

HOUSE BILL NO. 832

INTRODUCED BY J. SESSO

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4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING LAWS RELATING TO ECONOMIC
5 DEVELOPMENT; REVISING THE LAWS RELATING TO URBAN RENEWAL AREAS AND TAX INCREMENT
6 FINANCING; ESTABLISHING TARGETED ECONOMIC DEVELOPMENT DISTRICTS IN PLACE OF
7 INDUSTRIAL DISTRICTS, TECHNOLOGY DISTRICTS, AND AEROSPACE TRANSPORTATION AND
8 TECHNOLOGY DISTRICTS; ESTABLISHING PROCEDURES AND REQUIREMENTS FOR THE CREATION
9 OF DISTRICTS; CLARIFYING PURPOSES FOR WHICH TAX INCREMENT BONDS AND REVENUE CAN BE
10 EXPENDED; PROHIBITING THE USE OF A TARGETED ECONOMIC DEVELOPMENT DISTRICT FOR THE
11 PRIMARY PURPOSE OF CAPTURING THE GROWTH IN INCREMENT OF A NATURAL RESOURCE
12 EXTRACTION FACILITY, MAJOR INDUSTRIAL FACILITY, OR ENERGY TRANSMISSION FACILITY;
13 REQUIRING THAT THE DEPARTMENT OF REVENUE REVIEW THE FORMATION OF A TAX INCREMENT
14 DISTRICT; ESTABLISHING A FEE PAYABLE TO THE DEPARTMENT OF REVENUE; PROVIDING A
15 TRANSITION PROVISION FOR EXISTING DISTRICTS; AMENDING SECTIONS 7-15-4215, 7-15-4237,
16 7-15-4282, 7-15-4283, 7-15-4284, 7-15-4285, 7-15-4286, 7-15-4287, 7-15-4288, 7-15-4290, 7-15-4291,
17 7-15-4292, 7-15-4293, 7-15-4294, 7-15-4301, 7-15-4302, AND 7-15-4304, MCA; REPEALING SECTIONS
18 7-15-4295, 7-15-4296, 7-15-4297, 7-15-4298, AND 7-15-4299, MCA; AND PROVIDING AN EFFECTIVE DATE
19 AND AN APPLICABILITY DATE."

20
21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

22
23 NEW SECTION. **Section 1. Short title.** [Sections 1 through 8] may be cited as the "Targeted Economic
24 Development District Act".

25
26 NEW SECTION. **Section 2. Legislative findings -- purpose.** (1) The legislature finds and declares
27 that with respect to secondary, value-adding industries:

28 (a) infrastructure-deficient areas exist in the municipalities of the state and constitute a serious
29 impediment to the development of infrastructure-intensive, secondary, value-adding economic development in
30 Montana;

1 (b) municipalities lack sufficient capital to rectify the infrastructure shortage in infrastructure-deficient
2 areas, thus impeding the ability of municipalities to achieve economic growth through the development of
3 secondary, value-adding industries;

4 (c) the creation of industrial infrastructure is a matter of state policy and state concern because the state
5 and its municipalities will continue to suffer economic dislocation due to the lack of secondary, value-adding
6 industries; and

7 (d) the state's tax increment financing laws should be used to encourage the creation of areas in which
8 needed industrial infrastructure for secondary, value-adding industries could be developed.

9 (2) The purpose of [sections 1 through 8] is to establish a framework of laws allowing the creation of
10 targeted economic development districts and the use of tax increment financing to fund allowable projects within
11 those districts and to prohibit the use of tax increment financing when the primary purpose is to capture the
12 growth in taxable value attributable to growth in natural resource extraction facilities or the construction of major
13 industrial facilities or energy transmission facilities.

14
15 **NEW SECTION. Section 3. Definitions -- targeted economic development districts.** For purposes
16 of [sections 1 through 8], the following definitions apply unless otherwise indicated by the context:

17 (1) "Municipality" means an incorporated city or town, county, or city-county consolidated local
18 government.

19 (2) "Qualifying technology business" means a technology business that:

20 (a) derives at least 50% of its annual sales or services outside the state;

21 (b) is classified as technology-based according to certain North American industry classification system
22 codes identified by the U.S. department of labor;

23 (c) is a manufacturing company with at least 50% of its sales to other Montana companies that have 50%
24 of their sales outside of Montana; or

25 (d) is Montana-based and at least 50% of its sales are to customers that are also Montana-based but
26 who would have otherwise purchased the product, process, or service from a business or organization based
27 outside of Montana.

28 (3) "Secondary, value-adding industry" means a business that produces value-added products or
29 commodities.

30 (4) "Targeted economic development business" means a business that is a secondary, value-adding

1 industry or a qualifying technology business.

2 (5) "Targeted economic development district plan" means a plan adopted by ordinance of the governing
3 body of the municipality in accordance with the provisions of [sections 1 through 8].

4 (6) "Technology business" means a business entity that is engaged in technology-based operations within
5 Montana that employs some combination of highly educated or trained managers and workers employed in
6 Montana who use sophisticated scientific research service or production equipment, processes, or knowledge
7 to discover, develop, test, transfer, or manufacture a product or service.

8 (7) "Transcript of proceedings" means a copy of all resolutions, ordinances, plans, affidavits of mailing,
9 affidavits of publishing of notices of public hearings, minutes of meetings and public hearings, and any other
10 document that may be required to prove the creation of a targeted economic development district in accordance
11 with the requirements of [sections 1 through 8] certified by the municipality's clerk.

12 (8) "Value-added products or commodities" means products or commodities that are manufactured,
13 processed, produced, or created by changing the form of raw materials or intermediate products into more
14 valuable products or commodities that are capable of being sold or traded in interstate commerce.

