

**City of Kalispell  
Tax Increment Financing Districts  
Annual Report  
2012-2013**



**Prepared by:  
Kalispell Urban Renewal Agency and  
Community and Economic  
Development Department**

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**Introduction**

The intent of this report is to provide a comprehensive understanding of existing Tax Increment Financing (TIF) Districts. Knowledge of TIF projects and other actions related to TIF in addition to financial reports serve to improve TIF management and implementation on behalf of the community. This report documents Kalispell Tax Increment Financing Districts for the period September 2012 through August 2013 and to provide adequate information for review.

**Summary**

Tax Increment Financing District law is found at Title 7, Chapter 15, Parts 42 and 43, of the Montana Code Annotated. In Kalispell, applications for Tax Increment Financing are accepted through the Community and Economic Development Department, reviewed and considered by the Urban Renewal Agency and ultimately decided by City Council.

| City of Kalispell TIF Districts         | 2011         | 2012         | % Change since 2011 |
|-----------------------------------------|--------------|--------------|---------------------|
| City Total Taxable Value                | \$41,785,560 | \$40,531,328 | -3%                 |
| Aggregated TIFs Base Taxable Value      | \$3,676,477  | \$8,387,046  | +128%               |
| Aggregated TIFs Current Taxable Value   | \$5,392,074  | \$ 9,901,804 | +83%                |
| Total Aggregated TIFs Incremental Value | \$1,715,597  | \$1,514,758  | -12%                |

The Montana Department of Revenue 2012 Certified Taxable Valuation Information annual report is the source of all current taxable, base taxable and incremental values utilized in this report. The Department of Revenue’s information for the Kalispell City taxing jurisdiction was certified August 2, 2012. Note that certification of values is determined on a single day in the calendar year and therefore provides a “snapshot” of value. It is not uncommon for values to vary between the time of the certification and the actual collection of taxes by the Department of Revenue.

Further, it is important to note that the West Side TIF boundary was expanded by City Council action in December 2012 to include the Core Area. This expansion led to the recalculation of the base taxable value: still at 1997 values when the West Side TIF was originated, but now including a larger physical boundary area. This change taken in tandem with the significant reduction in taxable values experienced throughout the City and mirrored in two of the TIF Districts creates year to year calculations that can be counter-intuitive.

The City of Kalispell Tax Increment Financing Districts are overseen by a five member volunteer board, the Urban Renewal Agency (URA). Board members are appointed by City Council to serve four-year, staggered terms. Members and board terms for 2012-2013:

| <u>Member</u>    | <u>Position</u> | <u>Term Expires</u> |           |           |
|------------------|-----------------|---------------------|-----------|-----------|
| Marc Rold        | Chairman        | 04/30/2014          |           |           |
| Tom Lund         | Vice Chairman   | 04/30/2014          |           |           |
| Suzanne Faubert* | Member          | 04/30/2015          | Pam Mower | 4/30/2015 |
| Murphy McMahan   | Member          | 04/30/2015          |           |           |

Shannon Nalty\*\*      Member                      04/30/2013      Dave Girardot                      4/30/2017

\*Suzanne Faubert moved outside Kalispell City limits in 2013 and no longer owns property in the city limits, therefore disqualifying her to serve on the Urban Renewal Agency board. Pam Mower was appointed by City Council to fill the remainder of the term.

\*\*Shannon Nalty's term expired on 04/30/2013. Dave Girardot was appointed by City Council to the Urban Renewal Agency for a four year term ending 04/30/2017.

