



Agenda # 8
Commission Meeting Date: November 18, 2008

CITY OF GREAT FALLS
COMMISSION AGENDA REPORT

Item: Resolution 9796, Resolution of intention to approve a development project proposed by West Bank Properties, LLC (West Bank Properties Project) and associated public improvements as an urban renewal project and to authorize financing the public improvements with tax increment revenues; calling for a public hearing; and establishing compliance with reimbursement bond regulations under the Internal Revenue Code (OF 1499)

From: Benjamin Rangel, Planning Director

Initiated By: West Bank Properties, LLC – Brad Talcott

Presented By: Benjamin Rangel, Planning Director

Action Requested: City Commission adopt Resolution 9796, which calls for a public hearing on December 2, 2008 to consider approval of several items

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (adopt/deny) Resolution 9796.”

2. Mayor calls for a second, discussion, and call for the vote.

Staff Recommendation: It is recommended the City Commission adopt Resolution 9796, which calls for a public hearing on December 2, 2008 to consider approval of several items.

Background: In conjunction with several area property owners, the City of Great Falls is interested in the revitalization and redevelopment of an area located near the west bank of the Missouri River, generally north and south of Central Avenue West. The City has taken steps to establish an urban renewal district and plan for the area under Montana’s urban renewal authority. A tax increment financing provision was also established.

With creation of the West Bank Urban Renewal District and a pending request for use of tax increment funds within the District, the City Commission established a process to review and evaluate projects and funding requests. The process is initiated with the submittal of an application form to the Planning Office for tax increment financing assistance. Subsequent steps include:

1. The Planning Office convenes a “City staff group” (consisting of Fiscal Services, Planning, Community Development, Park & Recreation, and Public Works departments heads and the Assistant City Manager) to evaluate the application and formulate a recommendation to the Planning Board;
2. The Planning Board considers the staff report and recommendation and makes a recommendation to the City Commission; and,
3. The City Commission makes a final decision as the urban renewal agency.

The City of Great Falls is responsible for administering the urban renewal program, pursuant to Montana Urban Renewal Law. The Tax Increment Financing (TIF) program operates by first establishing a base year taxable value for all properties within the established 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. However, 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 West Bank Urban Renewal District.

Projects requesting TIF funds are subject to program eligibility, project review criteria, availability of funds and ability to meet the goals of the West Bank Urban Renewal Plan.

During development of the West Bank Urban Renewal District Plan, the area was found to be deficient of streets, sidewalks, curbs and gutters, resulting in poor traffic access and circulation and storm drainage problems. As such, it was anticipated a large amount of financial resources would be needed to install public infrastructure. Therefore, during the process of creating the District, the Planning Board and City Commission were specifically advised that redevelopment in the area would involve participation by both the public and private sectors and that the City’s contribution would be in the form of assisting with the provision public infrastructure (streets, curb & gutters, sidewalks, water systems, sewer systems, storm drainage systems, parking and related improvements) to encourage, facilitate and enhance private investments and reinvestment in the area. As such, the agenda reports to the City Commission specifically advised that the funds derived through the increment program would be used for public improvements. Additionally, the “Goals and Strategies” section of the Urban Renewal Plan presents the category of public infrastructure improvements to be addressed by the Plan. These include “Sewer and Water Services,” “Area Access,” “Park Development,” etc.

An application for use of West Bank Urban Renewal District tax increment funds has been submitted by West Bank Properties, LLC, addressed as 4415 River Drive North, Great Falls, Montana. The company members include Brad Talcott, Linda Caricaburu and Rodger Forni.

On September 30, 2008, Brad Talcott and his business manager, Jim Drishinski, presented the project to the “City staff group”. They described the proposal as a mixed use development project to include a Staybridge Suites hotel (Exhibit 1) and future sites on the approximate 5½ acre parcel for a restaurant, office building and retail shops. See the attached preliminary site master plan (Exhibit 2) for a general configuration of the proposed facilities, including parking areas, internal vehicular circulation and landscaping. The project will generally be located east of 3rd Street NW between 1st and 4th Avenues NW (Exhibit 3). Total project development costs are estimated at \$13,355,125 (Exhibit 4). The Montana Department of Revenue has estimated

that about \$135,000 in tax increment funds would be generated annually by the hotel portion of the development project (Exhibit 5).