15

16 **NEW SECTION. Section 4. Targeted economic development districts -- purposes.** (1) A
17 municipality may authorize the creation of a targeted economic development district to encourage the location
18 in the municipality of:

19 (a) secondary, value-adding industry; and

20 (b) technology projects or centers.

21 (2) A targeted economic development district may not be created for or contain retail sales, service
22 industries, or professional offices unless they are incidental to the targeted economic development business. At
23 least 80% of land or land uses in the targeted economic development district must be used for secondary,
24 value-adding industry or qualifying technology business.

25 (3) (a) Except as provided in subsection (3)(b), a targeted economic development district may not be
26 created for the primary purpose of capturing the growth in the taxable value attributable to the growth of natural
27 resource extraction facilities or construction of major industrial facilities or energy transmission facilities.

28 (b) A municipality may create a targeted economic development district including those facilities listed
29 in subsection (3)(a) for the purpose of creating, extending, or improving public infrastructure, such as water,
30 sewer, roads, gas, and electricity, necessary to accommodate the development of the facility and any facility that

1 is necessary or related to the facility or growth plan for the district. The tax increment provisions of the district
2 must terminate upon:

3 (i) completion of construction of the public infrastructure projects as set forth in the plan; and

4 (ii) the payment or provision for payment in full or discharge of all bonds and the interest on the bonds
5 for which the tax increment has been pledged.

6 (c) (i) Except as provided in subsection (3)(c)(ii), if all of the infrastructure projects have been completed
7 but the bonds are still outstanding and the annual increment exceeds more than 2 1/2 times the annual debt
8 service on the bonds, the excess tax increment must be remitted to all taxing jurisdictions in the district
9 proportionately.

10 (ii) In addition to the amount of increment that may be retained under subsection (3)(c)(i), a sufficient
11 amount of tax increment may be retained to cover the costs of meeting the planned activities of the district in the
12 district's plan, including the cost of infrastructure planned for the district that can be under construction within 3
13 years.

14
15 **NEW SECTION. Section 5. Creation of targeted economic development district.** (1) Prior to
16 commencing legal action for the creation of the district or the adoption of a resolution of intention as provided in
17 subsection (2), the governing body of the municipality shall designate a representative to meet and consult with
18 the office of economic development and with the director of the department of revenue or the director's designee
19 regarding plans for the creation of a targeted economic development district.

20 (2) Prior to the creation of a targeted economic development district, the governing body of the
21 municipality shall adopt a resolution of intention to create the district and conduct a public hearing on the creation
22 of the district. The resolution of intention must contain:

23 (a) a legal description of the proposed district;

24 (b) a map depicting the boundaries of the district;

25 (c) identification of infrastructure deficiencies in the district;

26 (d) a targeted economic development district plan for the district; and

27 (e) the proposed ordinance.

28 (3) Notice of the adoption of the resolution of intention and the public hearing must be given as provided
29 in 7-1-4127 and by mailing a notice of the hearing, not less than 15 days prior to the date of the hearing, to the
30 persons whose names appear on the latest property tax record as the owners, reputed owners, or purchasers

1 under contracts for deed of the property in the district, at the address shown on the latest property tax record. The
2 notice must describe the time, date, place, and purpose of the hearing, generally identify the targeted economic
3 development district, and outline the general scope of the targeted economic development district plan.

4 (4) If the targeted economic development district plan contains a tax increment provision, the municipality
5 shall provide notice and conduct the public hearing as provided in 7-15-4214 and 7-15-4215. Notice of the public
6 hearing on the creation of the targeted economic development district and the resolution of intention must also
7 be mailed to the director of the department of revenue or the director's designee and each of the taxing
8 jurisdictions in the proposed targeted economic development district not less than 15 days prior to the date of the
9 public hearing.

10 (5) Upon completion of the public hearing and taking into consideration the comments provided by the
11 department of revenue and the other taxing jurisdictions, the governing body of the municipality may adopt an
12 ordinance creating the targeted economic development district, setting forth its boundaries and specifying the
13 targeted economic development district plan.

14 (6) (a) Upon passage of the ordinance and the adoption of the targeted economic development district
15 plan, the municipal attorney shall forward to the director of the department of revenue or the director's designee,
16 along with a fee of \$1,000, a complete transcript of proceedings and an opinion of the municipal attorney or an
17 attorney retained by the municipality that the municipality has complied with all of the statutory requirements for
18 the creation of the targeted economic development district, the adoption of the targeted economic development
19 district plan, and the election to use tax increment financing.

20 (b) The department of revenue shall, within 30 days of receipt of the information, determine whether the
21 ordinance establishing the targeted economic development district was adopted in accordance with statutory
22 requirements and that the purpose and proposed activities of the tax increment financing of the targeted
23 economic development district are valid under the provisions of [sections 4 through 7] and 7-15-4288.

24
25 **NEW SECTION. Section 6. Requirements for targeted economic development district.** A proposed
26 targeted economic development district may not be created unless it:

27 (1) consists of a single contiguous area of not more than 15 square miles with an accurately described
28 boundary that is large enough to host a diversified tenant base of multiple independent tenants but not larger than
29 needed to encompass the planned infrastructure and the development of the property directly served by the
30 infrastructure within a time period not to exceed 15 years or the length of the tax increment provision as

1 established in 7-15-4292;

2 (2) is zoned in compliance with the area growth policy, as defined in 76-1-103;

3 (3) does not include any property included within an existing urban renewal area or targeted economic
4 development district;

5 (4) is found to be deficient in public infrastructure improvements for the targeted economic development
6 district project;

7 (5) has as its purpose the construction and financing of needed infrastructure to encourage the location
8 and development of the targeted economic development business in the district; and

9 (6) is designed to serve the needs of more than a single district tenant or group of nonindependent
10 tenants, but a district may be created for a single targeted economic development business if the business by
11 its size and nature would not be compatible with other businesses nearby.

