



# GARDINER CITY COUNCIL AGENDA ITEM INFORMATION SHEET



Meeting Date		Department	
Agenda Item			
Est. Cost			
Background Information			
Requested Action			
City Manager and/or Finance Review			
Council Vote/ Action Taken			
Departmental Follow-Up			

City Clerk Use Only	1 <sup>st</sup> Reading _____	Advertised _____	EFFECTIVE DATE _____
	2 <sup>nd</sup> Reading _____	Advertised _____ w/in 15 Days	
	Final to Dept _____	Updated Book _____	Online _____

## **Memo: Addressing PILOT Requirements to Encourage Economic Development**

**To:** Gardiner City Council

**From:** Melissa, Economic Development Director

**Date:** 1/30/2025

**Subject:** Consideration of PILOT Adjustments to Support Development at Libby Hill Business Park

### **Background**

When the City of Gardiner sells a lot at the Libby Hill Business Park, it has been standard practice for the past decade or so to require purchasers to develop the property within a specified timeframe. Typically, this includes:

- Constructing a commercial building within **24 months** of closing.
- Meeting **minimum size and valuation requirements** (e.g., a 10,000 sq. ft. building valued at \$500,000).
- These requirements are recorded in the deed and remain with the property even if ownership changes.

If the development is not completed within the required timeframe, the property owner must make a **Payment In Lieu Of Taxes (PILOT)** to the City. While the amount is based on property tax calculations, it is **not** a tax and is treated separately. This mechanism is intended to incentivize timely development and grow the tax base.

### **Challenges of the Current PILOT Structure**

While the PILOT requirement encourages development, it can also create unintended barriers, particularly when a property is resold before development occurs. For example:

- **Case Study: Lot #19**
  - Purchased by Lyne Realty from the City on **10/29/2020**.
  - Required to build a **10,000 sq. ft.** commercial building valued at **\$500,000** by **10/29/2022**.
  - Due to unforeseen circumstances, development did not occur.
  - The property was listed for resale.
  - PILOT fees were paid to the City for **2022, 2023, and 2024**.
  - A new buyer would have until **10/29/2025** to meet the requirements or pay an estimated PILOT fee of **\$12,800**.
  - This short timeline (less than a year) discourages potential buyers, further delaying development.

Currently, there are **two lots** listed for sale in the business park with outstanding PILOT obligations, making them less attractive to buyers due to the financial burden and time constraints.

## Economic Impact

Commercial developments provide Gardiner with more than just tax revenue. They create jobs, generate vehicle registration fees, and encourage further investment in the area. However, the existing PILOT structure may be unintentionally slowing down economic growth by making resale transactions more difficult and discouraging potential investors.

## Options for Consideration

To make Gardiner a more business-friendly community while protecting the City's financial interests, I propose the following options:

### 1. Reset the timeline at the time of resale

- Amend the deed upon sale to provide the new owner with **24 months** from the date of closing to complete development.
- This provides a fresh start but does not retain any financial accountability from the previous owner.

### 2. Extend the timeline by one year

- Amend the deed to extend the development timeline by **one additional year** upon resale.
- This offers some relief but may not be enough time for larger projects.

### 3. Defer PILOT payments for new buyers (Recommended)

- Allow the new owner **24 months** to meet development requirements before PILOT payments resume.
- If the new owner also fails to develop within this period, all deferred PILOT fees would become due.
- This approach maintains financial accountability while encouraging investment and making properties more attractive for resale.

## Next Steps

Commercial realtor Dennis Wheelock will be present at the upcoming Council meeting to discuss this issue further. Unfortunately, I will be away on vacation, but I encourage the Council to give this matter serious consideration, as it is directly impacting a potential real estate transaction.

By adjusting the PILOT structure, Gardiner can foster a more competitive and welcoming environment for businesses while ensuring responsible development at Libby Hill Business Park.

Thank you for your time and consideration.

Melissa Lindley,  
Director of Economic Development, City of Gardiner