**Lockwood TEDD\_BOCC Discussion 01-12-15**

We’ll be heading out before 3 so welcome and I think the single focus of today’s meeting will be to discuss a possible TEDD in the Lockwood area. Steve is this what I see or Janice

Well I’ll start and then I’ll refer to Janet to walk us through some information. Just for the record we are conducting a series of meetings over the next couple of days so we are keeping a record of participation. We had a tour this morning and we had about 25 or 30 folks on that tour and I know this may seem redundant to your process but we want to keep a record of everybody that’s here today so if you would all sign in that would be helpful to us. I’m want to provide just a snippet of background. Why are we here today and then Janet’s going to take it away and talk specifically about TEDD, what it looks like, what it doesn’t do and then we’ll talk about our process over the next couple of days all with a goal of being prepared to come back to you and present our phase one findings and open a hearing with you and then see where we go from there. Hopefully on to phase 2. So why are we here. We had completed with KJO an industrial park feasibility analysis in October of this year. We presented those finding to BSED Board of Directors and really through those findings we identified the fact that we have a need for providing planned, ready to go, industrial space in YC. To support the needs of industry as they look to grow and to provide an opportunity for future industry grown in YC and job creation. Obviously as a part of that process we looked at throughout YC. We looked at three concept areas and the one that rose to the top in those deliberations was the concept area that we now call the Lockwood Concept Area. Janet will be showing maps of exactly where that concept area is. It has rail, truck infrastructure, transportation infrastructure that’s really important but it also has some existing private sector interest who we are looking at as a catalyst project opportunity to kind of help jump start this opportunity to help plan, develop, ready to go industrial space which is fundamental in supporting existing and future industry. We don’t want to present industry with problems they have to fix themselves. We want to look at a partnership approach and that’s what the KLJ report told us is, don’t go out on your own, find a way to do this in a partnership approach. The report also recommended that we look at the concept of creating a TEDD as a tool to help fund infrastructure that’s needed to help stimulate private investment. So that’s what we are really here to talk about today. Two final comments from me, we have a company here in town called Highland Projects and they are located in an area that is zoned industrial but part of a neighborhood in Billings has grown up around them. That creates conflicts and challenges for both the company and the neighborhood. So we want to try and find an alternative for companies who find themselves in that situation, who are pressured by the growth of our community and trying to figure out their best opportunity to grow. Secondly I was in Fort Worth back in October. I met with Burlington Northern Sante Fe; their headquarter office was a great facility, especially if you’re a history buff or a train buff it’s just a neat place to be. We talked specifically about our industrial park feasibility analysis. I met with Vann Cunningham who is the VP for economic development for Burlington Northern Sante Fe for the whole system. I presented our industrial park feasibility study to him and he said you’re doing exactly the right thing. If you don’t have land that is ready to go and infrastructure in place or a plan to make that happen quickly for business, you have nothing to sell. I don’t know that we have nothing to sell but I want to be in a position, to position our County so that we’ve got at least a head start and can partner effectively with private industry when they’re ready to grow. And that’s really why we’re having this whole discussion on TEDD so that we can try and meet those goals and be ready when businesses are ready. With that background I will turn it over to Janet Cornish (sp?). She has been involved with TIFF districts throughout the state of Montana both urban renewal TIFF’s as well as industrial TIFF’s and now also with TEDD districts. And so we are bringing on a really important expert to help us with this analysis and we hope to bring back to you very thoughtful information on why this is an important consideration for YC. So Janet, thank you, welcome aboard, we appreciate you helping us lead this process.

