

RAILROAD TIF DISTRICT

Helena, Montana



TAX INCREMENT FINANCING FACT SHEET

WHAT IS TIF?

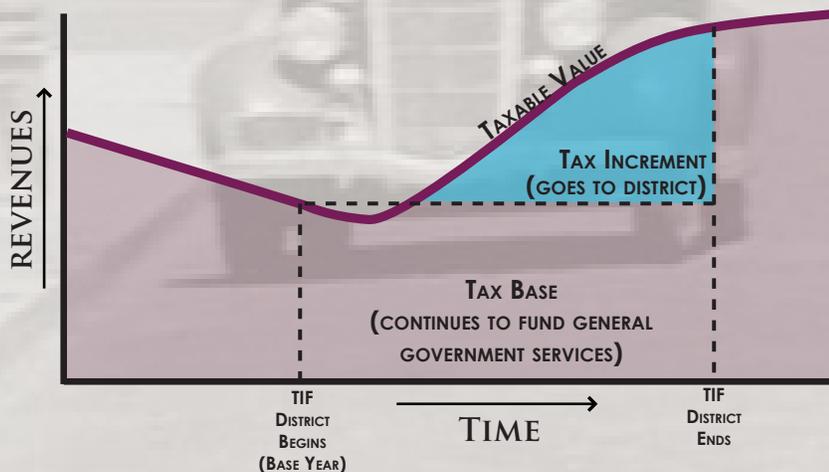
TAX INCREMENT FINANCING (TIF) IS A WAY OF DIRECTING PROPERTY TAX REVENUES FROM A GIVEN NEIGHBORHOOD, LIKE HELENA'S RAILROAD DISTRICT/6TH WARD, BACK INTO THAT NEIGHBORHOOD. NORMALLY, PROPERTY TAXES IN MONTANA GO INTO A GENERAL POOL TO HELP PAY FOR LOCAL GOVERNMENT SERVICES SUCH AS SCHOOLS, ROADS AND BRIDGES, AS WELL AS FIRE AND POLICE PROTECTION. WITH TIF, A PORTION OF THE PROPERTY TAXES IN A QUALIFYING NEIGHBORHOOD IS RESERVED FOR REVITALIZING THAT NEIGHBORHOOD. TIF AIMS TO IMPROVE ECONOMIC VITALITY, CREATE JOBS AND ENCOURAGE INVESTMENT IN TARGETED NEIGHBORHOODS, AND INVESTS IN PUBLIC IMPROVEMENTS LIKE STREETS, SIDEWALKS, TRAILS AND PARKS.

HOW DOES TIF WORK?

MONTANA'S URBAN RENEWAL LAW ALLOWS CITIES TO CREATE TIF DISTRICTS IN AREAS WHERE ECONOMIC GROWTH HAS BEEN IMPAIRED AND PUBLIC AND PRIVATE INVESTMENT IS LACKING—AREAS THAT ARE DEEMED "BLIGHTED." WHEN A TIF DISTRICT IS FORMED, A PORTION OF THE TAXES ON PROPERTIES WITHIN THE DISTRICT IS RESERVED FOR USE WITHIN THE DISTRICT FOR A SPECIFIED PERIOD (USUALLY 15 YEARS). THESE REVENUES GET REINVESTED IN THE DISTRICT TO PROVIDE INFRASTRUCTURE AND AMENITIES THAT WILL ENCOURAGE PRIVATE-SECTOR INVESTMENT AND REVITALIZE THE NEIGHBORHOOD.

THE PORTION OF PROPERTY TAXES THAT ARE DIRECTED TO THE DISTRICT IS KNOWN AS THE TAX INCREMENT. THE TAX INCREMENT IS CALCULATED ACCORDING TO PROVISIONS OF THE URBAN RENEWAL LAW: THE YEAR A TIF DISTRICT IS ESTABLISHED IS THE BASE YEAR, AND PROPERTY TAXES ASSESSED IN THAT YEAR ARE THE BASE TAX REVENUES. AS TIME GOES ON, AND THE DISTRICT IMPROVES, ASSESSED PROPERTY VALUES INCREASE, AND THE INCREASE IN PROPERTY TAX REVENUES IS THE TAX INCREMENT. THE BASE TAX REVENUES CONTINUE TO FUND LOCAL GOVERNMENT SERVICES, BUT THE ADDITIONAL REVENUES THAT ACCRUE WITH TIME AND INVESTMENT, IE. THE TAX INCREMENT, GET REINVESTED IN THE DISTRICT. ALTHOUGH TAX INCREMENTS FROM INDIVIDUAL PROPERTIES MAY BE SLIGHT, THEY ARE AUGMENTED BY NEW DEVELOPMENT AND IT ADDS UP TO SUBSTANTIAL FUNDS FOR REVITALIZING A NEIGHBORHOOD.

