Montana Urban Renewal: The Bozeman Experience

Geoffrey T. Badenoch

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MONTANA URBAN RENEWAL:
THE BOZEMAN EXPERIENCE

by
Geoffrey T. Badenoch
B.A., University of Montana, 1977

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Approved by:

[Signatures]

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TABLE OF CONTENTS</td>
<td>ii</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>URBAN RENEWAL IN MONTANA</td>
<td>2</td>
</tr>
<tr>
<td>BACKGROUND INFORMATION - THE DDA AND BOZEMAN</td>
<td>4</td>
</tr>
<tr>
<td>PREPARING THE PLAN</td>
<td>11</td>
</tr>
<tr>
<td>THE DDA URBAN RENEWAL PLAN</td>
<td>15</td>
</tr>
<tr>
<td>WHY THE COMMUNITY REDEVELOPMENT PLAN WAS NOT ADOPTED</td>
<td>23</td>
</tr>
<tr>
<td>CONCLUSION</td>
<td>30</td>
</tr>
<tr>
<td>A CHECKLIST FOR COMMUNITY REDEVELOPMENT</td>
<td>33</td>
</tr>
<tr>
<td>NOTES</td>
<td>38</td>
</tr>
<tr>
<td>APPENDIX A</td>
<td>40</td>
</tr>
<tr>
<td>APPENDIX B</td>
<td>42</td>
</tr>
<tr>
<td>BIBLIOGRAPHY</td>
<td>49</td>
</tr>
</tbody>
</table>
INTRODUCTION

In 1981 a group of bankers and businessmen who were organized as the Bozeman Downtown Development Association (DDA) undertook the preparation of an urban renewal plan for Bozeman, Montana. In doing so, the DDA sought to create the means through which to correct deficiencies in the Central Business District which they regarded as having a negative influence on Bozeman's growth and vitality as a community. Their proposed plan was titled: Bozeman: A Community Redevelopment Plan.

This case study relates the events and circumstances in Bozeman which shaped the development of the proposed Plan, the reception of the Plan by the community, its presentation to the Bozeman City Commission and its ultimate rejection in March of 1982. An analysis of the case will attempt to illuminate the factors and conditions which prevented the Plan from being adopted. In conclusion, this paper will provide a "check-list" of items derived from this case which may be helpful to those who undertake such efforts in other communities by anticipating some problems which may negatively affect the outcome of their own urban renewal plans.

The information for this case study was gathered for the most part during the author's tenure during the summer of 1981 as an intern of the Office of Economic and Community Affairs of the Montana State Department of Commerce assigned to the Bozeman Downtown Development Association. Additional data were gathered through interviews, newspaper articles, and the minutes of the Bozeman City Commission. Other sources used are noted.
In 1959 the Montana Legislature enacted the state's first Urban Renewal Law. In doing so, the legislature recognized that the state's urban areas were prone to the development of undesirable conditions of dilapidation, non-conforming land use, sub-standard housing and other factors which constitute economic and social liabilities for the community in which they exist. Areas so afflicted or otherwise encumbered by conditions "injurious to the public health, safety, morals and welfare" by virtue of their physical circumstances were described in the Urban Renewal Law as "blighted." The statute made a clear statement that elimination of these conditions was a matter of state interest and made available to local governments extraordinary powers to correct and contain blight in urban areas. These extraordinary powers include expanded power of eminent domain, permission to enter into long-term partnerships with private interests and the federal government, and the authority to specify how property in a blighted area could be developed.

Prior to exercising these powers, the Urban Renewal Law requires local governments to make an official determination of the existence of blight as defined in Section 7-15-4206 (2) of the Law, and to pass a resolution expressing the need for urban renewal activity to be undertaken. Under the original legislation, the local government was required to gain voter approval of actions they planned to implement in the blighted area. That requirement was removed in 1965 and 1969 by amendments.

Urban renewal, generally speaking, is a planned program of upgrading or enhancing an urban area which has become run down or
undertaken in partnership with private enterprise. These possibilities allow the plan to be implemented in a balanced and timely fashion.

Following the removal of the provision which called for voter approval prior to the local government’s finding of necessity for an urban renewal plan, the opportunities for citizen intervention in the urban renewal plan process have been limited to two mandated public hearings. The first public hearing is required before a local government is able to make a formal determination that blight, as identified in the Urban Renewal Law, exists, and an urban renewal plan is necessary to eliminate it; the second public hearing is required prior to the adoption of any urban renewal plan by the local government.

Montana's Urban Renewal Law has enabled each of half a dozen of the state's largest cities to make a concerted effort at reversing trends which seemed to be leading toward the proliferation of inner city ghost towns. Large regional malls, whose convenience and unified promotion of stores tend to draw consumers away from a city's downtown, have put pressure on retail merchants to flee the downtown areas or simply go out of business. Montana's Urban Renewal Law gives local governments the flexibility to eliminate and prevent the spread of conditions of blight according to their own needs and local determination. By correcting these conditions, the health of the entire community is improved.

BACKGROUND INFORMATION - THE DDA AND BOZEMAN

Since its founding in 1972, the Downtown Development Association has been involved with a number of activities related to the improvement and promotion of the Central Business District (CBD). The impetus behind its incorporation as a non-profit entity was the announcement of
a proposal to build a regional mall on the west end of Main Street. Viewing the mall as a serious threat to the merchants of the CBD, the DDA initiated legal action in 1973 to prevent its construction. Five years later, the DDA attempt to protect the downtown from the competition of the mall failed, and the Main Mall was opened in 1980.

The DDA has sponsored a few studies aimed at guiding future decisions regarding development of the downtown. Very little of what has come out of those studies has ever been implemented by the City, however, with the exception of the creation of one-way couplets running parallel to Main Street and the removal of City parking meters. The DDA's inability to stop the construction of the Main Mall, or to successfully undertake large scale projects in the CBD have prevented it from establishing a strong leadership role for itself among the independent Main Street businessmen and residents of Bozeman.

The DDA's decision to draft a community redevelopment proposal grew out of a seed planted in 1980 when Larry Veltkamp, a Bozeman retail merchant and then-president of the DDA, invited Larry Gallagher, an urban renewal consultant from Helena, to address the DDA Board of Directors about the suitability of such a program for Bozeman. In the beginning of 1981, Tim Fitzgerald, newly-elected president of the DDA, and the rest of the Board decided to proceed with the project. As a first step, the DDA applied to the Montana Department of Economic and Community Affairs for a grant to secure the services of a student intern to complete preliminary research for the program. The grant application was approved and the intern began work in Bozeman July 1, 1981.
At that time the DDA Board of Directors had not articulated any
clear goals for their community redevelopment plan, although a number of
items were identified as suitable areas of focus. Many of the conditions
which prompted the DDA to undertake the drafting of their plan had been
documented in earlier studies.⁴ Even though these conditions have been
tolerated for some time, the DDA argued that they have a negative influ­
ence on the downtown's development and are incipient to larger, more seri­
ous problems in the future. The following is a summary of the major
problems the DDA sought to address through the adoption of their plan.