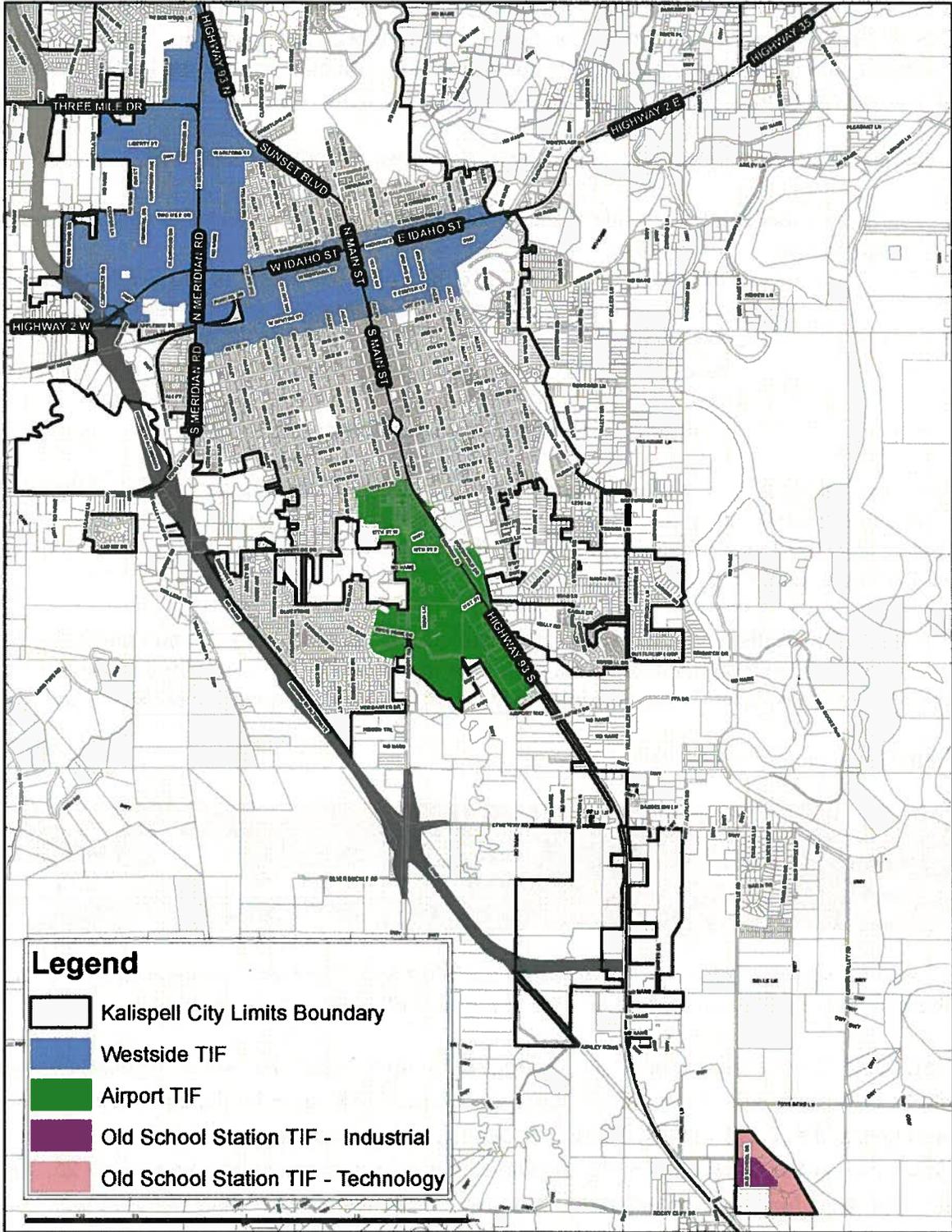
The URA held five regular meetings, and three work sessions September 1, 2012 through August 31, 2013. The Urban Renewal Agency receives staff support from the City of Kalispell, Community and Economic Development Department.

The Urban Renewal Agency meeting history for the period September 2012 through August 2013 follows:

| <b>Meeting Date</b>        | <b>Attendance</b>                                              | <b>Action</b>                                                                                                                                                                                                                           |
|----------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11/14/2012                 | Rold, Lund, Faubert, McMahon, Nalty                            | Recommended City Council not endorse the acquisition of permanent easement for Kidsports utilizing South Kalispell/Airport TIF District funds.                                                                                          |
| 01/16/2013                 | Rold, Faubert, Lund, McMahon, Nalty, TIF Applicant Paul Roybal | Reviewed and discussed TIF proposal from 11 Main Street/Paul Roybal. Discussion of policies and application process for future TIF requests.                                                                                            |
| 02/13/2013                 | Rold, Lund, Faubert, Nalty                                     | Discussion and review of draft Westside/Core Area TIF Criteria for Review. Discussion on 11 Main Street/Paul Roybal TIF request. Schedule of February work session to begin creation of Westside/Core Area TIF policies and procedures. |
| 02/27/2013<br>Work Session | Lund, Faubert, McMahon, Nalty                                  | Drafted possible funding programs for the Westside/Core Area TIF: Shared Utility Extension, Rehab/Code Compliance, Façade Improvement, Historic Façade Restoration, Technical Assistance.                                               |
| 03/13/2013                 | Lund, Faubert, McMahon, TIF Applicant Paul Roybal              | Discussion of 11 Main Street Request from Paul Roybal. Motion made to submit a recommendation of funding to City Council for this project in the amount of \$72,661 in grant and loan dollars.                                          |