EXAMPLE: A PROPERTY THAT GENERATED \$1,000 IN TAXES IN THE BASE YEAR APPRECIATES AND/OR IS IMPROVED SO THAT IT GENERATES \$1,500 IN PROPERTY TAXES IN SUBSEQUENT YEARS. THE \$500 INCREASE (THE TAX INCREMENT) GOES INTO A SPECIAL FUND TO BE USED FOR REDEVELOPMENT PROJECTS WITHIN THE DISTRICT.



DOES TIF RAISE PROPERTY TAXES?

No. TIF DOES NOT RAISE PROPERTY TAXES. TAX PAYERS WITHIN A TIF DISTRICT PAY THE SAME AMOUNT AS THEY WOULD IF THE PROPERTY WERE LOCATED OUTSIDE THE DISTRICT. THE ONLY DIFFERENCE IS IN THE DISTRIBUTION OF TAX REVENUES—A PORTION OF THE PROPERTY TAXES TIF PROPERTY OWNERS PAY GETS REDIRECTED INTO IMPROVING THEIR NEIGHBORHOOD.

HOW IS TIF USED?

TAX INCREMENT FUNDS CAN BE USED TO FINANCE PUBLIC AND PRIVATE REDEVELOPMENT ACTIVITIES THAT BENEFIT THE PUBLIC. THESE OFTEN INCLUDE BUILDING REHABILITATION AND RENOVATION; ENVIRONMENTAL CLEANUP; LAND ACQUISITION; SITE PREPARATION; DEMOLITION AND REMOVAL OF STRUCTURES; UTILITY UPGRADES AND EXTENSIONS; AND CONSTRUCTION OF PARKING FACILITIES, STREETS, ALLEYS, CURBS, GUTTERS, SIDEWALKS, PARKS, TRAILS, AND PUBLIC BUILDINGS. THE LAWS GOVERNING TIF CAN BE FOUND IN MONTANA'S URBAN RENEWAL LAW, 7-15-4201 OF THE MONTANA CODE ANNOTATED.

SEE [HTTP://LEG.MT.GOV/BILLS/MCA_TOC/7_15_42.HTM](http://leg.mt.gov/bills/mca_toc/7_15_42.htm)

DOES TIF HURT LOCAL GOVERNMENTS AND ESSENTIAL SERVICES?

No. EACH TAXING JURISDICTION (CITY, COUNTY, SCHOOL DISTRICT ETC.) CONTINUES TO RECEIVE ITS SHARE OF THE BASE TAX REVENUES THROUGHOUT THE DURATION OF THE TIF DISTRICT, WITH ONLY THE TAX INCREMENT BEING REDIRECTED TO THE DISTRICT. WHEN THE DISTRICT EXPIRES, THE TAXING JURISDICTIONS BENEFIT FROM INCREASED PROPERTY TAX REVENUES (DUE TO INCREASED PROPERTY VALUES IN THE IMPROVED AND REDEVELOPED NEIGHBORHOOD) THAT WOULD LIKELY NOT EXIST IF THE DISTRICT HADN'T BEEN FORMED.

HOW IS A TIF DISTRICT CREATED?

THERE IS AN ESTABLISHED STEP BY STEP PROCESS FOR CREATING A TIF DISTRICT:

- A DISTRICT'S ELIGIBILITY IS ESTABLISHED BY IDENTIFYING BOUNDARIES AND DOCUMENTING SPECIFIC "BLIGHT" CONDITIONS
- THE CITY COMMISSION ADOPTS A RESOLUTION OF NECESSITY THAT STATES THAT "BLIGHT" EXISTS IN THE AREA, AND THAT REHABILITATION AND/OR REDEVELOPMENT "ARE NECESSARY IN THE INTEREST OF THE PUBLIC HEALTH, SAFETY, MORALS, OR WELFARE OF THE RESIDENTS."
- PUBLIC/NEIGHBORHOOD MEETINGS ARE HELD TO DETERMINE DISTRICT PRIORITIES, DESIRES, VISIONS
- URBAN RENEWAL PLAN (URP) IS PREPARED THAT REFLECTS DISTRICT PRIORITIES, DESIRES, VISIONS AND OUTLINES OPTIONS FOR ACHIEVING THEM
- URP IS REVIEWED BY PLANNING BOARD TO ENSURE IT CONFORMS WITH GROWTH POLICY AND ZONING
- AN ORDINANCE IS PREPARED FOR THE CITY COMMISSION TO ADOPT THE DISTRICT URP
- ALL PROPERTY OWNERS IN THE DISTRICT ARE NOTIFIED OF THE DRAFT ORDINANCE AND A PUBLIC HEARING IS HELD
- THE CITY COMMISSION ADOPTS THE ORDINANCE
- ALL AFFECTED TAXING JURISDICTIONS ARE NOTIFIED AND THE RELEVANT DOCUMENTS ARE SENT TO THE MONTANA DEPARTMENT OF REVENUE
- THE MONTANA DEPARTMENT OF REVENUE CERTIFIES THE URP AND THE DISTRICT IS OFFICIALLY CREATED

