

1 **Municipal Incorporation Modifications**

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Tiara Auxier

Senate Sponsor:

LONG TITLE**General Description:**

This bill modifies the process to incorporate as a preliminary municipality.

Highlighted Provisions:

This bill:

- ▶ defines terms and modifies definitions;
- ▶ modifies potential uses of the Municipal Incorporation Expendable Special Revenue Fund;
- ▶ modifies the process for a person to apply to incorporate an area as a preliminary

municipality by:

- requiring the person to consult with the county in which the proposed preliminary municipality area is located;

- requiring a feasibility study to consider any existing land use entitlements within the proposed preliminary municipality area; and

- requiring a feasibility consultant to consider information provided to the feasibility consultant by the county;

- ▶ authorizes a county to audit a feasibility study or supplemental feasibility study;

- ▶ provides a process for the lieutenant governor to hire a consultant to evaluate a feasibility study and an audit of a feasibility study;

- ▶ modifies the requirements to file a petition for incorporation of a preliminary municipality, including:

- modifying the requirements for a bond, cash deposit, or letter of credit;

- requiring a property owner to include an executed improvement warranty; and

- requiring a certification that the preliminary municipality will be developed in accordance with the description in the certified feasibility request;

- ▶ authorizes a county to commission a traffic study before the lieutenant governor issues a certificate of incorporation for the preliminary municipality; and

- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

31 None

32 **Other Special Clauses:**

33 None

34 **Utah Code Sections Affected:**

35 **AMENDS:**

36 **10-2a-220 (Effective 05/06/26)**, as last amended by Laws of Utah 2024, Chapter 518

37 **10-2a-501 (Effective 05/06/26) (Repealed 01/01/31)**, as last amended by Laws of Utah
38 2025, Chapter 399

39 **10-2a-502 (Effective 05/06/26) (Repealed 01/01/31)**, as enacted by Laws of Utah 2024,
40 Chapter 534

41 **10-2a-503 (Effective 05/06/26) (Repealed 01/01/31)**, as enacted by Laws of Utah 2024,
42 Chapter 534

43 **10-2a-504 (Effective 05/06/26) (Repealed 01/01/31)**, as enacted by Laws of Utah 2024,
44 Chapter 534

45 **10-2a-505 (Effective 05/06/26) (Repealed 01/01/31)**, as enacted by Laws of Utah 2024,
46 Chapter 534

47 **10-2a-506 (Effective 05/06/26) (Repealed 01/01/31)**, as last amended by Laws of Utah
48 2025, Chapter 399

49 **10-2a-507 (Effective 05/06/26) (Repealed 01/01/31)**, as enacted by Laws of Utah 2024,
50 Chapter 534

51 **10-2a-508 (Effective 05/06/26) (Repealed 01/01/31)**, as enacted by Laws of Utah 2024,
52 Chapter 534

53 **10-2a-509 (Effective 05/06/26) (Repealed 01/01/31)**, as enacted by Laws of Utah 2024,
54 Chapter 534

55 **ENACTS:**

56 **10-2a-502.5 (Effective 05/06/26)**, Utah Code Annotated 1953

57 **10-2a-505.5 (Effective 05/06/26)**, Utah Code Annotated 1953

59 *Be it enacted by the Legislature of the state of Utah:*

60 Section 1. Section **10-2a-220** is amended to read:

61 **10-2a-220 (Effective 05/06/26). Costs of incorporation -- Fees established by**
62 **lieutenant governor.**

63 (1)(a) There is created an expendable special revenue fund known as the "Municipal
64 Incorporation Expendable Special Revenue Fund."

65 (b) The fund shall consist of:

66 (i) appropriations from the Legislature;

67 (ii) payments that feasibility request sponsors make to the lieutenant governor under

68 Subsections 10-2a-205(1)(b) and 10-2a-206(1)(f); and

69 (iii) fees the lieutenant governor collects and remits to the fund under this section.

70 (c) The lieutenant governor shall deposit all money collected under this section into the

71 fund.