12
13 **NEW SECTION. Section 7. Targeted economic development district plan.** (1) The targeted
14 economic development district plan must:

15 (a) contain a clearly identifiable boundary of a single contiguous property;

16 (b) specify the purpose of the targeted economic development district, setting forth the objectives of the
17 municipality in creating the targeted economic development district;

18 (c) set forth the method and timetable for the development of the targeted economic development district
19 and the implementation of the targeted economic development district plan;

20 (d) identify the public infrastructure needs of the targeted economic development district and the
21 estimated costs of the infrastructure; and

22 (e) specify the purposes for which tax increment financing will be used.

23 (2) Tax increment financing may not be used for a purpose not specified in the plan. If a municipality
24 proposes to use tax increment financing for a purpose not identified in the original plan, the municipality may
25 amend its plan by ordinance after providing notice and conducting a public hearing on the amendment as required
26 by 7-15-4214 and 7-15-4215. Any revision of the plan must be reported in the next annual report of the district
27 and a copy of the annual report must be mailed to the director of the department of revenue or the director's
28 designee.

29
30 **NEW SECTION. Section 8. Applicability of urban renewal statutes -- targeted economic**

1 **development district.** The following sections of the urban renewal law apply to the administration of a targeted
 2 economic development district and targeted economic development district plan: 7-15-4231, 7-15-4232,
 3 7-15-4254 through 7-15-4258, 7-15-4260 through 7-15-4267, and 7-15-4281.

4

5 **Section 9.** Section 7-15-4215, MCA, is amended to read:

6 **"7-15-4215. Notice of hearing on urban renewal plan -- adoption of ordinance.** (1) The notice
 7 required by 7-15-4214(1) must be given by publication as provided in 7-1-4127 and by mailing a notice of the
 8 hearing, not less than ~~40~~ 15 days prior to the date of the hearing, to the persons whose names appear on the
 9 ~~county treasurer's tax roll~~ latest property tax record as the owners, reputed owners, or purchasers under contracts
 10 for deed of the property, at the address shown on the ~~tax roll~~ latest property tax record.

11 (2) The notice must describe the time, date, place, and purpose of the hearing, generally identify the
 12 urban renewal area affected, and outline the general scope of the urban renewal plan under consideration.

13 (3) If the plan contains a tax increment provision, notice of the public hearing on the plan must also be
 14 mailed to the clerk of each of the taxing jurisdictions levying a tax in the proposed district and to the director of
 15 the department of revenue or the director's designee not less than 15 days prior to the public hearing.

16 (4) At the time of giving notice of the public hearing, a copy of the resolution of intention, proposed
 17 ordinance, plan, or amendment must be placed on file in the office of the clerk of the municipality. A copy of the
 18 resolution of intention, proposed ordinance, plan, or amendment must be included with the notice of public
 19 hearing mailed to the director of the department of revenue or the director's designee.

20 (5) The director of the department of revenue or the director's designee may review the resolution of
 21 intention, proposed ordinance, plan, or amendment and advise the municipality of any concerns that it has. The
 22 information provided by the department must be considered by the governing body of the municipality prior to the
 23 passage of the ordinance and the adoption of the plan.

24 (6) (a) Upon passage of the ordinance and the adoption of the plan, the municipal attorney shall forward
 25 to the director of the department of revenue or the director's designee, along with a fee of \$1,000, a complete
 26 transcript of proceedings and an opinion of the municipal attorney or an attorney retained by the municipality that
 27 the municipality has complied with all of the statutory requirements for the creation of the district, the adoption
 28 of the plan, and the election to use tax increment financing.

29 (b) The department of revenue shall, within 30 days of receipt of the information, determine whether the
 30 ordinance establishing the tax increment district was adopted in accordance with statutory requirements and that

1 the proposed projects of the tax increment district are valid under the provisions of [section 4(3)(b)], [section 7(1)],
 2 and 7-15-4288."

3

4 **Section 10.** Section 7-15-4237, MCA, is amended to read:

5 **"7-15-4237. Annual report.** (1) An agency authorized to transact business and exercise powers under
 6 ~~this part and part 43~~ and this part shall file with the local governing body, on or before ~~September 30~~ December
 7 31 of each year, a report of its activities for the preceding fiscal year. Within 30 days of filing the report, the
 8 agency shall mail a copy of the report to the director of the department of revenue or the director's designee.

9 (2) The report ~~shall~~ must include:

10 (a) a complete financial statement setting forth its assets, liabilities, income, and operating expenses as
 11 of the end of the fiscal year;

12 (b) planned activities for the coming calendar year;

13 (c) any boundary changes anticipated for the coming calendar year; and

14 (d) any plan changes anticipated for the coming calendar year.

15 (3) At the time of filing the report, the agency shall publish in a newspaper of general circulation in the
 16 community a notice to the effect that ~~such~~ the report has been filed with the municipality and that the report is
 17 available for inspection during business hours in the office of the city clerk and in the office of the agency."

18

19 **Section 11.** Section 7-15-4282, MCA, is amended to read:

20 **"7-15-4282. Authorization for tax increment financing.** ~~Any~~ An urban renewal plan, as defined in
 21 7-15-4206, ~~industrial district ordinance, adopted pursuant to 7-15-4299, or technology district ordinance, adopted~~
 22 ~~pursuant to 7-15-4295, or a targeted economic development district plan, as defined in [section 3],~~ may contain
 23 a provision or be amended to contain a provision for the segregation and application of tax increments, as
 24 provided in 7-15-4282 through 7-15-4292."