Traffic and Parking Problems

Bozeman's Main Street, which defines the heart of the CBD, is also the
eastern terminus of US Highway 191 as it meets Interstate Highway 90.
US 191 is a principal route to Yellowstone National Park and is the only
route to the Big Sky Resort Area. As a result, Main Street carries a
substantial amount of tourist traffic as motorists pass through south
central Montana. The addition of tourist traffic to local traffic in
itself does not constitute a burden on Main Street's carrying capacity.

US 191 also carries a great deal of long-haul truck traffic bound
to and from California and other southeastern states. Moreover, the
amount of truck traffic is aggravated by the fact that US 191 is the
route used by loggers transporting logs from the Gallatin National Forest
southwest of town to sawmills east of Bozeman. The high volume of truck
traffic adds to automobile congestion and detracts from efforts being
made by downtown merchants to encourage a more pedestrian environment
for shoppers. During the hot summer months, the surface of Main Street
tends to "corduroy" from the weight of the trucks on the softened asphalt,
making lane changing rough and intersections hazardous for motorists.

The City of Bozeman has wanted to get truck traffic off Main Street
for years. However, the lack of a suitable and affordable alternate
truck route has prevented either the state or the federal highway departments
from providing a solution to this condition. In July of 1981, the Montana Department of Highways announced that bids would be let in early 1982 for a project to resurface Main Street with a stronger, more rut-resistant material. While this came as welcome news to the City, it nevertheless does nothing to establish a more permanent answer to the problem of the CBD having a major highway passing through it.

Traffic circulation in the CBD has been a perennial problem in Bozeman. In 1970, left turns from Main Street in the CBD were prohibited in an effort to enhance traffic flow. When the one-way couplet system of Babcock and Mendenhall Street (which run parallel one block north and one block south of Main Street) was introduced in 1980, the prohibition against left turns from Main Street interfered with traffic flows in the system which was designed to relieve congestion on Main Street. The ban on left turns from Main Street has since been removed. A traffic study completed in 1981 for the revision of Bozeman's Master Plan suggested that the congestion in the CBD could be alleviated to a large degree by reversing the direction of the one-way couplet system. Whatever the ultimate solution to relieving the congestion on the downtown streets, it will most likely require significant changes in the circulation system.

In 1978, the City created a Parking Commission to oversee the creation of adequate parking in the downtown. The Parking Commission acquired property and developed four lots with a total capacity of 200 vehicles. Although this was a step in the right direction, the new lots only helped satisfy the demand for short-term parking needed by motorists running errands or making brief shopping trips. Long-term parking, demanded by employees and residents of the downtown, is still woefully inadequate, so much so, in fact, that they compete with short-term parkers for the available space on the streets and in the lots of the CBD.
Under-utilization of Upper Story Space

The obvious under-utilization of the second and third stories of buildings along Bozeman's Main Street is an added undesirable condition which is compounded by the shortage of parking space available in the CBD. This space sits vacant or serves no more valuable purpose than as storage for seasonal holiday decorations simply because the scarcity of short-term parking inhibits the development of additional retail or office space. This scarcity also inhibits the creation and rehabilitation of residential space in the CBD, as well. Even now, few apartments currently exist in that area which can provide space for tenant parking.

The under-utilization is undesirable for the community for two reasons. In the first place, in a community such as Bozeman, where steady growth is occurring, the lack of available parking in areas like the CBD, encourages development on the fringe areas of the town along major traffic arterials. The public is only recently beginning to realize the impact that this has on the agricultural areas surrounding cities and towns. Precious farmland is being taken out of production at an alarming rate in the United States and being sub-divided for housing, offices, and shopping malls. A large part of Bozeman's local economy is based on agriculture, so it is ironic that nearly every major development in the last five years has taken place on what was once productive agricultural land.

Secondly, the under-utilization of the second and third stories represents lost tax revenue which would be realized if the space were developed at a level near its potential. Given its location in the
heart of the city, provision of municipal services and fire and police protection would cost the city less than for comparable development on the fringe areas of the community, thus providing a second savings.

Recycling Former Public Buildings

When the U.S. Government constructed a new five-story building to house the Bozeman Post Office and federal departmental field offices in 1967, the General Services Administration transferred title of the old post office building to the Army Reserve. This building, located one block off Main Street, is a Bozeman landmark and, from time to time, the City has made attempts to convince the federal government that the building ought to revert to the City, or at least be in private ownership. The City's argument is that it is inappropriate for the Army Reserve to occupy that particular space when they can perform their functions just about anywhere else. To date, however, they have been unable to meet the terms the Army Reserve has set for a land trade or any other means to convey title. Even so, City interest in eventually acquiring the building has not waned.

In 1981, construction was completed on the new Bozeman City-County Library. The old library building, built over sixty years ago with a grant from the Carnegie Foundation, has been temporarily remodelled to house the City-County Planning Office and other municipal offices which had been crowded into the Municipal Building. Long-range capital improvement plans call for the Municipal Building to be remodelled and expanded within the next eight years, at which time the City Offices will once again be housed there. The future of the old library building is of great concern to many Bozeman citizens because of the building's
historical and aesthetic value to the community. In order to preserve it and keep it functioning as a useful structure, however, some basic rehabilitation work must be undertaken.

Conversion of either or both of these buildings into cultural centers, museums, galleries, or theatres would contribute greatly to the enhancement of the downtown area. Aside from serving more appropriate roles in the community, the DDA believes the buildings would give the people of Bozeman another reason to enjoy their downtown.

Undeveloped Alleyways

Alleyways running parallel to Main Street function as access routes to service entrances to downtown stores. With the creation of the municipal parking lots which abut the alleys, more and more storeowners are using the alley entrances to their stores as customer entrances. The alleyways in general, however, do not lend themselves to pedestrian traffic. During the winter months, for example, there is no provision made for snow removal. The backs of most of the buildings are in need of painting and cleaning up. The alleys themselves are in need of repaving in many places, and walkways are not provided nor are traffic control signs in place.

Unsightly utility poles carrying power and telephone lines also detract from the alleys becoming a second storefront for business. Many merchants in the downtown favor burying the utilities, but cost estimates have proved to be prohibitive.9

Addressing these conditions—desertion of downtown businesses to the malls, traffic and parking problems, under-utilization of second and third story space, incompatible use of the old post office and
library buildings, undeveloped alleys--constituted the DDA's initial goals as they began their investigation of urban renewal. The goals all share a common thread of upgrading the downtown and correcting conditions which make spending time there unpleasant for the public. At this point in the project, no thought was given to attaching a dollar figure to this "wish list," but the DDA Board of Directors was aware of the fact that their proposals were going to require extensive financial resources.

PREPARING THE PLAN

In preparation for submission of a plan to revitalize the downtown, the DDA engaged in a number of preliminary activities intended to develop support for their project. John Evans, newly-appointed City Manager of Bozeman, was approached and made aware of the DDA's undertaking. His initial reaction was one of support and interest. The City Manager even suggested projects that could be incorporated into an urban renewal plan which would be beneficial to the City. Among his suggestions were assisting in the expansion and energy retrofitting of the Municipal Building and helping to implement a planned energy conservation project in City recreation facilities. 10

The DDA then met with the City Commissioners to explain what urban renewal was and what it might mean for Bozeman. The Commissioners were convened in pairs for this purpose in order to avoid conflict with the State's "open meeting law." (In addition to not wishing to compromise the Commissioners, the DDA Board felt that in the early stages of the plan's development the DDA ought to keep a low profile until it could be determined what kind of support for urban renewal there was among City officials.) The City Commissioners were very interested in the
concept of urban renewal, but, being aware of the City's constricted fiscal circumstances, were concerned about the costs involved.

