

HOUSE BILL NO. 832
INTRODUCED BY J. SESSO

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

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

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

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

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

(b) municipalities lack sufficient capital to rectify the infrastructure shortage in infrastructure-deficient

areas, thus impeding the ability of municipalities to achieve economic growth through the development of secondary, value-adding industries;

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

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

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

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

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

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

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

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

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

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

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

(4) "Targeted economic development business" means a business that is a secondary, value-adding industry or a qualifying technology business.

(5) "Targeted economic development district plan" means a plan adopted by ordinance of the governing

body of the municipality in accordance with the provisions of [sections 1 through 8].

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

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

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

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

- (a) secondary, value-adding industry; and
- (b) technology projects or centers.

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

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

(b) A municipality may create a targeted economic development district including those facilities listed in subsection (3)(a) for the purpose of creating, extending, or improving public infrastructure, such as water, sewer, roads, gas, and electricity, necessary to accommodate the development of the facility and any facility that is necessary or related to the facility or growth plan for the district. The tax increment provisions of the district must terminate upon:

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

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

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

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

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

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

- (a) a legal description of the proposed district;
- (b) a map depicting the boundaries of the district;
- (c) identification of infrastructure deficiencies in the district;
- (d) a targeted economic development district plan for the district; and
- (e) the proposed ordinance.

(3) Notice of the adoption of the resolution of intention and the public hearing must be given as provided 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 persons whose names appear on the latest property tax record as the owners, reputed owners, or purchasers under contracts for deed of the property in the district, at the address shown on the latest property tax record. The notice must describe the time, date, place, and purpose of the hearing, generally identify the targeted economic development district, and outline the general scope of the targeted economic development district plan.

(4) If the targeted economic development district plan contains a tax increment provision, the municipality

shall provide notice and conduct the public hearing as provided in 7-15-4214 and 7-15-4215. Notice of the public hearing on the creation of the targeted economic development district and the resolution of intention must also be mailed to the director of the department of revenue or the director's designee and each of the taxing jurisdictions in the proposed targeted economic development district not less than 15 days prior to the date of the public hearing.

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

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

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

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

(1) consists of a single contiguous area of not more than 15 square miles with an accurately described boundary that is large enough to host a diversified tenant base of multiple independent tenants but not larger than needed to encompass the planned infrastructure and the development of the property directly served by the infrastructure within a time period not to exceed 15 years or the length of the tax increment provision as established in 7-15-4292;

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

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

(4) is found to be deficient in public infrastructure improvements for the targeted economic development

district project;

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

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

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

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

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

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

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

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

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

NEW SECTION. Section 8. Applicability of urban renewal statutes -- targeted economic development district. The following sections of the urban renewal law apply to the administration of a targeted economic development district and targeted economic development district plan: 7-15-4231, 7-15-4232, 7-15-4254 through 7-15-4258, 7-15-4260 through 7-15-4267, and 7-15-4281.

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

"7-15-4215. Notice of hearing on urban renewal plan -- adoption of ordinance. (1) The notice

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

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

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

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

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

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

(b) The department of revenue shall, within 30 days of receipt of the information, determine whether the ordinance establishing the tax increment district was adopted in accordance with statutory requirements and that the proposed projects of the tax increment district are valid under the provisions of [section 4(3)(b)], [section 7(1)], and 7-15-4288."

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

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

agency shall mail a copy of the report to the director of the department of revenue or the director's designee.

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

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

(b) planned activities for the coming calendar year;

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

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

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

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

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

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

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

(1) "Actual taxable value" means the taxable value of all taxable property at any time, as calculated from the ~~assessment roll last equalized~~ property tax record.

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

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

~~(4)~~(2) "Base taxable value" means the actual taxable value of all taxable property within an urban renewal area, ~~industrial district, technology district, or aerospace transportation and technology~~ or targeted

economic development district as it appears on the property tax record prior to the effective date of a tax increment financing provision. This value may be adjusted as provided in 7-15-4287 or 7-15-4293.

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

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

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

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

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

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

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

~~(10)(8)~~ "Tax increment provision" means a provision for the segregation and application of tax increments as authorized by 7-15-4282 through 7-15-4292.

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

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

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

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

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

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

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

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

(4) The ordinance creating the urban renewal area or targeted economic development district and the associated plans must be received by the director of the department of revenue or the director's designee on or before February 1 of the year following the year in which the tax increment financing provision was adopted."

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

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

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

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

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

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

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

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

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

"7-15-4287. Provision for use of portion of tax increment. (1) At the time of the adoption of a tax increment provision or at any later time ~~subsequent thereto~~, the governing body of the municipality may provide that a portion of the tax increment from the incremental taxable value ~~shall~~ must be released from segregation by an adjustment of the base taxable value, ~~provided that if:~~

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

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

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

(3) ~~Thereafter~~ After an adjustment has been made, the adjusted base value is used in determining the mill rates of affected taxing bodies unless the tax increment resulting from the adjustment is determined by the governing body to be insufficient to pay all principal and interest due on the bonds for this purpose. ~~In this that~~

case, the governing body ~~and the department of revenue must shall~~ reduce the base value to the amount originally determined or to a higher amount necessary to provide ~~tax increments~~ of tax increment that the governing body has determined to be sufficient to pay all principal and interest due on the bonds."