25

26 **Section 12.** Section 7-15-4283, MCA, is amended to read:

27 **"7-15-4283. Definitions related to tax increment financing.** For purposes of ~~7-15-4282 through~~
 28 ~~7-15-4292 and 7-15-4297 through 7-15-4299~~ part 43 and this part, the following definitions apply unless otherwise
 29 provided or indicated by the context:

30 (1) "Actual taxable value" means the taxable value of all taxable property at any time, as calculated from

1 the assessment roll last equalized property tax record.

2 ~~(2) "Aerospace transportation and technology district" means a tax increment financing aerospace~~
3 ~~transportation and technology district created pursuant to 7-15-4296.~~

4 ~~———(3) "Aerospace transportation and technology infrastructure development project" means a project~~
5 ~~undertaken within or for an aerospace transportation and technology district that consists of any of the activities~~
6 ~~authorized by 7-15-4288.~~

7 ~~(4)~~(2) "Base taxable value" means the actual taxable value of all taxable property within an urban
8 renewal area, ~~industrial district, technology district, or aerospace transportation and technology~~ or targeted
9 economic development district as it appears on the property tax record prior to the effective date of a tax
10 increment financing provision. This value may be adjusted as provided in 7-15-4287 or 7-15-4293.

11 ~~(5)~~(3) "Incremental taxable value" means the amount, if any, by which the actual taxable value at any
12 time exceeds the base taxable value of all taxable property within an urban renewal area, ~~industrial district,~~
13 ~~technology district, or aerospace transportation and technology district subject to taxation~~ or targeted economic
14 development district.

15 ~~(6) "Industrial district" means a tax increment financing industrial district created pursuant to 7-15-4299.~~

16 ~~———(7) "Industrial infrastructure development project" means a project undertaken within or for an industrial~~
17 ~~district that consists of any of the activities authorized by 7-15-4288.~~

18 ~~(8)~~(4) "Municipality", for the purpose of ~~an industrial district created pursuant to 7-15-4297 through~~
19 ~~7-15-4299 and operating pursuant to 7-15-4282 through 7-15-4293 and part 43 of this chapter~~ a targeted
20 economic development district, means any incorporated city or town, county, or city-county consolidated local
21 government.

22 ~~(5)~~ (5) "Targeted economic development district" means a targeted economic development district created
23 pursuant to [sections 1 through 8].

24 ~~(6)~~ (6) "Targeted economic development district project" means an eligible project identified and proposed
25 to be undertaken in the targeted economic development district plan.

26 ~~(9)~~(7) "Tax increment" means the collections realized from extending the tax levies, expressed in mills,
27 of all taxing bodies in which the urban renewal area, ~~industrial district, technology district, aerospace~~
28 ~~transportation and technology~~ targeted economic development district, or a part of an area or district is located
29 against the incremental taxable value.

30 ~~(10)~~(8) "Tax increment provision" means a provision for the segregation and application of tax increments

1 as authorized by 7-15-4282 through 7-15-4292.

2 ~~(11)(9)~~ "Taxes" means all taxes levied by a taxing body against property on an ad valorem basis.

3 ~~(12)(10)~~ "Taxing body" means any city, town, county, school district, or other political subdivision or
 4 governmental unit of the state, including the state, that levies taxes against property within the urban renewal
 5 area, industrial district, technology district, or an aerospace transportation and technology or targeted economic
 6 development district.

7 ~~(13)~~ "Technology district" means a tax increment financing district created pursuant to 7-15-4295.

8 ~~(14)~~ "Technology infrastructure development project" means a project undertaken within or for a
 9 technology district that consists of any of the activities authorized by 7-15-4288."

10

11 **Section 13.** Section 7-15-4284, MCA, is amended to read:

12 **"7-15-4284. Filing of tax increment provisions plan or district ordinance.** (1) The clerk of the
 13 municipality shall ~~file~~ provide a certified copy of the ordinance creating each urban renewal ~~plan, industrial district~~
 14 ~~ordinance, or technology district ordinance~~ area and each targeted economic development district and the
 15 targeted economic development district plan or an amendment to any of them containing a tax increment
 16 provision ~~with~~ to the director of the department of revenue or the director's designee. If the department of revenue
 17 determines that the ordinance is not in compliance with [section 4(3)(b)], [section 7(1)], and 7-15-4288, the
 18 department of revenue shall provide notification of deficiencies in the ordinance. The municipality may then revise
 19 the ordinance according to law and resubmit the ordinance to the department of revenue through its director or
 20 the director's designee for approval.

21 (2) Upon receipt of the opinion of the department of revenue confirming that the area or district ordinance
 22 has been adopted in accordance with the statutory requirements and the proposed projects comply with the
 23 provisions of [section 4(3)(b)], [section 7(1)], and 7-15-4288, the clerk of the municipality shall provide a certified
 24 copy of the approved ordinance creating each urban area and each targeted economic development district and
 25 the district plan or an amendment to any of them containing a tax increment provision to the director of the
 26 department of revenue.

27 ~~(2)(3)~~ A certified copy of each plan, ordinance, or amendment must also be filed with the clerk or other
 28 appropriate officer of each of the affected taxing bodies.

29 (4) The ordinance creating the urban renewal area or targeted economic development district and the
 30 associated plans must be received by the director of the department of revenue or the director's designee on or

1 before February 1 of the year following the year in which the tax increment financing provision was adopted."