Thank you, Steve. Thank you members of the Commission. I hope that you can all see the projectors. Those in the audience may need to turn around a little bit. Again, my name is Janet Cornish. I’m with Community Development Services of Montana out of Butte and I’m working with Lynnette Windamaker (sp?) who is a certified planner out of Bozeman and she and I have had the opportunity to work together on several TIFF districts over the years. I began my work setting up Butte’s Silverbows (?) first TIFF district and really believe strongly in this as a wonderful tool, a self-driven, locally driven tool that can assist local government in meeting critical infrastructure needs and addressing blight in downtowns. Before I get started I wanted everybody to know that Steve and Sarah Hudson who is the Project Manager with BSED and the rest of the staff are here too and I hope that you will help me if need be, fill in on certain points and perhaps some of the questions that you all have might be better answered in some cases by the folks from the BSED group. I should also begin by explaining that TEDD, which is what we are going to be talking about today and urban renewal districts of which there are several within the City of Billings as well as in the town of Laurel are both provided for within the urban renewal law. The Montana urban renewal law provides for these two types of districts and also authorizes the use of what we call TIFF within these types of districts. So we’ll go ahead to the next slide. In today’s presentation I’m going to go through, and I should also mention that our services have been contracted by BSEDA to assist the community, to assist the County in looking at the appropriateness and the feasibility of employing one of these special districts, the TEDD in the community of Lockwood for, as I said, TEDD. Our presentation today is going to begin with a little summary of what we’re doing here in this visit with all the community here in YC. I’m going to talk a bit about what are TEDD and what is this financial mechanism, TIFF, how does it work and then our activities are divided into two groups. The first is phase 1 which is, we are going to go through the steps involved in phase 1 and then if the County Commission decides it want to move forward with this project, we would discuss what would be involved in the next steps in phase 2. I also have a few words about how these districts operate, how there managed and then an opportunity at the end for questions. But if something comes up in the course of presenting this information that you would like a clarification sooner or have a question, please feel free to ask me. I will be happy to answer that question. Next slide. Today, this morning, we had a tour of the site and now we’re meeting with all of you here at the Commission and then at 4:00 we are going to be meeting with what we’re calling the utility’s working group which will enable us to hear more about what are some of the, in this Lockwood area, concerned about, what are the infrastructure deficiencies that exist. I should step back a bit. I mentioned that there is two types of districts that are used, that are covered in the Montana urban renewal law, the first is urban renewal the second is TEDD. Urban renewal districts are aimed at addressing blight in historic areas, older commercial districts, districts that have experienced decline. TEDD are aimed at infrastructure deficiency which present a challenge or an obstacle to economic development. So in order to establish those infrastructure deficiencies we have to do a number of things which include on-site visits as well as talking with the people that provide infrastructure to the area and also with the businesses who can identify infrastructure deficiency that prevent them locating or expanding into other area. So this afternoon we’re going to be meeting with this utilities working group and the Lockwood water and sewer district to identify some of those infrastructure deficiencies and this evening were holding the first of two public meetings at the Lockwood Middle School starting at 7:30 to answer questions and to get input on this proposed idea for creating a TEDD. Tomorrow were meeting with the various taxing jurisdictions that could be affected or are affected in this area or are involved with this district and I’ll be explaining what that means in a few minutes. Then we will hold a second public meeting tomorrow at the weed management headquarters on the frontage road. Then tomorrow evening we will be meeting with both the Lockwood School Board and the Yellowstone City County Planning Board. Next slide. So what are TEDD. As Steve mentioned we use to have a variety of, not only urban renewal districts, but we also had a variety of non-urban renewal districts that the state allowed for industrial, aerospace, technology districts. In 2013 the Montana legislature said we’re only going to have two types of districts; urban renewal and TEDD. TEDD were set up again, to assist communities in meeting infrastructure needs in support of the location, retention and expansion of what are called value adding industries. And value adding industries are those industries that transform a product from one form to another. That can be through manufacturing, processing, so changing wood to furniture, agricultural products to more finished products for consumption. It also can refer to activities associated with mining and milling, recycling materials and adding value that way. It has a very broad definition but it is all within the general definition of transforming products from one form to another. It also includes technology value adding industries. So if you’re doing medical research, energy research, anything that would add value to a concept, add value to finding a better cure for a particular disease, or making an energy system more efficient, that would be adding value to that idea is also included in that definition. TIFF as I mentioned earlier is a tool that can be used in a TEDD that allows communities to redirect new taxable revenue, or tax revenue that occur from new development and reinvest those new tax dollars in the area in which they were generated. That enables a public/private partnership to incur. We’ll come back to this in a minute. It enables public/private partnerships through private investment and industrial activity or technology activity partnered with public investment in infrastructure to create a viable economic program. Next slide. So again, what is TIFF? It's defined in the Montana codes, again in the urban renewal district and urban renewal law. I will read this slide because I think its best to say it directly, it enables communities, cities and counties, to direct property taxes from new development within a designated and in this case infrastructure deficient geographic area to various public development activities such as infrastructure improvement, service improvement. A base year is established from which incremental increase in property taxes are measured. Next slide please. So here is the graphic representation of what I’m talking about. So you begin with a situation, in this case, how this would play out in the area that Steve is talking about, the Lockwood concept area. While the area has experienced some growth over time, the lack of infrastructure has impeded, essentially stymied the ability of that district to continue to grow. In some cases that has resulted in either stagnating property values or even declining property values in certain cases. But in this case, particularly in Lockwood, we’ve some growth in that concept area but now that growth has been restricted or stymied or impeded by the fact that there is not adequate infrastructure to support additional growth in the area. If you were to create a TIFF what happens at that point at the beginning, all of the tax dollars that area currently generates would continue to be directed towards all the taxing jurisdictions, the county, the state, the school, the fire district, sewer and water, all of those various taxing entities. Any new taxes that were generated because of new development in that area, as a result of investment in infrastructure, all that new increment would be available to YC, to reinvest in that area through the life of the district. When a district sunsets, at the end of that period, than all of the new taxable value would become part of the base and resulting revenues would increase not just for the district but for the whole county. You would be able to have a more sustainable tax base, you would have a bigger pot so to speak, more tax payers contributing to the entire tax base which is a benefit to all the jurisdictions and all the people of YC. Next slide. How are the other taxing jurisdictions affected? Each taxing jurisdiction as I said a moment ago, all of the different entities that levy taxes in Lockwood would continue to receive the funding, the tax revenues that they do now from this district based on its base taxable value. The area that were considering, we are just in the process of identifying that area with lots of public input. The area that’s being considered, based on the four potential anchor tenants that are in that district currently generates a little over $60,000 a year in tax revenues to YC and to all the other taxing jurisdictions. That would not change, that would continue to be revenue. Just for the sake of understanding that, all that $60,170 currently about $13,008 goes to the general fund, another $13,008 goes to the fire district, $8,400 goes to the state education fund, $6,000 to the Billings School District #2, the high school, and $13,200, a little bit over that, goes to the Lockwood Schools. So that district is currently generating that much money. When we invest in that area, I should mention, while that base will continue to be the same, areas outside that industrial area, as they grow, all of those funds will continue to go to different taxing jurisdictions. You have new investment inside that TEDD creating demand for businesses and new homes outside the boundary of that district. Those would grow as a result of this investment and while you wouldn’t recognize the new tax dollars inside the district for a period of time you would still be getting the base plus anything that would grow outside the district. Next slide. So what we’re really talking about with TIFF and with TEDD in particular, is that were making an agreement. We’re saying to a business, to a value adding business, if you choose to invest in this area, if you make that choice to invest in our TEDD, we will take your tax money and reinvest it in that area, in public infrastructure improvements in support of your investment. So just to take some numbers just to give you an idea of what that means, if you have a new investment that’s appraised at $2 million, the Dept. of Revenue says this has an appraised value of $2 million, that would translate to about $44,000 in taxable value. The state uses a percentage and we’re just kind of guessing here we think that percentage might be around 2.2% for 2015. That translates to $44,000. If you live in Lockwood you currently pay 727 mills or you currently experience a levy of 727 mills against taxable value. We take 6 out of those for the University levy and we’re left with 721 mills which are levied against those $44,000 of taxable value, would generate $31,000 and sometimes $36,000 in tax increment which intern would be invested in the public infrastructure for that area. So the private contribution essentially is $2 million of appraised value, the public contribution is taking those tax dollars and investing them in public infrastructure that benefits those industries and in the long run will benefit the county as a whole. And unlike tax abatement, which I know YC does do, where you give a tax break, in those cases certainly an individual business might benefit, but in this case you’re not giving anyone a tax break, your collecting their taxes but directing them in a way that has greater value and the ability to leverage other dollars that will ultimately benefit the entire county. So again, it’s the private investment , the private part of this partnership and then the public piece is that tax increment being directed towards making infrastructure. And again, without that infrastructure it’s difficult for that private entity to make that investment in the first place. Next slide. If we want to look at this in a bigger picture, the current taxable value in the county including the taxable value of the increment is $307 million. All of that only currently about $6.7 million is new taxable value that’s occurred in your existing tax increment districts in Billings and in Laurel. That represents only 2.18% of the counties total taxable value. So we’re really not talking about a big percentage. We’re talking about the counties current status with respect to the tax increment programs in Billings and in Laurel. We are really talking about a fairly small amount relative to the entire taxable value of the county but yet could have a potentially wonderful benefit in bringing in new sustainable jobs and tax base. Next slide. The other thing that’s really important to remember is that TIFF does not affect the individual property owners in terms of how many tax dollars they must pay. TIFF only affects the way that tax dollars are distributed once they are collected. As always, tax payers pay tax based on the value of your property including improvements but the property owners in that district benefit, surely in the short run, from the investments in public infrastructure and then the entire community benefits in the long run with the ability to support that kind of economic development.