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

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

(1) land acquisition;

(2) demolition and removal of structures;

(3) relocation of occupants;

(4) the acquisition, construction, and improvement of public improvements or infrastructure, ~~industrial infrastructure, technology infrastructure, or aerospace transportation and technology infrastructure that includes including~~ streets, roads, curbs, gutters, sidewalks, pedestrian malls, alleys, parks and park land, parking lots and offstreet parking facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, waterlines, waterways, water treatment facilities, ~~natural gas lines, electrical lines, telecommunications lines, rail lines, rail spurs, bridges, spaceports for reusable launch vehicles with associated runways and launch, recovery, fuel manufacturing, and cargo holding facilities,~~ public buildings, publicly owned buildings subject to the provisions of subsection (14), and any public improvements authorized by parts 41 through 45 of chapter 12, parts 42 and 43 of chapter 13, and part 47 of chapter 14 and items of personal property to be used in connection with improvements for which the foregoing costs may be incurred;

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

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

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

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

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

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

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

(11) the provision of ~~direct assistance, through industrial infrastructure development projects, technology development projects, or aerospace transportation and technology infrastructure development projects, to secondary, value-adding industries to assist in meeting their infrastructure and land needs within the district~~ a grant or loan to pay costs of public infrastructure or other eligible costs for an urban renewal project or a targeted economic development district project as an incentive to encourage businesses to expand or upgrade facilities if the project could not be accomplished without the grant as determined by the governing body of the municipality, the agency delegated the power to administer an urban renewal area, or as set forth in the urban renewal plan or targeted economic development district plan; and

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

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

(14) in targeted economic development districts that have created job creation incentive programs, the construction of buildings and related facilities to be leased to private targeted economic development businesses at fair market value if the municipality retains ownership of the buildings and facilities until disposed of in accordance with 7-15-4262. In determining the fair market value of real property for uses in accordance with the urban renewal plan or targeted economic development district plan, a municipality shall consider the uses

provided in the plan and the restrictions and the covenants, conditions, and obligations assumed by the purchaser, the lessee, or the municipality retaining the property."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) funds remaining in the special fund or a reserve fund related to a binding loan commitment, construction contract, or development agreement for an approved urban renewal project that a municipality entered into before the termination of a tax increment provision;

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

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

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

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

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

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

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

(2) (a) If a municipality that adopted a tax increment financing district created after January 1, 2002, has not issued bonds, the governing body of a the municipality may, on or before March 1 of the year in which the adjustment is made, request the director of the department of revenue or the director's designee to adjust the base taxable value to account for a loss of taxable revenue resulting from the state granting property in the district tax-exempt status within the first year of ~~creation~~ adoption of the tax increment financing ~~district~~ provision. The municipality shall give notice of and hold a public hearing on the proposed change.

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

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

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

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

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

property expressed in the agreement and the property taxes that are imposed on the property based on the market value established by the department of revenue.

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

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

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

(5) An agreement made pursuant to subsection (1) may be modified or terminated by mutual consent of the current parties to the agreement. Modification or termination of an agreement must be approved by the governing body of the municipality. A document modifying or terminating an agreement must be filed in the office of the county clerk and recorder in each county in which the property or any part of the property is located and with the director of the department of revenue or the director's designee.

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

- (a) the date on which conditions in the agreement for termination are satisfied;
- (b) the termination date specified in the agreement; or
- (c) the date when the tax increment is no longer paid to the municipality under 7-15-4292.

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

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

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

(a) issue bonds from time to time, in its discretion, to finance the undertaking of any urban renewal project, ~~industrial infrastructure development project, aerospace transportation and technology infrastructure development project, or technology infrastructure~~ or targeted economic development district project under part

42 and this part, including, without limiting the generality of projects, the payment of principal and interest upon any advances for surveys and plans for the projects; and

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

(2) The bonds may not pledge the general credit of the municipality and must be made payable, as to both principal and interest, solely from the income, proceeds, revenue, and funds of the municipality derived from or held in connection with its undertaking and carrying out of urban renewal projects, ~~industrial infrastructure development projects, aerospace transportation and technology infrastructure development projects, or technology infrastructure development~~ and targeted economic development district projects under part 42 and this part, including the tax increment received and pledged by the municipality pursuant to 7-15-4282 through 7-15-4292, and, if the income, proceeds, revenue, and funds of the municipality are insufficient for the payment, from other revenue of the municipality pledged to the payment. Payment of the bonds, both as to principal and interest, may be further secured by a pledge of any loan, grant, or contribution from the federal government or other source in aid of any urban renewal projects, ~~industrial infrastructure development projects, aerospace transportation and technology infrastructure development projects, or technology infrastructure development~~ or targeted economic development district projects of the municipality under part 42 and this part or by a mortgage on all or part of any projects.

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

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

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

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

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

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

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

"7-15-4304. Presumption of regularity of bond issuance. In a suit, action, or proceeding involving the validity or enforceability of, or security for, any bond issued under part 42 and this part, a bond reciting in substance that it has been issued by the municipality in connection with an urban renewal project, ~~industrial infrastructure development project, or technology infrastructure development~~ or a targeted economic development district project is conclusively considered to have been issued for that purpose and the project is conclusively considered to have been planned, located, and carried out in accordance with the provisions of part 42 and this part."

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

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

NEW SECTION. **Section 28. Codification instruction.** [Sections 1 through 8] are intended to be

codified as an integral part of Title 7, chapter 15, and the provisions of Title 7, chapter 15, apply to [sections 1 through 8].

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

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

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