2

3 **Section 14.** Section 7-15-4285, MCA, is amended to read:

4 **"7-15-4285. Determination and report of original, actual, and incremental taxable values.** (1) The
5 department of revenue shall, ~~immediately upon receipt of the tax increment provision by the first Monday in~~
6 August and of each succeeding year, calculate and report to the municipality and to any other affected taxing
7 body the base, actual, and incremental taxable values of the property in the area or district.

8 (2) If the municipality submits the documentation required by 7-15-4284 on or before February 1, the
9 base year value must be calculated as of January 1 of the year the documentation is submitted.

10 (3) If the documentation is received by the department after February 1, the base year value must be
11 calculated as of January 1 of the next year."

12

13 **Section 15.** Section 7-15-4286, MCA, is amended to read:

14 **"7-15-4286. Procedure to determine and disburse tax increment.** (1) Mill rates of taxing bodies for
15 taxes levied after the effective date of the tax increment provision must be calculated on the basis of the sum of
16 the taxable value, as shown by the last equalized assessment roll, of all taxable property located outside the
17 urban renewal area, ~~industrial district, or technology~~ or targeted economic development district and the base
18 taxable value of all taxable property located within the area or district. The mill rate determined must be levied
19 against the sum of the actual taxable value of all taxable property located within as well as outside the area or
20 district.

21 (2) (a) The tax increment, if any, received in each year from the levy of the combined mill rates of all the
22 affected taxing bodies against the incremental taxable value within the area or district, except for the university
23 system mills levied and assessed against property, must be paid into a special fund held by the treasurer of the
24 municipality and used as provided in 7-15-4282 through 7-15-4292.

25 (b) The balance of the taxes collected in each year must be paid to each of the taxing bodies as
26 otherwise provided by law."

27

28 **Section 16.** Section 7-15-4287, MCA, is amended to read:

29 **"7-15-4287. Provision for use of portion of tax increment.** (1) At the time of the adoption of a tax
30 increment provision or at any later time ~~subsequent thereto~~, the governing body of the municipality may provide

1 that a portion of the tax increment from the incremental taxable value ~~shall~~ must be released from segregation
 2 by an adjustment of the base taxable value, ~~provided that if:~~

3 (a) all principal and interest then due on bonds for which the tax increment has been pledged has been
 4 fully paid; and

5 (b) the tax increment resulting from the smaller incremental value is determined by the governing body
 6 to be sufficient to pay all principal and interest due later on the bonds.

7 (2) ~~The~~ Following the release of the tax increment pursuant to subsection (1), the adjusted base value
 8 determined under subsection (1) shall must be reported by the clerk to the officers and each of the taxing bodies
 9 to which the increment provision is reported levying taxes in the area or district and to the director of the
 10 department of revenue or the director's designee by March 15 of the current tax year.

11 (3) ~~Thereafter~~ After an adjustment has been made, the adjusted base value is used in determining the
 12 mill rates of affected taxing bodies unless the tax increment resulting from the adjustment is determined by the
 13 governing body to be insufficient to pay all principal and interest due on the bonds for this purpose. In ~~this~~ that
 14 case, the governing body and the department of revenue ~~must~~ shall reduce the base value to the amount
 15 originally determined ~~or to a higher amount necessary to provide tax increments~~ of tax increment that the
 16 governing body has determined to be sufficient to pay all principal and interest due on the bonds."

17
 18 **Section 17.** Section 7-15-4288, MCA, is amended to read:

19 **"7-15-4288. Costs that may be paid by tax increment financing.** The tax increments may be used
 20 by the municipality to pay the following costs of or incurred in connection with an urban renewal ~~project, industrial~~
 21 ~~infrastructure development project, technology infrastructure development project, or aerospace transportation~~
 22 ~~and technology infrastructure development project~~ area or targeted economic development district as identified
 23 in the urban renewal plan or targeted economic development district plan:

- 24 (1) land acquisition;
 25 (2) demolition and removal of structures;
 26 (3) relocation of occupants;
 27 (4) the acquisition, construction, and improvement of public improvements or infrastructure, ~~industrial~~
 28 ~~infrastructure, technology infrastructure, or aerospace transportation and technology infrastructure that includes~~
 29 including streets, roads, curbs, gutters, sidewalks, pedestrian malls, alleys, parks and park land, parking lots and
 30 offstreet parking facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, waterlines, waterways,

1 water treatment facilities, ~~natural gas lines, electrical lines, telecommunications lines, rail lines, rail spurs, bridges,~~
2 ~~spaceports for reusable launch vehicles with associated runways and launch, recovery, fuel manufacturing, and~~
3 ~~cargo holding facilities, public buildings, publicly owned buildings~~ subject to the provisions of subsection (14), and
4 any public improvements authorized by parts 41 through 45 of chapter 12, parts 42 and 43 of chapter 13, and
5 part 47 of chapter 14 and items of personal property to be used in connection with improvements for which the
6 foregoing costs may be incurred;

7 (5) the acquisition, construction, and extension of railroads, rail spurs, bridges, natural gas lines, electrical
8 lines, and telecommunications lines and related facilities and improvements, whether or not owned by the
9 municipality, if the railroad or public utility responsible for providing the rail or utility services agrees to accept
10 ownership of or to lease the facilities, to operate and maintain the facilities, and provide services to the properties
11 in the area or district on the same basis as their other customers;

12 (5)(6) costs incurred in connection with the redevelopment activities allowed under 7-15-4233 and costs
13 incurred in connection with the targeted economic development activities allowed under this section;

14 ~~(6) acquisition of infrastructure deficient areas or portions of areas;~~

15 (7) administrative costs associated with the management of the urban renewal area, ~~industrial district,~~
16 ~~technology district, or aerospace transportation and technology~~ or targeted economic development district;