Janet who pays for those inflationary costs, let’s say for state law enforcement, as the wages go up but the dollars collected in the footprint of the TEDD in this case cannot be used, is it not true that other property owners have to pay that increase that would have been spread out to those property owners within the TEDD.

OK. That’s a really good question and I have two answers for that. One is that if you can attribute the increase in cost to law enforcement in your example, or any of the other public services, to activities that are occurring with the TEDD, those services are being directed to the TEDD, the TEDD can help offset some of those increases. The other thing is what we have found is across the state, the taxable valuation while it is frozen inside the TEDD for the purpose of distributing tax dollars, outside the TEDD those property values continue to grow. What we have found that the growth in the communities in general, because of increased employment and economic activity has more than offset the value of that deferred income that they are not able to tap into right away. Yes there are additional costs that can happen through either normal inflation as you point out or through increased activity but the growth that occurs in addition to that, we look every year, the Dept. of Revenue provides every county, every school district, with information about the taxable value and then they take out the incremental taxable value and then they say to the county here’s what you have left after you take the increment out. We have watched those and each year they have gone up.

So if it’s ok to redirect some of the TEDD money to law enforcement could SHUFFLING PAPERS COULD NOT HEAR ALL THE WORDS AT THIS POINT , also hold that the school should also ask for an inflationary cost because they’re teacher’s salaries also went up just like the Sherriff deputies.

Now the inflationary costs that have to do with something, I said if it’s because of the TEDD, in other words if you need more officers in the TEDD because there is more activity there, you could demonstrate that, not because of general ?(SOMEONE COUGHING, MISSED A WORD HERE) increases. I was talking about if those that have to be taken into account by the areas outside the TEDD. But the way that, as I said, if you can show that they need to hire more law enforcement officers or have another patrol car inside, because of activity in the TEDD, you could justify using some of those funds.

I thought I heard you say that there could be more employment outside the TEDD because of what happened in the TEDD.

That’s correct.

As such, there might be more kids in school because of the TEDD.

And school funding is based in part on taxable value but also on the number of students. So the more students the school has the greater share of the state funds they’re entitled to.

Which some of those state funds have been locked away because it is state education dollars and the TEDD cannot be shared with the state.

But in terms of, I’ll tell you a funny story. The Ramsay school district outside of Silver Bow County had levied a certain number of mills every year and they got a windfall, a tax increment district was able to remit some of the money back to them. They didn’t want the money because they would have had to lower their mil levy. What they ended up doing is that they did have to accept the money and lower their mil levy. It was kind of an interesting issue because they had, they were doing just fine, and waiting to, they didn’t want those additional funds because they felt that, in that case, they would have lost their ability to levy mills with the public over the mills and in one year they would have to come back.

Ramsay downwind from the smokestack (LOTS OF LAUGHING –COULD NOT HEAR ALL THE COMMENTS HERE)

The point is that our experience is that we have had great support from the school districts around the state because for a couple of reasons. One is that it increases their enrollment and they do in fact get more money from the state as a result because it’s a per child allotment and secondly they do see, as Ramsay School District didn’t want it in the short term but in the long term they see that as the tax base in the community goes up including the TEDD, then in the long run the tax payers pay less money. It has to be a long term view. I think that’s really the difference in the perception. Ramsay wanted to return that money in the short run because it meant they had to lower the amount of mills they levied but in the long term that would make sense for the people in that jurisdiction, that they pay fewer taxes because of the TEDD. So I like to take the long term view that in the end it’s a way in which communities can look to the future and lower taxes for everyone. Short term, you are freezing that base. Long term your gaining, you’re creating a larger pot, creating more tax dollars coming into your community and then lower taxes for all the residents. So when the district sunsets, again looking at this at the other end for every $2 million of new appraised value that comes in, each, the Lockwood Fire District and the Lockwood School District would receive an additional $7,000 per year in new tax dollars once that district sunsets. Next slide please. Tax increment monies come into a county government than are set aside for use within a district. There is a number of different ways those dollars can be used. They can be used directly as expenditures based on existing cash. So whatever money you have in a particular year, you can use those funds for projects. You can also use it to finance debt, a variety of different debt instruments, conventional loans, owner, developer financing that you pay back, bonds, there is a number of different ways you can use tax increment. You can retire special improvement district bonds, a number of ways to use tax increment with respect to debt financing. You can leverage and use matching funds, so in other words a very small investment of tax increment funds can sometimes generate larger amounts of state grants. We talked about a project we worked on in Stevensville where they’re using in an industrial tax increment district, a small amount of money, they leveraged some economic administration funds for some sewer and water work. Matching funds, you can work jointly with other public and private entities to put different monies together to create public infrastructure improvements. The state of Montana provides for quality loan funds where tax increment monies can be loaned to private individuals for infrastructure improvements. That money can revolve back. The county upon receiving payments can re-loan that money and those loan funds can continue in perpetuity, they outlive the district as long as they continue to be used for projects within the district. And you can also use it for bridge funding. TIFF is all about chicken and eggs. When does the money come in, when are projects ready but you can use tax increment money in small amounts to sort of tide you over until you get grants or other funds that are going to make things work. But there’s really a whole range in which TIFF monies can be used to finance public infrastructure and private infrastructure projects. Next slide. What kinds of things do we typically use those funds for? The law creates quite a list but some of the highlights are roads, rail services, sewer and water, and storm water drainage, utilities such as wire, electricity, gas, broadband communications, telephone lines. You can made land improvements and site preparation and importantly you can also connect to services outside the district. So if the county was working on a major treatment plant of some sort, water treatment plant, or even if the city was, you can use TIFF to finance a portion of that, that would be going out to that district. So then that benefits all the people that are along that line as well. It makes projects that would otherwise be financially unfeasible makes them much more doable because you have added a new financing mechanism to the mix. Public services we’ve talked about, if you can demonstrate a portion of things like fire, ambulance and police services that can attributed to the district. If a district accounts for 10% of emergency calls in a year you could make an argument to say the TIFF money could be used for that as well. Also you can use it to provide direct technical assistance. Some businesses to site study analysis, feasibility studies, that sort of thing on behalf of bringing businesses into the district. Next slide. But remember it’s only one of several tools you always can use, and TIFF is only one of those. We still want to work with state and federal loans and grants, special improvement districts, other public/private partnerships and then developer finance infrastructure improvements. As I mentioned before, the developer can finance things either though a cost sharing program using TIFF or other funding sources to make projects happen. Next slide. So what are the steps in creating a district? Next slide. So were talking right now we’re in phase 1, the purpose of this visit is part of phase 1 is to identify this concept area for consideration and then meeting with all the affecting taxing jurisdictions, the county, the school district, the fire district, and others to determine, to help them understand how this works. The other thing that isn’t on this list I realized I failed to include it is that we are also going to be meeting as I said earlier with the various providers of service and infrastructure, public works folks to get a better sense of what are the infrastructure deficiencies and then to prepare a preliminary boundary map for the proposed district. Now it’s interesting we had this conversation in the office a little bit ago, the size of that study area can actually be bigger than the actual district we ultimately select. We want to create an area that’s large enough that will include that district. We can’t create, study a small area and then try to create a bigger district. The statement of infrastructure deficiency must apply to the area we’re considering and we can choose any subset of that area to make it the entire district. So that’s what we’re basically doing now and then once we have gathered this information we’ll prepare a resolution of necessity for the County Commission to consider and then that will be accompanied by a statement of infrastructure deficiency that documents what type of infrastructure deficiencies exist within this proposed district. The resolution of necessity says that if the Commission would resolve that it is in the interest of the public to address those infrastructure deficiencies as a matter of welfare and public policy for YC. That would be following the preparation of that statement.

