

MONTANA ASSOCIATION OF PLANNERS
Legislative Committee
2013 Legislative Session

Summary comments regarding: HB 443, A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR TERMINATION OF TAX INCREMENT FINANCING AND THE AUTHORIZATION OF SUBSEQUENT TAX INCREMENT FINANCING FOR NEW PROJECTS; REVISING TAX INCREMENT FINANCING DEFINITIONS; REQUIRING BONDS TO MATURE BY THE 15TH 30TH ANNIVERSARY OF A TAX INCREMENT PROVISION; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 7-15-4283, 7-15-4284, 7-15-4285, 7-15-4292, 7-15-4293, 7-15-4294, 7-15-4295, 7-15-4296, 7-15-4299, AND SECTION 7-15-4324, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE.

HB 443 would limit the term of TIF bonds to not longer than the 30th anniversary of the establishment of the TIFD. Currently bonding can extend the life of a district to 40 years.

Tax increment financing is a mechanism that allows communities to use new tax dollars resulting from increasing taxable value for reinvestment within the geographic area in which they are derived for a period of 15 years, or up to 40 years if the incremental taxes were pledged to the repayment of a bond. TIF is a locally driven mechanism that enables local governments to direct economic development in a way that is most appropriate for their communities. As opposed to tax abatement, TIF depends on developers paying property taxes in support of infrastructure that ultimately benefits an entire community - addressing blight in central businesses districts and adding manufacturing jobs in industrial areas.

There are currently 44 TIF districts in the state. Of those, 18 are industrial TIFs, 2 are technology TIFs and 24 are urban renewal TIFs. The majority of these districts are within city limits (about 75%), but increasingly counties are looking at creating non-urban renewal TIF districts (which will be called Targeted Economic Development Districts if SB 239 passes).

The Montana Association of Planners opposes this bill and asks the Committee to consider the following information regarding TIFDs:

- Legislators have already heard from 25 local communities and economic development organizations that cities, towns and counties across the state are concerned that this bill would greatly reduce the effectiveness of TIFD districts as they work to stem the tide of decline in places that have suffered significant changes to their economic base over many decades. The TIFD laws are not broken and do not need "fixing."
 - As of September, 2012, there were 41 Active TIFDs. Here are some points based on 41 districts:
 - Base Taxable Value of all Districts: \$49,962,179

- Incremental Taxable Value of all Districts: \$46,791,961 (representing \$1,559,732,033 in actual investment)
 - Total Taxable Value of all property in the state of Montana (2011 fiscal year) \$2,296,258,803
 - The incremental taxable value state-wide constitutes 2% of the state's total taxable value
 - Total incremental taxable value of Sunsetting Districts to date: \$13,696,481 (now part of the state's base)

- As Montana experiences rapid growth associated with the development in the Bakken, the State will be looking for ways to support infrastructure in towns that have been overwhelmed by oil and gas exploration and extraction in western North Dakota and eastern Montana. TIFD can be an excellent tool in addressing critical infrastructure improvements in areas that need urban renewal to meet service demands and time limits on bonding do not support these long-range challenges in Eastern Montana.

- As financial resources for public schools diminish, it is easy to look for quick fixes to resolve the problem. Certainly if development continues to be stymied, there would be no new taxable value to generate new tax revenue. Montana school districts are funded based upon enrollment numbers, which are used to determine the amount of funding each school district will receive from the state. The best way for a district to increase its student enrollment is for the community in which it is located to increase the job opportunities available. While the increased taxable value created by economic development within the TIF (the "increment") is not available to school districts for consideration in the number of school mills levied, new growth outside of the TIF resulting from new jobs in the community typically helps reduce the need to increase the mills levied. Often new economic activity within a TIF district results in growth throughout the community. In addition, when the districts sunset, all taxing jurisdictions, including the school realize the benefit of a larger and more diversified tax base.

- Tax increment financing has been used by counties, cities and towns across the state. While we hear a great deal about the TIF districts in Billings, Missoula, Great Falls, Butte, Bozeman and Kalispell, there are smaller communities that have made use of this very useful tool as well. Reducing the bonding life from 40 years to 30 years only hampers communities large and small from making stabilizing their economies and making long-lasting infrastructure improvements. Here is a sample of smaller places that have created or are creating TIF districts:
 - **Existing Districts:**
 - The Town of Stevensville in Ravalli County created an industrial TIF district in order to draw secondary value-added industries to the community and to retain Selway Corporation, a manufacturer of structural steel and other equipment. The small TIF district only generates about \$20,000 per year, but funds have been used to leverage funding from the Economic Development Administration to support the construction of a sewer system (the site currently

boasts an outhouse!) TIF dollars are also being used to help repair a portion of the rail line that serves Selway. Despite ongoing efforts to stabilize and grow the economy, over the last 40 years, nearly 10% of the families and more than 20% of the county's children live at or below the poverty level. It takes years to recover from losses – decades. Limiting TIF districts that use debt financing to 30 years fails to recognize the fact that sustainable economic development takes time.

- Jefferson County has created two industrial TIFs – one located near Montana City was instrumental in bringing Cretex, a manufacturer of concrete products to the site and a second, near the Golden Sunlight mine in the southern part of the County. The Sunlight TIF is directed to creating economic opportunity once the mine closes – so that there is less negative economic impact associated with the closure. This effort will last several decades. Again, like Ravalli county, it will take a long time for Jefferson County to recover from the boom-bust cycle of extractive industrial activities.
- In Bonner a tax increment financing district was created in 2012 at the site of the former Stimson Mill, helping bring new life to the site. After 122 years of continuous operations, the lumber mill at Bonner, Montana shut its doors in 2008, laying off the remaining 133 employees, down from the over 1,000 workers at the mill in 1976. The creation of the Bonner Mill TIFID will enable Missoula County to market an area that offers not only vacant land, but existing under-utilized industrial buildings and ancillary residential structures.
- **Proposed Districts:**
 - The Town of Whitehall, with state grant funding through the Main Street Program, is currently in the process of creating an urban renewal TIF district. The town suffered a devastating fire in 2009 and is working to re-build and revitalize its Main Street. It is likely that it will be several years before adequate increment is generated in support of a bond.
 - The City of Lewistown has received Community Development Block Grant funding in support of an urban renewal district in its downtown. Lewistown is committed to restoring its downtown. Many of its historic buildings are plagued by vacancy and are falling into disrepair. TIF will help bring new life to this community.