West Bank Properties requested tax increment financing for the following list of activities:

▪ Bury Existing Power Lines	\$325,000
▪ Demolish Existing Structures	\$200,000
▪ Relocate Existing Tenant	\$125,000
▪ Utilities (Water, Sanitary & Storm)	\$185,000
▪ Curb and Gutter	\$38,000
▪ Sidewalks	\$30,000
▪ Parking Lots and Roads	<u>\$295,000</u>
	\$1,198,000

The applicant also reviewed the merits of the project and described the public benefit derived from the project, as measured by the eleven review criteria listed in the “Tax Increment Financing Application Process” regarding economic stimulus of the project, tax generation, employment generation, elimination of blight, special or unique opportunities, impact assessment, financial assistance, project feasibility, developer ability to perform, timely completion and payment of taxes.

On October 3, 2008, the “City staff group” met to jointly review the proposal and develop a consensus on the extent of tax increment assistance to be recommended to the Planning Board. The process specifically involved:

- Agreed with the applicant’s assessment that the proposal substantially satisfies the eleven review criteria;
- Agreed that the list of activities for which the applicant has requested TIF funds may be eligible activities, as specified in Montana Urban Renewal Law (Section 7-15-4288, M.C.A.);
- Reviewed the West Bank Urban Renewal District Plan and concluded from there perspective that not all of the proposed activities, for which TIF funds were requested, satisfy the Plan purpose, goals or strategies regarding the intended use of the tax increment funds for public infrastructure and improvements.
- Developed a consensus that all or portions of three activities would be recommended to the Planning Board for tax increment assistance. These included:
 1. Bury existing power lines (fund entire activity)
 2. Utilities (fund the public portion to loop water system)
 3. Sidewalks (fund the public segments along 3rd St. NW & 1st Ave. NW)

It was proposed these activities be undertaken by the applicant and specific costs be reimbursed by the City with tax increment funds, based on actual contractor billed invoices, estimated to be in the range of \$400,000 to \$500,000.

Although an important utility for the area, the existing overhead power lines essentially bisect the proposed development site, as well as other portions of the Urban Renewal District. As such, their location was viewed as having negative physical and visual impacts for redevelopment of the area. Therefore, the relocation and burying of the utility was thought to be a benefit to not only the applicant, but to the overall district. Thus, a justified and eligible cost for use of tax increment funds.

Although the remainder of the above listed activities are eligible under Montana Urban Renewal Law, staff felt they did not satisfy the intended use of funds, as specified during creation of the Urban Renewal District and as spelled out in the Urban Renewal District Plan, that is, funds would be used for public infrastructure and improvements. As such, staff did not recommend funding for the remaining projects.

Staff acknowledged and the applicant was aware that no tax increment funds are currently available and that a “gap” financing mechanism would need to be identified and agreed upon by the City and the applicant.

On October 14, 2008, the Planning Board met to review the development project and to consider the staff report and recommendation. Following presentations by staff and the applicant, as well as a lengthy discussion, the Planning Board unanimously passed a motion recommending the City Commission approve the use of West Bank Urban Renewal District tax increment funds, not to exceed \$900,000, for the below listed improvements. The recommendation was contingent on West Bank Properties, LLC agreeing to relieve the City of any financial liability or responsibility to pay for said improvements should the proposed development project not proceed or be completed or should taxes received from the project be insufficient to cover debt payments on the improvements. The improvements included:

- a) Bury existing power lines; and,
- b) Install utilities (to include water, sanitary sewer & storm sewer), roads (to not include parking lots), curbs, gutters and sidewalks.

Concurrences: A “City staff group” consisting of Fiscal Services, Planning, Community Development, Park & Recreation, and Public Works department heads and the Assistant City Manager evaluated the application and formulated a recommendation to the Planning Board. In turn, the Planning Board developed a consensus and provided a recommendation to the City Commission. The City’s Bond Counsel concurs with the format and content of the Resolution.

Fiscal Impact: No direct fiscal impacts to the City are anticipated as a result of providing tax increment funds for the improvements associated with the proposed development project.

Alternatives: The City Commission could deny Resolution 9796 and not set the public hearing. However, such action would deny the applicant due process and consideration of a public hearing, as provided for in State Statute.

Attachments/Exhibits:

1. Resolution 9796
2. Staybridge Suites representation, Exhibit 1
3. Preliminary site master plan, Exhibit 2
4. Vicinity map, Exhibit 3
5. Project application, Exhibit 4
6. Estimated tax increment funds, Exhibit 5

Cc: Brad Talcott, West Bank Properties, P.O. Box 2493, Great Falls, MT 59403