Janet, would that statement of infrastructure deficiencies include a cost estimate of the installation of those?

Well we talked, by law, or the statutes don’t provide for any cost because at this point we don’t necessarily know what those would be. The BSED is working with one of the anchor tenants, one of the catalyst projects, with Trailhead Commerce, to come up with some cost estimates to show what it would cost. It’s going to be kind of an addendum to the statement of infrastructure deficiency so it can give you a sense. But we don’t know all the businesses we might attract ultimately over time and what their infrastructure deficiencies might be so we wouldn’t want to lock the County Commission into one set of numbers which may not necessarily always apply. The cost that would be provided would give you at least some indication generally what you’re talking about. Do you want to add anything to that?

Well, only Commissioners we view the Trailhead Commerce Park as being the first catalyst developer or project so we better know what their infrastructure needs are and what those costs are so we are really leaning on Voo(SP?) as we present the general picture to you but then to also present a specific picture for this catalyst project here’s what they need and here’s what it might cost to provide that infrastructure. So I’m looking at Voo and his head is nodding in the right direction that we’re on the same page.

So you’ll have a better sense but again we are using this as a tool to ultimately attract other businesses and we can’t necessarily anticipate. One business may need broadband. Another one may need some sewer systems. Another one might need better rail access. So those are costs that would be anticipated at some point in the future but this way Voo can provide us with at least an idea of what we’re talking about for one of the tenants.

Janet what do you say to an industry in this case, Specific Steele, took the private investment risk, brought in rail services which was very expensive, all without financial help of a TEDD. What would you say to that?

I would say that we appreciate you doing that but we would like to offer you the opportunity to expand even more and provide the kind of infrastructure that you need. We are grateful for your commitment but I would say to them here’s an opportunity to expand your business and grow your company and we would like to partner with you to do that. That’s what I would say.

What would you say to the property owner or legislator whose approached, in this case by the school district, you know folks we need your help to pass a local school levy or bond issue, we’re just tapped out. And they look over there and they see some pipes in the ground that was largely financed with education dollars. What would you say to those owners and the legislators?

I would say that those, that new taxable value would not have been there without the commitment to invest in that infrastructure.

Really, so when you build an off ramp of the interstate, those don’t attract much business. I’m hard pressed to find an off ramp on the interstate that doesn’t develop on the wrong merit(?)

I’m not sure you can stop that

But I don’t think building an off ramp on the interstate doesn’t help build the water and sewer line before the natural gas and electricity or broadband service. How do you finance that part of the infrastructure for those businesses?

Well if you take the south Billing ? one, one side where Cabela’s is and Sam’s Club does probably not need help, government help. Gee on the other side of the interstate there developed to but they did not receive that help. When you build schools they come. When you build access onto the interstate they come. There’s not a lot you can do to keep it from happening.

I don’t know I

If I can refer back to Pacific Steele, because I think that’s a fair question Commissioner, we had Marshal ? who was actually on our tour this morning and he, and as we were touring, I was a little leery about getting the bus stuck in the snow, ? turned us off the road, but we stopped on their footprint and we talked about the investment that they made. One of the challenges frankly that he still has to wrestle with is that he improved the power delivery infrastructure for that whole area so he was out of pocket all by himself. So actually if you talk to Marshall he would welcome new neighbors to that community to help offset the fact that he was the first one in and he had to make all that investment. So what a TEDD does is it basically says that collectively we are creating an area that when we all look at making investment we’re going to partner on providing the infrastructure improvements so that one guy isn’t holding the bag for everybody else and I think as we go through this process we should ask Marshall what he thinks about that but that’s what he conveyed to us on the tour. It’s tough for him to have to have swallowed making that big of an investment himself, he wouldn’t enjoy the neighborhood. And frankly I think that not withstanding the bypass as Janet said, somebody’s got to put water and sewer in the Highway Department is not going to put water and sewer in. You’ve got other infrastructure that can support that industrial area that won’t come just because you put the bypass in. So there’s broader obligations there. I think what the bypass does is make it a very attractive area, I think that’s what you’re saying but you still have those other infrastructure investments to make.

And historically the private sector has done those because they see there’s gain to be made. They did not need government help.

