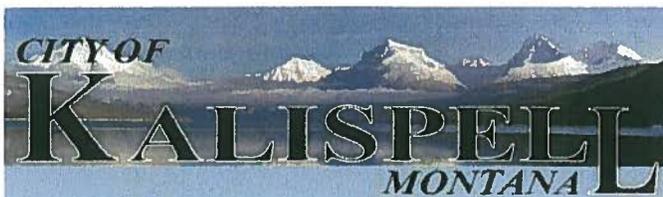


**City of Kalispell  
Tax Increment Financing Districts  
Annual Report  
2013-2014**



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

## 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 2013 through August 2014 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	2013	2014	% Change since 2013
City Total Taxable Value	\$40,798,448	\$41,761,366	+2%
Aggregated TIFs Base Taxable Value	\$8,387,046	\$8,387,046	0
Aggregated TIFs Current Taxable Value	\$ 9,850,645	\$ 10,626,862	+8%
Total Aggregated TIFs Incremental Value	\$1,463,599	\$2,239,816	+53%

The Montana Department of Revenue 2013 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 July 24, 2014. 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 2013-2014:

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>	
Marc Rold	Chairman	04/30/2018	
Murphy McMahon	Vice Chairman	04/30/2016	
Pam Mower	Member	04/30/2015	*Jeff Zauner, 04/30/2018
Dave Girardot	Member	04/30/2017	
Vacant	Member	04/15/2014	*Board Member needed

\*Pam Mower was appointed to the Kalispell Business Improvement District on May 5, 2014, vacating her position on the URA; Jeff Zauner was appointed to fill the vacated position by City Council on May 19, 2014 for a four year term ending 04/30/2018.

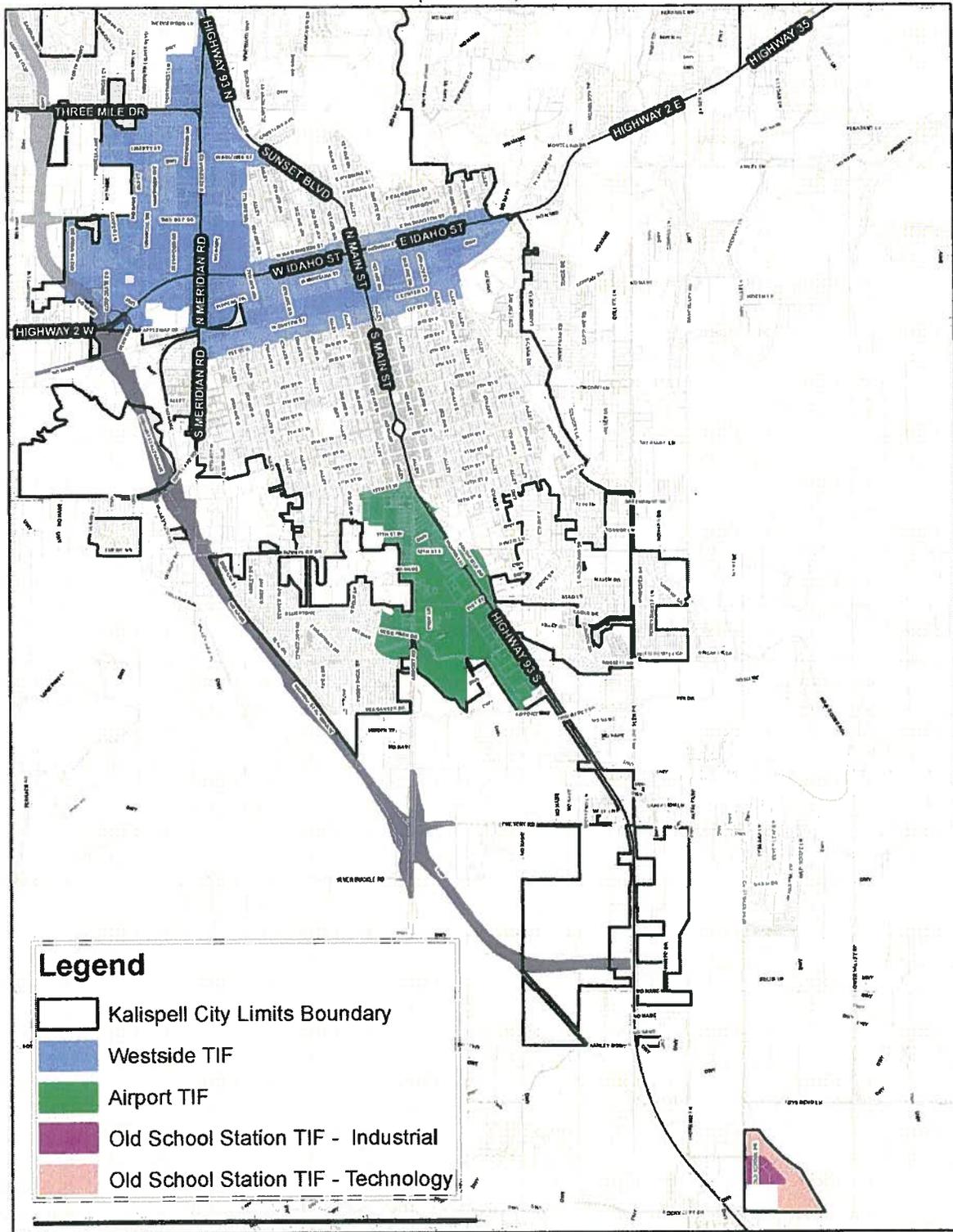
\*\*Tom Lund's term ended 04/30/2014, replacement needed.