Because 1981 was an election year for City Commissioners, the DDA invited candidates for those positions to a news conference in early September at which time the intentions of the Board were explained to representatives of the area newspapers and radio stations. As with the incumbent Commissioners, the concept of an urban renewal plan for Bozeman was met with positive interest by all of the candidates, and the DDA was commended by many of the candidates for their interest in the public welfare.

On September 2 the proposal for drafting an urban renewal plan was presented to the Gallatin County Commissioners by DDA representatives. Under the Urban Renewal Law, a county has no power to either enact or veto an urban renewal plan for a city, but the DDA reasoned that it was politically prudent to advise the County Commissioners of their intentions to avoid charges of subterfuge at a later date. The Gallatin County Commissioners unanimously denounced the proposal as unfair to the County residents outside the municipal area who would not benefit directly from the plan.

The County Commissioners' objections were focused on the Tax Increment Financing provision of the proposed plan. This provision would have "frozen" the taxable valuation of property in the urban renewal area, thereby limiting any increase in revenue realized by the County due to investment and improvements on property. This increase, called the "increment," would instead be used to finance the activities of the urban renewal agency administering the plan. The Commissioners viewed the
proposed plan and its TIF provision as shifting the burden for any future increase in costs of County services from property owners in the urban renewal area to County residents outside the area. (For a more complete discussion of Tax Increment Financing, see Appendix B.)

The DDA had approached the County Commissioners in a spirit of courtesy and cooperation in an effort to avoid ill-will at a later date. The vehemence of the County Commissioners' reaction took the DDA by surprise and they chose to let the matter drop in recognition that it was the City which was to make the critical judgment of their proposed plan. The DDA also misread the County's reaction to the fact that a City action could affect the County's tax base. This misreading and the decision to not pursue the matter put the County squarely in the camp of those opposing the DDA plan. Their objections were so strong that when the Community Redevelopment Plan was under consideration by the Bozeman City Commission, the County Commissioners sent a letter to them questioning the propriety of the City adopting a Plan whose Tax Increment Financing provision would affect County revenue. The statute clearly grants cities this power, making the County's position untenable.

The proposal received a completely different reaction from the Board of Trustees of School District #7, the other principal taxing body to be affected by the Tax Increment Financing provision of the plan. After hearing a presentation from DDA president, Tim Fitzgerald, the Board voted unanimously to endorse the DDA's undertaking. The Board did so while recognizing that the School District would forego increases in the taxable valuation of the property in the proposed district for the duration of the plan. Dr. Milton Negus, Superintendent of the District, stated that the Board realized the wisdom of experiencing a
short-term freezing of a portion of their resources to gain long-term benefits for the community of Bozeman and the School District.

Encouraged by the positive responses they had received from those who were aware of their undertaking, the DDA entered into a contractual agreement with Larry Gallagher, an urban renewal consultant from Helena, to draft an urban renewal plan for Bozeman. Gallagher had implemented urban renewal plans successfully in other Montana communities and was considered the individual best suited to bring the plan into being. 13

In order to finance Gallagher's fee and the expenses related to drafting and presentation of their plan, the DDA approached the presidents of the three principal banks doing business in Bozeman's downtown area and solicited their support. The three banks pledged a total of approximately $8,000.00 toward the project. In addition, a request to the City of Bozeman for a $10,000.00 grant utilizing reprogrammed HUD Small Cities Community Block Grant monies was made and approved in October. 14

One of the first recommendations which Larry Gallagher made was to expand the boundaries of the proposed urban renewal area to include more than twice the area the DDA had originally considered. (For map, see page 20.) Gallagher's recommendation was intended to accomplish two ends. First, by increasing the size of the area, more increment is "captured," thereby enhancing the amount of revenue generated by Tax Increment Financing (TIF). Since the plan the DDA was drafting relied heavily on TIF to cover its administrative costs and the implementation of future projects, the increase was intended to assure that the plan would not die in infancy due to a lack of monetary resources. Secondly,
by placing a larger area under the auspices of the plan, greater flexibility in planning and implementing those projects was created. The idea behind the expansion, then, was not to increase the scope of the plan beyond the problems which were identified in the downtown, but rather to provide it with adequate resources and opportunities to succeed.

Between October and December 22, the date the plan proposal was submitted to the Bozeman City Commission, the DDA hosted four public meetings with citizens to discuss the purpose of their plan as it was developed. Attendance at these meetings varied from forty to over a hundred. Comments of those attending ranged from luke warm curiosity to openly hostile rejection. In a preview of events to come, questions were raised about how the proposed plan's financing provisions were to be implemented. People also wondered how the determination of the existence of blight was made and expressed concern about granting the power of eminent domain to an agency of the City. Between November 15 and March 1, the date of the Community Redevelopment Plan's final hearing before the Commission, seventeen letters from readers appeared in the Bozeman Daily Chronicle urging its rejection. Citizen support for the plan was not expressed through letters, although letters appeared from two City Commissioners pledging to give the Plan a fair hearing.

THE DDA URBAN RENEWAL PLAN

The DDA's urban renewal plan, Bozeman: A Community Redevelopment Plan, was officially submitted to the Bozeman City Commission in December of 1981. The Introduction of the 58-page document contains a brief history of the Bozeman area and a profile of the community's demographic and economic characteristics. This material reflects the strength of
the Bozeman economy and an optimistic view toward the future, citing a diversified economic base which is characterized by numerous small manufacturing operations and a year-round tourist industry. The Plan identified agriculture in the area and Montana State University as present and future sources of Bozeman's economic stability.

The next section of the Plan, subtitled, "The Need for Urban Renewal in Bozeman," outlines the conditions which constitute blight in the city. As evidence the Plan cites a study conducted in 1973 on Bozeman's CBD and makes the point that problems identified in that study have still not been addressed, particularly those pertaining to parking and traffic circulation. To support this assertion, the Plan also cites the Bozeman Transportation Study conducted by Clete Daily, P.E., in 1981. The Plan lists 13 deficiencies the study found to exist in the proposed Plan Area which create traffic circulation problems. The Transportation Study cited in the Plan also describes a condition of parking deficiency in the proposed Area which, due to projected growth in Bozeman, is expected to worsen in the near future. The Plan concluded that this constituted "defective or inadequate street layout," which is a condition of blight according to Sec. 7-15-4206 (2-e) of the Urban Renewal Law.

The next condition of blight identified in the Plan is the existence of land uses in the proposed Area which do not conform to building and zoning codes. As evidence, the Plan cites a land use inventory prepared by the Bozeman City-County Planning Office. In comparing the land use inventory with the City Zoning Code, the DDA research staff determined that "over half the existing uses are non-conforming." The
Plan suggests that either the Zoning Codes need to be revised or the high level of non-conforming land use ought to be considered as part of the necessity for the Plan.