But in fact, I mean what you’re saying is true, but if you look at historically a lot of industries manufactured around the state of Montana paid for a lot of the public infrastructure that we enjoy today. But that isn’t the case anymore. Companies are looking for places where they can have, as Steve mentioned, shovel-ready sites, or sites where infrastructure can be easily added. Again, we are trying to come back and create those base industry jobs and wanting as much leverage as we can while were still having that public/private investment help create those (interrupted by Commissioner)

And I don’t want to dominate this but I got to leave and I know you got to leave

Well, will just keep going

We’re almost done

If I can use an example, we had a possibility of a fourth refinery in the valley here, and in fact, that area. Frankly I wish it had but who would pay for the bond if the bond obligation was set up and this was a very large reason why the district was created by the pipes in the ground and the price of oil crated and it went into bankruptcy. Who would be obligated to pay for the county bond?

That is a really good question. TIF bonds are not general obligations. The county does not, if the tax payer defaults on tax payments, TIF bonds are paid with the tax payments that the developers or the owners pays.

I miss spoke then. Who would pay if there are no taxes then?

The bond would go in default.

Would that reflect on our bond reading?

It does not. It does not go to the general obligation. It goes to

SEVERAL TALKING AT ONCE, OVERLAPPING, HARD TO PICK UP WHAT EACH ONE WAS SAYING AT THIS JUNCTURE.

It would

Every broker I ever talked to said

SEVERAL TALKING AT ONCE, OVERLAPPING, HARD TO PICK UP WHAT EACH ONE WAS SAYING AT THIS JUNCTURE.

But TIFF I thought it would affect your tax increment

Whose name is on it?

What would happen is that, the first thing that would happen is you have to use all your base, you can reset your base. Say you have $10 million of base, you use your tax increment bond and if there wasn’t enough increment to cover the debt service you reset your base so you drop your base from $10 million to $3 million or whatever you needed to make sure you met the service requirements.

But you know, what my experience working with the bond council is that they wouldn’t probably issue a bond. I mean they would have to have some level of credit in the bank, some kind of other guarantee before they would even issue a bond. Or where the owner himself, or the owner of the refinery or whatever would purchase the bonds. They’re not…

Well it would depend on the structure

Yea, it would depend on the structure

It’s way beyond the scope of what we’re talking about here but

But my experience is that the bond council and bond underwriters move very carefully before they would bond

And they do.

Advise you to move forward

But you can, I don’t think you can represent that on your program and it wouldn’t affect the tax payers because I believe it would.

You believe it would.

Have you ever, has a TIFF (SHUFFLING OF PAPERS MADE IT HARD TO PICK UP EVERY WORD AT THIS JUNCTURE) dipped into the base money?

No.

Really.

MANY COMMENTS AT ONCE – UNABLE TO DECIPHER ALL

Oh, oh, I know what you’re talking about. What happened was in Ramsay, ok, that’s a hidden dip into the base. What happened was they started here and then they lost the tax increment, they didn’t have any increment in fact they lost value so they didn’t realize, so the tax base went down. And until the tax base came back up there was no increment. So when Rex Silicon built its plant on that site they didn’t recognize any increment until they reached the base again and then they started recognizing it. So they made everybody whole first. So they didn’t have to dig into the base in the sense of using the base value to make up a loss for the increment debt.

Is that the only example because I believe downtown Billings had to dip into its base.

What do you mean by dip into the base? I guess that’s what I don’t

Well the base is those dollars still go out to the taxing jurisdictions

Right.

Ok. If there’s not enough money to pay for the bond, who pays for it? Downtown Billing, I believe had to go to the base taxes and pay for it.

I just, I’m sorry that I’m drawing a blank, I just don’t know how they could do that because the base is already, it’s not a general obligation.

Well the base is reset if they can’t meet their debt service the base drops, that’s what I was saying. When you create the district the base is set and if you can’t meet your debt service obligation you reset the base at a lower level that takes tax dollars from the existing jurisdictions and that happened in the City of Billings downtown, the original downtown district.

Janet we’ll look at that so we can understand that worse-case scenario.

Right.

I think your right in just, in fact in dealing with bond council now or having serving on the downtown building partnership board of directors, bond council is ultra conservative in terms of letting bonds related to TIFF, in fact maybe that’s probably why they are ultra conservative now.

Yea, and I would want to talk to them too on what statutes were used to do that because again, you can readjust the base, the readjustment of the base can occur. So let’s say for example you got rid of a particular type of tax. Let’s say you changed the rate of the tax or you changed the way in which something is taxed, then you can readjust the base to allow for that if you have bonds outstanding. But on debt service on a bond, that would be something I’m not familiar with.

What happened was the City of Billings downtown, the reappraisal, the reappraisal cycle, the valuation of the downtown district declined fairly substantially, like 20% or something if I recall right and that had a negative effect, it went below the base.

So they adjusted the base

They adjusted, the Dept. of Revenue adjusted the base

Do you know what year that was? Because they changed a lot of those. We were able to do base year adjustments for changes losses of taxes were administrative, executive or judicial changes to the law.

Ten years ago.

That could have been something to do with something that was outside the normal ebb and flow of property values that would affected it based on something that happened external to the district.

We’ll connect you with Greg Krueger, I think Greg could help and then Bruce McCallis with the City. I think those would be good conversations to have.

And the laws could be different now. And I don’t disagree with you that when you get to the point if you do an increment bond, the bond council is going to want it structured so that there is enough equity in it and there’s reserves and there’s projections for growth that are going to be sufficient to meet the debt service. I mean they will be very, very cautious.

And as I said developers in some cases may be asked to get into the bonds, or even to purchase the bonds.

MANY COMMENTS AT ONCE – UNABLE TO DECIPHER ALL

So I guess I appreciate the concern I just, as I said as did Steve, I would like to look at that a little more closely and find out what happened. But my experience has been very positive. So, ok, in terms of selecting a boundary we’re going to be getting input from people who come to meetings, from the Commission and others too, select a boundary that best reflects the areas where infrastructure deficiencies can be addressed, and again, we want to pick an area that’s fairly well, you know, we have a good basis for selecting that area. We want to err on the side, at this point of making sure we include areas that have a good deal of potential because if you don’t include them now and you decide later you want to have them , you have to go through this whole process again to add to those areas. Currently the area of consideration is generally north of the interstate, south of the Yellowstone River, east of Johnson Lane and west of the jurisdictional planning area, the city/county planning area that has been identified. Next slide. This is the map that was distributed today. This just a concept area. I thought maybe Steve you could talk just a little bit about this area.