|                            |                                 |                                                                                                                                                                                                        |
|----------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 03/20/2013<br>Work Session | Lund, Faubert, McMahon          | Reviewed and suggested changes to the drafted programs and policy updates for the Westside/Core Area TIF.                                                                                              |
| 04/10/2013                 | Rold, Faubert, McMahon          | Reviewed certification of taxable valuation.<br>Reviewed 2011-2012 Annual TIF report.                                                                                                                  |
| 05/08/2013<br>Work Session | Rold, Lund, Faubert,<br>McMahon | Review of draft developer's agreement for 11 Main Street. Review of 2011-2012 Annual TIF Report. Recommendation to submit Annual Report to City Council. Review of Technical Assistance Program Draft. |

City of Kalispell Tax Increment Finance Districts  
September 15, 2012



## West Side/Core Area Tax Increment Financing District

In accordance with provisions of Montana State Law, City Council adopted Ordinance No. 1259 on March 17, 1997, establishing the West Side Urban Renewal Tax Increment Financing District and adopting the urban renewal plan. The Ordinance also established January 1, 1997, as the base year for calculating the tax increment of the district.

The enabling legislation documents the following purpose of the West Side TIF:

Whereas, the Plan [West Side Urban Renewal Plan] for the project area requires, among other things:

- a. setting a pattern of land use incorporating sensitivity to neighboring uses;
- b. creating a circulation pattern that maintains a separation of incompatible uses;
- c. creating a street system that can accommodate increase in traffic safety; and
- d. providing a full range of services to area.

In November 2012, City of Kalispell ordinance 1717 modified the boundaries of the Westside TIF District to include an area referred to as the "Core Area." The Core Area encompasses 365 acres and is focused along the major roadways of Idaho Street, Main Street, Center Street, Meridian Street, and 5<sup>th</sup> Avenue West North.

In February 2013 Kalispell City Council Resolution 5605 adopted as an amendment to the West Side Urban Renewal Plan, the Core Area Plan. The intent of the plan is to eliminate blight and encourage redevelopment in the district through the use of TIF as specified by State Law.

Current City Council Ward: Ward 1

| West Side TIF District                | 2011        | 2012        | % Change Since 2011 |
|---------------------------------------|-------------|-------------|---------------------|
| West Side Base Taxable Value          | \$3,222,347 | \$7,932,918 | +146%               |
| West Side Current Taxable Value       | \$3,808,596 | \$8,390,756 | +120%               |
| Total West Side TIF Incremental Value | \$586,249   | \$457,838   | -22%                |

The current assessed value of property within the West Side TIF District increased by 5% over the base assessed value established in 1997 at the time of the District's creation.

In April 2013 City Council approved a TIF request of up to \$72,661 to assist the redevelopment of blighted property at 11 Main Street, Kalispell, Montana. Of these funds, up to \$52,290 may be grant funds, and \$20,371 may be offered as loan support pending approval by the Kalispell Revolving Loan Fund Committee. Per the Developer's Agreement, signed September 25, 2013, \$18,533 of these funds are to construct a fire flow line to meet the fire flow needs of this property and neighboring properties. Remaining funds may be used to renovate the historic façade of the building and complete interior renovations that are required to rehabilitate the building and comply with City codes. To ensure adequate owner investment, TIF funding for

private investment in this project does not exceed 10% of the total project cost. These funds are reimbursable contingent upon the project being completed within one year of the executed Developer's Agreement (September 25, 2014.)

On April 3, 2013 the City of Kalispell signed a memorandum of understanding with Flathead County Economic Development Authority (FCEDA) transferring ownership of the Teletech facility within the Gateway West Mall from the City of Kalispell to FCEDA. FCEDA shall receive the entire portion of the revenues above the Beneficial Use Tax and Personal Property Tax amounts paid annually by the lessee until such time as a total of \$300,000 has been received for the purposes of building an adequate maintenance reserve for the property. Thereafter, and in consideration for the City transferring its property interest, FCEDA shall remit to the City 25% of all revenues it receives from the lessee which are above the Beneficial Use Tax and Personal Property Tax amounts which will continue to be paid to the taxing entities.

