

RESOLUTION NO. 4140

A RESOLUTION AUTHORIZING THE CITY OF MILES CITY TO APPLY TO THE MONTANA DEPARTMENT OF COMMERCE FOR DESIGNATION BY THE GOVERNOR AS A MONTANA OPPORTUNITY ZONE.

WHEREAS, the Tax Cut and Jobs Act of 2017 adopted by Congress has established Opportunity Zones as a new economic development program to encourage long-term investments in low-income communities, and has authorized state governors to designate local communities as said zones, and

WHEREAS, The Montana Department of Commerce (MDOC) is working with the Governor's Office to provide a process for state designation as well as information, resources and tools for this new Opportunity Zone program, and

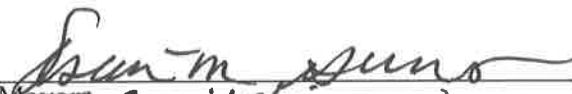
WHEREAS, the City Council of the City of Miles City has previously authorized the Miles City Urban Renewal Agency to develop a workable program providing maximum opportunity, consistent with the sound needs of the municipality as a whole, for the rehabilitation for redevelopment of the urban renewal area by private enterprise and public private partnerships; and provide counsel to the City Council in carrying out said Plan,

AND WHEREAS, while designation as a Montana Opportunity Zone does not guarantee development in the eligible census tract located within the Urban Renewal District, it will provide the City and the Urban Renewal Agency an additional financial incentive to offer developers interested in investing in the tract, thus strengthening this groups' efforts and encouraging private investment through designation. For this reason, the Miles City Urban Renewal Agency hereby recommends the City Council approve application for designation as a Montana Opportunity Zone,


NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Miles City, Montana as follows:

1. The City, by and through the Miles City Urban Renewal Agency is authorized and encouraged to apply for designation as a Montana Opportunity Zone to the Montana Department of Commerce, and,
2. The Mayor of the City of Miles City is hereby empowered and authorized to certify said Application on behalf of the City of Miles City.

SAID RESOLUTION PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE CITY COUNCIL OF THE CITY OF MILES CITY, MONTANA, THIS 27th DAY OF MARCH, 2018.


Mayor Council Chairperson

ATTEST:


Lorrie Pearce, City Clerk Adly Capps, Payroll & Claims Clerk

Urban Renewal Agency
March 27, 2018
City Council Staff Report
Montana Opportunity Zone Designation

Introduction

Opportunity Zones are a new economic development program established by Congress in the Tax Cut and Jobs Act of 2017 to encourage long-term investments in low-income communities. The Montana Department of Commerce (MDOC) is working closely with the Governor's Office to provide a process for state designation as well as information, resources and tools for this new Opportunity Zone program.

Opportunity Funds are private sector investment vehicles that invest at least 90 percent of their capital in Opportunity Zones. U.S. investors currently hold trillions of dollars in unrealized capital gains in stocks and mutual funds alone—a significant untapped resource for economic development. Opportunity Funds provide investors the chance to put that money to work rebuilding the nation's left-behind communities. The fund model will enable a broad array of investors to pool their resources in Opportunity Zones, increasing the scale of investments going to underserved areas.

Private Opportunity Zone investors can earn tax breaks on the capital gains generated through those investments. Tax benefits increase the longer the investments are in place. The Opportunity Zones program offers investors the following incentives for putting their capital to work in low-income communities:

- A temporary tax deferral for capital gains reinvested in an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is sold or December 31, 2026.
- A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis of the original investment is increased by 10% if the investment in the qualified opportunity zone fund is held by the taxpayer for at least 5 years, and by an additional 5% if held for at least 7 years, excluding up to 15% of the original gain from taxation.
- A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in a qualified opportunity zone fund, if the investment is held for at least 10 years. (Note: this exclusion applies to the gains accrued from an investment in an Opportunity Fund, not the original gains).

The market oriented approach of an Opportunity Zone designation relies on private investment to be successful, and does not guarantee economic development. MDOC realizes the potential this program has to complement growth in historically strong economic zones, as well as the potential this program has in channeling investment into less developed areas. For this reason, MDOC reserves the right to review projects and recommend proposals that reflect the highest degree of probability of development.

Eligible Areas

Opportunity Zones are determined by eligible Census tracts. Potential Opportunity Zones are U.S. Census tracts designated as Low-Income-Communities (LIC). An LIC is a U.S. Census tract where the poverty rate is 20 percent or greater and/or median household income is 80 percent or less than the statewide median household income. As established by federal designation, Montana has 106* eligible LIC Census tracts, however the program regulations only allow for the nomination of 25 Census tracts. Federal Census Tract 9620 is located within the boundaries of the Miles City Urban Renewal District.

Eligible Applicants

Cities, towns, counties, tribal governments, CRDCs, or lead economic development organizations that have an eligible Census tract within their boundary are eligible to apply for designation as an Opportunity Zone. Any eligible applicant is allowed to submit a proposal for any eligible Census tract(s) that occurs within the jurisdictions boundaries or service area. A list of eligible Census tracts is available on the Commerce web-site.

Final designations remain in effect for ten years. MDOC reserves the right to modify information described or requested in this proposal if new information is provided by the federal government or its agents.

*When determining the number of eligible census tracts, MDOC used data and maps from the [CDFI Fund web page](#) and the [Opportunity360 web page](#). Due to slight data inconsistency, and intermittent and ongoing changes to the Opportunity Zone program at the federal level, this eligibility number may be change by the federal government. MDOC has based the 106 eligible tracts on the Opportunity360 data set, updated as of February 28, 2018.

Overview of Census Tract 9620