Lastly, referring to a building condition analysis conducted by the City-County Planning staff, the Plan reported that 32 buildings in the Area were considered to be in "sub-standard condition" and 174 buildings were considered as being "deficient." "Sub-standard condition" was defined by the City-County Planning staff as buildings "with apparent structural damage," and "deficient" as "in need of repair of non-structural nature (cosmetic damage, i.e., chipped paint, etc.)." The building analysis was conducted by two student interns assigned to the Planning office who were not qualified to make professional assessment of the buildings they inspected. The Plan, although it does not mention that fact, does report that a subsequent inspection by the City Building Inspector determined that 17 of 30 "sub-standard structures" were, in his judgment, in "poor condition." Dilapidation and deterioration of buildings of this sort, the Plan concludes, constitute blighted conditions as described by Sections a, h, and n, of 7-15-4206 (2).

"The Need for Urban Renewal in Bozeman" concludes by observing that Bozeman's blighted conditions are not severe and that the community is fortunate in that any community redevelopment projects will be able to focus on preventative measures rather than remedial ones. Nonetheless, it concludes that Bozeman is confronted by factors which "create demand for development outside of the City while the CBD deteriorates or remains stagnant."
Following the Statement of Need, the Plan lists twenty-five definitions of terms referred to in delineating the authority established for its implementation. Seventeen of these terms are taken verbatim from Sec. 7-15-4206 (MCA), the Montana Urban Renewal Law. The other eight definitions pertain to terms which are particular to this Plan, namely, that the "City" referred to is Bozeman, that the "County" referred to is Gallatin County, that the "Planning Commission" referred to is the Bozeman City-County Planning Board of Bozeman and the County of Gallatin, Montana, etc.

A legal description of the proposed urban renewal area follows immediately after the definitions. A map of the area is included on the facing page, followed by a narrative description of the area which recounts the kinds of businesses and activities located there. The map is reproduced on page 19 of this paper.

Stating that the value of the Central Business District as the "heart of Bozeman" is being threatened by changes brought about by rapid growth and the increasing reliance on the automobile, the Plan lists the Goals and Objectives which were adopted "as general policy tools to guide the preparation of the Bozeman Redevelopment Plan." These Goals and Objectives focus on general means to make the Area both attractive and accessible to the citizens of Bozeman.

The first two Goals,

To attract to the Central Business District complimentary City-Center functions such as professional and administrative uses, high density residential development and other activities or facilities which will continue to insure that the downtown Area remains the focus of the community.

To maintain and strengthen employment in the Central Business District through encouragement of high density mixes of office
space, personal services, professional uses, retailing, governmental uses, cultural attractions, and entertainment facilities within the downtown area.

address the need to have a reason for people to live, work and recreate in the downtown rather than in other areas of Bozeman. By encouraging the uses listed, the Plan is promoting redevelopment through a classic pattern wherein the initial re-investment in the Area will stimulate peoples' interest, which will bring them downtown. Their presence, according to this pattern, will increase the size of the potential consumer pool which will, in turn, stimulate businesses to relocate and re-invest in the Area.

The third and fourth Goals listed,

To provide a system of off-street parking facilities which recognizes the needs of the shopper, the businessman and the employee.

To develop a traffic circulation system within and around the Central Business District and Redevelopment Area which provide for safe and convenient automotive and pedestrian movement.

recognize that people will not visit or return to the downtown if getting in and out of the Area is aggravating or inconvenient.

These Goals, even though they are directed at the problem of redeveloping the downtown, were chosen not only to act as "general policy tools" for the Plan but also to present adopting the redevelopment effort to the City Commission in the best possible light. Who, for example, can oppose a plan whose preparation was guided by a desire to "strengthen employment" and "provide for parking needs" and "safe and convenient automobile and pedestrian movement?" These are Goals which are supported by most people.
The Redevelopment Objectives are a little more specific than the Goals in what they propose and seem to include something for everyone. The Objectives listed are:

To recapture and retain the character and beauty of existing structures and areas which are functional and sound.

To entice major retailers, businesses, and services to locate in the CBD and encourage existing concerns to remain and, in some cases, expand.

To give priority to pedestrian movement in Core Area development through development of a second-story commercial theme, open space and plazas, and development of alleyways as alternate pedestrian routes.

To develop multi-level parking structures in the Core Area with surface lots on the fringes to provide for both the shopper and short-term parker, and the long-term parker and employee.

To encourage more intensive land uses through Mixed Use Development, and through minimum building height in the Core Area.

To provide suitable housing in both high- and low-density areas, and for people from all levels of income.

To increase Central Business District economic activity and convenience by encouraging concentration of key retail, office, and service functions in a well-defined and compact Core Area.

To encourage private redevelopment and rehabilitation of the area by providing financial incentives and public improvements.

Upgrade alleys by repaving and and burying utilities.

Helping public and private building owners realize savings by conserving energy through an energy retrofit program.

Remodel and expand old public and municipal buildings.

While the Goals and Objectives listed in the Plan are both laudable and appealing, they are deficient in two fundamental aspects. In the first place, reaching the Goals and Objectives is a major undertaking which requires time, money and direction to achieve. Nowhere does the Plan promise everything will be accomplished at once. Indeed, the provision for the Plan's duration calls for it to expire in the year 2010,
unless the City wishes to extend it. On the other hand, nowhere does it indicate what will be the first objectives sought. The omission of a set of priorities may have helped the Plan avoid criticism from any number of "me-firsters" in the community, but it also denied the Plan the opportunity to be pragmatic. The Plan, instead, entrusts these Goals and Objectives to the Agency (the City Commission) designed to carry it out.

In the second place, the Plan places no dollar figure on the cost of reaching its Goals and Objectives. To do so would, of course, be impossible. Their general nature and the numerous social and economic variables involved over a thirty-year period prevent even the grossest estimate from being reliable. This is a problem with all long-range planning which uses vague goals. The time frame precludes any reasonable discussion of costs. In the absence of such a discussion, a Plan loses another element of practicality.

It takes a rare combination of courage and vision on the part of any governing body to agree to a Plan which can't indicate its priorities or what it will cost to achieve its Goals and Objectives. In this sense, the Plan was perhaps doomed from the beginning. It was a vision born in response to a need, a vision which was appealing, but it lacked a practical first step to take. As will be discussed in the following chapter, the Plan did not fail because its Goals and Objectives were unacceptable to those who opposed it, but it did perhaps fail because the Goals and Objectives lacked the substance and direction to withstand opposition to the Plan's other features.

The balance of the Plan discusses methods of financing urban renewal activities (including a Tax Increment Financing provision), a
general description of powers and how they will be exercised, administrative aspects of urban renewal projects, the Plan's duration and procedures for its amendment. These elements are "canned," that is, standard items which appear in the Urban Renewal Law or other urban renewal plans.  

WHY THE COMMUNITY REDEVELOPMENT PLAN WAS NOT ADOPTED

There are a number of contributing factors which led to the Bozeman City Commission's rejection of the DDA's Community Redevelopment Plan. These factors can be categorized as: problems with the Plan's presentation to the Commission and the Community, the prevailing political disposition of the community toward City government, and specific elements in the Plan which were found objectionable and instigated opposition to it. These categories are not distinct but tended to aggravate and compound one another to bring about the Plan's failure to be adopted by the Commission. An elaboration of each will clarify this relationship.