**West Side TIF Fiscal Year 2013 Revenue (7/1/12-6/30/13):**

|                                              |                 |
|----------------------------------------------|-----------------|
| West Side TIF beginning cash July 1, 2012:   | \$2,275,372     |
| Tax Increment:                               | \$ 507,289      |
| <u>Investment Earnings:</u>                  | <u>\$18,160</u> |
| Fiscal Year 2013 Available for Expenditures: | \$2,800,821     |

**West Side TIF Fiscal Year 2013 Expenditures and Commitments:**

|                                          |                    |
|------------------------------------------|--------------------|
| Personal Services:                       | (\$32,352)         |
| Contract Services:                       | (\$7,090)          |
| Reimbursements/other:                    | (\$1,776)          |
| Debt Service:                            | (\$32,041)         |
| <u>Redevelopment Activity:</u>           | <u>(\$0)</u>       |
| Total Expenditures and Commitments:      | (\$73,259)         |
| <b>Uncommitted Cash as of 6/30/2013:</b> | <b>\$2,727,562</b> |



West Side/Core Area TIF Projects 2012-2013

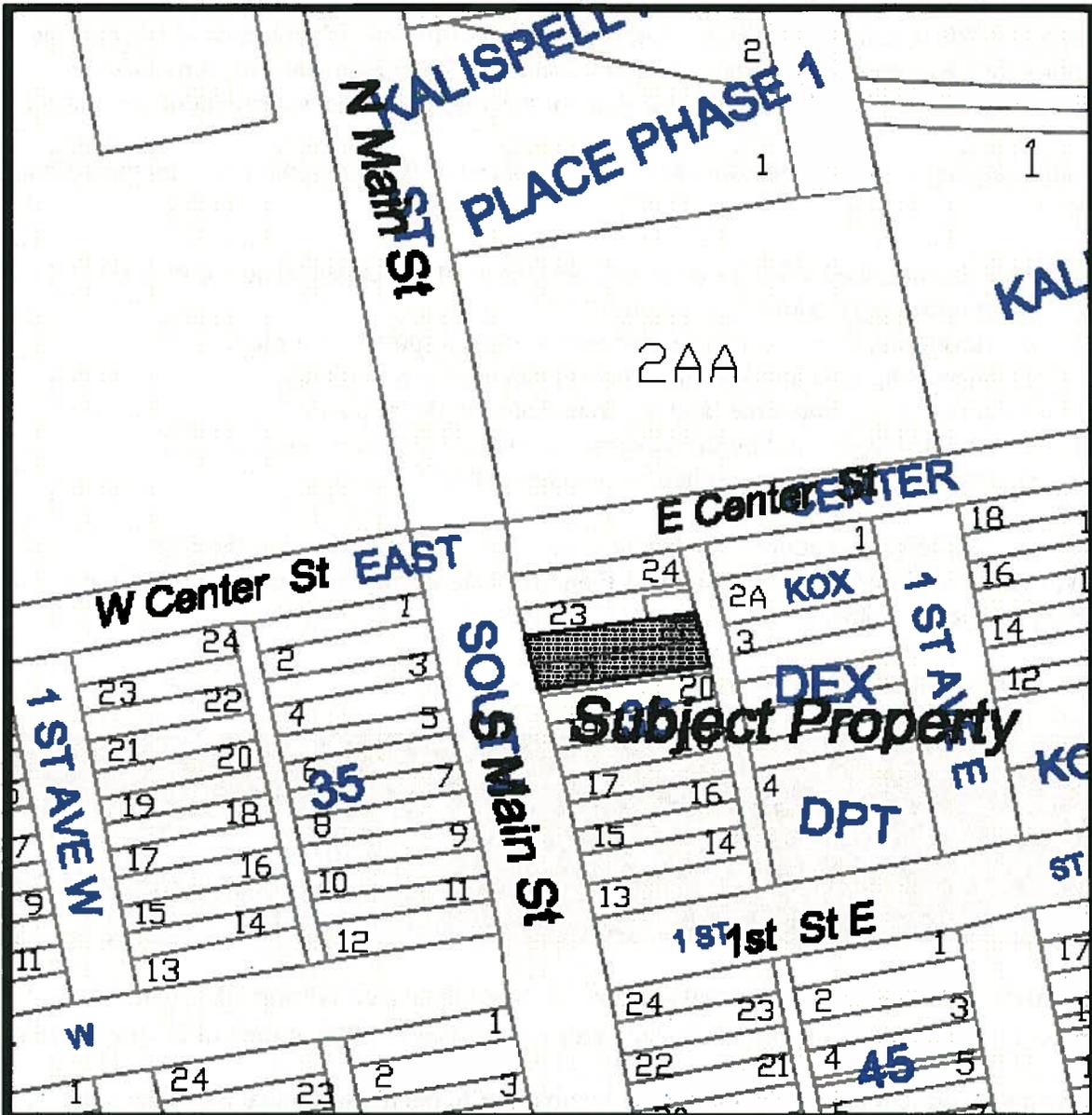


Exhibit A

Paul Roybal  
11 Main Street

**South Kalispell/Airport TIF**

In accordance with provisions of Montana State Law, City Council adopted Ordinance No. 1242 on July 1, 1996, establishing the City Airport/Athletic Complex Urban Renewal District and adopting the “Kalispell City Airport/Athletic Complex Redevelopment Plan Analysis” establishing January 1, 1996, as the base year for calculating the tax increment of the district.

The enabling legislation documents the following purpose of the Airport Tax Increment Finance District:

Whereas, among the identified goals and objectives of the Urban Renewal Plan are:

