

AGENDA REPORT

DATE: November 3, 2004

**TITLE:** Resolution 9433, Resolution Establishing an Economic Development Assistance Policy

**INITIATED BY:** John Lawton, City Manager

**ACTION REQUESTED:** Adopt Resolution 9433

**PRESENTED BY:** John W. Lawton, City Manager

-----

**RECOMMENDATION:**

It is recommended that the City Commission adopt Resolution 9433, as amended, establishing an Economic Development Assistance Policy.

**MOTION:**

I move the City Commission adopt Resolution 9433 as amended.

**SYNOPSIS:** Recent publicity about the City’s financial participation in the Centene and malting plant projects triggered some discussion about the City’s role in economic development. More specifically, a question arose as to what the City will do, under what circumstances and for whom, to assist in job growth and economic development. This issue becomes particularly sensitive when the City’s assistance is directed to extend utilities, the cost of which normally is borne by developers. For example, a housing developer who is expected to pay for public infrastructure for a housing project might feel that his project has a positive economic impact, and that he should receive infrastructure assistance similar to what Centene or the malting plant will receive. At the Commission meeting held October 19, 2004, the City Commission voted to postpone action on the Resolution until Staff could review and possibly incorporate suggestions made by residents into the Resolution. Staff has since completed the analysis and offers the Resolution with two amendments.

The first amendment is the removal of the word “strongly” was removed from Item 1. The second amendment pertained to Item 2. In order to make the City’s intention of supporting local businesses, the phrase “from outside the community” was also removed.

**BACKGROUND:** The City has followed informal development policies that direct assistance to firms providing new primary jobs in the community. It is recommended that the Commission formalize these policies in an effort to establish guidelines as to what the City will and will not do.

It should be noted that the City does not have unlimited resources to provide incentive packages for development projects. Our economic development tools are meager compared to our competitor cities in other states. Incentives are provided routinely in many states, and businesses seeking locations encourage bidding among competitive locations to get the best deal. Montana provides comparatively few incentives

and its communities are restricted in the resources they have to offer. Therefore, the criteria for providing assistance for economic development must be restrictive to make the best use of limited resources.

The criteria Staff recommends to follow are enumerated below and are incorporated in Resolution 9433 which is submitted for Commission consideration.

1. Proposed projects should be strongly endorsed by the community's economic development organization, the Great Falls Development Authority.
2. The economic impact of projects considered for assistance must center around the provision of new, long term, primary jobs. For our purposes primary jobs are those bringing new money into the community from outside the community. These jobs tend to make the economic pie larger thereby having a greater economic impact than say, new retail jobs. New retail and other secondary activity, while valuable to the community, are a consequence of new primary economic activity. Either that or they divide the same pie into smaller pieces.
3. The provision of incentives must be part of a formal development agreement committing the company or organization to a minimum number of permanent jobs at defined pay scales.
4. Incentives offered by the City must be part of a package with participation of others such as GFDA, the County, the State of Montana or Federal agencies. For example, the Centene project will include the participation of the State Board of Investments, the City and a private corporation; and the malting plant includes participation by the County, two Federal agencies, the City, and the State of Montana.
5. There must be an opportunity for at least partial cost recovery for City resources put into the project. The City will recover part of its investment in Centene through land sales from an adjacent medical technology park. In the case of the malting plant the City will recover part of its investment in utilities from water sales and wastewater processing fees, as well as from development in newly opened areas nearby.
6. Resources for incentives must be available. This will not always be the case.