

RESOLUTION NO. 3686

A RESOLUTION ADOPTING A MEMORANDUM FOR THE DETERMINATION OF FEASIBILITY OF AN URBAN RENEWAL PLAN WITH A TAX INCREMENT FINANCE DISTRICT PROVISION FOR THE DOWNTOWN CORE OF THE CITY OF MILES CITY

WHEREAS, the City has contracted with Zeier Consulting, LLC, to provide a determination of feasibility of establishing a Tax Increment Finance District in connection with the creation of an Urban Renewal Plan pertaining to the downtown core of the City of Miles City;

AND WHEREAS Zeier Consulting, LLC, has provided such determination of feasibility, and the City wishes to adopt the same, and to authorize Zeier Consulting, LLC, to continue work pursuant to its contract with the City.

NOW THEREFORE, IT IS RESOLVED BY THE CITY COUNCIL OF THE CITY OF MILES CITY, MONTANA AS FOLLOWS:

1. The City hereby adopts the Memorandum of Feasibility Related to the Creation of a Tax Increment Finance District in the Downtown Core attached hereto as Exhibit "A," and authorizes Zeier Consulting, LLC, to begin working on Objective #2 as stated in the Professional Services Contract between Zeier Consulting, LLC and the City of Miles City as passed by Resolution 3676.

SAID RESOLUTION FINALLY PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE CITY COUNCIL OF THE CITY OF MILES CITY, MONTANA, THIS 10th DAY OF JUNE 2014.



C.A. Grenz, Mayor

ATTEST:



Lorrie Pearce, City Clerk

EXHIBIT "A"

City of Miles City Tax Increment Finance District Determination of Feasibility

From: Steve Zeier, Zeier Consulting.
To: Chris A. Grenz, Mayor and City of Miles City Council
Date: June 2, 2014
Re: Memorandum of Feasibility related to the creation of a Tax Increment Finance District in the Downtown Core

Honorable Mayor and Members of the City Council:

As per the terms of the contract between the City of Miles City and Zeier Consulting, LLC, there is to be a determination of feasibility for the creation of an Urban Renewal Plan with a Tax Increment Finance District provision. Please consider this memorandum as submission of the determination of feasibility to fulfill the contract requirements. Specifically Attachment A, Section 1:

Assist the local government in determining the feasibility of creating an Urban Renewal Tax Increment Finance District within the City of Miles City, including but not limited to providing initial training and orientation sessions for the City Council of the City of Miles City, Zoning Commission, Planning Board, City Staff, County Commissioners and affected taxing jurisdictions regarding Tax Increment Financing, TIFD eligibility, funding options and steps involved in creating a district.

Background

The determination of feasibility contemplates three parts: 1) If an Urban Renewal Plan with a Tax Increment Finance (TIF) District provision is appropriate for Miles City and 2) if the downtown core is eligible for the creation of a TIF District as per Montana Code Annotated, and 3) is a Tax Increment Finance District feasible.

The State of Montana has provided local municipalities with the Urban Renewal Plan process through Montana Code Annotated Title 7 Chapter 15 Part 42 & 43. Montana Urban Renewal as it is known provides for a process known as Tax Increment Finance that allows a municipality to denote a certain area of the city as infrastructure deficient or blighted. Within that area of the City, a base tax value is determined and any incremental property tax revenues generated in the Urban Renewal District are then distributed to the city for planning and redevelopment activities. The base value is still distributed to all taxing jurisdictions. The incremental revenues are the only revenues that go to the City of Miles City. The funds collected in the district must be spent within the district for infrastructure improvements as incentives to encourage redevelopment in the District. After an initial 15 year term the base values reset to the current level and any other taxing jurisdiction then receives the base values and the incremental revenues generated. TIF District revenue can be packaged with other funding mechanism such as grant match dollars, New Market Tax Credits, Historic Preservation Tax Credits, EPA Brownfields dollars, Montana Board of Investment Loans, Montana Department of Transportation planning and construction dollars, and Montana Board of Investment Infrastructure loans.

Determination of Feasibility

1) Is an Urban Renewal Plan with a TIF provision an appropriate solution:

A vibrant downtown area is a vital component of a healthy community. The Downtown area of Miles City has undergone significant change in the last two decades due to several factors affecting the economic viability of the area, including but not limited to:

- Miles City began to experience a long, slow deterioration of the downtown business corridor following construction of the Interstate highway system and rerouting of State highways in the 1960s. Without the automobile traffic to support them, numerous businesses located on Main either closed due to lack of business or migrated to higher traffic areas near the Interstate highway exits on South Haynes Avenue hoping to increase sales.
- Declining economic conditions contributed to the decrease in business in the main business district and eventually other retail and service businesses followed or closed up shop completely.
- This shift has been accelerated in the last five years as more businesses such as Sherwin Williams and Ben Franklin have either closed or left Main Street.
- A series of devastating fires during those two decades, ending with a catastrophic fire in 2009 has left an impact as well. There has been some rebuilding, though there are still parcels that have been left as vacant and underutilized.
- Business owners no longer view the Main Street business corridor a viable location due to lack of traffic, resulting in a lack of investment in the Downtown. This lack of development is evidenced in the high ratio of empty storefronts and declining real estate transactions in the Downtown.