17 (8) assemblage of land for development or redevelopment by private enterprise or public agencies,
18 including sale, initial leasing, or retention by the municipality itself at its fair value;

19 (9) the compilation and analysis of pertinent information required to adequately determine the
20 infrastructure needs of ~~secondary, value-adding industries in the industrial district, the needs of a technology~~
21 ~~infrastructure development project in the technology district, or the needs of an aerospace transportation and~~
22 ~~technology infrastructure development project in the aerospace transportation and technology~~ the urban renewal
23 area or targeted economic development district;

24 (10) the connection of the urban renewal area, ~~industrial district, technology district, or aerospace~~
25 ~~transportation and technology~~ or targeted economic development district to existing infrastructure outside the area
26 or district;

27 (11) the provision of ~~direct assistance, through industrial infrastructure development projects, technology~~
28 ~~development projects, or aerospace transportation and technology infrastructure development projects, to~~
29 ~~secondary, value-adding industries to assist in meeting their infrastructure and land needs within the district~~ a
30 grant or loan to pay costs of public infrastructure or other eligible costs for an urban renewal project or a targeted

1 economic development district project as an incentive to encourage businesses to expand or upgrade facilities
 2 if the project could not be accomplished without the grant as determined by the governing body of the
 3 municipality, the agency delegated the power to administer an urban renewal area, or as set forth in the urban
 4 renewal plan or targeted economic development district plan; and

5 (12) the acquisition, construction, or improvement of facilities or equipment for reducing, preventing,
 6 abating, or eliminating pollution;

7 (13) the establishment of a revolving loan program, consisting of not more than 25% of the tax increment
 8 available from each year's increment that may be loaned out and become part of a revolving loan fund, for the
 9 purpose of providing loans to property owners or lessees to finance facade improvements and to bring buildings
 10 into compliance with fire, building, and other safety codes; and

11 (14) in targeted economic development districts that have created job creation incentive programs, the
 12 construction of buildings and related facilities to be leased to private targeted economic development businesses
 13 at fair market value if the municipality retains ownership of the buildings and facilities until disposed of in
 14 accordance with 7-15-4262. In determining the fair market value of real property for uses in accordance with the
 15 urban renewal plan or targeted economic development district plan, a municipality shall consider the uses
 16 provided in the plan and the restrictions and the covenants, conditions, and obligations assumed by the
 17 purchaser, the lessee, or the municipality retaining the property."

18

19 **Section 18.** Section 7-15-4290, MCA, is amended to read:

20 **"7-15-4290. Use of property taxes and other revenue for payment of bonds.** (1) (a) The tax
 21 increment derived from an urban renewal area may be pledged for the payment of revenue bonds issued for
 22 urban renewal projects or of general obligation bonds, revenue bonds, or special assessment bonds issued to
 23 pay urban renewal costs described in 7-15-4288 and 7-15-4289.

24 (b) The tax increment derived from ~~an industrial~~ a targeted economic development district may be
 25 pledged for the payment of revenue bonds issued for ~~industrial infrastructure~~ targeted economic development
 26 district projects or of general obligation bonds, revenue bonds, or special assessment bonds issued to pay
 27 ~~industrial~~ targeted economic development district costs described in 7-15-4288 and 7-15-4289.

28 (c) ~~The tax increment derived from a technology district may be pledged for the payment of revenue~~
 29 ~~bonds issued for technology infrastructure development projects or of general obligation bonds, revenue bonds,~~
 30 ~~or special assessment bonds issued to pay technology district costs described in 7-15-4288 and 7-15-4289.~~

1 (2) A municipality issuing bonds pursuant to subsection (1) may, by resolution of its governing body,
 2 enter into a covenant for the security of the bondholders, detailing the calculation and adjustment of the tax
 3 increment and the taxable value on which it is based and, after a public hearing, pledging or appropriating other
 4 revenue of the municipality, except property taxes prohibited by subsection (3), to the payment of the bonds if
 5 collections of the tax increment are insufficient.

6 (3) Property taxes, except the tax increment derived from property within the area or district and tax
 7 collections used to pay for services provided to the municipality by a project, may not be applied to the payment
 8 of bonds issued pursuant to 7-15-4301 for which a tax increment has been pledged."

9

10 **Section 19.** Section 7-15-4291, MCA, is amended to read:

11 **"7-15-4291. Agreements to remit unused portion of tax increments.** The municipality may also enter
 12 into agreements with all the other affected taxing bodies to remit, pro rata in proportion to their mill levies, ~~to such~~
 13 ~~taxing bodies~~ any portion of the annual tax increment not currently required for the payment of the administrative
 14 ~~costs listed in 7-15-4288~~ or pledged to the payment of the principal of premiums, if any, and interest on the bonds
 15 referred to in 7-15-4289."

16

17 **Section 20.** Section 7-15-4292, MCA, is amended to read:

18 **"7-15-4292. Termination of tax increment financing -- exception.** (1) The tax increment provision
 19 contained in an urban renewal plan or a targeted economic development district plan terminates upon the later
 20 of:

21 (a) the 15th year following its adoption; or

22 (b) the payment or provision for payment in full or discharge of all bonds for which the tax increment has
 23 been pledged and the interest on the bonds.

24 (2) (a) Except as provided in subsection (2)(b), any amounts remaining in the special fund or any reserve
 25 fund after termination of the tax increment provision must be distributed among the ~~various~~ municipality and all
 26 other affected taxing bodies pro rata in proportion to each of their ~~property tax revenue from the district~~ mill levies.

