



City Manager's Office

Memorandum

To: Mayor Reeves and City Commissioners

From: Greg Doyon – City Manager

Re: Infrastructure Development and Investment Review

Date: April 24, 2025

Executive Summary

The purpose of this memorandum is to outline the challenges and opportunities associated with economic development and infrastructure investment in the City of Great Falls. It highlights persistent barriers to growth, analyzes the tools currently available to support new development, and proposes actionable recommendations for Commission consideration. Central to this discussion is the need to clarify the City's role in facilitating development, the funding mechanisms that can support infrastructure, and the expectations of both the development community and the public.

Key Recommendations:

1. Explore additional City funding options as well as public infrastructure investment to include a utility rate increase for infrastructure expansion.
2. Establish a Strategic Development Officer position to lead front-end development discussions.
3. Finalize updated Special Improvement District (SID) policy
4. Adopt/Endorse clear development process guidance for staff and developers to improve consistency and negotiation transparency with private developers/investors.

This document is intended to initiate a broader conversation—with the Commission and the public—about how the City of Great Falls positions itself for sustainable growth in the face of increasing demand and limited financial capacity.

I. Observations and General Thoughts

Over the course of my tenure, I have observed several persistent trends impacting economic development in Great Falls and community growth:

- The City continues to struggle to grow beyond the "Big 3": military, agriculture, and medical sectors.
 - There have been 'wins' including MaltEurop, ADF, Helena Chemical, Montana Specialty Mills, and GFDA's AgriTech Park with rail.
- Despite targeted efforts, diversification and expansion have been limited and slow.
- Although I believe the last census undercounted our population, overall growth has remained stagnant for decades.
- Developers often choose to construct projects in the county to avoid city-related taxes, assessments, and fees.
- The lack of diverse housing options limits our ability to support population and workforce growth.
 - This is changing, but primarily with multi-family projects in recent years.
- The City collaborates with GFDA for development promotion, yet the partnership has evolved since direct financial support ended in 2014. GFDA now plays both promoter and developer roles.
- The City is frequently brought into new development conversations later in the process, when it is either very difficult or even too late to positively shape the desired outcome.
 - This can create friction between investors, GFDA and the City. This is often translated into a perception that Great Falls is not 'Business Friendly' when we cannot meet developer expectations.
- Great Falls lacks the geographic advantages of other cities (e.g., mountain proximity, major east-west interstate access), and our socioeconomic metrics reduce outside investor appeal.
- Great Falls' stagnant community growth (population and new development) limits building and development expertise, and workforce capital.

Additionally:

- Most recent developments have been locally driven and often require financial tools like TIF to become financially viable.
- Developers frequently lack the capital to extend or upgrade necessary infrastructure, such as water, sewer, storm drain, and streets.
- The public often expresses frustration about the absence of desired stores or businesses (e.g., Costco, Olive Garden, Kohl's), but our market conditions, population density, income levels, demographics, and traffic flow—often do not align with corporate site criteria.
 - Concurrently, the public often expresses a desire to not increase taxes, assessments, and utility rates that could help the services and infrastructure upon which new developments would depend.

II. Structural Challenges to Economic Development

Several entrenched issues inhibit our ability to support or attract new development:

- Complex soil conditions require expensive foundation mitigation, which increases legal and financial risk for all parties.
 - P&CD and Legal are working on an updated policy. This is my number one land use issue for the City.
- The City heavily relies on private developers to build out infrastructure; the City's infrastructure investment resources and capacity are very limited.
- Business-minded developers expect some level of public investment, recognizing that their projects also generate jobs, tax revenue, and economic multiplier effects.
- Our rate structures have historically prioritized affordability, which means limited flexibility to support new projects.
- The General Fund (approximately 85% of property taxes) are primarily consumed by Fire, Police, Legal, and Municipal Court services (i.e., Public Safety) there is little to no funding for infrastructure expansion.
 - Actually, without the State Entitlement Share, the City does not raise sufficient taxes to pay for Public Safety.
- Growth in one area often strains Fire, Police, and EMS, yet development impact is not formally included in development assessments.

Misconceptions About "Business Friendly"

A recurring theme from both the Commission and the public is that the City needs to be more "business friendly." In response, the City has taken several steps over the years to improve its posture toward development, including adding a Development Review Engineer, eliminating the Design Review Board, extending TIF district timelines, and streamlining permitting processes within Public Works and Planning & Community Development. As the City contemplates its next move, it's important to recognize that maintaining clear, consistent, and reasonable standards is not anti-business; it's the foundation of responsible growth. Providing clarity through proposed development guidelines ensures fairness, transparency, and predictability for all parties involved.

However, the term "business friendly" is often interpreted in ways that create unrealistic expectations—particularly when developers assume the City will waive standards, absorb infrastructure costs, or expedite approvals regardless of complexity or public impact.

As experienced over the years, developers broadly interpret the City's need to be "business friendly" in these ways:

- Clear, consistent and collaborative development standards.
- Responsive city staff.
- Predictability and timely application review, processing, and issuance.