The URA held seven meetings from September 4, 2013 and July 16, 2014. 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 2013 through August 2014 follows:

<b>Meeting Date</b>	<b>Attendance</b>	<b>Action</b>
09/04/2013	Rold, Lund, McMahan	Discussed Façade and Technical Assistance policy drafts, Technical Assistance Application for 7 Main Street discussed, URA recommend up to \$5,000 in technical assistance for project will be scheduled for City Council review in September 2013
10/16/2013	Rold, Girardot, McMahan	7 Main Street demolition prior to façade improvement request, West Side Guidelines, Criteria for Review and Façade Program – Technical Assistance Program policy review and updates
11/13/2013	Rold, Lund, Mower	Revised policy draft and application for West Side Urban Renewal-Core Area TIF presented, request to have policies finalized by January for City Council review in early 2014
12/11/2013	Rold, McMahan, Mower	Draft of 2012-2013 Annual TIF report presented, revised policy draft and application for West Side Urban Renewal-Core Area TIF program drafts merged into one document presented, final committee consideration and then prepared for City Council review in early 2014, update on the pending application for 7 Main St
01/08/2014	Rold, Girardot, McMahan	The 2012-2013 Annual TIF report presented, discussed, signed by Chairman Rold, accepted the West Side Urban Renewal Core-Area TIF District Policies, Procedures, and Programs, letter of resignation from URA member Pam Mower presented
04/17/2014	Rold, Girardot, McMahan	\$3M committed as matching funds for the USDoT TIGER VI grant application, recommendation will be presented to City Council April 21, 2014
07/16/2014	Rold, McMahan, Girardot, Zauner	New committee member Zauner welcomed, review of Southside/Airport TIF RFQ document

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

Council Members: Kari Gabriel and Sandy Carlson

West Side TIF District	2013	2014	% Change Since 2013
West Side Base Taxable Value	\$7,932,918	\$7,932,918	0
West Side Current Taxable Value	\$8,327,400	\$9,151,936	+10%
Total West Side TIF Incremental Value	\$394,482	\$1,219,018	+209%

The current assessed value of property within the West Side TIF District increased by 15% over the base assessed value established in 1997 at the time of the District's creation.

On September 16, 2013, City Council approved an application for technical assistance up to \$5,000 for draft a design of the façade at 7 Main Street per URA recommendation. The following month, on October 16, 2013 the URA granted a request by the owner of 7 Main Street to allow façade demolition prior to his Façade Improvement TIF request, and that the demolition costs still be a reimbursable expense for the overall project cost due to the fact that his architectural firm cannot begin drafting a historic façade restoration without demolishing the existing stucco on the façade.

On March 3, 2014, City Council approved expenditures to send six City Council members and two City employees to Washington D.C. to meet with the US Department of Transportation and other federal

representatives involved in attaining funding for the US Department of Transportation TIGER VI grant, a \$9.9 million request that would be a significant driver in the construction of the industrial rail park in keeping with the Kalispell Core Area Plan. These expenditures were ultimately taken from the West Side TIF fund per pending Resolution 5670.

On April 21, 2014, City Council approved Resolution 5670, accepting the recommendation of the City of Kalispell Urban Renewal Agency to identify that certain project known as the Core Area Linear Trail Project as an urban renewal project that may be financed by West Side Tax Increment Funds which will be considered as local match funds to a Transportation Investment Generating Economic Recovery (TIGER) grant for the Core Area Urban Renewal Plan.