27 (b) Upon termination of the tax increment provision, a municipality may retain and use in accordance with
 28 the provisions of the urban renewal plan:

29 (i) funds remaining in the special fund or a reserve fund related to a binding loan commitment,
 30 construction contract, or development agreement for an approved urban renewal project that a municipality

1 entered into before the termination of a tax increment provision;

2 (ii) loan repayments received after the date of termination of the tax increment provision from loans made
3 pursuant to a binding loan commitment; or

4 (iii) funds from loans previously made pursuant to a loan program established under an urban renewal
5 plan.

6 (3) After termination of the tax increment provision, all taxes must be levied upon the actual taxable value
7 of the taxable property in the urban renewal area, ~~the industrial district, or the technology or targeted economic~~
8 development district and must be paid into the funds of the respective taxing bodies.

9 (4) Bonds secured in whole or in part by a tax increment provision may not be issued after the 15th
10 anniversary of the adoption of the tax increment provisions. However, if bonds secured by a tax increment
11 provision are outstanding on the applicable anniversary, additional bonds secured by the tax increment provision
12 may be issued if the final maturity date of the bonds is not later than the final maturity date of any bonds then
13 outstanding and secured by the tax increment provision but bonds may not be issued for targeted economic
14 development districts for a term that would cause the total term of the tax increment provision for the targeted
15 economic development district to exceed 30 years."

16

17 **Section 21.** Section 7-15-4293, MCA, is amended to read:

18 **"7-15-4293. Adjustment of base taxable value following change of law.** (1) (a) If the base taxable
19 value of an urban renewal area, ~~an industrial district, or a technology or a targeted economic development~~
20 district is affected after its original determination by a statutory, administrative, or judicial change in the method of
21 appraising property, the tax rate applied to it, the ~~tax exemption~~ tax-exempt status of property, or the taxable
22 valuation of property if the change in taxable valuation is based on conditions existing at the time the base ~~year~~
23 taxable value was established or last adjusted, the governing body of the municipality may, on or before March
24 1 of the year in which the adjustment is sought, request the department of revenue to ~~estimate~~ adjust the base
25 taxable value so that the tax increment resulting from the increased incremental value is sufficient to pay all
26 principal and interest on the bonds as those payments become due and to pay costs associated with binding
27 contracts for items under 7-15-4288.

28 (b) If the director of the department of revenue or the director's designee is not timely notified pursuant
29 to subsection (1)(a), the adjustment to the base taxable value must be made as of January 1 of the following year.

30 (2) (a) If a municipality that adopted a tax increment financing district created after January 1, 2002, has

1 not issued bonds, the governing body of a the municipality may, on or before March 1 of the year in which the
 2 adjustment is made, request the director of the department of revenue or the director's designee to adjust the
 3 base taxable value to account for a loss of taxable revenue resulting from the state granting property in the district
 4 tax-exempt status within the first year of ~~creation~~ adoption of the tax increment financing ~~district~~ provision. The
 5 municipality shall give notice of and hold a public hearing on the proposed change.

6 (b) If the director of the department of revenue or the director's designee is not timely notified pursuant
 7 to subsection (2)(a), the adjustment to the base taxable value must be made as of January 1 of the following
 8 year."

9

10 **Section 22.** Section 7-15-4294, MCA, is amended to read:

11 **"7-15-4294. Assessment agreements.** (1) A municipality may enter into a written agreement with any
 12 private person:

13 (a) establishing a minimum market value of land, existing improvements, or improvements or equipment
 14 to be constructed or acquired; and

15 (b) requiring the individual to pay an annual tax deficiency fee whenever the property that is the subject
 16 of the agreement is valued by the department of revenue for property tax purposes at a market value that is less
 17 than the value established by the agreement. The amount of the deficiency fee may not exceed the difference
 18 between the property taxes that would have been imposed on the property based on the minimum value of the
 19 property expressed in the agreement and the property taxes that are imposed on the property based on the
 20 market value established by the department of revenue.

21 (2) The property or equipment that is the subject of the agreement must be located or installed in an
 22 urban renewal area, ~~industrial district, aerospace transportation and technology district, or any other area or~~ or
 23 targeted economic development district that is subject to a tax increment financing provision.

24 (3) The minimum value established by the agreement may be fixed or may increase or decrease in later
 25 years from the initial minimum value as provided in the agreement.

26 (4) The agreement creates a lien on the property pursuant to 71-3-1506 and must be filed and recorded
 27 in the office of the county clerk and recorder in each county in which the property or any part of the property is
 28 located. Recording an agreement constitutes notice of the agreement to anyone who acquires any interest in the
 29 property that is the subject of the agreement, and the agreement is binding upon the person acquiring the interest.

30 (5) An agreement made pursuant to subsection (1) may be modified or terminated by mutual consent

1 of the current parties to the agreement. Modification or termination of an agreement must be approved by the
 2 governing body of the municipality. A document modifying or terminating an agreement must be filed in the office
 3 of the county clerk and recorder in each county in which the property or any part of the property is located and
 4 with the director of the department of revenue or the director's designee.

5 (6) An agreement entered into pursuant to subsection (1) or modified pursuant to subsection (5)
 6 terminates on the earliest of:

7 (a) the date on which conditions in the agreement for termination are satisfied;

8 (b) the termination date specified in the agreement; or

9 (c) the date when the tax increment is no longer paid to the municipality under 7-15-4292.

10 (7) Nothing in this section limits a municipality's authority to enter into contracts other than tax deficiency
 11 agreements as described in this section."

