

File Number: H.F. 374
Version: As introduced

Date: March 3, 2017

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Subject: Canby tax increment financing (TIF)

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This bill authorizes the city of Canby to establish a 21-year TIF district in a defined geographic area of the city. The original tax capacity for the district would be set at zero and the current (rather than the original tax rate) would be used to compute tax increment. In effect, this would treat all the local property taxes paid by properties in the districts as tax increments. The district's increments would be used to pay bonds the city issued for another TIF district, district 1-21, which was decertified.

District 1-21 was created as a housing district for owner occupied housing, but the city failed to comply with the income restrictions under the general law. When this was discovered by the Office of the State Auditor, it directed the city to decertify the district, which was done. The city is continuing to pay the bonds issued for that district; certifying the district as provided under the bill would shift part of the cost of paying those bonds to taxpayers in the county and school district but located outside of the city.