72 (2)(a) The lieutenant governor shall establish a fee in accordance with Section 63J-1-504

73 for a cost incurred by the lieutenant governor or the county for an incorporation

74 proceeding, including:

75 (i) a request certification;

76 (ii) a petition certification;

77 (iii) publication of notices;

78 (iv) retaining a consultant under Section 10-2a-505.5;

79 [(v)] (v) public hearings;

80 [(vi)] (vi) all other incorporation activities occurring after the elections; and

81 [(vii)] (vii) any other cost incurred by the lieutenant governor or county in relation to

82 an incorporation proceeding.

83 (b) A cost under Subsection (2)(a) does not include a cost incurred by a county for

84 holding an election under Section 10-2a-210.

85 (3) Subject to Subsections 10-2a-205(1)(b) and 10-2a-206(1)(f), the lieutenant governor

86 shall pay for a cost described in Subsection (2)(a) using funds from the Municipal

87 Incorporation Expendable Special Revenue Fund.

88 (4)(a) A newly incorporated municipality shall:

89 (i) pay to the lieutenant governor each fee established under Subsection (2) for each

90 cost described in Subsection (2)(a) incurred by the lieutenant governor or the

91 county;

92 (ii) pay the county for a cost described in Subsection (2)(b); and

93 (iii) reimburse feasibility request sponsors the cost the feasibility request sponsors

94 paid for:

95 (A) a feasibility study under Section 10-2a-205; and

96 (B) any supplemental feasibility study under Section 10-2a-206.

97 (b) The lieutenant governor shall execute a payback agreement with each new

98 municipality for the new municipality to pay the fees described in Subsection (4)(a)

99 over a period that, except as provided in Subsection (4)(c), may not exceed five years.

100 (c) If necessary, the lieutenant governor may extend a fee payment deadline beyond the
101 deadline described in Subsection (4)(b) by amending the payback agreement
102 described in Subsection (4)(b).

103 (d) The lieutenant governor shall deposit each fee the lieutenant governor collects under
104 Subsection (4)(a)(i) into the Municipal Incorporation Expendable Special Revenue
105 Fund.

106 (5) If the lieutenant governor expends funds from the Municipal Incorporation Expendable
107 Special Revenue Fund that are not repaid to the lieutenant governor under Subsection
108 (4)(a)(i) because an area did not incorporate as a municipality, the Legislature shall
109 appropriate money to the fund in an amount equal to the funds that are not repaid.

110 Section 2. Section **10-2a-501** is amended to read:

111 **10-2a-501 (Effective 05/06/26) (Repealed 01/01/31). Definitions.**

112 As used in this part:

113 (1) "Affordable housing" means housing occupied or reserved for occupancy by households
114 with a gross household income equal to or less than 80% of the median gross income of
115 the applicable municipal or county statistical area for households of the same size.

116 (2) "Applicant" means an individual or person who applies to incorporate an area as a
117 preliminary municipality by filing a feasibility request.

118 [(2)] (3) "Board," in relation to a preliminary municipality, means the same as a council
119 described in Section 10-3b-402.

120 [(3)] (4) "Board chair," in relation to a preliminary municipality, means the same as a mayor
121 described in Section 10-3b-402.

122 (5) "Certified feasibility request" means the document that is certified by the lieutenant
123 governor under Section **10-2a-503**.

124 [(4)] (6) "Contiguous" means the same as that term is defined in Section 10-2a-102.

125 [(5)] (7) "Feasibility consultant" means a person or firm:

126 (a) with expertise in the processes and economics of local government; and
127 (b) who is independent of, and not affiliated with, a county or a sponsor of a petition to
128 incorporate a preliminary municipality under this part.

129 [(6)] (8) "Feasibility request" means a request, described in Section 10-2a-502, for a
130 feasibility study for the proposed incorporation of a preliminary municipality.

131 (9) "Feasibility study" means an analysis of a certified feasibility request, as described in
132 Section 10-2a-504, conducted by a feasibility consultant.

133 (10) "Full-time" means 183 days a year or more.

134 [7] (11) "Initial landowners" means the persons who owned the land within the proposed
135 preliminary municipality area when the [person] applicant filed the feasibility request
136 under Section 20A-1-501.

137 [8] (12) "Municipal service" means the same as that term is defined in Section 10-2a-102.

138 [9] (13) "Pending annexation area" means an area proposed for annexation in an
139 annexation petition described in Section 10-2-806 that is filed before, and is still pending
140 when, a person files the applicable request for a feasibility study under Section
141 10-2a-502.