Problems With the Plan's Presentation

The DDA's Community Redevelopment Plan was prepared and presented in the period of September to December of 1981, although some preliminary groundwork and research was completed before that time. The principal reason why more time was not spent in preparation of the Plan was that its supporters hoped to have it adopted prior to the end of the calendar year. By meeting this dead-line, improvements which were proposed or already underway within the Area would be included in the increment and not placed on the usual tax rolls. The haste this dead-line
demanded made it appear to some as though the DDA was trying to ram the Plan through the Commission without adequate public participation. It also caused some to speculate openly that the members of the DDA were promoting the Redevelopment Plan in order to "line their own pockets." The time restraints also inhibited the opening of sincere dialogue which might have mollified those who were suspicious of the Plan, or at least allowed the DDA to respond to their charges with satisfactory explanations or exonerating evidence. In spite of four public presentations of the Plan's basic elements and goals, many citizens remained skeptical of the DDA's intentions and opposed to the Plan.

The DDA presented its Community Redevelopment Plan to the Bozeman City Commission on December 22, at which time the Plan suffered its first major set-back. At that meeting, the Commission heard testimony from twenty-one individuals speaking in opposition to the Plan for various reasons. The strength of this opposition and a lack of satisfactory rebuttal from the DDA led the Commissioners to vote unanimously to suspend consideration of the Plan for 45 days. In so doing, they not only precluded the possibility of using the 1981 tax base for the Tax Increment Financing provision of the Plan, but their 5-0 vote also shifted the responsibility for the Plan's ultimate disposition to the new City Commission--only two of which were incumbents--due to take office immediately after the first of the year.

It is difficult to assess the impact of this delay on the acceptability of the Plan to the new Commission. The Plan might have benefited from the "lame duck" Commission having made a decision. Even if their decision were against the Plan, the DDA might have been able to
mount a renewed appeal to the new Commission, claiming that the issue was too important to the community to be decided by an outgoing Commission. The suggestion that the Plan had not received a fair hearing might have slowed the momentum of those who opposed it during a second hearing.

Community Disposition Toward City Government

The City government of Bozeman is no more immune to the criticism and distrust of its citizens than any other Montana local government. Whatever negative feelings toward City Hall the people of Bozeman may have had were exacerbated in the late 1970's by the creation of the Bozeman Parking Commission. This group was formed by the City to oversee the provision and operation of much-needed municipal parking lots. Their efforts, which included acquisition of property through the use of eminent domain and financing the improvements by means of an unpopular SID in the Central Business District, generated a great deal of ill-feeling toward the City among some of the downtown business people and property owners. Some of these people point to the under-utilized lots today and traffic congestion on Main Street and suggest that it indicates that the Parking Commission's solution was a costly failure.20

Confidence in the municipal government was shaken in 1981 with the firing of City Manager Sam Gesko. Gesko was fired in March of that year after a three-month battle with members of the Commission over City accounting practices. He was also allegedly involved in improper use of a private airplane (provided by a Bozeman developer) in the conduct of City business.21 John Evans, his assistant, was appointed to Acting City Manager at that time and was hired in July to fill the position on a permanent basis.
In the primary and general elections of 1981, all three incumbents running for re-election were defeated. This appears to be a strong indication of public dissatisfaction with the way City government was being directed and a rejection of "business as usual" at City Hall.

Objectionable Elements of the Plan

Certain elements of the Plan caused a group of businessmen, property owners and residents to organize themselves as the Bozeman Property Owners Association and to refute publicly the DDA proposal. The objections they voiced were couched in a philosophy which is diametrically opposed to government intervention and involvement in the realm of private enterprise or ownership of private property. The following is a description of each of the elements to which the Property Owners Association objected. The views of those opposed to the Plan appeared as letters to the editor of the Bozeman Daily Chronicle and as statements made at public hearings before the City Commission and elsewhere.

Size of the Urban Renewal Area. Preliminary study for the Plan envisioned an Area which was completely contained within the B-3 zoned CBD along eight blocks of Main Street and one and a half blocks on either side of it, constituting an Area of approximately 24 city blocks. In late September of 1981, at the suggestion of the Plan consultant, the DDA expanded the Area by seven blocks along Main Street and a block on either side of Main Street, creating an area of about 61 city blocks.

Although this expansion "captured" significant increment producing property and enhanced the flexibility of the Plan's implementation, it added a large number of private homes which before were not included. Homeowners, particularly retired people, expressed opposition to the
Plan before the City Commission and in the newspaper, fearing that their property would be condemned or otherwise taken from them for the good of the Redevelopment Plan. Homeowners provided the kind of opposition which the DDA could not counter. They were adamant, vocal, and too significant in their numbers for the City Commission to disregard.

The increase in the size of the Area may account for the evaporation of the initial support the DDA received from civic leaders and the Commissioners. Their support, it will be recalled, was obtained prior to the expansion of the Area, when the Plan was focused on the CBD. When the expanded Area incensed so many people, the original supporters may not have felt bound to their initial views and abandoned the DDA.

Methods of Financing the Plan. The DDA's Community Redevelopment Plan outlined several methods of financing whose use would be authorized upon adoption of the Plan. Two of these methods elicited particularly strong objections; they were the creation of Special Improvement Districts and Tax Increment Financing. At the time the proposed Plan was being considered, the City of Bozeman was encumbered by more SID's than any other city in the State, its outstanding debt being around $10 million (which is comparable to that of Billings). Moreover, prior to 1981, the City's ability to maintain control over the revolving account making payments on the bonds which had been sold for SID projects was seriously impaired by a lack of proper accounting practices. Many property owners said that they couldn't carry any additional SID assessments on their property and so were opposed to the Plan.

The Tax Increment Financing provision for raising revenue was a major obstacle to the creation and adoption of the Plan. Two principal
reasons are offered to explain why this presented such difficulty. In the first place, TIF is a complex means by which funds are raised and incentives are made for developers to invest in the Area. It begins by "freezing" the taxable valuation of property in the Area at the level of the year in which the Plan is adopted. Revenue is derived by taxing improvements made subsequent to that. Simply put, taxes paid on improvements in the Area are, in turn, spent by the Redevelopment Agency in the Area. Incentives are created by making public improvements in the Area of developers' investments using their taxes. And, although no one receives any relief from the amount of taxes they pay, many opponents viewed it as being unfair to out-of-Area tax-payers, suggesting that those outside the Area would have to carry the Area's share of general tax increases for the duration of the Plan.

