



SENATE TAXATION

EXHIBIT NO. 2

DATE 3.4.11

BILL NO. SB358

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CASCADE COUNTY

Senate Bill – 358

“AN ACT GENERALLY REVISING URBAN RENEWAL AND TAX INCREMENT FINANCING DISTRICT LAWS; PROVIDING FOR CREATION OF TARGETED ECONOMIC DEVELOPMENT DISTRICTS; ALLOWING COUNTIES TO CREATE URBAN RENEWAL AREAS AND TARGETED ECONOMIC DEVELOPMENT DISTRICTS AND TO USE TAX INCREMENT FINANCING; ADDING COMPONENTS THAT MUST BE INCLUDED IN AN URBAN RENEWAL PLAN; REMOVING PROVISIONS FOR CREATION OF AND BONDING IN TECHNOLOGY DISTRICTS, AEROSPACE TRANSPORTATION AND TECHNOLOGY DISTRICTS, AND INDUSTRIAL DISTRICTS”

March 4, 2011

Chairman Tutvedt and members of the Senate Taxation committee thank you for this opportunity to appear before you in support of Senate Bill 358. For the record my name is Joe Briggs and I am a Cascade County Commissioner. I appear before you today representing both the Cascade County Commission and the Montana Association of County Officials, Community Economic Development and Labor committee which I chair.

This bill has been brought forward by MACO, in an effort to encourage job creation and tax base expansion throughout Montana by removing some of the obstacles which prevent the use of Tax Increment funding districts in the smaller communities and counties of Montana. We are joined in this effort by the Montana League of Cities and Towns and have also worked with the Montana Association of Planners in the creation of this legislation.

Simply put, this bill is designed to accomplish two primary changes; first removing the cost barriers of redundant infrastructure in the creation of a Tax Increment District designed to accommodate different types of qualifying industries and second to allow counties to make use of the Urban Renewal Statutes currently reserved for incorporated cities and towns.

The overall concept of TIF districts is simple. In order to assist in the expansion of an existing qualified business or the attraction of a new qualifying business a local government builds infrastructure such as roads, sewer and water systems. The new taxes generated by business expansion within the TIF district served by the infrastructure are captured and used to repay the cost of the infrastructure. Once the infrastructure cost is repaid, the TIF district terminates and the taxing jurisdictions begin to enjoy the benefits of an increased tax base.

During the time the TIF is active, all of the taxing jurisdictions continue to receive taxes from the parcels in the TIF district as if no improvements had occurred so they have lost no existing revenue as a result of the TIF. The companies in the district are taxed at full value of their assets as if the TIF district did not exist so there is no difference to the taxpaying company. What has changed with the adoption of a TIF district is that total taxes collected within the

district minus the amount paid to the taxing districts is used to retire the infrastructure debt which allowed the business expansion to occur. This difference is referred to as the "increment or capture".

However there are specific elements in the current laws which make it very difficult for smaller jurisdictions to participate in this type of economic development.

Under current law counties are allowed to create three types of Tax Increment Financing districts, Industrial, Technology and Aerospace. Although all three of these types of industries can physically coexist in practice, they cannot currently exist in the same TIF district and quality for the TIF capture. Current law only allows the TIF capture of industrial defined businesses in an Industrial TIF district, only a Technology qualified business's tax increment can be captured in a Technology TIF district and only an Aerospace business's tax increment can be captured in an Aerospace district. Further current law does not allow the boundaries of the three types of districts to overlap. In essence, a community or county must either create multiple separate and distinct TIF districts each with its own infrastructure or limit itself as to the type of companies that it can attract and assist through TIF financing.

This bill merges the three types of districts into one and as such drastically reduces the redundant infrastructure and creation costs for local governments while at the same time increases the probability that they will be successful in utilizing the TIF statutes to create jobs and build tax base for themselves and the State of Montana.

The second element of this legislation is to extend the use of Urban Renewal Districts to counties. Currently this statute is limited to use by only incorporated Cities and Towns. This statute has been used successfully by many cities and towns in Montana to clean up and revitalize areas of their communities that were suffering due to infrastructure deficiencies, falling property values and other ailments as defined in MCA 7-15-4202. These issues do not however stop at the city limits in most cases. Several of our major cities are ringed or are in proximity by unincorporated areas that suffer these same problems. Since counties are currently unable to exercise these powers they are severely limited in their ability to assist the area residents in revitalization efforts.

By way of example, in Cascade county there are several large unincorporated areas whose efforts could be enhanced should the counties be allowed this authority. Two that come instantly to mind are Sun Prairie and Black Eagle. Both are fine communities filled with hard working people trying to improve their neighborhoods but both are struggling with sub standard drainage and roads, an excess of under maintained homes, environmental issues and a shortage of funding. It is very possible that the use of these Urban Renewal tools would be additional asset needed to move these communities forward.

Thank you for your attention, I will remain for any questions the committee may have.



Joe Briggs