142 (14) "Population" means the number of human beings who are full-time residents of a
143 defined area.

144 [(10)] (15) "Primary sponsor contact" means:

145 (a) in relation to a feasibility request:

146 (i) the individual designated as the primary sponsor contact for a feasibility request
147 under Subsection 10-2a-502(5)(c); or
148 (ii) an individual designated, in writing, by the initial landowners if a replacement
149 primary sponsor contact is needed; or

150 (b) in relation to a petition for incorporation of a preliminary municipality:

151 (i) the individual designated as the primary sponsor contact for a petition for
152 incorporation of a preliminary municipality under Subsection 10-2a-507(1)(d); or
153 (ii) an individual designated, in writing, by the initial landowners if a replacement
154 primary sponsor contact is needed.

155 [(11)] (16) "Private," in relation to real property, means taxable real property.

156 [(12)] (17) "Proposed preliminary municipality area" means the area proposed for
157 incorporation as a preliminary municipality in a feasibility request.

158 [(13)] (18) "System infrastructure" means, as shown on the map or plat described in
159 Subsection 10-2a-502(5)(e) for the proposed preliminary municipal area:

160 (a) the main thoroughfares within the proposed preliminary municipal area, including:
161 (i) the roads that connect the proposed preliminary municipality area to an existing
162 road outside the proposed preliminary municipality area; and
163 (ii) any fill and grading required before paved roads can be placed;

164 (b) the main lines that will connect a utility, including culinary water and wastewater
165 treatment services, to the proposed preliminary municipality area, including the stubs
166 that will connect the main lines to the development in the proposed preliminary

167 municipality area[-] ; and
168 (c) construction of culinary water facilities, wastewater treatment facilities, or both, if no
169 services exist that would meet the requirements of the proposed preliminary
170 municipality area.

171 (19) "Utah Population Committee" means the committee created in Section 63C-20-103.

172 Section 3. Section **10-2a-502** is amended to read:

173 **10-2a-502 (Effective 05/06/26) (Repealed 01/01/31). Incorporation of a**
174 **preliminary municipality -- Feasibility request -- Requirements.**

175 (1)(a) [A person] An individual may apply to incorporate an area as a preliminary
176 municipality by filing a feasibility request in accordance with this section.

177 (b) A person may apply to incorporate an area as a preliminary municipality by filing a
178 feasibility request in accordance with this section if the person designates an
179 individual in the application who:

180 (i) has the authority to represent the person; and
181 (ii) will serve as the point of contact for the application.

182 (2) Subject to Subsection (6), [a person] an applicant may file a feasibility request in relation
183 to an area that the [person] applicant seeks to incorporate as a preliminary municipality if:

184 (a) the area is contiguous;

185 (b) no part of the area is within a county of the first class or second class;

186 (c) no part of the area is within, or within .25 miles of, a municipality;

187 (d) on the day on which the [person] applicant files the feasibility request:

188 (i) the area is owned by no more than three persons, all of whom consent to
189 incorporation as a preliminary municipality; and

190 (ii) at least 50% of the area is undeveloped;

191 (e) the persons who sign the feasibility request intend to and, if the preliminary
192 municipality is incorporated, shall develop the area to the point that:

193 (i) at least 100 individuals reside full-time in the area;

194 (ii) the area will have an average population density of no less than seven individuals
195 per square mile, unless:

196 (A) a population density of less than seven individuals per square mile is
197 necessary in order to connect separate areas that share a demonstrable
198 community interest; and

199 (B) the average population of the area has a population density of no less than
200 seven individuals per square mile if the land necessary to connect the separate

areas described in Subsection (2)(e)(ii)(A) is not included in the calculation; and

(iii) at least 10% of the housing in the preliminary municipality is affordable housing;

(f) the area does not include land owned by the United States government unless:

(i) the area, including the land owned by the United States government, is contiguous; and

(ii)(A) incorporating the land is necessary to connect separate areas that share a demonstrable community interest; or

(B) excluding the land from the area would create an unincorporated island within the proposed preliminary municipality;

(g) the area is entirely within one county;

(h) the applicant has complied with the county consultation requirements of Section 10.2a.502.5; and

[f(h)] (i) the feasibility request complies with Subsection (3).