The City has also observed that developers often:

- Express a preference for public participation in infrastructure costs, sometimes without a corresponding reimbursement plan. This can strain public resources without assurance of project delivery.
- Desire to be allowed to design and pitch projects regardless of the Growth Policy, neighborhood input, or zoning regulations.
- Desire fewer public meetings (e.g., Neighborhood Council review) and public engagement.
- Expect permits to be issued in a matter of weeks, irrespective of safety reviews or project complexity.
- Expect that staff can negotiate large scale financing proposals.
- Expect waivers for the needed off-site improvements necessary to protect public assets.
- Are highly resistant to “off-site” improvements (City or MTDOT imposed) when the project has significant impact on existing city infrastructure.

Development Process Limitations

- Great Falls city staff lacks clear, early-stage development negotiation guidelines. Authority and incentive structures are ambiguous.
- Developers often want clear commitments before making financial decisions or committing to a land use process like annexation or infrastructure cost-sharing.
- Key departments (City Manager, Finance, Planning, and Public Works) are frequently drawn into ad hoc negotiations.
 - Staff often has the knowledge and expertise to align new infrastructure improvements with City capabilities, but staff often does not carry the actual authority to “seal the deal”, including the City Manager.
 - Developers do not hear directly from the City Commission about staff recommendations until the public hearing stage. As a result, some developers attempt to negotiate directly with the Commission during the public hearing process.
- Staff must balance Commission calls for "business friendly" practices with legal and procedural limitations.
- Development financing perspectives typically do not consider the lifecycle cost of owning and maintaining infrastructure.

III. Economic Development Tools: Analysis and Recommendations (Summarized in Attachment A)

1. Tax Increment Financing (TIF)

TIF allows the City to reinvest increased property tax revenues generated within a district into infrastructure or revitalization projects. The City currently has five (5) TIF districts and is actively using all of them to promote economic development as allowed by state statute.

Pros:

- Provides funding for public infrastructure
- Uses growth-generated funds without new taxes
- Flexible applications (utilities, site prep, demolition)
- Attracts private capital
- Long-term return once the TIF expires

Cons:

- Diverts funds from General Fund and other taxing entities
 - Sometimes up to 30 years
- Perceived favoritism if not carefully managed
- Complex to administer and monitor
- Politically vulnerable (e.g., SB 2, SB 539)

2. Impact Fees

One-time charges imposed on new developments to offset the costs of growth-related infrastructure. Governing bodies in Great Falls have been severely averse to considering impact fees in Great Falls. The City has dealt with a reputation of not being “business friendly” and the perception that another set of new fees for development would discourage investment.

Pros:

- Promotes and funds City Capital Improvement Planning
- Aligns cost burden with development
- Reduces pressure on existing ratepayers
- Can be based on clear, predictable schedules

Cons:

- May deter development in a slow-growth market
- Statutory requirements are complex (MCA §7-6-1601 et seq.)
- Cannot be used for pre-existing deficiencies

Most effective when:

- Growth is placing measurable pressure on infrastructure
- The community has a healthy and consistent growth rate
- Political leadership supports "growth paying for growth"
- Integrated into a broader capital funding strategy

3. Grants (Federal, State, Private)

Great Falls has benefited from DoD grants in recent years, including a feasibility study for Malmstrom AFB (MAFB). In 2021, the City thought that ARPA funding would provide funding for infrastructure, however that was not an eligible use of those dollars. Grants for new infrastructure are hard to come by because of their overall cost, typically requiring the City to provide matching resources, such as funding or in-kind funding. Not to mention, that while a grant may cover material and/or labor cost, new infrastructure requires ongoing maintenance and will have repair needs without additional new funding to support.

Pros:

- Leverages non-local funding
- Focuses on strategic priorities (housing, broadband, workforce)
- Encourages partnerships

Cons:

- Competitive and unpredictable
- May require match funding
- Compliance-heavy and slow to deploy
- Does not provide for lifecycle maintenance, operations and reinvestment financing
- Requires significant staff time for application development, provider selection, award, management, and closure

4. Special Improvement Districts (SIDs)

SIDs are localized funding tools that allow the City to finance public infrastructure improvements (e.g., streets, sidewalks, water/sewer, lighting) by levying assessments on the properties that directly benefit from those improvements. The only Special Improvement District in Great Falls currently being used is for the City's lighting districts.

https://archive.legmt.gov/bills/mca/title_0070/chapter_0120/part_0410/sections_index.html

Pros:

- Ties cost to a benefit
- Can fund infrastructure in underbuilt neighborhoods
- May be bonded for immediate needs

Cons:

- Often faces strong opposition from affected property owners
- Administrative complexity

- Limited to localized, not citywide improvements
- Risk of collection default
- Subject to political shifts and sensitivity to legislative changes

5. Negotiated Recovery Rate for New Development

Legally supported rate structure for infrastructure-related cost recovery. The City Commission could create a new user rate for new development when city infrastructure is required to support the new development. The additional fee could be used to offset the City’s cost for funding, financing, or building a Capital Reserve Account for infrastructure including upsizing, extending, or meeting identified CIP needs in an adopted plan.

