BOZEMAN MT

Memorandum

REPORT TO: City Commission

FROM: Jesse DiTommaso, Economic Development Coordinator
David Fine, Economic Development Manager
Brit Fontenot, Economic Development Director

SUBJECT: Authorize the City Manager to Sign an Opportunity Zone Proposal to the Montana Department of Commerce

MEETING DATE: June 23, 2026

AGENDA ITEM TYPE: Agreement - Agency/Non-profit

RECOMMENDATION: Authorize the City Manager to sign the Opportunity Zone proposal to the Montana Department of Commerce.

STRATEGIC PLAN: 2.2 Infrastructure Investments: Strategically invest in infrastructure as a mechanism to encourage economic development.

BACKGROUND: The Tax Cuts and Jobs Act of 2017 established a new economic development program called Opportunity Zones designated to encourage long-term private investments in low-income communities. The program provides a federal tax incentive for taxpayers who reinvest unrealized capital gains into "Opportunity Funds", which are specialized vehicles dedicated to investing in low-income areas called "Opportunity Zones". The Opportunity Zone program was authorized for 10 years.

Opportunity Zone 2.0 is the permeant version of the Opportunity Zone program. Opportunity Zone 2.0 established a new framework of rules, 10-year rolling designations of eligible tracts, and stricter requirements. New program incentives favor rural investment.

The zones are identified as low-income community census tracts and designed by governors in every state and territory. The program has the potential to direct private capital toward distressed communities and serve as a catalyst for long-term, inclusive economic development. This may include downtown revitalization, workforce development, affordable housing, infrastructure, and business startup and expansion. In 2017, Governor Bullock designated Tract 11.02 in Bozeman as an Opportunity Zone.

The Governor of Montana may nominate up to 25 eligible low-income community census tracts for Opportunity Zone designation within the state. Census tracts are small statistical subdivisions of a county with population

sizes between 1,200 and 8,000. The zone's primary purpose is to provide a stable set of geographic units for the presentation of statistical data.

Following the U.S. Census Bureau's recent data update, the U.S. Treasury has confirmed fifty-eight low-income census tracts in Montana eligible for OZ designation. Three tracts have been identified within Gallatin County. One application will be scored for each eligible Census Tract requiring collaboration among jurisdictional partners (cities, towns, counties, tribal governments, certified regional development corporations (CRDCs), and local economic development organizations, etc.). If more than one application is submitted for an eligible Census Tract, the application with the most collaborating partners will be scored. If no application is received for an eligible tract, it will not be considered for recommendation.

Attached are applications for two of the eligible census tracts. Economic development staff collaborated with Northern Rocky Economic Development District and Prospera Business Network to identify and rank the following applications.

Gallatin County Census Tract 6 is proposed as the highest ranking application in Gallatin County. Tract 6 is favorable for OZ program use for a number of reasons:

- Proximity to rail and interstate infrastructure
- Existing infrastructure
- Multiple sites with large barriers to redevelopment, such as a K-Mart pad and former Idaho Pole Superfund Site.
- Access to additional financial tools, including tax increment financing, low income housing tax credits, and new market tax credits.

Gallatin County Census Tract 11.02 is proposed as the second priority application in Gallatin County. Tract 11.02 has the following advantages:

- Inclusion of the Montana State Innovation Campus
- Existing partnerships between Montana State University and private industry
- Demonstrated success in workforce development

Due to an extremely limited timeline, letters of support are still being received by the Economic Development Department.

UNRESOLVED ISSUES: None.

ALTERNATIVES: As recommended by the City Commission.

FISCAL EFFECTS: None.

Attachments:
2027 Opportunity Zone Application Tract 6.pdf
2027 Opportunity Zone Application FINAL Tract 11.02.pdf

Report compiled on: June 9, 2026