(3)(a) A proposed preliminary municipality area may not include all or part of a pending annexation area, unless:

(i) the portion of the pending annexation area included in the proposed preliminary municipality area does not exceed 20% of the proposed preliminary municipality area; and

(ii) the feasibility request would comply with the requirements of this section regardless of whether the portion of the pending annexation area included in the proposed preliminary municipality area is excluded from, or remains included in, the proposed preliminary municipality area.

(b) A proposed preliminary municipality area may not include all or part of an area that is the subject of a completed feasibility study or supplemental feasibility study that qualifies to proceed under Subsection 10-2a-205(5)(a), unless [.]

[i] the proposed incorporation that is the subject of the completed feasibility study or supplemental feasibility study has been defeated by the voters at an election under Section 10-2a-210; or]

[(ii)] the time described in Subsection 10-2a-208(1) for filing an incorporation petition based on the completed feasibility study or supplemental feasibility study has elapsed without the sponsors filing an incorporation petition under Section 10-2a-208

(c) A proposed preliminary municipality area may not include all or part of an area that

235 is the subject of a completed feasibility study or supplemental feasibility study whose
236 results comply with Subsection 10-2a-504(4), unless the time described in Subsection
237 10-2a-507(1) for filing a petition for incorporation based on the completed feasibility
238 study or supplemental feasibility study has elapsed without the sponsors filing a
239 petition for incorporation under Section 10-2a-507.

240 (4) Except as provided in Section 10-2a-505, the lieutenant governor shall consider each
241 feasibility request that includes an area described in Subsection (3)(a) as if the request
242 does not include the area described in Subsection (3)(a).

243 (5)(a) A person An applicant who files a feasibility request under this section shall file
244 the feasibility request with the lieutenant governor, including in the feasibility request:

245 [(a) (i) the signatures of all owners of real property included in the proposed
246 preliminary municipality area, showing that the owners consent to including the
247 real property in the proposed preliminary municipality area;

248 [(b) (ii) the name, address, and phone number of each owner signing the feasibility
249 request;

250 [(c) (iii) a designation of one individual who signs the feasibility request as the
251 primary sponsor contact for the feasibility request;

252 [(d) (iv) a description of the proposed preliminary municipality area;

253 [(e) (v) an accurate map or plat, prepared by a licensed surveyor, showing:

254 [(f) (A) a legal description of the boundaries of the proposed preliminary
255 municipality area and each phase of the proposed preliminary municipality
256 area;

257 [(f) (B) all development planned for the proposed preliminary municipality area; [
258 and]

259 [(f) (C) that the first phase of the proposed preliminary municipality area is
260 projected to have at least 100 full-time residents when completed;

261 (D) that at least 10% of all housing available at the end of each phase is affordable
262 housing; and

263 (E) that no more than 10% of all housing available at the end of each phase be
264 utilized for short-term rentals;

265 (vi) confirmation that the person has complied with the consultation requirements of
266 Section 10-2a-502.5; and

267 [(f) (vii) a request that the lieutenant governor commission a study to determine the
268 feasibility of incorporating the area as a preliminary municipality.

269 (b) An applicant may provide development plans in the alternative in the feasibility
270 request, indicating which plan is the primary plan and which plans may be used in the
271 event of market shifts or other market developments, if each plan meets the
272 requirements of Subsection (5)(a).

273 (c) A feasibility request described in Subsection (5)(a) may not include a material
274 change from the written explanation of the planned preliminary municipality
275 provided to the county under Section 10-2a-502.5.

276 (6)(a) The provisions of this part, providing for the incorporation of a preliminary
277 municipality, is a pilot project that ends on January 1, 2031.
278 (b) Except as provided in Subsection (7), [a person] an applicant may not file a feasibility
279 request under this part in a calendar year during which two or more requests have
280 already been filed in the state.

281 (7) A feasibility request does not count towards the limit described in Subsection (6)(b) if:
282 (a) the sponsors who file the request withdraw the request;
283 (b) the lieutenant governor rejects the feasibility request under Subsection 10-2a-503(4)
284 or (5)(b), and the sponsors:
285 (i) do not timely amend the feasibility request under Subsection 10-2a-503(7)(b); or
286 (ii) are prohibited from amending the feasibility request under Subsection
287 10-2a-503(7)(c); or
288 (c) the process to incorporate is prohibited from proceeding under Subsection [
289 ~~10-2a-504(5)(a)~~] 10-2a-504(6)(a) and the sponsors:
290 (i) do not timely file a modified feasibility request under Subsection
291 10-2a-505(1)(b)(i); or
292 (ii) are prohibited from filing a modified feasibility request under Subsection
293 10-2a-505(3).