The City currently has different user rates for Black Eagle, Malmstrom Air Force Base, and high strength industrial users. More work would be required to design an appropriate application/approval process that satisfies Commission expectations.

Pros:

- Enabled by MCA 69-7-101 and GF Code 13.2.050
- Promotes fairness and transparency
- Creates capital reserves for planned expansion
- Precedent exists with the unincorporated community of Black Eagle, MAFB, and high-strength industrial users

Cons:

- Requires detailed program design
- May be perceived as duplicative of other fees
- Risk of perception that funding is allocated unfairly
- Must be justified and uniformly applied

6. Private Development Pays for Infrastructure

Aside from adoption of a TIF District, this method is truly the primary means by which new infrastructure is created in Great Falls. It applies to all new developments whether it is business, industry or housing developments.

Developers seek a return on investment, so the market has to be right for them to invest their own money in a development. I often refer to this as their “book of business”, that is the combination of existing customer base, market potential, and demand in a given area that makes a project financially viable.

Factors in a business's Book of Business can include:

- Number of households with specific income levels
- Workforce availability
- Traffic counts or drive-time population
- Consumer behavior patterns
- Demographic fits with target market
- Known demand based on competitors or lack thereof

Pros of Market-Driven Development:

- Low public financial risk
- Preserves negotiating leverage
- Avoid precedent-setting subsidies
- Simplifies processes

Cons:

- Delayed economic development
- Missed opportunities for catalyst or stimulus projects
- Limited control over quality or timing
- Infrastructure demands persist even without incentives
- The public may perceive stagnation

IV. Options to Explore

1. Update SID Policy: The City has requested Dorsey and Whitney to provide recommended revisions of the current SID Policy (severely outdated). Dorsey will begin after the Legislature deals with SB 539, which would have a major impact on SIDs. If that bill is tabled/killed, then Dorsey would need about two (2) months to complete.

2. Utility Rate Adjustments: Attachment B outlines Enterprise Fund rates if the City Commission approved \$2 million annually in water, sewer, and storm drain funds to support capital investment for new development. Staff can certainly run different ranges upon request – this was done to keep things simple in terms of understanding the cost to the rate payer for this level of investment.

- A direct allocation to improve infrastructure for development has previously occurred. The City Commission made a direct contribution a \$140,000 contribution for utilities to GFDA's AgriTech Park in 2014, using unscheduled development funds from water/sewer enterprise funds.
- No doubt this is a difficult conversation to have with the community, but if had, the Commission and staff can have a clear and more definitive communication process with investors and developers to address their demands for new infrastructure. If direct

allocation is not an option, then the City will direct them to their other options, as previously outlined in this memorandum.

3. Create Strategic Development Officer Position (Attachment C): Funded by Enterprise Funds that support infrastructure and TIF dollars, this position would lead developer engagement and manage incentives.

- The City needs someone to manage its TIF Districts under the state’s new law (SB 3 https://bills.legmt.gov/#/laws/bill/2/LC0083?open_tab=bill), but more importantly, be the City’s representative at the front-end of new development discussions. The City relies on GFDA as its development agency, and that would continue. The position removes the city manager, public works director, planning and community development director, and finance director from an immediate negotiating role and allows more immediate contact with developers to address infrastructure options.
- This is a “tip-of the spear” position that affords developers (and GFDA prospects) first contact with the City’s chief economic development promoter. The position will balance city resources, investor needs, City Commission goals, and public investment with actual defined City capabilities/resources.

4. Endorse/Adopt Development Process Guidance: Attachment D and Attachment E provide draft protocols to clarify staff/developer responsibilities and standardize development discussions. These guidelines will require additional work.

V. Commission Discussion Questions

1. Should the Commission consider utility rate increases to support strategic infrastructure investment?
2. Is it time to revisit impact fees or adopt recovery rates to formalize cost-sharing expectations?
3. Is the creation of a Strategic Development Officer a priority for managing developer relations and project intake?
4. Will the Commission adopt formal staff guidelines to improve consistency and negotiation transparency?

Final Thoughts

This is not just about economic development, it's about making Great Falls more resilient, more competitive, and more responsive to the opportunities we know are coming.

These observations are not intended as criticism of any person or entity, but as a reflection of the City's need to modernize its approach to attracting, retaining, and promoting economic development growth. Our tools are limited, expectations are rising, and developer interest is real. Without better coordination, clearer policies, and a willingness to invest, we risk falling behind.

This memo serves as a starting point. With Commission guidance, we can move toward a more structured, proactive, and transparent development process. Additional public input, rate analysis, and legal and policy frameworks will be required to finalize any changes.

Attachments:

- Attachment A: Economic Development Funding Tools
- Attachment B: Utility Rate Impact Summary Scenarios
- Attachment C: Draft Strategic Development Officer Position Proposal
- Attachment D: Draft Development Process
- Attachment E: Draft City Commission Developer Expectations