Finally, it is probable that the property owner of 11 Main Street will file for a Developer's Agreement extension to finish the project within six months of the previously agreed upon date of September 25, 2014 due to Montana Department of Transportation street closure limitations.

The West Side TIF District will expire on January 1, 2037.

**West Side TIF Fiscal Year 2014 Revenue (7/1/13-6/30/14)**

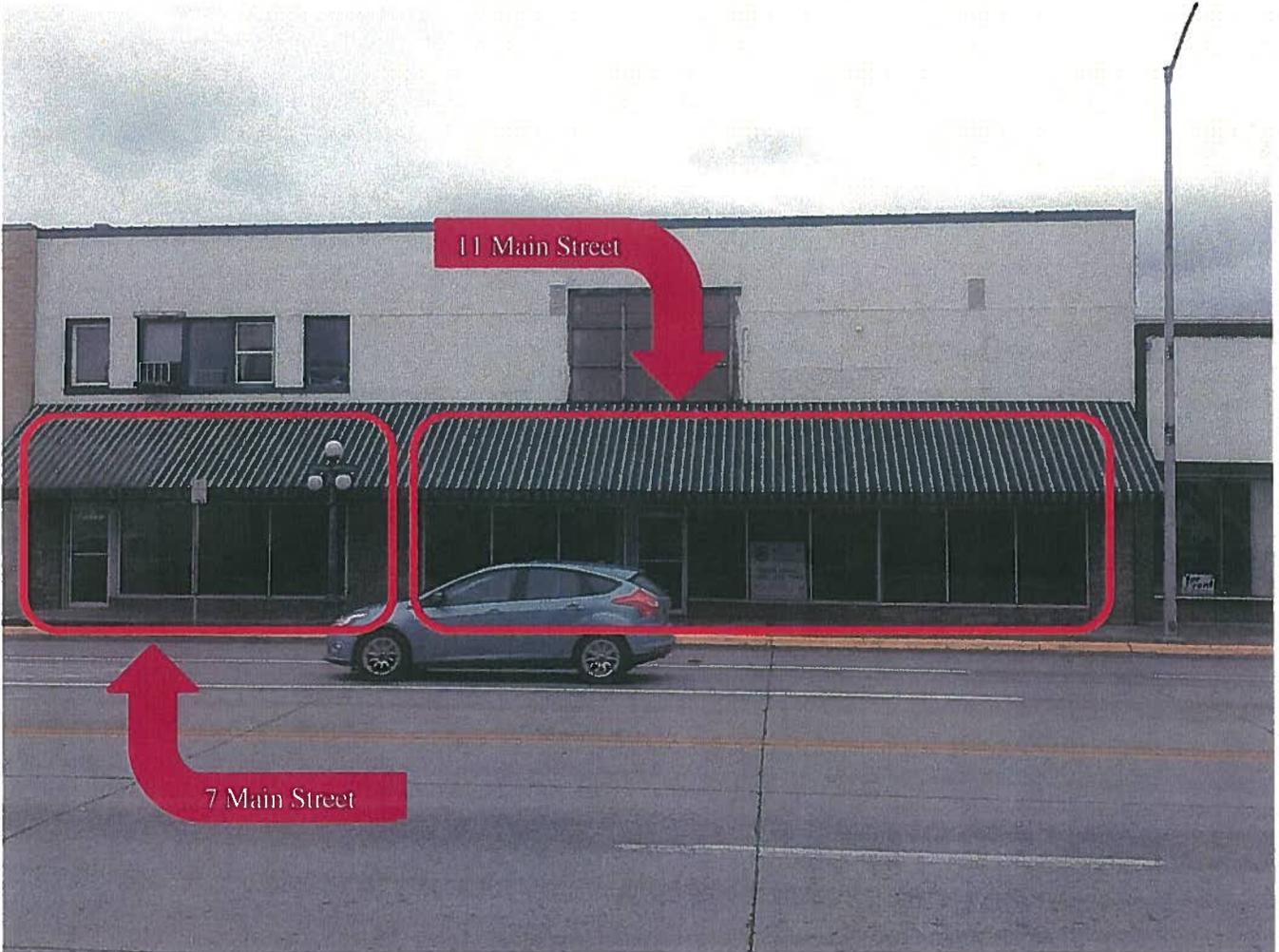
West Side TIF beginning cash July 1, 2013:	\$2,728,628
Tax Increment:	\$ 514,636
<u>Investment Earnings:</u>	<u>\$15,284</u>
Fiscal Year 2014 Available for Expenditures:	\$3,258,548

