an annual TIFID budget and work plan for the following fiscal year (July 1st to June 30th). Each annual work plan will include the following elements:

- Anticipated Increment Revenue for the Year
- Project Priorities and Associated Costs
- Financing Strategies Anticipated
  - Direct Increment Revenue
  - Debt Financing
  - Other Sources of Funding
- Administrative Budget including staff and consulting services

The City Commissioners will review the work plan and determine whether any changes are necessary before setting the budget. Once the budget is set, City staff will be responsible for:

- Developing financing strategies
- Working to maintain the Tax Increment Financing Accounts
- Working with City staff, property owners and developers to identify public infrastructure projects for the future
- Reviewing proposed infrastructure development projects for the future
- Following all local government procurement rules with respect to:
  - o Preparing bid and proposal requests
  - o Reviewing proposals from engineers, contractors and other vendors
  - Making recommendations to the City Commission regarding contractor selection
- Monitoring projects
- Conducting market analyses, engineering studies and project feasibility analyses

The City Commission may consider the formation of a TIFID Advisory Board to work with the Commission in preparing annual budget and work plans, and in TIFID related economic development activities. The Advisory Board would be comprised of five to seven members, including one member of the City Commission. Meeting schedules, agendas and board governance would be jointly decided by the members and the Commission, and in accordance with Montana's open meeting laws. Each member of the

Advisory Board would serve for two years and may be reappointed. The first appointees to the Advisory Board would be appointed in the following manner, to provide for staggered terms:

- Two to three members for one year
- Two members for two years
- One to two member for three years

Following this initial appointment schedule, all Board members would be appointed for a term of two years.

# 7. PLAN AMENDMENTS

The plan provides flexibility to accommodate a variety of approaches. However, changes over time may necessitate more formal amendments to the Industrial District Plan. If required, amendments will be made by ordinance.