Actually the rendering represents the Lockwood concept area for industrial space development. It’s not a boundary for the TEDD. We haven’t drawn that boundary. That’s really what the process is over the next few days is to get input on what should be in and what wouldn’t be. But that upper section makes an attempt at representing maybe the development from the Trailhead Commerce Park , there’s that additional development on the other side of Colson Road that potentially would be developed. So this really was drawn out of our work with KLJ and then over the next few days we’ll start to draw a little bit of boundary of what the TEDD might look like. It would likely encompass that concept area.

Is there a line possibly to be drawn where the outer belt would be?

You’ll have to help me understand how far out that outer belt loop would be. You’re not referring to the bypass

Yes, yes

So that yellow line, that yellow dotted line that bisects that area, that generally represents the route of the bypass. Is that on that map?

Is it up on the screen.

Next slide please. So if the Commissioners were to adopt this resolution on necessity and gave direction to the BSED or their staff or some combination to proceed, the next step would be to prepare a, what’s called a comprehensive development plan for the TEDD that would provide for TIF, talk about again those infrastructure deficiencies and priorities, types of businesses would be approached to either expand or locate in the district, what special programs or projects which would be pursued. You know, do you want to establish a revolving loan fund, do you want to, what kind of, we talk about funding strategies, how would TIF work into a number of other types of funding resources to make projects a viable federal/state grants, other private or public funds. And then how the program would be administered as well. I already mentioned funding strategies. So that plan would be, it’s not a detailed plan, it’s not a capital improvements plan, it doesn’t have site drawings, it’s generally enabling you as a county to undertake infrastructure development activities and partnership with private entities to create value adding industry in YC. Next slide. Part of the process, once that plan is prepared, it’s reviewed by the Planning Board with respect to a couple of things. First of all that, that plan is in conformance with the adaptive growth policy for that jurisdiction and secondly that, that area is zoned in accordance with the growth policy. This is a really important provision of the law. It’s saying is the creation of this district in the best interest of the people of YC as those interests have been defined in the growth policy. The growth policy is a very important document. It has, it encapsulates the vision the community has for itself. And so the Planning Board is asked to make a recommendation to you as the governing body as to whether or not that effort as described in the plan conforms to that vision in the growth policy. And then secondly the zoning of that district has to be in accordance to the growth policy for the same reason. The future land use vision for the community as expressed in the growth policy is implemented in part through zoning. Zoning is the tool we used to make those land uses a reality, so is this district zoned in accordance. The growth policy supports that by certainly identifying the importance of economic development, the growth policies goals and objectives would be supportive of secondary value adding industries, that TIF is identified as a tool in your growth policy and that again that the land use maps in the growth policy support those zoning designations. So there is a number of ways the growth policy is measured with respect to its relationship to the TEDD.

Who would initiate the zoning requests, the owner of the land or the government?

There is no zoning requests. It’s the zoning that is currently in place. Is that zoning supported in the growth policy.

Let’s say it’s zoned in an open A and a number of the businesses wanted it commercial or industry. But you had a parcel right in the middle that didn’t. Would it stay open A.

I’m going to defer that question to Lynnette. She’s my

After the TEDD is created and the land owner wanted to have an industrial or commercial zoning on an area that is zoned open A, it would be on there, they would have to take it through the process and justify it and get it approved if that’s what they wanted.

So it would be at the request of the owner.

Yes. Now I learned from Andy that part of the land that potentially could be in this TEDD is not zoned and that we would have to zone before the TEDD is developed.

And that would be owner request, or by who?

Well since we would be the ones processing the TEDD we would be the ones applying for the zoning on it.

MANY COMMENTS AT ONCE – UNABLE TO DECIPHER ALL

Actually by state law, the owner could make the request, the Commissioners could make the request or the Planning Board could make the request for rezoning. So anyone of those could.

So our deference in this process is really is that we identify what parcels would be in and out is that the land owners would really drive that process in changing the zoning use, what have you.

Other than any piece that’s not zoned in the TEDD has to be zoned.

Or, not be included in the TEDD.

Correct.

And we have worked with communities where some of the property owners did not want to be included because they did not want to be zoned and we’re not forcing anybody.

RUSTLING OF PAPERS – MISSED FIRST COUPLE OF WORDS HERE- we typically do not use government to zone YC typically that would be a request that would come from a land owner.

Right

But in this case it would be something that they would be desirous of because they want to be in this area.

If they bring it to us, that will be great.

Next slide.

Oh I’m sorry did you have a question.

I just wanted to comment on a couple of things related to bringing infrastructure improvements onto this area too. You know one of the other things that you probably want to consider is like on your map it says 1 ½ miles to the nearest connection, you know there are properties along probably that 1 ½ miles strip that could potentially benefit from water and sewer improvements -COUGHING – MAY HAVE MISSED A WORD OR TWO HERE – that could provide community benefit as well. One of the reasons why you do some of these projects is there are other properties that benefit from extensions of road systems, trail systems, water and sewer lines, you know that are along the way. There not necessarily in the district but give them the ability to tap in. They should be identified to as part of the substantiation. Potential beneficial

MANY COMMENTS AT ONCE – UNABLE TO DECIPHER ALL

And I think that might be to in the comprehensive plan. And just to clarify too, the TIF district would pay for building the connecting infrastructure so that would be, the property owners on that way don’t necessarily have to have that cost burden. They would have to pay for their hookups and so forth but it addresses a big chunk of that capital cost.

But they certainly would have a new opportunity that they never would have otherwise.

Exactly.

Right a lot of, Candies here, but you get a lot of growth in the municipal areas and stuff from that type of thing too where they bring water mains down long stretches, like Grand Avenue or something and there is a lot of county property around there that get infill and then they tap into that water line.

Janet along that line, a question. If there is a mile and a half of sewer line needed to get to the TEDD district and 10 people wanted to tap into it, who do they pay? Do they pay a portion of the cost to the district or do they simply pay?

The way that this has been done in the cases I’m familiar with, is that the district paid for the installation of the pipe but the individual connections from the property owner to the main line were paid by the property owner.

MANY COMMENTS AT ONCE – UNABLE TO DECIPHER ALL

And there’s usually a pay back because the entirety of the pipe was not needed by the district, in other words, anything that wasn’t their portion of it has to be paid back.

Right.

So that could be, that portion, a portion of that could be paid back to the district.