**West Side TIF Fiscal Year 2014 Expenditures and Commitments:**

Personal Services:	(\$40,951)
Contract Services:	(\$2,158)
Reimbursements/other:	(\$2,813)
Debt Service:	(\$32,380)
<u>Redevelopment Activity:</u>	<u>(\$15,017)</u>
Total Expenditures and Commitments:	(\$93,319)
<b>Uncommitted Cash as of 6/30/2014:</b>	<b>\$3,165,229</b>



# West Side/Core Area TIF Projects 2013-2014



## 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

Council Members: Tim Kluesner and Phil Guiffrida

South Kalispell/Airport TIF District	2013	2014	% Change Since 2013
South Kalispell/Airport Base Taxable Value	\$453,612	\$453,612	0
South Kalispell/Airport Current Taxable Value	\$1,390,221	\$1,339,930	-4%
Total South Kalispell/Airport TIF Incremental Value	\$936,609	\$886,318	-5%

The current assessed value of property within the South Kalispell/Airport TIF District has increased by 195% 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, up to \$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.

During the November 2013, election the city electorate by referendum, voted to reject a City Council proposal to undertake significant upgrades at the city airport. The City Council had proposed to move the runway approximately 1000 feet to the south, cant the runway 5 degrees to the southwest

(clockwise), acquire additional lands to create Runway Protection zones and the install improvements to bring the runway up to a B2 standard. While the referendum indicated that city voters did not want a particular development pattern at the airport, it unfortunately did not articulate what the community saw as the future vision for the airport and for South Kalispell.

In response to the referendum vote City Council is seeking a qualified professional service provider to provide planning services for updating the South Kalispell / Airport area plan, approved by the Urban Renewal Agency Board in Fall of 2014.

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

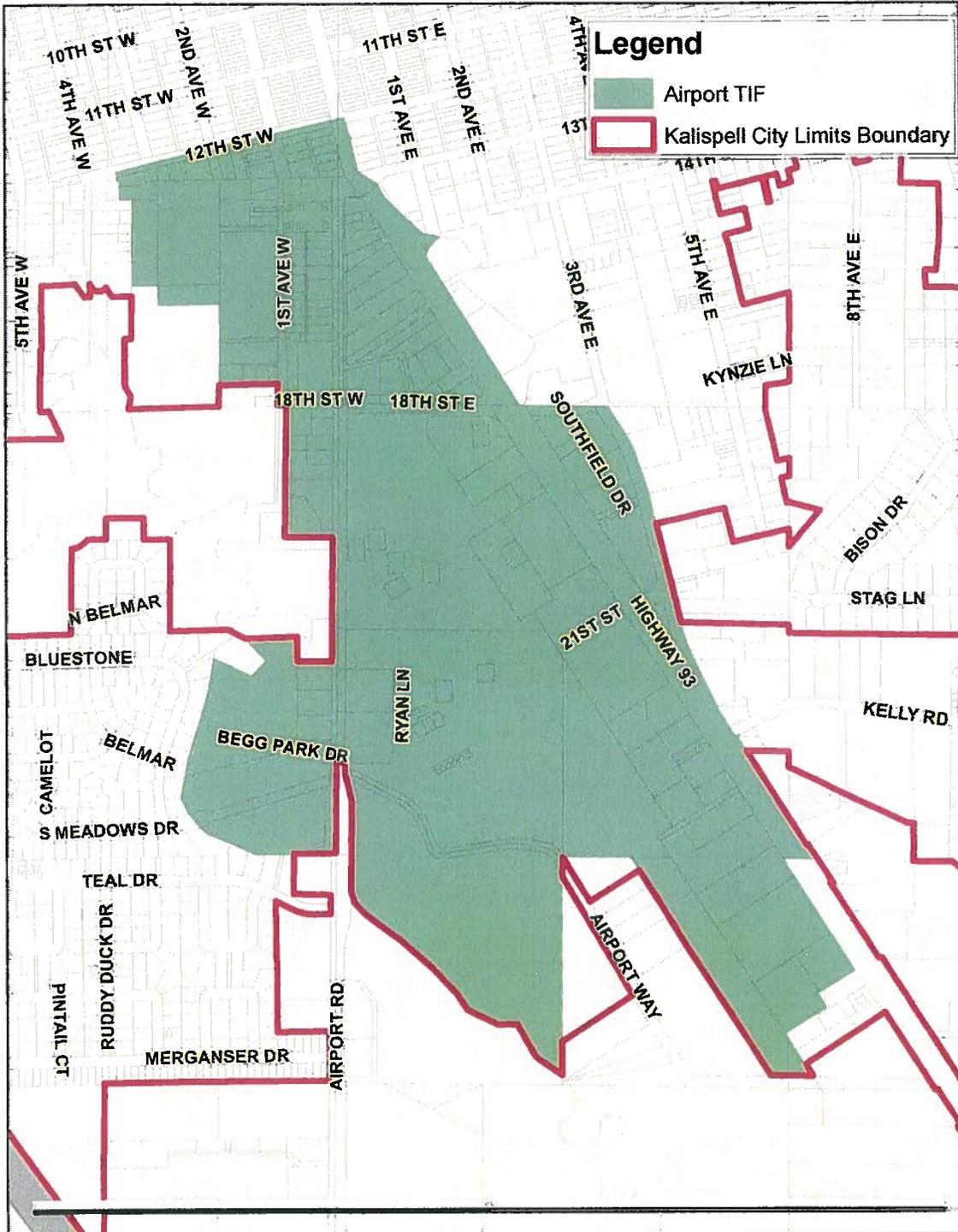
**South Kalispell/Airport TIF Fiscal Year 2014 Revenue (7/1/13-6/30/14)**