Secondly, concern was raised that anticipated actions of the State Department of Revenue reducing the taxable valuation of commercial buildings by 12 percent, the removal of the so-called "business inventory tax" in 1983, and the changes in the vehicle licensing tax structure would greatly diminish sources of revenue for the City in the near future. Joe Sabol, attorney for the Bozeman Property Owners Association, questioned the wisdom of restricting increases in sources of future tax dollars in light of these actions.24

Determination of Blight. Before a Montana city or town adopts a community redevelopment plan such as the one the DDA proposed, the local governing body must make a determination that blight exists as defined in Section 7-15-4206 (2) of the Montana Urban Renewal Law, thereby necessitating the adoption of such a plan to eliminate it and prevent its spread.
The definition is intentionally broad and vague, making the determination of blight a highly subjective, if not political, determination. In the case of Bozeman, no patently obvious blighted conditions exist, and the DDA made no contention that a seriously blighted condition did exist. Their aim was primarily to prevent further blight from occurring or spreading in the downtown. The DDA Plan emphasized trends which current conditions suggested and failed to show a specific instance of blight, much less how it would be remedied. The statutory mandate to determine the existence of blight and the lack of obvious blight prompted the DDA to conclude in their Plan that blight existed based on the recommendations made in the prior studies done of the area. In other words, the Plan identified problems which had been irritating the community for years and proposed to correct them before they worsened.

Critics of the Plan questioned the validity of much of this evidence of blight. Specifically, they questioned the use of the City-County land use study, noting that the interns were not qualified to make the judgments they made. And while acknowledging the validity of the Bozeman Traffic Study, the same critics suggested that the existence of any blight which it indicated could be best dealt with by adoption and enforcement of suitable parking and traffic regulations without resorting to the creation of an urban renewal plan.

Some of the property-owners in the Area expressed indignation at the prospect of having their property inside the boundaries of an area which had been officially designated as blighted. This was particularly true of homeowners who not only indicated that they were insulted by this label but also expressed apprehension that the value of their property would fall because of it.
In the end, the Commission determined that the case for the existence of blight in the downtown was too weak to support a Resolution of Necessity which would have allowed the adoption proceedings to continue. Given the latitude which the Urban Renewal Law provides local governments in making the determination of the existence of blight, and the Commission's initial support of the concept of revitalizing the downtown, it can be inferred that their decision was made, in part at least, in deference to the many people who strongly voiced their opposition to the DDA proposal.

**CONCLUSION**

Of all the influences which contributed to the defeat of the Downtown Development Association's Community Redevelopment Plan, the lack of time available for adequate preparation and presentation lies at the heart of them. The result of trying to meet the December 31 deadline permeates this entire case, affecting the drafting, presentation and defense of the Plan before the Bozeman City Commission and the citizens of Bozeman.

The lack of time and the shortage of funds prevented the DDA from undertaking any new studies to support their claim that Bozeman's downtown was blighted. The fact that Bozeman has the appearance of a healthy community with an established pattern of growth requires that claims of the existence of marginal or incipient conditions which constitute blight be quantified and substantiated by sound research. This was not done. Instead, what was presented as the need for urban renewal was essentially recycled material which had already appeared before the community and which, in those previous incarnations, had failed to prompt
action to address the problems identified. If blight exists, the DDA did not prove it did.

The shortage of time, coupled with a desire to preserve the Plan's flexibility, also influenced the preparation of the Goals and Objectives of the Plan, making its future actions nebulous and without specificity regarding how they were to be realized. No research was undertaken prior to the drafting and presentation of the Plan which might have suggested that, had it been adopted and enacted, blight in the Area would have been eliminated or prevented. Instead, past successes in other Montana communities were used to support this contention. In a similar vein, the Plan offered no estimate of the cost of implementation, only how it was to be financed, again, pointing to successes in other communities using the financing methods outlined in the Plan. The inability to project any cost figures raised some understandable skepticism among the Plan's opponents and its initial supporters.25

The Plan which was prepared and presented, then, suffered because of the unrealistic time schedule the DDA imposed on itself. The result was a document which lacked valid and supportable determination of the need for the actions which it proposed, one which lacked the specificity necessary for thoughtful decision-making on the part of the City Commission. In retrospect, Brad Stratton, Treasurer of the DDA, remarked that the haste with which the Plan was prepared made it "too much of a canned program" suggesting that it was not adequately tailored to fit the Bozeman community, that it was not enough to have shown that the Plan's elements worked in other cities. It had to be shown how it was to work in Bozeman.26
Despite the fact that the DDA hosted three public hearings on the Plan prior to submitting it to the City Commission and that over fifteen articles regarding it appeared in the Bozeman Daily Chronicle, the DDA representatives insisted that the opponents to their Community Redevelopment Plan simply did not understand it. The Chronicle, in an editorial after the Plan's defeat, wondered why, if that were the case, they weren't educated by the DDA? The answer was that there was insufficient time for the community to become familiar with the Plan and the positive possibilities it contained for helping the downtown remain healthy. There was not enough time to ease the skepticism in some peoples' minds regarding certain elements in the Plan (such as the power of eminent domain, power to create SID's, and Tax Increment Financing) which were seen as giving one more government agency authorization to increase taxes and confiscate private property.

The haste with which the DDA tried to prepare, present and defend the Plan also suggests a certain political naivete' on their part. The timetable which they had established was realistic only up to the point that their Plan was unopposed by Bozeman citizens. In other words, the DDA failed to take into account the amount of time it would take to counteract a group such as the Property Owners Association who felt their vested interests were jeopardized by the Plan. The failure to anticipate the inevitable opposition to their Plan and the concomitant failure to allow time to meet it competently was politically shortsighted. Furthermore, once the DDA had "locked horns" with their opponents before the City Commission, they lost control of their timetable. From that point on, the Commission determined deadlines in the adoption process, further eroding the DDA's political maneuverability.
And although the DDA had successfully imparted to the Commission a conceptualization of the Plan's positive benefits, the DDA was nonetheless unable to arm them with enough specific information to resist the political pressure generated by the highly vocal opponents to the Plan. Indeed, on March 8, while voting unanimously to halt the City's consideration of the Plan, several Commissioners said the idea of devising methods to build up the downtown should not die with the Plan.28

A CHECKLIST FOR COMMUNITY REDEVELOPMENT

Any group considering undertaking the development of an urban renewal plan or other community redevelopment project stands to benefit from the experience of the Bozeman Downtown Development Association, even though that particular effort proved to be unsuccessful. Although this case study explains why their Community Redevelopment Plan was not accepted by the City Commission, it also suggests points to consider which may prove instructive in subsequent efforts by others.

Groups undertaking a community redevelopment project need to remember that what they are attempting to do is to affect public policy to bring about changes in conditions in the community. Their proposals may demand a re-ordering of existing priorities in how the community functions and, so, have a significant impact on the lives of their fellow citizens. Operating in this arena requires an attitude of constant circumspection and sensitivity. No group, no matter how well-intentioned, can presume to attempt to influence public policy at the local level without an appreciation of how their goals will affect others. Those whose views and perceptions are not taken into account—the homeowners in this case—may be the undoing of the best of plans.
The following check list is provided to help groups engaged in community redevelopment projects to organize their efforts and anticipate difficulties they may encounter. In order to preserve the general applicability of the checklist, the condition which prompts the group to act is called a "problem" and the response to it is called the "remedy."

1. Has a clear definition been made of the problem to be corrected? In other words, what is it that is wrong and, more importantly, why is it a problem for the community? If the problem is not identified and somehow measured in terms which make sense, a plan for correcting it will be difficult to formulate. And, without a clear idea of what constitutes the problem, progress toward its correction cannot be measured. Finally, the problem must be identified in such a way that others in the community recognize it as such. In the case of proposing an urban renewal plan, blight must be identified in a manner which convinces the local government and the community of its existence.

