

LEGISLATIVE AUDIT DIVISION

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MEMORANDUM

TO: Megan Moore, Research Analyst, Legislative Services Division
FROM: Alyssa Sorenson, Performance Auditor
DATE: April 27, 2018
SUBJECT: The Revenue and Transportation Interim Committee's request for information about expired tax increment financing districts.

There are at least 12 development districts with tax increment financing (TIF) provisions that have expired, or sunset, in Montana. Records relating to these districts are not well maintained and many of the staff in state and local government who worked with these districts are no longer in the same positions. To create this summary document, we used spreadsheets from past years created and kept internally by the Department of Revenue's Tax Policy and Research Division, paper documentation maintained by the department's legal office, and some local government responses. The table below shows some of the characteristics of these past districts. All values and characteristics are estimates based on available information.

Known Development Districts With Sunset TIF Provisions								
County	District	Base Year	Sunset Year	Age	Base Value	Increment Value	Total Growth	Average Annual Growth Rate
Cascade	Great Falls Pasta	1997	2004	7	\$381,071	\$700,009	184%	26%
Cascade	Great Falls Downtown	1977	2008	31	\$5,060,148*	\$4,064,883	80%	3%
Deer Lodge	TID 2 & 2A	1996	2011	15	\$57,427	\$46,164	80%	5%
Deer Lodge	TID 1	1996	2011	15	\$431,346	\$97,476	23%	2%
Flathead	Kalispell A	1979	2002	23	\$4,564,171	\$1,374,847	30%	1%
Gallatin County	Mandeville	2006	2017	9	\$12,059	\$87,633	727%	81%
Lewis & Clark	Helena #1 & #2	1981	2005	24	\$894,952	\$1,626,629	182%	8%
Lincoln	Lincoln County Industrial	2005	2015	10	\$85,666	\$71,487	83%	8%
Missoula	URD I	1978	2004	26	\$5,973,987	\$2,709,824	45%	2%
Silver Bow	TIFID #1	1989	2002	13	\$5,027	\$105,330	2,095%	161%
Silver Bow	Butte Uptown	1980	2013	33	\$1,634,853	\$1,667,006	102%	3%
Yellowstone	Billings Downtown	1976	2008	32	\$4,630,534	\$4,300,539	93%	3%

Source: Compiled by the Legislative Audit Division.
*This district had the original base value readjusted downward several times due to changes in the assessment of property taxes. This is no longer allowed under current statute.

Relative Success of Districts in Increasing Taxable Value

Determining the past success of TIF to increase area property values can be viewed in a number of different ways, including final total increment value, overall percentage increase in incremental value from the base value, and average annual growth rate in taxable value over the life of the district. Of the known sunset districts, the downtown districts in Billings and Great Falls were the best performers in total dollar amount of the final increment, with both exceeding \$4 million in incremental taxable value at their expiration. When considering total growth over the lifetime of the district, Butte-Silver Bow's TIFID #1 had the highest percentage growth at 2,095 percent. This district's base value was very low, so any growth would appear to be a significant increase. The final method of considering the success of taxable value growth in these districts is by looking at the average annual growth rate, which takes into consideration the length of the district's life. Based on this calculation, TIFID #1 in Butte-Silver Bow was the most successful at increasing taxable value, followed by the Bozeman's Mandeville district. Both of these districts were sunset prior to the allowable 15-year lifespan, which may indicate value increases plateaued at the time the district sunset.

Additional Factors for Consideration

Property value change in districts may differ depending on the length of the district's lifespan, thus disrupting the use of these values for comparison purposes. For example, some districts were sunset prior to the allowable 15-year lifespan. Local government staff have reported that typically districts are sunset early if they are not expected create any additional significant growth due to their current structure. While some shorter-lived districts appeared to have high growth in property value over their lifespan, the growth may have been tempered over time by lower growth rates if they had lasted longer. Many of these shorter-lived districts also started with lower base property values, meaning even a small project can appear to result in high growth in property value. Alternately, districts with longer lifespans may have lower average annual growth rates due to years of the districts' lives being dedicated primarily to paying off debt used to fund development earlier in the districts' lives.

When comparing the value increase of districts over time, it is also important to realize these values were not adjusted to take into consideration different market changes, inflation, or other factors relating to the location or time frame TIF was in use. As a result, using these values for definitive comparison purposes should be done with caution.

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