South Kalispell/ Airport TIF beginning cash July 1, 2013:	\$141,336
Tax Increment:	\$ 630,891
<u>Investment Earnings:</u>	<u>\$1,251</u>
Fiscal Year 2013 Available for Expenditures:	\$773,478

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

Personal Services:	(\$4,684)
Contract Services:	(\$5,600)
Reimbursements/other:	(\$7,831)
Debt Service:	(\$180,800)
<u>Redevelopment Activity:</u>	<u>(\$924)</u>
Total Expenditures and Commitments:	(\$199,839)
<b>Uncommitted Cash as of 6/30/2014:</b>	<b>\$573,639</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

Council Members: Tim Kluesner and Phil Guiffrida

Old School Station—Industrial TIF District	2013	2014	% Change Since 2013
Old School Station—Industrial Base Taxable Value	\$126	\$126	0
Old School Station—Industrial Current Taxable Value	\$21,408	\$22,883	+7%
Total Old School Station—Industrial TIF Incremental Value	\$21,282	\$22,757	+7%

The current assessed value of property within the Old School Station—Industrial District increased by 18,061% 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 2013-2014, \$8,797 was transferred for this purpose.

Due to non-payment of property taxes as assessed, there exists the potential for tax receipts to be inadequate 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.

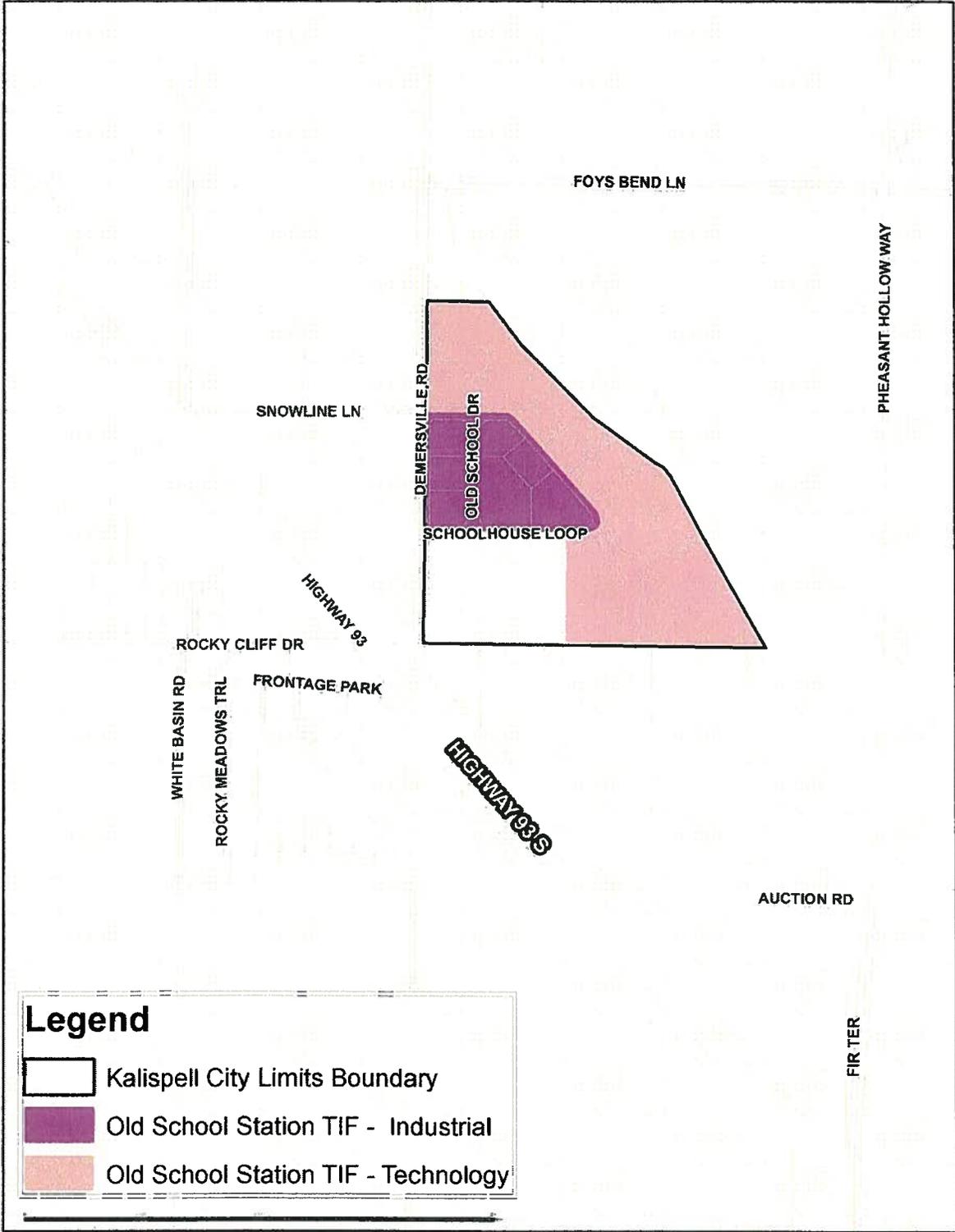
**Old School Station Industrial Fiscal Year 2014 Revenue (7/1/13-6/30/14)**

OSS TIF beginning cash July 1, 2013:	\$6,210
Tax Increment:	\$2,881
<u>Investment Earnings:</u>	<u>\$68</u>
Fiscal Year 2014 Available for Expenditures:	\$9,159

**Old School Station Industrial Fiscal Year 2014 Expenditures and Commitments:**

Personal Services:	(\$0)
Contract Services:	(\$0)