2. What will correct the problem? It is possible that a community's problem(s) may be remedied by a number of actions, so it is important to investigate available alternatives and select the most appropriate one(s). Appropriateness can be determined by many criteria, such as the availability of resources required by any remedy to the problem, urgency created by the problem, who is involved in carrying out any remedy, legal requirements of the implementation of remedies, and how easily it can be understood by those who decide whether or not it should be pursued. Relative to these criteria of appropriateness is the question of cost.
3. What will it cost to correct the problem? In addition to money, what other costs will the community incur in correcting these problems? Will the solution be unpopular among some community residents? What costs will be created from overcoming their objections? Will the solution demand the expense of valued community intangibles such as character, mood, historical or cultural elements? Will personal or community sacrifices be demanded by the remedy and, if so, how will they be assured of being forthcoming? After costs have been determined, is the remedy still appropriate? In other words, is the solution less desirable, because of costs, than the problem?

4. Is the vision which the remedy lays out capable of being shared? When others are confronted with the remedy to the problem, do they share and appreciate it enough to support its adoption and implementation? This means that in order for others to make a sound judgment regarding the remedy, they must first understand it and be familiar with it. In the Bozeman case the DDA's Plan was opposed by property owners who refused to consider its positive benefits because they were intent on heading off the provisions it contained which they readily perceived as having a negative impact on them. Familiarity is important to gaining support for a remedy because it represents change and, to minimize resistance from others for a new idea, there must be adequate time and opportunity for it to be studied and considered by those whom it affects.

5. How will policy-makers react to remedy proposals from outside the government? Before going too far in developing a proposal, approach community leaders and express concern with the problem to find out if anything is underway to address it. Will "outside" proposals be unwelcome? It is also necessary to perform the political homework and
fence mending throughout the process of proposing a remedy to a problem. Changes in public policy normally require recommendations from diverse areas of the local government. For this reason, it is important to secure and maintain support from those boards and agencies whose views will be taken into account by the policy-makers. Do they have ideas, needs or restrictions which will affect the development of a remedy or affect its adoption as public policy?

6. How is the remedy represented to the public? Are the members of the news media familiar with both the problem and the remedy to report it accurately and clearly. Groups are urged to work with reporters, supplying them with information and answers to their questions. Most people in the community will become aware of remedy proposals through newspapers and radio. Consequently, it is important that proposals be presented in a manner which is complete and comprehensible.

7. How are those who oppose the remedy regarded? A change in public policy at the local government level is likely to generate opposition from community members who perceive the change being made at the expense of their power, status or convenience. The views and strategies of opponents to the remedy will be affected by whether these people are treated as obstructions to be overcome or, worse, ignored, or if they are to be treated as citizens with legitimate concerns who must be won over. By anticipating the inevitable development of opposition, groups proposing remedies can plan a strategy to deal with it early on. When opponents become known, a group should determine if their views can be accommodated by the remedy without jeopardizing its
effectiveness. If not, can the views of the opposition be mitigated in any way?

8. How committed is the group to providing a remedy to the problem which has been identified? Being right and well-intentioned are not guarantees of success. Often change will come about only after political conflict which may cause painful divisions in the community. As a result, the advantage rests with those who advocate the status quo. In the face of determined opposition, will the group's resolve be maintained? If the policy-makers do not accept the group's first remedy, will an alternative proposal be sought? It is important to anticipate the possibility of failure as much as success in order to calculate whether or not the group's energy and resources can be put to better use.
NOTES

1. See Appendix A for portions of the Montana Urban Renewal Law cited herein.

2. The legislature's choice of the word "blight" to describe these conditions was an unfortunate one, perhaps. It connotes conditions of disease, rot or malignancy, when the statutory definition of blight describes conditions which seem less serious than that. Since the description is quite lengthy anyway, perhaps a phrase such as Conditions Necessitating Urban Renewal would be satisfactory, with the term "Conditions" or the acronym CNUR to be used as suitable referents. The items contained in the definition are more easily identified and measured than is "blight."

3. Only two communities, Helena and Great Falls, made efforts to implement the Urban Renewal law in the 1960's, and both attempts were rejected by the voters. Since the voter approval requirement was stricken, urban renewal plans and projects have been adopted in Anaconda, Billings, Butte, Great Falls, Helena, Kalispell and Missoula.


6. Ibid.


20. Personal conversations with Main Street merchants which occurred while canvassing for support for a DDA-sponsored landscaping proposal which was to be funded by means of an SID. August 25-28.


23. Public Meeting hosted by the DDA, personally attended, November 18, 1981.


The following sections of Montana's Urban Renewal Law govern the creation and approval of urban renewal plans by local governments, as well as define conditions of blight such plans are to remedy.

7-15-4214. Hearing on Urban renewal plan required.

(1) The local governing body shall hold a public hearing on an urban renewal plan after public notice thereof.

(2) Upon receipt of the recommendations of the planning commission, or if no recommendations are received within said 60 days then without such recommendations, the local governing body may proceed with the hearing on the proposed urban renewal project plan.

7-15-4216 Requirements for approval of urban renewal plans and projects.

(1) The local governing body shall not approve an urban renewal plan until a comprehensive plan or parts of such plan for an area which would include an urban renewal area for the municipality have been prepared.

(2) A municipality shall not approve an urban renewal project for an urban renewal area unless the local governing body has by resolution determined such area to be a blighted area and designated such area as appropriate for an urban renewal project.

(3) An urban renewal plan adopted after July 1, 1979, must be approved by ordinance.

(4) All urban renewal plans approved by resolution prior to May 8, 1979, are hereby validated.

7-15-4206. Definitions. The following terms, wherever used or referred to in this part or part 43, shall have the following meanings unless a different meaning is clearly indicated by the context:

(2) "Blighted area" shall mean an area which is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime; substantially impairs or arrests the sound growth of the city or its environs; retards the provision of housing accommodations; or constitutes an economic or social liability and/or is detrimental or constitutes a menace to the public health, safety, welfare, and morals in its present condition and use, by reason of:

(a) the substantial physical dilapidation; deterioration; defective construction, material, and arrangement; and/or age obsolescence of buildings or improvements, whether residential or nonresidential;
(b) inadequate provision for ventilation, light, proper sanitary facilities, or open spaces as determined by competent appraisers on the basis of an examination of the building standards of the municipality;

(c) inappropriate or mixed uses of land or buildings;

(d) high density of population and overcrowding;

(e) defective or inadequate street layout;

(f) faulty lot layout in relation to size, adequacy, accessibility, or usefulness;

(g) excessive land coverage;

(h) unsanitary or unsafe conditions;

(i) deterioration of site;

(j) diversity of ownership;

(k) tax or special assessment delinquency exceeding the fair value of the land;

(l) defective or unusual conditions of title;

(m) improper subdivision or obsolete platting;

(n) the existence of conditions which endanger life or property by fire or other causes; or

(o) any combinations of such factors.
APPENDIX B

Section 7-15-4283 of the Montana Codes provides a number of definitions related to Tax Increment Financing which will aid the reader as the mechanics of the scheme are explained. Some of those definitions are:

a) "Actual taxable value." The taxable value of taxable property at any time, as calculated from the assessment roll last equalized.

b) "Base taxable value." The actual taxable value of all taxable property within an urban renewal district prior to the effective date of a tax increment financing provision.

c) "Incremental taxable value." The amount, if any, by which the actual taxable value at any time exceeds the base taxable value of all property in an urban renewal area. \((a - b = Vi)\)

d) "Tax increment." The collections realized from extending the tax levies, expressed in mills, of all taxing bodies in which the urban renewal district or a part thereof is located against the incremental taxable value (see c).

e) "Taxes." All taxes levied by a taxing body against property on an ad valorem basis.

f) "Taxing body." Any city, town, county, school district, or other political subdivision or governmental unit of the state, including the state, which levies taxes against property within the urban renewal district.

