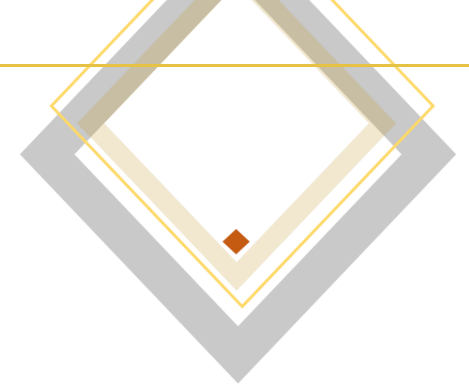


MAY 2018

HJ 18: Legislative Findings Related to TIF
Revenue and Transportation Interim Committee
Megan Moore, Research Analyst



HJ 18: LEGISLATIVE FINDINGS RELATED TO TIF

After the presentation of the [performance audit on tax increment financing](#) in March 2018, the Revenue and Transportation Interim Committee (RTIC) and the Local Government Interim Committee held a joint work session to discuss next steps for RTIC's study of tax increment financing (TIF). One topic of interest was review and consideration of legislative goals for districts that use tax increment financing. Goals of TIF are not addressed explicitly in statute but the Legislature did include some findings in related laws.

The 1959 Legislature adopted Ch. 195, which provides the general outline for urban renewal laws that still exists today. That legislation included legislative findings, currently codified in sections [7-15-4202](#), [7-15-4203](#), and [7-15-4204](#). The 1974 Legislature enacted laws authorizing the use of tax increment financing in urban renewal districts. The 1974 legislation did not include legislative findings or statements of policy specific to TIF.

The 2013 Legislature passed [Senate Bill No. 239](#), providing for the creation of targeted economic development districts and allowing the use of TIF in these districts. The legislation included a section of legislative findings, codified as section [7-15-4278](#).

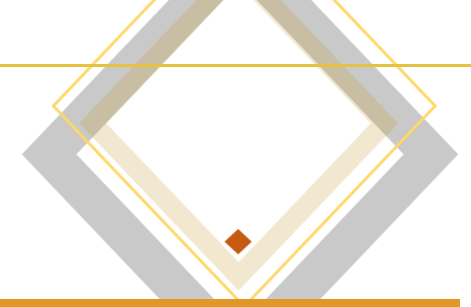
The table beginning on the next page includes a summary of the sections of law in Title 7, chapter 15, parts 42 and 43, that include legislative findings.¹ The table also attempts to match the legislative findings with survey results² included in the audit ranking the importance of benefits of districts that use TIF. The committee may wish to consider whether the survey responses align with legislative findings included in statute.

¹ The full text of the cited statutes is included beginning on page 3.

² Legislative Audit Division, "[Tax Increment Financing Administration and Impact](#)," p. 45.

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MCA Section	Year Enacted	Summary of Legislative Findings	TIF Benefits Included in Audit Survey (Average Rank in Parentheses, 5=Extremely Important)
7-15-4202	1959	The Legislature finds and declares that: <ul style="list-style-type: none"> • Blighted areas exist in municipalities and their existence: <ul style="list-style-type: none"> ○ contributes to disease, crime, and property value depreciation; ○ is an economic and social liability; ○ impairs growth of cities; ○ slows provision of housing; and ○ aggravates traffic problems. • Prevention and elimination of blighted areas is a matter of state concern: <ul style="list-style-type: none"> ○ so the state and cities are not endangered by disease, juvenile delinquency, fires, and areas difficult to police; and ○ because these areas contribute little tax revenue and consume an excessive proportion of police, fire, accident, hospitalization, and other public services. 	<ul style="list-style-type: none"> • Maintain or improve dilapidated buildings (4.5) • Provide necessary services that are otherwise unaffordable due to statutory local government budgetary restrictions (4.4) • Increase the property tax base (4.4) • Encouraging infill development to decrease future burden on local government budgets (4.2) • Pay for development with the taxes of properties benefiting from the development (4.2) • Improving traffic or pedestrian access (4.2) • City beautification (4.1)
7-15-4203	1959	The Legislature further finds and declares: <ul style="list-style-type: none"> • Some blighted areas may require acquisition, clearance, and disposition because of decay. • Rehabilitation may be sufficient in other blighted areas. • To the extent feasible, salvable blighted areas should be rehabilitated through voluntary action and the regulatory process. 	<ul style="list-style-type: none"> • Able to focus development on most needy neighborhoods (4.3) • Use funds to provide local control over development (3.5)