12

13 **Section 23.** Section 7-15-4301, MCA, is amended to read:

14 **"7-15-4301. Authorization to issue urban renewal bonds, ~~industrial infrastructure development~~**
 15 **~~bonds, aerospace transportation and technology infrastructure development bonds, technology~~**
 16 **~~infrastructure targeted economic development district bonds, and refunding bonds.~~ (1) A municipality may:**

17 (a) issue bonds from time to time, in its discretion, to finance the undertaking of any urban renewal
 18 project, ~~industrial infrastructure development project, aerospace transportation and technology infrastructure~~
 19 ~~development project, or technology infrastructure~~ or targeted economic development district project under part
 20 42 and this part, including, without limiting the generality of projects, the payment of principal and interest upon
 21 any advances for surveys and plans for the projects; and

22 (b) issue refunding bonds for the payment or retirement of bonds previously issued by it.

23 (2) The bonds may not pledge the general credit of the municipality and must be made payable, as to
 24 both principal and interest, solely from the income, proceeds, revenue, and funds of the municipality derived from
 25 or held in connection with its undertaking and carrying out of urban renewal projects, ~~industrial infrastructure~~
 26 ~~development projects, aerospace transportation and technology infrastructure development projects, or~~
 27 ~~technology infrastructure development~~ and targeted economic development district projects under part 42 and
 28 this part, including the tax increment received and pledged by the municipality pursuant to 7-15-4282 through
 29 7-15-4292, and, if the income, proceeds, revenue, and funds of the municipality are insufficient for the payment,
 30 from other revenue of the municipality pledged to the payment. Payment of the bonds, both as to principal and

1 interest, may be further secured by a pledge of any loan, grant, or contribution from the federal government or
 2 other source in aid of any urban renewal projects, ~~industrial infrastructure development projects, aerospace~~
 3 ~~transportation and technology infrastructure development projects, or technology infrastructure development or~~
 4 targeted economic development district projects of the municipality under part 42 and this part or by a mortgage
 5 on all or part of any projects.

6 (3) Bonds issued under this section must be authorized by resolution or ordinance of the local governing
 7 body.

8 (4) Within 15 days after the issuance of bonds secured in whole or in part by tax increment revenue, the
 9 municipality shall provide the director of the department of revenue or the director's designee with the principal
 10 amount of the bonds, the term of the bonds, and the annual debt service of the bonds."

11
 12 **Section 24.** Section 7-15-4302, MCA, is amended to read:

13 **"7-15-4302. Authorization to issue general obligation bonds.** (1) For the purpose of 7-15-4267 or
 14 for the purpose of aiding in the planning, undertaking, or carrying out of an urban renewal project or ~~an industrial~~
 15 ~~infrastructure development project of a municipality, the municipality, a targeted economic development district~~
 16 project in addition to any authority to issue bonds pursuant to 7-15-4301, a municipality may issue and sell its
 17 general obligation bonds.

18 (2) Any bonds issued pursuant to this section ~~shall~~ must be issued in the manner and within the
 19 limitations prescribed by the laws of this state for the issuance and authorization of bonds by ~~such~~ the municipality
 20 for public purposes generally.

21 (3) Aiding in the planning, undertaking, or carrying out of an approved urban renewal project or ~~an~~
 22 ~~industrial infrastructure development~~ a targeted economic development district project is considered a single
 23 purpose for the issuance of general obligation bonds, and the proceeds of the bonds authorized for ~~any such~~ the
 24 project may be used to finance the exercise of any and all powers conferred upon the municipality by this part
 25 and part 42 which are necessary or proper to complete the project in accordance with the approved plan ~~or~~
 26 ~~industrial district ordinance and any modification thereof duly adopted by the local governing body."~~

27
 28 **Section 25.** Section 7-15-4304, MCA, is amended to read:

29 **"7-15-4304. Presumption of regularity of bond issuance.** In a suit, action, or proceeding involving the
 30 validity or enforceability of, or security for, any bond issued under part 42 and this part, a bond reciting in

1 substance that it has been issued by the municipality in connection with an urban renewal project, ~~industrial~~
2 ~~infrastructure development project, or technology infrastructure development or a targeted economic development~~
3 ~~district~~ project is conclusively considered to have been issued for that purpose and the project is conclusively
4 considered to have been planned, located, and carried out in accordance with the provisions of part 42 and this
5 part."

6
7 **NEW SECTION. Section 26. Existing technology districts, aerospace transportation and**
8 **technology districts, and industrial districts.** Technology districts, aerospace transportation and technology
9 districts, and industrial districts established under Title 7, chapter 15, part 42, prior to January 1, 2007, may
10 continue to operate and issue bonds, under laws governing the districts and financial operations of the districts
11 as those laws read on December 31, 2006, except that the local governing body may not amend the plan or
12 boundaries of the district or expand in any manner the projects contained in the plan without providing notice of
13 the changes to the director of the department of revenue or the director's designee and receiving approval of the
14 department for the plan or boundary changes. A technology district, an aerospace transportation and technology
15 district, or an industrial district may be terminated and a targeted economic development district may be
16 simultaneously created if the created district complies with [sections 1 through 8].

17
18 **NEW SECTION. Section 27. Repealer.** Sections 7-15-4295, 7-15-4296, 7-15-4297, 7-15-4298, and
19 7-15-4299, MCA, are repealed.

20
21 **NEW SECTION. Section 28. Codification instruction.** [Sections 1 through 8] are intended to be
22 codified as an integral part of Title 7, chapter 15, and the provisions of Title 7, chapter 15, apply to [sections 1
23 through 8].

24
25 **NEW SECTION. Section 29. Effective date.** [This act] is effective July 1, 2007.

26
27 **NEW SECTION. Section 30. Applicability.** [Section 26] applies to technology districts, aerospace
28 transportation and technology districts, and industrial districts in existence on June 30, 2007.

29 - END -