To the district. Correct. I see what you’re saying. Yes. And you can work out those details out in the way that you would typically charge them. It’s kind of like a group of people who come together and have an SID improvements and then other people come later and have a buy in of some sort.

Not to interrupt you

No, this is good. This is why we’re here.

You know a lot of these things, you mentioned chicken and eggs. That’s very much the situation with a whole lot of this. So the way I see one of these things is that if the Commissioners did want to move forward with the TEDD is that, potentially you could create the TEDD and put the district in place and then start the process of applying for grants. You know you may apply for a federal grant to help with the rail lines, state grants for water and sewer, and see what comes to fruition, see what other kind of financing comes to fruition through private equity at that point from all the potential players, the water and sewer district could potentially issue bonds to extend their lines just depending upon how it’s all structured. But if you put the district in place and then you are trying to keep moving the mark. You try to see if you can’t put the pieces of the puzzle together. Now if they come together and it all makes sense, you do get grant funding, and you do get the private equity investment, and you do get the ability to issue increment bonds, potentially RSID bonds, potentially water and sewer bonds, and you keep putting the pieces of the puzzle together then the district potentially comes together and is viable.

Correct.

If you put a district and the contrary happens, you don’t get any grants, you don’t get a federal grant, you don’t get the state grant, the private equity doesn’t come together for whatever reason, if the pieces of the puzzle then don’t fall into place, I think then that the money the increment district collects if any, because if there is not much in development you won’t have much tax increment dollars. But the district potentially then could say, ok, it’s not going to work, we can’t find the financing for the district, let’s just revert it back to the way it was. Then there is, I imagine there is probably a provision for dissolving a district.

You can at any time, at will, you can dissolve a district. There’s no

Unless you have bonds

Unless you have bonds. So there is a number of different ways to, it’s not really a question but a comment. What you’re saying is absolutely true. Some districts though can take anywhere from 5 to 7 years before they see any kind of activity. And some, a few districts, of the 50 or so in the state, there probably has been a ½ dozen or so that have not come into fruition and kind of fade into the sunset. It takes some time and obviously Billings re-upt it. It sunsetted and they created a new one. We know it takes time to do this so if it doesn’t come together in the first two years, given the effort that it takes to create one I wouldn’t necessarily recommend that you dissolve it. But you could, at will, dissolve it anytime you wanted to. The other thing along with your chicken and egg, I know that I have stated this a little bit, you have an opportunity, that’s why it’s this partnership. We’re saying that without this tax increment district, we don’t have the ability to provide infrastructure to these businesses. If you have a business that says we’d like to come in, we need this kind of infrastructure, you have the opportunity to work with that business in the beginning to say, would you be willing to guarantee through an assessment agreement or something of that nature, your willingness to pay taxes at a certain level so that we can finance that infrastructure. So you can come out ahead of it. That’s what they’re doing in Butte /Silverbel t (?) COUGHING – MAY HAVE MISSED SOME OF WHAT SHE SAID AT THIS JUNCTURE. They are based on North Western Energy’s commitment to building that new office building, there commitment to doing that will enable the city to build a parking structure – MAY HAVE MISSED SOME OF WHAT SHE SAID AT THIS JUNCTURE – even though it’s at the beginning and they haven’t even collected that increment yet. COUGHING – MAY HAVE MISSED SOME OF WHAT SHE SAID AT THIS JUNCTURE. So there is all those kind of things going on as well.

And it doesn’t all have to be increment financing. It could be RSID financing or the property owners within the district pay for their particular improvement whether that’s a rail, or roads, or data lines or whatever, sidewalks, storm sewer, whatever they want to put in. That could directly be reflected in their tax bill as an assessment because they are the direct beneficiaries. So it’s a myriad of financing pieces.

But there is a couple things. One is your creating the district and TIF is one of the tools but there are other tools as well. The other thing is by creating a district, you know Jim’s comments about, maybe it’s going to happen anyway, do we really need to do this. And I’m saying that this gives the county and the people of YC a chance to weigh in on how that occurs. It gives you an opportunity to say, to have some say both in terms of by providing certain incentives, of getting the kind of industries and partnering with those industries to create viable economical loan trans sustainable programs. You have a say in designing the area, setting priorities for infrastructure, you have a great deal more, the people of YC have a great chance to be involved in those decisions. That’s why I like it because it’s a more community based approach rather than letting it happen as it will.

Janet, traditionally the vehicle we’ve used in this region for businesses considering coming has been a tax abatement, ok. How would you set the base? Let’s say you have a ten year tax abatement and in year 5 TEDD was created, would the base be at that point in time for that business, or would that end at their 10 year time?

Ok, first of all the base is based on taxable value not on the taxes they pay. So the taxable value doesn’t change, only what they pay. So the base is whatever it was at the base. If that property had a taxable value of $40,000 even if that person wasn’t paying any taxes, the base is still $40,000. So it doesn’t really affect it. Personally and in my profession I work with a lot of communities and I always get the same schpeel and that is tax abatement is a tool that is available to communities and again it can benefit a single tax payer but the tax payer isn’t paying any taxes and the county doesn’t have any additional resources to provide the infrastructure. I like tax increment because we are still asking that tax payer to pay but the property tax is going into the infrastructure that supports several property owners in the short term and the whole community in the long terms. I think it’s a better deal for the tax payers. Because is self-directed, because it’s a community based decision, you decide how the money gets spent within the perameters. It’s a lot nicer, you know, it doesn’t have the same strings attached that many of the state and federal grants do.

I asked specifically two businesses that question, and they said we’ll take the tax break right now.

You know I worked with a business out in Jefferson (?) and they said we don’t want the tax break we want the infrastructure. So we’ve seen both of those situations. Anyway, this is just a map to show you the current zoning in the Lockwood area as I mentioned we would look to whatever zoning exists right now with respect to the Planning Boards recommendation. Next slide.