Upon adoption of an urban renewal plan which contains, or has later been amended to contain, a tax increment provision, the clerk of the municipality sends a copy of it to the state, county or city officers responsible for assessing and taxing property in the urban renewal district. These officials immediately, and each year following, calculate and report to the municipality and other affected taxing bodies the base, actual and incremental taxable value of property in the district.
As far as the taxing bodies are concerned, the tax base in the urban renewal area against which their mills are levied is "frozen." In considering whether or not to support an urban renewal plan with a tax increment provision, the taxing bodies must weigh the implications of such a circumstance on anticipated future revenue. The difference between the actual taxable value and the "frozen" base represents taxable values which they will forego for as much as ten years. The benefit they stand to gain is a greatly enhanced value of mill levies and an expanded tax base in the future. This gain may allow for future reduction of mill levy rates, or the expanded revenue from a stable mill levy could be channelled to major capital projects once the tax increment provision expires.

A hypothetical example at this point will illustrate this trade-off, as well as suggest how the Tax Increment Financing Fund accrues annually, generating the revenue used to undertake the public portion of the public-private sector partnership alluded to earlier. Although the example is hypothetical, its substance is drawn from actual urban renewal projects and plans in the state.

The tax base in the newly adopted urban renewal district of Town X has been virtually stagnant over the past ten years. Many of the buildings are underutilized and in disrepair. The retail stores in the district are facing stiff competition from a recently developed shopping mall on the edge of the town. People in the community don't seem to be spending much time or money downtown anymore. A number of developers are interested in coming into the town, but consistently overlook the aging downtown area because of the above conditions, the lack of parking, the traffic problems and many other deficiencies of the area.
The Community Urban Renewal Effort (CURE) has a number of projects in mind to remedy the district's ills and has been empowered by the town council to use TIF in order to generate the revenue to carry out their plan. The tax base in the district is determined to be $17.5 million in the start-up year and is "frozen" at that level.

The fact that CURE plans seem sound and well-directed, and are supported by the town council convinces one developer that there will indeed be a renaissance in the district. He decides to "get in on the ground floor" and builds an office building in the district the next year, adding $.5 million to the tax base. The next year, the combined levies of all the taxing bodies are levied against the actual taxable value of the district--$18 million. Their total share, however, is the amount of revenue generated by levying the mills against the $17.5 million figure. The revenue generated by levying the mills against the $.5 million goes to CURE to fund the projects in the urban renewal plan.

The city agrees to issue a bond to build a multi-level parking garage in the heart of the district with the revenue from TIF committed to pay off the principal and the interest. With the promise of the new garage, some of the merchants decide not to move to the mall, but choose to renovate their stores instead, also adding to the actual taxable value of the district and the tax increment revenue. Each year the revenue generated by investment, construction and redevelopment give the CURE group more resources to entice further development in the district. A pedestrian mall is built where an unsightly alley once existed. Once frustrating traffic patterns are replaced by smooth flowing ones, after a few underused side streets were converted into a
network of urban "pocket parks." A new landscaping and signing ordinance helps to tone down the assault of garrish neon signs.

At the close of the tenth and final year of the plan, the actual tax base in the district has more than doubled. The downtown has become once again a vital, thriving part of the Town X community. The following chart depicts this growth and revival.

In addition to being used for financing bond issues related to urban renewal plans, and facilities such as parks and pedestrian malls, Montana state statutes specifically mention as other appropriate uses for TIF revenue such things as land acquisition, demolition of structures, relocation of occupants, and numerous public improvement projects such as sewers, alleys, streets, curbs, gutters, public buildings, etc. The
law strengthens the public-private partnership by permitting TIF to be used in conjunction with the development of private property. This provision, incidentally, is what has enabled the Missoula Redevelopment Agency to become a full partner in the proposed construction of a Sheraton Hotel on the Clark Fork River in downtown Missoula. The City of Kalispell intends to use TIF revenue in a loan leverage program which will help investors defray part of the cost of borrowing in order to develop the renewal district.

The hypothetical example of Town X shows how TIF is supposed to work to stimulate urban redevelopment. Obviously, it rests on a number of assumptions which, given the current state of the economy, must seem fairly optimistic. One such assumption is that development and growth in a community are inevitable. This is a crucial assumption, because without development, no increment is realized, and thus TIF revenue is not generated. Another rosy assumption is that taxpayers will pay their taxes promptly and not pay them under protest. If, for economic or other reasons, large numbers of taxpayers fall delinquent on their tax payments, as happened last year in Missoula, planning based on anticipated revenue must be adjusted. Another assumption is that the rest of the community will be content to "carry" the district for ten years. If, in the seventh year, for example, the community taxpayers revolted, saying, "Enough urban renewal already! Get that property on the tax rolls paying for schools and fire and police protection!" The city is empowered by the statutes to remit to the other taxing bodies a proportionate share of TIF revenue after all bonding and administrative obligations are met.
From a political perspective, TIF can be a very volatile issue. In the first place, it purports to "freeze" someone's taxes for ten years, and many taxpayers reject it out of hand for that reason, particularly if it is not theirs which are being so affected. This, of course, is not an accurate understanding of how TIF works; nonetheless, it is a common one. In reality, by law, property in the urban renewal district has its actual value calculated every year. Taxpayers in the district pay tax on that value, and it is only the base value which is frozen. No one, in other words, gets a break on their taxes. Indeed, being subject to an annual calculation of actual value, taxpayers in the district would probably be held more strictly accountable for the value of their property than those outside the district. Even so, it is difficult to get many taxpayers outside the district to listen to a TIF proposal past the part about "freezing the tax base for ten years," much less support it.

On a level of tax burden, it may be argued that, although in-district taxpayers don't get a break on their taxes, the portion of their taxes earmarked for urban renewal projects is spent to improve the property in the district and, so, directly benefits them; on the other hand, as the cost of police and fire protection goes up along with the cost of general local government services, out-district taxpayers have the burden of the in-district's share of the increased costs shifted to them. It can be argued, in turn, however, that the tax base without TIF would most likely remain stagnant or decline considerably, so they would pay for it in any case.
From a perspective of economic development, there is ample evidence, not only in Montana but in other states as well, that TIF has performed as it is supposed to. It does provide incentives to private developers by demonstrating that a city is committed to reviving an area of urban decay. It provided seed money to encourage development and creates a government agency both able and willing to accommodate investors and developers. To the degree that urban renewal is able to use TIF to eradicate "blight" and enhance the beauty and function of public places, TIF is a tool of great value.
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