

Montana Department of Commerce  
Opportunity Zone Proposal Guidance and Form  
Proposal Open Date: March 6, 2018

### 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.

Private investment vehicles that place 90 percent or more of their funds into an Opportunity Zone can earn tax breaks on the capital gains generated through those investments. Tax benefits increase the longer the investments are in place. Three tax incentive options available for low-income communities through a qualified Opportunity Fund:

1. Temporary deferral of inclusion in taxable income for capital gains reinvested into an Opportunity Fund
2. Step-up in basis for capital gains reinvested in an Opportunity Fund
3. Permanent exclusion from taxable income of capital gains from sale or exchange of an investment in an Opportunity Fund if investment is held for at least 10 years

A more thorough explanation of the tax benefits can be read on the U.S. Department of the Treasury [web page](#).

### Eligible Areas

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. 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.

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.

## **Designation Process**

Eligible Applicants must submit the Opportunity Zone Proposal Form no later than March 30, 2018 to [docopportunity@mt.gov](mailto:docopportunity@mt.gov). All proposals received on March 30 will be reviewed by a committee based on responses provided in the form below.

Designated Census tracts demonstrating the highest degree of probability for development currently within the 10-year designation period will be given favorable preference. Preference may be given to communities participating in the [Montana Main Street Program](#) or that have past, or expected future, capacity for housing and small business development. It is critical that applicants clearly identify how the selected Census tracts will leverage other resources, utilize existing economic development programs such as existing Targeted Economic Development Districts or Tax Increment Financing Districts, Urban Renewal Districts, or will enhance other local planned or existing development. Eligible applicants must identify and prioritize Census tracts within their jurisdictions to identify local preferences as it relates to the Census tracts highest degree of probability of development.

Each proposal must be submitted by the Official Representative of a City, Town, County, Tribal Government, Certified Regional Development Corporation (CRDC), or lead economic development organizations across the state.

Proposals will be evaluated on the basis of development capacity and potential, and will be evaluated using a two-tier system to ensure small communities are not competing with large communities. Eligible Census tracts will be designated as Tier One or Tier Two by MDOC. Tier one communities are: Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, and Missoula. Tier two communities are all other census track eligible Cities, Towns, Counties, or Tribes.

**The U.S. Department of the Treasury is actively constructing Opportunity Zone rules and regulations.**

**The Montana Department of Commerce – Community**

**Development Division staff are available to help guide applicants on the Montana proposal process and help answer questions about Opportunity Zones as current information allows.**

**Proposals must be submitted by midnight, via email, on March 30, 2018**

**Send proposals to: [docopportunity@mt.gov](mailto:docopportunity@mt.gov)**

Proposals will be evaluated by a review committee, and final nominations will be made by Governor Steve Bullock. The governor will make final recommendations and submit the nominated tracts to the U.S. Department of the Treasury.

## **Eligible Applicants**

Opportunity Zones are determined by eligible Census tracts; when considering this, it is important to remember census tracts do not follow the same boundaries as legal jurisdictions or service areas of eligible applicants. MDOC is encouraging coordination between eligible applicants when submitting a proposal.

Eligible applicants are cities, towns, counties, tribal governments, CRDCs, or lead economic development organizations that have an eligible Census tract within their boundary.

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

website: <http://comdev.mt.gov/Programs/OpportunityZones/FindYourCensusTract>. If an eligible applicant is submitting a proposal for Census tracts that occur in more than one jurisdiction or service area, please provide written letters of support from the other eligible jurisdiction or service area.

Eligible applicants must identify and prioritize Census tracts within their jurisdictions to identify local preferences as it relates to the census tract's highest degree of probability of development.

## Opportunity Zone Proposal Form

*Provide brief answers for each Census tract if proposal contains multiple tracts.*

1. Enter name of City, Town, County, Tribe, Certified Regional Development Corporations (CRDCs) or lead economic development organizations.
2. Enter the unique tract code(s) you are submitting to be a potential Opportunity Zone (Note: This is the 11-digit code provided on [the Commerce website](#)). If more than one Census tract is being proposed, prioritize each Census tract in your jurisdictional area, with a rank of one being the highest priority. Briefly justify the ranking. (100 Words)
3. Does a community within the designated census tract participate in the Montana Main Street Program?
  - a. Yes or No
4.
  - a. Development in this Census tract is primarily related to: (Check boxes)
    - Commercial Real Estate
    - Natural Resources
    - Downtown Revitalization or Small Business
    - Manufacturing and Industry
    - Travel and Tourism
    - Health Care
    - Education
    - Technology
    - Other:
  - b. Considering current or expected development, describe the benefit an Opportunity Zone designation would have for the selected Census tract. Include areas in which development is occurring or likely to occur that would leverage investments for the specific Census tract. (200 Words)
5. How will the designation of an opportunity zone reduce poverty and the LMI percentage? (200 Words)
6. Describe capacity to attract investment if the selected census tract is nominated as an Opportunity Zone. Describe the strategy to market and promote the area to potential investors, including partners. (200 Words)
7. Are there environmental, social or health concerns or other relevant regulatory limitations in the Census tract that would need to be resolved before commercial development takes place? Could these factors weaken or reduce resources used to leverage investment in the Census tract and could more development help alleviate these impediments? (200 Words)

Printed Name of Official Representative:

Official Title:

Official Representative Signature:

Date: