



**CITY OF GREAT FALLS
COMMISSION AGENDA REPORT**

Item: Tax Increment Application Process and Forms

From: City Staff

Initiated By: City Staff

Presented By: Cheryl Patton, Assistant City Manager

Action Requested: Approve Process and Application Form

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (approve/reject) the attached Tax Increment Application Process and Application Form”

2. Mayor calls for a second, discussion, inquiries from the public, and calls the vote.

Staff Recommendation: Staff recommends the City Commission approve the proposed Tax Increment Application Process and the Application Form as attached or make modifications to either document.

Background: The City of Great Falls has several districts which have been approved according to state statute for use of Tax Increment Financing of public improvements. Those districts include the Downtown Urban Renewal District, The West Bank Urban Renewal District and the Agri-technology Industrial District.

The City has not granted funding requests from the private sector for tax increment assistance for many years. However, the City had past experience in lending tax increment funds from the Downtown Revitalization Urban Renewal District in the 1980's. Besides the loan program in the 1980's, the City has used tax increment revenue for public improvements within the districts which help to accomplish the goals outlined in the district's plan at the time each district was created by the City Commission.

The City has been approached by two, separate developers planning projects within the West Bank Urban Renewal District requesting consideration for tax increment assistance. After a Work Session with the City Commission on August 19, 2008, staff believes that each project should be judged on its own merits and the requests should be evaluated by a knowledgeable group for appropriateness and impact to the district and community.

City staff has researched the process that the Missoula Redevelopment Agency (MRA) uses to assist private developers with projects within their urban renewal districts. The forms requested for approval tonight were adapted for The City of Great Falls' use from the written process and application forms used by MRA. The City's suggested **Process** follows that of the MRA in stating that the maximum TIF participation in any one private project would be limited to 10% of the construction/rehabilitation costs, exclusive of acquisition cost. Projects demonstrating extraordinary benefit to the Districts or the community, could, at the discretion of the City Commission, receive additional assistance.

The attached **Process** outlines eligible activities under state statute; an application process to be followed; and criteria to evaluate the request and the project. The **Application Form** requests applicant and project information including project costs, project financing and a project pro forma. This information will be used by the staff evaluation group, the Planning Board and the City Commission in determining the need and appropriateness of tax dollar participation in the project.

The **Process** states that the Planning Department will be the lead agency to accept applications. Planning will also convene the City staff group to evaluate the requests and will formulate a recommendation to the Planning Board for their review and consideration. The Planning Board is charged with making a recommendation to the City Commission for its consideration. The City Commission retains all powers granted in state statute.

Fiscal Services will be the lead agency in accounting for tax increment funds and preparing any necessary bond documents. If formal development agreements are needed, staff will rely on assistance from professional bond counsel. For each project, a project manager will be assigned from an appropriate department to ensure completion of the project in conformance with the approval by the City Commission.

Concurrences: The documents requested for approval have been reviewed by the Directors of Fiscal Services, Planning, Community Development, Public Works and Park and Recreation Departments and the Assistant City Manager.

Fiscal Impact: Tax Increment Revenues are available to be spent by the municipality on eligible activities outlined in state statute for a period of 15 years or the length of any bond issue. Each tax increment district has goals to be accomplished, including public improvements which were outlined in the plan when the district was created. Funding that is provided to assist private development with public improvements could also go toward meeting the Districts goals or could be returned to the taxing jurisdictions. TIF assistance to the private sector is viewed as an appropriate incentive to help a development or redevelopment project become reality.

Alternatives: The City Commission can approve these attachments as presented, modify either attachment or reject the **Process** and/or **Application**.

Attachments/Exhibits:

Tax Increment Financing Application Process
Tax Increment Financing Application

**CITY OF GREAT FALLS
WEST BANK URBAN RENEWAL DISTRICT &
INDUSTRIAL TAX INCREMENT DISTRICTS
TAX INCREMENT FINANCING APPLICATION PROCESS**

IMPORTANT: The material included below outlines the Tax Increment Financing application process and the responsibilities of the Applicant and the City of Great Falls. The Planning Department is charged with processing all applications and accomplishing the plans established with creation of each district. Private projects requesting Tax Increment financial assistance will be evaluated by the Planning Board. The Planning Board will prepare a recommendation to the City Commission concerning each individual request using the criteria outlined in this document. Please review this information carefully before submitting the application forms or finalizing your development plans.

Failure to receive approval of a completed application BEFORE construction begins may affect the Applicant's eligibility for Tax Increment Financing assistance from the City of Great Falls.

INTRODUCTION

The City of Great Falls is responsible for administering the urban renewal program in Great Falls, pursuant to Montana Urban Renewal Law (Title 7 Chapter 15 parts 42 and 43, Montana Code Annotated). Tax Increment Financing (TIF) is an important element of the program as it provides the City with a means to finance urban renewal, industrial, technology or aerospace activities. The TIF program operates by first establishing a base year taxable value for all properties within the appropriate district. In the case of the West Bank Urban Renewal District, the base year is 2007. Property taxes from that District continue to be paid to all taxing jurisdictions on the basis of the 2007 base year valuation. All increases in property taxes in the District above this base valuation, due to new development or reappraisals, are assigned to the City to be used to finance urban renewal activities within the District.

Applicants for TIF assistance are subject to program eligibility analysis and project review criteria listed below. In addition, project applications will be accepted and processed in the order in which they are received and approved based on the availability of funds in consideration of goals of the plan for the appropriate district.

ELIGIBLE ACTIVITIES

7-15-4288, M.C.A defines how tax increments can be used by the municipality to pay 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 and includes:

1. Land acquisition, including acquisition of infrastructure-deficient areas and assemblage of land for development by private enterprise or public agencies, including sale, initial leasing, or retention by the municipality itself at fair value.
2. Demolition and removal of structures.
3. Relocation of occupants.
4. Public improvements such as the acquisition, construction and improvement of infrastructure which includes streets, roads, curbs, gutters, sidewalks, pedestrian malls, alleys, parking lots and off-street parking facilities, sewers, sewer lines, storm sewers, waterlines, waterways, sewage and water treatment facilities, natural gas lines, electrical lines, telecommunication lines, rail lines, rail spurs, bridges, publicly owned buildings and other public improvements.
5. Costs incurred in the exercise of urban renewal powers allowed under 7-15-4233, M.C.A.

APPLICATION PROCESS

Anyone seeking TIF assistance from the City must submit a written application for each TIF-assisted project.

The following procedure has been developed to allow for a thorough and public review of TIF funding requests.

1. Initial Contact. Contact the Planning Department, Room 4, lower level of the Civic Center, to discuss the project and determine eligibility for TIF assistance.
2. Prepare a Written Application. The Applicant must prepare a written application for each funding request. For all TIF requests over \$10,000, the Applicant must also complete a “Developer’s Statement of Qualification and Financial Responsibility” which includes submittal of developer’s financial statements. This additional form may also be required of other Applicants by staff when deemed necessary for the evaluation process.
3. Staff Review. Upon submittal of all necessary information, a staff group consisting of Fiscal Services, Planning, Community Development, Park & Recreation, and Public Works department heads and the Assistant City Manager will review the merits of the project and the need for funding. The Planning Department staff will prepare a staff report and recommendation to the Planning Board.
4. Planning Board. The staff recommendation will be considered by the Planning Board who in turn will prepare a recommendation to the City Commission for final approval. At any point in the review process the staff, the Planning Board or the City Commission may request more information of the Applicant or solicit comments on the project from other public agencies. Upon submittal of the

appropriate affidavit, developer's financial statements will not be subject to public review or presentation to or comment by other agencies.

5. City Commission Review and Approval. The City Commission will review the project, will consider the recommendation from the Planning Board and will approve or reject the funding request or any part thereof along with any special terms of TIF assistance.
6. Development Agreement. If TIF assistance is approved, the City and the Applicant must execute a legally binding Development Agreement which establishes the terms and conditions of the TIF assistance. Among the terms and conditions, the Agreement shall specify the schedule for the start and completion of the project and may require the Applicant to guarantee repayment of TIF assistance if the terms of the Agreement are violated by the Applicant. The Development Agreement shall also specify whether the Applicant or City will be responsible for bidding or obtaining cost estimates and selecting contractors for funded activities. If the City is specified, it will follow public bidding and selection procedures as required by state law. The Development Agreement must be approved by the City Commission.

IMPORTANT NOTE: Costs to be paid with TIF monies may not be incurred by the Applicant prior to funding approval and the satisfaction of any conditions of such approval.

CRITERIA FOR REVIEW

Materials contained in TIF applications are used to assess the merits of projects in relation to the goals and objectives of the West Bank Urban Renewal Plan or other appropriate district plan. To measure the public benefit derived from the project, the City evaluates projects based on the following criteria. Each project is judged on its own merit; therefore, no weight is given to any of the criteria. However, the first six criteria are the most important in evaluating projects and must be addressed in the staff recommendation.

1. Economic Stimulus – The amount of economic activity to be generated by the project is assessed, as well as the leverage ratio of public to private investment. In general, the maximum limit of participation in any one project is 10% of the construction/rehabilitation costs, exclusive of acquisition cost. 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.

2. Tax Generation – The increase in taxable value due to new construction/rehabilitation as estimated by the County Assessor’s office to determine tax increment generation.
3. Employment Generation – Total employment generated by the project as assessed in terms of new permanent and part-time jobs, and construction jobs.
4. Elimination of Blight – The project’s direct and indirect impact on the physical and fiscal deterioration within the appropriate district and the community, as identified in the West Bank Urban Renewal Plan or the appropriate district plan for industrial, technology or aerospace districts.
5. Special or Unique Opportunities – The extent to which the project 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.
6. Impact Assessment – The extent of both positive and negative environmental impacts, appropriateness of the project design, and impact on existing businesses or residents.
7. 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.
8. Project Feasibility – A determination of feasibility is made based on the strength of the Applicant’s demonstration of market demand for the project as contained primarily on the pro forma and financing commitments.
9. Developer Ability to Perform – An assessment of the Applicant’s capability to undertake the relative complexities of the project based on past performance on similar projects.
10. Timely Completion – The feasibility of completing the project according to the Applicant’s project schedule.
11. Payment of Taxes – All property taxes, special improvement district assessments, and other assessments on the project property must be paid to date.

**CITY OF GREAT FALLS
WEST BANK URBAN RENEWAL DISTRICT
INDUSTRIAL TAX INCREMENT DISTRICTS
TAX INCREMENT FINANCING (TIF) APPLICATION**

Project Name: _____ Date Submitted: _____

APPLICANT INFORMATION

1. Name: _____
2. Address: _____

3. Telephone Number: _____

PROJECT INFORMATION

1. Building Address: _____
2. Legal Description: _____

3. Ownership: _____
Address: _____
4. If property is not owned by the Applicant, list leasehold interests: (Attach evidentiary materials.)
Name: _____
Address: _____
5. Existing/Proposed Businesses: _____
Business Description: _____

6. Employment: Existing FTE Jobs _____
New Permanent FTE Jobs created by project _____ Construction FTE jobs _____
7. Architectural/Engineering Firm
Firm: _____
Address: _____
Representative: _____
8. Description of Project: (Attach narrative explanation.)
9. Rehabilitation/construction Plans (Attach schematics, site, and landscaping plans.)
10. Project Schedule: (Attach time line or schedule through completion.)

PROJECT COSTS

Land and Site Improvements (Itemized)

- 1. Equity in Land and Buildings \$ _____
- 2. \$ _____
- 3. \$ _____
- 4. \$ _____

Subtotal \$ _____

Construction/Rehabilitation Costs (Use general construction trade divisions)

- 1. \$ _____
- 2. \$ _____
- 3. \$ _____
- 4. \$ _____
- 5. \$ _____
- 6. \$ _____
- 7. \$ _____
- 8. \$ _____
- 9. \$ _____
- 10. \$ _____

Subtotal \$ _____

Fees

- 1. A&E design/Supervision \$ _____
- 2. Permits _____ \$ _____
_____ \$ _____
- 3. Other fees _____ \$ _____
_____ \$ _____

Subtotal \$ _____

Total Project Development Costs \$ _____

PROJECT FINANCING

Please complete Sources of Funds detail and summarize below.

Developer Equity

Cash Invested \$ _____
 Land & Buildings \$ _____
 Other (Specify) _____ \$ _____
 _____ \$ _____

Subtotal \$ _____

Lender Commitments (Attach evidence i.e. Letters of Credit or other documentation.)

Lender	Loan Amount	Interest	Term	Payment/Period
_____	\$ _____	_____ %	_____ yrs	\$ _____/mo
_____	\$ _____	_____ %	_____ yrs	\$ _____/mo
Total Loan Amount				\$ _____

TIF Request

Eligible Improvements (See Narrative)

\$ _____
 \$ _____
 \$ _____
 \$ _____
 \$ _____

Subtotal \$ _____

Sources of Funds Summary (Post totals from above)

Developer Equity \$ _____
 Lender Commitments \$ _____
 TIF Request \$ _____
 Other Funds (Specify) _____ \$ _____

Total Project Financing \$ _____

PRO FORMA

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$	\$	\$	\$	\$
Less: Vacancy and Credit Losses	-	-	-	-	-
Gross Operating Income	=	=	=	=	=
Less: Operating Expenses					
Accounting and Legal	\$	\$	\$	\$	\$
Advertising	\$	\$	\$	\$	\$
Property Insurance	\$	\$	\$	\$	\$
Property Management (cleaning, etc.)	\$	\$	\$	\$	\$
Property Taxes	\$	\$	\$	\$	\$
Repairs and Maintenance	\$	\$	\$	\$	\$
Services (laundry, etc.)	\$	\$	\$	\$	
Supplies	\$	\$	\$	\$	\$
Utilities	\$	\$	\$	\$	\$
Miscellaneous	\$	\$	\$	\$	\$
Total Operating Expenses	=	=	=	=	=
Net Operating Expenses (Gross Operating Income -Total Operating Expenses)	\$	\$	\$	\$	\$
Less: Total Annual Debt Service	-	-	-	-	-
Cash Flow Before Taxes	=	=	=	=	=

**DEVELOPER'S STATEMENT OF QUALIFICATION
AND FINANCIAL RESPONSIBILITY**

Applicant

1. Name: _____
Address: _____
2. If the applicant is not an individual doing business under his/her own name, the applicant has the status indicated below and is organized or operating under the laws of _____.
_____ A corporation
_____ A nonprofit or charitable institution or corporation
_____ A partnership known as _____
_____ Other (explain) _____
Date of organization: _____
3. Names, address, title of position (if any), and nature and extent of the interest of the officers and principal members, principal members, principal shareholders, investors, or partners of the applicant.

<u>Name and Address</u>	<u>Nature and Extent of Interest</u>
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Financial Condition

1. Provide a current financial statement for each private entity involved in the project.
Documentation of financial capacity may include net worth statements, balance sheets, or profit and loss statements.
2. Has the applicant or any individual or entity affiliated with the development of this project been adjudged bankrupt, either voluntary or involuntary, within the past ten years?
No _____ Yes _____ If yes, give date, place, and under what name _____

3. Has the applicant or any individual or entity affiliated with the development of this project been indicted for or convicted of any felony within the past 10 years?

No_____ Yes_____ If yes, give the date, charge, place, court and action taken for each case _____

CONSTRUCTION CONTRACTOR

1. Identify the construction contractor or builder who will undertake this project.
Name: _____
Address: _____
2. Has such contractor or builder ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract within the last 10 years? No_____ Yes_____ If yes, explain.

CERTIFICATION

I (we), _____ (please print), certify that the statements and estimates within this Application as well as any and all documentation submitted as attachments to this Application or under separate cover are true and correct to the best of my (our) knowledge and belief.

Signature _____

Address _____

Title _____

Address _____

Date _____

Date _____

Signature _____

Title _____