Reimbursements/other:	(\$0)
Debt Service:	(\$9,159)
<u>Redevelopment Activity:</u>	<u>(\$0)</u>
Total Expenditures and Commitments:	(\$9,159)
<b>Uncommitted Cash as of 6/30/2014:</b>	<b>\$0</b>

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

Council Members: Tim Kluesner and Phil Guiffrida

Old School Station—Technology TIF District	2013	2014	% Change since 2013
Old School Station—Technology Base Taxable Value	\$390	\$390	0
Old School Station—Technology Current Taxable Value	\$111,616	\$112,113	+45%
Total Old School Station—Technology TIF Incremental Value	\$111,226	\$111,723	+45%

The current assessed value of property within the Old School Station—Technology TIF District increased by 28,647% 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 2013-2014, \$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 inadequate 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 2041 Revenue (7/1/13-6/30/14)**

OSS TIF beginning cash July 1, 2013:	\$4,493
Tax Increment:	\$52,870
<u>Investment Earnings:</u>	<u>\$77</u>
Fiscal Year 2014 Available for Expenditures:	\$57,440

**Old School Station Technology Fiscal Year 2014 Expenditures and Commitments:**

Personal Services:	(\$0)
Contract Services:	(\$0)
Reimbursements/other:	(\$22,230)
Debt Service:	(\$35,210)
<u>Redevelopment Activity:</u>	<u>(\$0)</u>
Total Expenditures and Commitments:	(\$57,440)
<b>Uncommitted Cash as of 6/30/2014:</b>	<b>\$0</b>

*This report reviewed and approved by the Urban Renewal Agency on January 22, 2015:*

1/22/2015  
Date

Murphy McMahon  
Murphy McMahon, Urban Renewal Agency Vice Chairman

Katharine Thompson  
Katharine Thompson, Community Development Manager

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