- a. minimizing hazards to navigation,
- b. developing the airport in accordance with an airport layout plan,
- c. increasing development opportunities on nearby properties,
- d. promoting compatible land use in and around the airport,
- e. establishing a funding mechanism for airport properties, and
- f. establishing a priority schedule for plan implementation.

Ordinance No. 1541 was adopted by Council on July 18, 2005, amending the City Airport/Athletic Complex Redevelopment Plan, authorizing an urban renewal project and approving revenue bonds.

Current City Council Ward: Ward 4

| South Kalispell/Airport TIF District                | 2011        | 2012        | % Change Since 2011 |
|-----------------------------------------------------|-------------|-------------|---------------------|
| South Kalispell/Airport Base Taxable Value          | \$453,612   | \$453,612   | 0                   |
| South Kalispell/Airport Current Taxable Value       | \$1,461,072 | \$1,386,714 | -5%                 |
| Total South Kalispell/Airport TIF Incremental Value | \$1,007,460 | \$933,102   | -7%                 |

The current assessed value of property within the South Kalispell/Airport TIF District has increased by 205% over the base assessed value established in 1996 at time of District’s creation.

As a result of project bonding issued in September 2005, beginning January 1, 2006, and continuing each year through July 1, 2020, \$500,000 of the annual increment will be utilized to pay debt service.

On December 17, 2012 City Council voted for Resolution 5602- Kidsports Permanent Easement Purchase using funds generated by Airport/Athletic Complex TIF District. This resolution allowed for the expenditure of \$2,260,496 plus potential fees and expenses to be spent from this TIF district.

The South Kalispell/Airport TIF District will expire July 1, 2020.