Conclusion: Developing a Tax Increment Finance District in Miles City is an appropriate method to address the long economic decline of the City's main business corridor.

2) Is Miles City's main business district eligible for a TIF District as per Montana Code Annotated:

As per MCA 7-15-4206(2)(a),(i), and (j), the downtown is eligible for inclusion on an Urban Renewal Area with a TIF District provision as a solution to address its current market and physical deterioration, the deterioration of site and site improvements, as well as a diversity of ownership that makes any consensus on any potential redevelopment activities challenging and difficult.

Conclusion: Miles City's main business district is eligible for a TIF District as per Montana Code Annotated.

3) Is a Tax Increment Finance District in Miles City's Historic Main Street District Feasible:

Determining the feasibility of the Miles City Downtown core began with a data review process evaluating current property values within the Main Street Historic District and adjacent City neighborhoods, followed by site inspections throughout those portions of the City included in proposed TIF boundaries. The process continued with interviews with property owners and stakeholders. As part of the feasibility portion of this plan there have been meeting held with:

- City Council Members
- Downtown property owners
- Downtown business owners
- Business owners that have relocated out of the downtown

- City Staff that are responsible for maintaining and improving public infrastructure.
- Local economic development staff

These preliminary conversations have been a source of information which provides the basis for a determination of feasibility.

There is a consensus that there is significant opportunity to be had for the redevelopment of the downtown core. The downtown is not meant to compete with the Haynes development and this planning process should not suggest that. The downtown needs to leverage the available tools, such as a TIF District, to provide property and business owners a level playing field to develop businesses that are viable and provide something that the other commercial developments cannot.

The feasibility of a TIFD in Miles City relates directly to the likelihood that such a District will successfully address the slow economic decline of the area and encourage investment in the main business corridor. The findings of this study conclude that the creation of a TIFD in Miles City has a high chance of success due to the following facts:

- The downtown is eligible under Montana Statute for an Urban Renewal District with a TIF provision.
- There are significant issues with multiple properties in the downtown such as empty storefronts, infrastructure deficiencies, and lack of investment that can be addressed in the Urban Renewal Planning process.
- There is an upswing in the regional economy due to energy development in the Bakken area, and as a result there is increased market interest in Miles City to locate businesses as evidenced in the development of the South Haynes corridor.
- The increased volume of Interstate traffic to and from the Bakken region creates an economic environment which provides additional opportunity to capture a market share for businesses offering goods and services complimentary to those offered in the business areas serving the Interstate exits into the City.
- There is an increased demand for housing across all income levels in the region.
- The downtown area generates higher per square foot tax revenues than large paved areas in surrounding business districts.
- Re-use of existing infrastructure which is already in place and is financially viable.
- The City is located in Census Tract 30017962000 making it eligible for New Market Tax Credits.
- The business corridor is listed on the National Register of Historic Places making a high percentage of properties eligible for Historic Preservation Tax Credits.
- The City's unique history in combination with cultural and tourism events such as the Bucking Horse Sale, the Bluegrass Festival and other local events make it a platform for creating a travel destination.
- The City is home to a number of stable economic drivers that attract a diverse demographic to the city such as the Community College, Fort Keogh Research Station, Range Riders, the Art Center and the Eastern Montana Fair which provides an opportunity for business to capture a portion of the existing market share.
- The redevelopment of a downtown area has already seen significant investment from the public sector in the form of land use regulation changes such as rezoning to allow for mixed use buildings, a Brownfields project to eliminate environmental issues as a barrier to redevelopment, and the willingness to begin the discussion of an Urban Renewal Plan with a

Tax Increment District provision.

There is a significant amount of interest from the community for the redevelopment of the downtown core. The proposed Urban Renewal District and its corresponding Urban Renewal Plan will be a critical element in the redevelopment of Downtown. The Urban Renewal Plan is an ideal vehicle for the capturing of public input from property owners and public officials to set the long term vision of the Downtown area. The process to be undertaken is to be a transparent and public process that captures all input that is important to the Urban Renewal Plan. What the Downtown can be reinvented as and how to get there is the whole point of an Urban Renewal Plan and is perhaps the most important component of this project. Only through the Urban Renewal Planning process can the goals and objectives of the community be realized.

Conclusion: An Urban Renewal Plan with a Tax Increment District provision is feasible and recommended for the Miles City Downtown Core.