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7-15-4204	1959	Urban renewal laws in parts 42 and 43 are in the public interest. <ul style="list-style-type: none">• The powers included in these parts are for public uses for which public money may be expended and the power of eminent domain may be used.• A city may not serve as a pass-through by using eminent domain to obtain property and sell or lease it to a private entity.	
7-15-4278	2013	The Legislature finds and declares that: <ul style="list-style-type: none">• Infrastructure-deficient areas exist and are a serious impediment to value-adding economic development.• Local governments lack capital to address infrastructure shortages.• This is a matter of state policy because the state will continue to suffer economic dislocation from lack of value-adding industries.• TIF laws should be used to develop infrastructure.	<ul style="list-style-type: none">• Maintain or improve dilapidated infrastructure (4.7)• Increase jobs by bringing in business that would otherwise no build in the TIF city or county (4.5)• Pay for development with the taxes of properties benefiting from the development (4.2)

COMPLETE TEXT OF CITED STATUTES

7-15-4202. Existence of blighted areas and resulting problems — statement of policy. It is hereby found and declared:

- (1) that blighted areas which constitute a serious and growing menace, injurious to the public health, safety, morals, and welfare of the residents of the state, exist in municipalities of the state;
- (2) that the existence of such areas:
 - (a) contributes substantially and increasingly to the spread of disease and crime and depreciation of property values;
 - (b) constitutes an economic and social liability;
 - (c) substantially impairs or arrests the sound growth of municipalities;
 - (d) retards the provision of housing accommodations;
 - (e) aggravates traffic problems; and
 - (f) substantially impairs or arrests the elimination of traffic hazards and the improvement of traffic facilities; and

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(3) that the prevention and elimination of such areas is a matter of state policy and state concern in order that the state and its municipalities shall not continue to be endangered by areas which are focal centers of disease, promote juvenile delinquency, are conducive to fires, are difficult to police and to provide police protection for, and, while contributing little to the tax income of the state and its municipalities, consume an excessive proportion of its revenues because of the extra services required for police, fire, accident, hospitalization, and other forms of public protection, services, and facilities.

7-15-4203. Need for redevelopment and rehabilitation of blighted areas. It is further found and declared:

- (1) that certain of such blighted areas or portions thereof may require acquisition, clearance, and disposition subject to use restrictions as provided in this part, since the prevailing condition of decay may make impracticable the reclamation of the area by rehabilitation;
- (2) that other areas or portions thereof may, through the means provided in this part, be susceptible of rehabilitation in such a manner that the conditions and evils enumerated in 7-15-4202 may be eliminated, remedied, or prevented; and
- (3) that to the extent feasible salvable blighted areas should be rehabilitated through voluntary action and the regulatory process.

7-15-4204. Interpretation. (1) The powers conferred by part 43 and this part are for public uses for which public money may be expended and the power of eminent domain may be exercised as provided in Title 70, chapter 30. The legislature finds and declares that necessity in the public interest exists for the provisions enacted in part 43 and this part concerning urban renewal.

(2) A city or town may not serve as a pass-through entity by using its power of eminent domain, as provided in Title 70, chapter 30, to obtain property with the intent to sell, lease, or provide the property to a private entity.

7-15-4278. Legislative findings — purpose. The legislature finds and declares that:

- (1) infrastructure-deficient areas exist in the local governments of the state and constitute a serious impediment to the development of infrastructure-intensive, value-adding economic development in Montana;
- (2) local governments lack sufficient capital to rectify the infrastructure shortage in infrastructure-deficient areas, thus impeding their ability to achieve economic growth through the development of value-adding industries;
- (3) the creation of infrastructure in support of value-adding economic development is a matter of state policy and state concern because the state and its local governments will continue to suffer economic dislocation due to the lack of value-adding industries; and
- (4) the state's tax increment financing laws should be used to encourage the creation of areas in which needed infrastructure for value-adding industries could be developed.