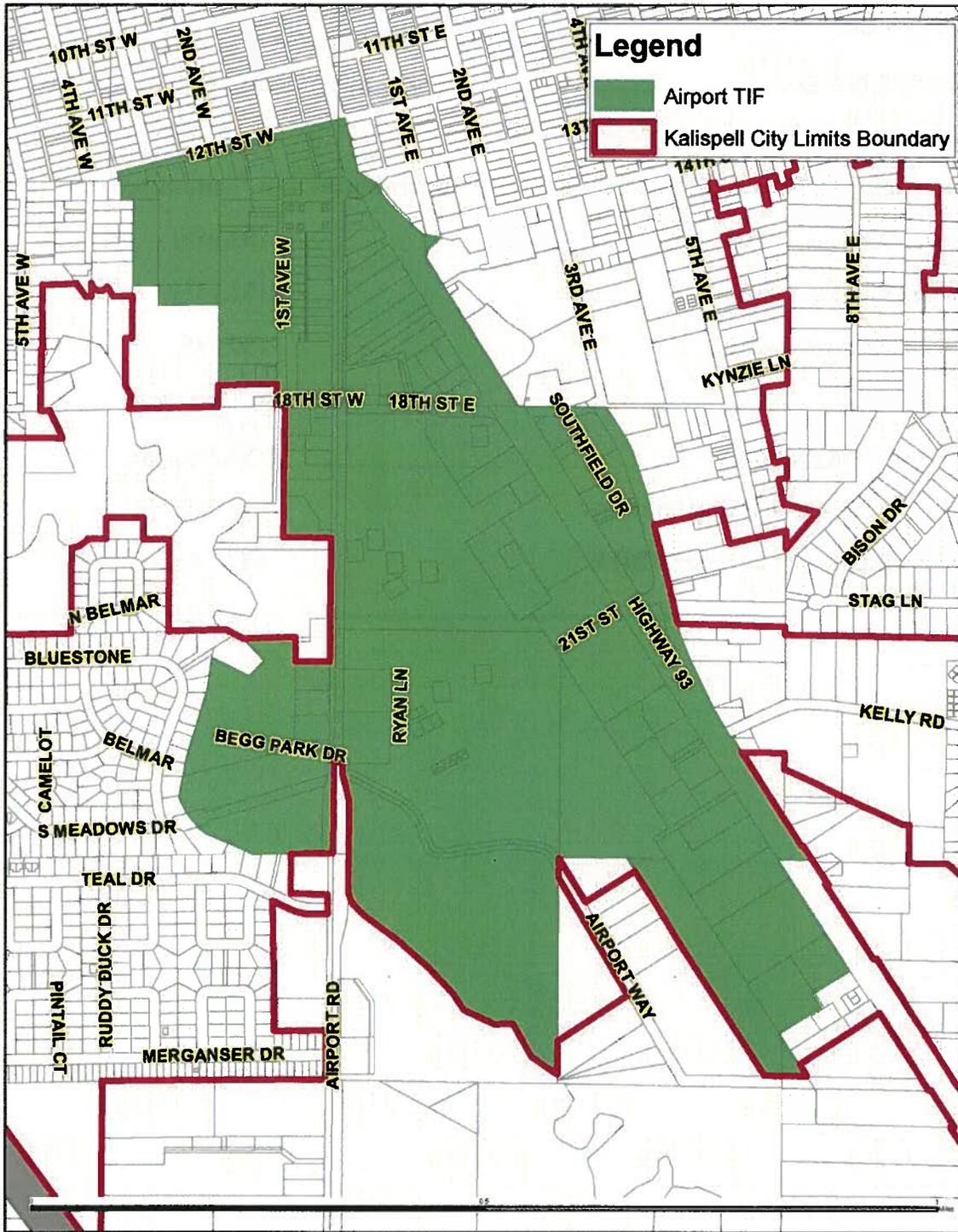
**South Kalispell/Airport TIF Fiscal Year 2013 Revenue (7/1/12-6/30/13):**

|                                                           |                 |
|-----------------------------------------------------------|-----------------|
| South Kalispell/ Airport TIF beginning cash July 1, 2012: | \$1,933,710     |
| Tax Increment:                                            | \$ 667,122      |
| <u>Investment Earnings:</u>                               | <u>\$12,435</u> |
| Fiscal Year 2013 Available for Expenditures:              | \$2,613,267     |

**South Kalispell/Airport TIF Fiscal Year 2013 Expenditures and Commitments:**

|                                          |                      |
|------------------------------------------|----------------------|
| Personal Services:                       | (\$9,955)            |
| Contract Services:                       | (\$2,151)            |
| Reimbursements/other:                    | (\$9,335)            |
| Debt Service:                            | (\$181,000)          |
| <u>Redevelopment Activity:</u>           | <u>(\$2,266,336)</u> |
| Total Expenditures and Commitments:      | (\$2,468,777)        |
| <b>Uncommitted Cash as of 6/30/2013:</b> | <b>\$144,490</b>     |

Airport Tax Increment Finance District  
September 15, 2012



### Old School Station, Industrial

In accordance with provisions of Montana State Law, City Council adopted Ordinance No. 1557 on November 21, 2005, establishing the Old School Station Industrial Tax Increment Financing District, identifying its boundaries and establishing January 1, 2005, as the base year for calculating the tax increment of the district.