Once the plan has been reviewed by the Planning Board and recommendation has been sent to the County Commissioners, the County Commissioners hold a public hearing, we have to notify all the property owners in the district by mail and there has to be a legal advertisement, then you adopt an ordinance if you choose to, creating the district, after the public hearing, after its final passage usually on the second reading, most jurisdictions do two readings, after the second reading the TEDD would be effective 30 days after the passage. But it has to be at the end of December before the base year. So if you choose to pursue this with a base year of 2015, you would have to had passed the ordinance on the second reading by November 30 and then it would take effect by the end of December. All these materials that you have put together, your statements, your resolutions, your plans, Planning Board recommendation, go to the Dept. of Revenue which then certifies the base for the purposes of calculating the increment. Next slide. Once the TEDD is created, the County Commissioners is the responsible party entity. Urban renewal districts can create a separate agency but for TEDD’s the County Commission is the management authority. You can choose to have people manage it for you through contract or through your own staff. You can, it isn’t in the law, but many communities have appointed an advisory board. Again, it’s not statutorily enabled but it allows you to delegate the review of specific projects to a committee who then could advise you on how to extend those tax increments or other economic development funds in the area if you have other county funds in it. But even if you have a committee, the Commission will retains the budget authority. So all of the financial decision remain with the Commission.

Commissioners I mentioned to Janet that we have an existing inter Lockwood agreement between BSEDA and YC. One of the things we’ll look at internally is can we make a recommendation to amend that agreement to add any appropriate responsibilities in terms of administrative for a TEDD to that agreement. So we’ll be working through that. That may be part of our recommendation.

So your desire to bid on the administrative

We’re going to look at that internally. We will look at that second phase and see if it makes sense for us to do that. But I think that the structures there in place if we want to refer back to the local agreement and amend that to include these responsibilities and then frankly we would be sitting down with you and deciding who would have what responsibilities, maybe there would be some basic administration planning, grant writing responsibilities, for the TEDD that we would do. You might have financial responsibilities.

Do you administer any now?

We do not.

There are several economic development authorities similar to Big Sky that operate around the state that do manage industrial tax increment districts and who manage their revolving loan funds if they choose to have them because local governments don’t want to get into the banking business. So typically if you do have loan programs there very often managed by a loan committee through a local development corporation or and RC&D or some kind of ? authority. There’s a number of models that exist out there.

Steve, one more question. Looking at this map or if you extend the boundary, how many property owners are you talking about.

Gosh, I knew you would ask me that question. I hesitate to answer only because I don’t know what that exact boundary is yet but I’m looking at Sarah because as we looked at the concept area and we worked with KLJ did we get any sort of number of property owners?

It was less than 100.

And again John I don’t, what we’ve hesitated to do is start drawing lines around people’s property without having these open public conversations.

Ok. Less than 100 but more than what.

We’ve had 4 come forward and say we’re your anchors. We’ll anchor your activity.

A hundred different parcels or owners?

Owners by parcel, it would be by parcel.

I mean does, could 4 people own a hundred parcels.

Could 4 people own, laughing, I don’t know.

So when we finish these next couple days, today and tomorrow, we will then start to draw those line and then we’ll have the exact number of parcels and owners based on that proposal.

Wont’ that have a follow up public dialogue so that people can see what those proposed lines look like? Like we make adjustments based on that.

That information is what we would be presenting back to you at the end of phase 1.

And if you have any thoughts right now or suggestions that would be helpful to us, that would be great.

Questions out there?

Did we put you all to sleep out there?

You’re on Scott.

I’ve always felt that increment districts and that’s what this is primarily, there are some minor technical differences, but it’s pretty much an increment district. I’ve always felt that what the purpose is, is to spur development that is what otherwise not going to occur. I think what some of the concerns I’ve heard from Board members is, is this area going to develop anyway irregardless and probably it will to some extent. I don’t know to what extent but to some extent it will. I think what the study is showing is the need for some more heavy industrial sites, you know with bigger infrastructure needs than what any property around the county has available, bigger footprints. Where can they come in and be shovel ready and be able to support industrial and you have to have some of the potentially the rail services, sewer capacity, water capacity, access to interstates and that type of thing, and you have to have those footprints available for them. If you don’t do the site preparation on a fairly large scale, then you’re not going to get those players. You might get some other type of development but it may not have as much value as what otherwise you can attract. I’m paraphrasing the way I see it. Now, if you disagree with any of that, jump in, but the idea is to create more growth than what otherwise is going to occur. Some of that is going to depend upon whether you can put the financing in place in order to do the project.

And I might add, and I think you’ve stated very well, I might have you say that before every time I present but, one of the key things is that I would ask is that the legislature, the Montana legislature, in creating the TEDD provision of this law said a little bit more. It’s not just any business. It’s businesses that add value to Montana products and the goal of the legislation is to create, you know, instead of Montana being a resource colony for other parts of the world, that we are creating some wealth here in the state. I think that’s really an important part of what the legislature had in mind. While it’s good to have the good commercial retail and tourism, all these other things that help our economy, those base industry jobs and resource, development, manufacturing, processing and technology development are the real way to create wealth in this state. Wealth for our communities, for our tax bases, and in doing that by supporting these, this bill enables or this provision enables communities to support those very critical basic industry jobs. So it allows us, that’s why I say, to somewhat, to say, here’s an opportunity. Without these resources we couldn’t really afford those big, infrastructure bill tickets, or tickets on what those costs. This way then enables communities to create that economic base that’s critical to sustaining us into the future.

Janet, how many TEDD’s exist now and when were they created?

You have to understand that up until 2013, we had, as I say, about 50 to 55 districts in the state. The majority of those were urban renewal.

TIFF districts.

Yes, TIFF districts

Not TEDD’s

No there were not TEDD’s. They were all TIFF districts. We had urban renewal, technology, industrial and aerospace. Of those 50 or so, about a quarter of the were industrial TIF’s, which essentially the same as TEDD’s. In 2013 they changed it to call them TEDD instead of TIFF’eds. To date there is one in Stevensville, one in Shelby. We just finished preparing the certification for one in Bonner in Missoula county. Those are the three TEDD’s that have been created or are being created since the law passed in 2013. We were involved in all of them. We were not involved in the Shelby one but the others we’ve been involved in. The YC would be the fourth. Now there may a county in the state that’s looking at this that we’re not aware of but we tend to keep up with those. So the short answer to your question is that there are currently two, a third on the way and this would be the fourth but there’s also another dozen or so industrial TEDD’s that are essentially the same, industrial TIFF districts. So I want to state this again. These are all TIFF districts. One are urban renewal and one are targeted but they all follow the same process of creation, the increment is calculated in the same way. Urban renewal districts address blight, TEDD districts address infrastructure deficiencies. A lot of acronyms, I apologize for that.

Very well done Janet. I’m sensitive to the clock because we have a 4:00 meeting with our utilities folks and were headed out to Lockwood.

Janet, thank you.

TRANSCRIPTION ENDS