Current City Council Ward: Ward 4

| Old School Station—Industrial TIF District                | 2011     | 2012     | % Change Since 2011 |
|-----------------------------------------------------------|----------|----------|---------------------|
| Old School Station—Industrial Base Taxable Value          | \$128    | \$126    | 0                   |
| Old School Station—Industrial Current Taxable Value       | \$18,244 | \$19,925 | +9%                 |
| Total Old School Station—Industrial TIF Incremental Value | \$18,116 | \$19,799 | +9%                 |

The current assessed value of property within the Old School Station—Industrial District increased by 15,713% over the base assessed value established in 2005 at time of District's creation. This high percentage of increase in value is the result of the TIF being created while the properties were still undeveloped sites.

A portion of the annual increment from this TIF is pledged for repayment of Special Improvement District bonds, as needed and as funds are available, over the life of the bond, January 1, 2007, through July 1, 2026. In fiscal year 2012-2013, \$12,661 was transferred for this purpose.

Due to non-payment of property taxes as assessed, there exists the potential for tax receipts to be adequate to meet SID payments. Any shortfall would need to be covered per City Council action. For these reasons, this account is budgeted by City Council for fiscal year 2014 at a zero balance.

The Old School Station—Industrial TIF is scheduled to terminate on the fifteenth year following its creation, meaning January 1, 2020.

**Old School Station Industrial Fiscal Year 2013 Revenue (7/1/12-6/30/13)**

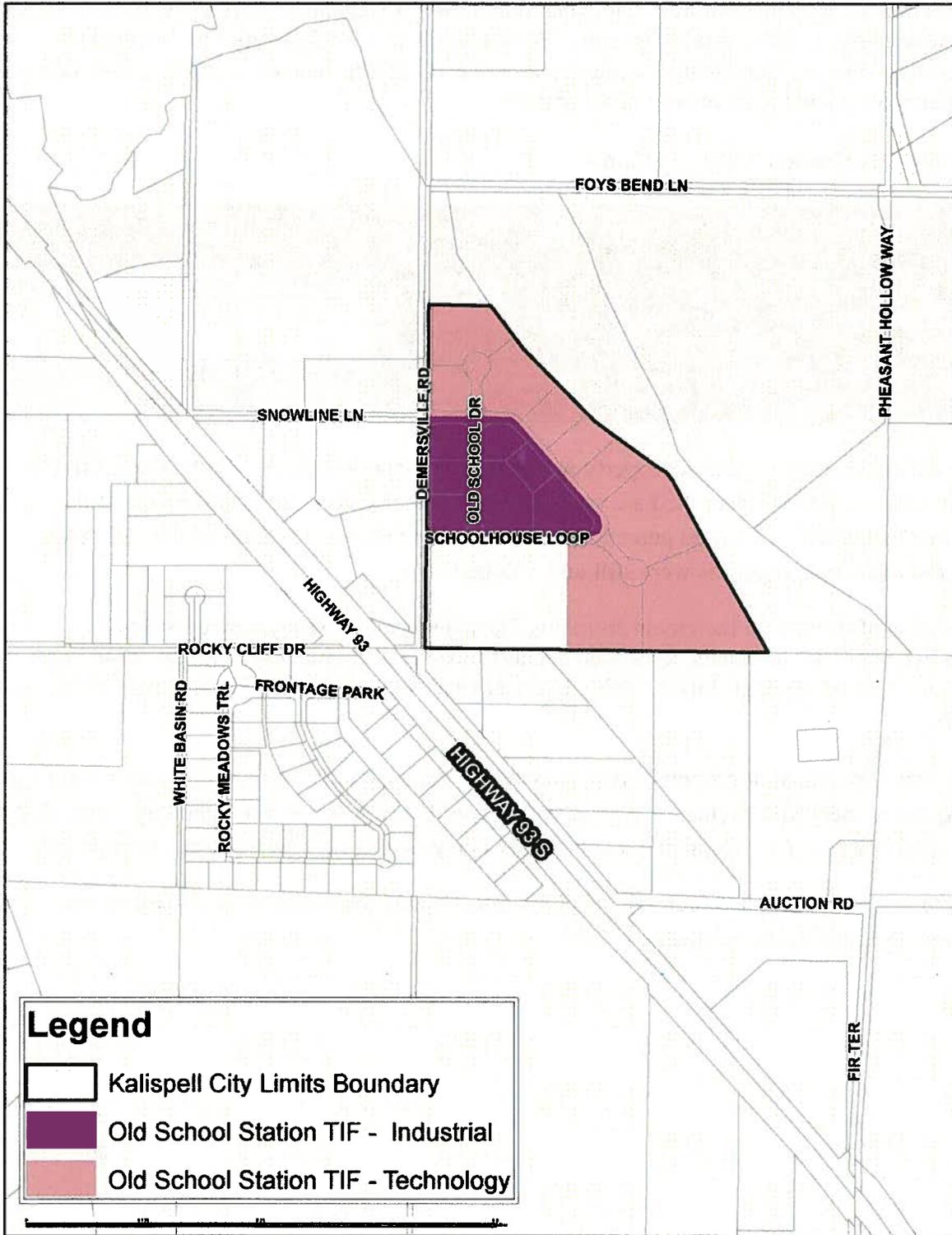
|                                              |            |
|----------------------------------------------|------------|
| OSS TIF beginning cash July 1, 2012:         | \$61       |
| Tax Increment:                               | \$18,809   |
| <u>Investment Earnings:</u>                  | <u>\$0</u> |
| Fiscal Year 2013 Available for Expenditures: | \$18,870   |

**Old School Station Industrial Fiscal Year 2013 Expenditures and Commitments:**

|                                          |              |
|------------------------------------------|--------------|
| Personal Services:                       | (\$0)        |
| Contract Services:                       | (\$0)        |
| Reimbursements/other:                    | (\$0)        |
| Debt Service:                            | (\$18,870)   |
| <u>Redevelopment Activity:</u>           | <u>(\$0)</u> |
| Total Expenditures and Commitments:      | (\$18,870)   |
| <b>Uncommitted Cash as of 6/30/2013:</b> | <b>\$0</b>   |

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Old School Station Tax Increment Finance District  
September 15, 2012



### Old School Station, Technology

In accordance with provisions of Montana State Law, City Council adopted Ordinance No. 1558 on November 21, 2005, establishing the Old School Station Technology Tax Increment Financing District, identifying its boundaries and establishing January 1, 2005, as the base year for calculating the tax increment of the district.

Current City Council Ward: Ward 4

| Old School Station—Technology TIF District                | 2011      | 2012      | % Change since 2011 |
|-----------------------------------------------------------|-----------|-----------|---------------------|
| Old School Station—Technology Base Taxable Value          | \$390     | \$390     | 0                   |
| Old School Station—Technology Current Taxable Value       | \$104,162 | \$104,409 | +24%                |
| Total Old School Station—Technology TIF Incremental Value | \$103,772 | \$104,019 | +24                 |

The current assessed value of property within the Old School Station—Technology TIF District increased by 26,671% over the base assessed value established in 2005 at the time of the District's creation. This high percentage of increase in value is the result of the TIF being created while the properties were still undeveloped sites.

A portion of the annual increment from this TIF is pledged for repayment of Special Improvement District bonds, as needed and as funds are available, over the life of the bond, January 1, 2007, through July 1, 2026. In fiscal year 2012-2013, \$25,000 was transferred for this purpose.

Due to non-payment of property taxes as assessed, there exists the potential for tax receipts to be adequate to meet SID payments. Any shortfall would need to be covered per City Council action. For these reasons, City Council fiscal year 2014 budget reflects a zero balance for this account.

The Old School Station—Technology TIF is scheduled to terminate on the fifteenth year following its creation on January 1, 2020.

**Old School Station Technology Fiscal Year 2013 Revenue (7/1/12-6/30/13)**

|                                              |              |
|----------------------------------------------|--------------|
| OSS TIF beginning cash July 1, 2012:         | \$1,120      |
| Tax Increment:                               | \$51,323     |
| <u>Investment Earnings:</u>                  | <u>\$117</u> |
| Fiscal Year 2013 Available for Expenditures: | \$52,560     |

**Old School Station Technology Fiscal Year 2013 Expenditures and Commitments:**

|                                          |              |
|------------------------------------------|--------------|
| Personal Services:                       | (\$0)        |
| Contract Services:                       | (\$0)        |
| Reimbursements/other:                    | (\$23,068)   |
| Debt Service:                            | (\$29,492)   |
| <u>Redevelopment Activity:</u>           | <u>(\$0)</u> |
| Total Expenditures and Commitments:      | (\$52,560)   |
| <b>Uncommitted Cash as of 6/30/2013:</b> | <b>\$0</b>   |

*This report reviewed and approved by the Urban Renewal Agency on January 8, 2014*

January 8, 2014  
Date

Marc Rold  
Marc Rold, Urban Renewal Agency Chairman

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