294 Section 4. Section **10-2a-502.5** is enacted to read:

295 **10-2a-502.5 (Effective 05/06/26). Consultation with county.**

296 (1) Before an applicant may apply to incorporate an area as a preliminary municipality by
297 filng a feasibility request in accordance with Section 10-2a-502, the applicant shall
298 comply with the county consultation requirements of this section.
299 (2) At least 120 days before the day on which an applicant files a feasibility request, the
300 applicant shall provide to the county a written explanation of the planned preliminary
301 municipality.
302 (3)(a) The written explanation described in Subsection (2) shall be reasonably similar in

303 scope and content to the feasibility request that will be filed as described in
304 Subsection 10-2a-502(5) but is not required to be identical to the feasibility request.
305 (b) If an applicant intends to file a feasibility request with a material change from the
306 written explanation of the planned preliminary municipality described in Subsection
307 (2), the applicant shall:
308 (i) notify the county that the applicant is withdrawing the original written request; and
309 (ii) submit a new written explanation to the county, as described in Subsection (2).
310 (c) Notwithstanding Subsection (3)(b), a change is not a material change:
311 (i) if an applicant makes a change to the planned preliminary municipality described
312 in a written explanation before filing a feasibility request in response to, or in
313 order to address, information or concerns shared by the county as described in
314 Subsection (4); or
315 (ii) by virtue of being included in an alternative plan, as described in Subsection
316 10-21-502(5)(b).

317 (4) Upon receiving a written explanation under Subsection (2), a county shall:
318 (a) provide a meaningful opportunity for the applicant to consult with county staff and
319 officials about the planned preliminary municipality; and
320 (b) provide the applicant with a written response by no later than 90 days after the day
321 on which the county receives the request, offering any information the county
322 determines is useful.
323 (5) If the county fails to meet the requirements of Subsection (4), the applicant shall so
324 indicate in a feasibility request made under Section 10-2a-502.
325 (6) An applicant that fails to comply with the requirements of this section may not file a
326 feasibility request under Section 10-2a-502.

327 Section 5. Section **10-2a-503** is amended to read:

328 **10-2a-503 (Effective 05/06/26) (Repealed 01/01/31). Processing a feasibility**
329 **request -- Certification or rejection -- Processing priority -- Determination by the Utah**
330 **Population Committee.**

331 (1) Within 45 days after the day on which an individual files a feasibility request under
332 Section 10-2a-502, the lieutenant governor shall:
333 (a) determine whether the feasibility request complies with Section 10-2a-502; and
334 (b) notify the clerk of the county where the proposed preliminary municipality area is
335 located, in writing, of the determination made under Subsection (1)(a) and the
336 grounds for the determination.

337 (2)(a) A county clerk shall comply with a request by the lieutenant governor to provide
338 information or a record to the lieutenant governor or to a sponsor of the feasibility
339 request, to assist in complying with this part, within five calendar days after the day
340 on which the lieutenant governor makes the request.

341 (b) If a county determines an applicant making a feasibility request failed to comply
342 with Section 10-2a-502.5 before making the request, or that the feasibility request
343 contains a material change from the written explanation the applicant provided to the
344 county, the county clerk shall provide the lieutenant governor with the basis for the
345 determination.

346 (3) If the lieutenant governor determines that the feasibility request complies with Section
347 10-2a-502, the lieutenant governor shall:
348 (a) certify the feasibility request; and
349 (b) transmit written notification of the certification to:
350 (i) the primary sponsor contact[.] ;
351 (ii) the county clerk[.] ; and
352 (iii) the Utah Population Committee.

353 (4) If the lieutenant governor determines that the feasibility request fails to comply with
354 Section 10-2a-502, the lieutenant governor shall reject the feasibility request and notify
355 the primary sponsor contact and the county clerk, in writing, of the rejection and the
356 grounds for the rejection.

357 (5)(a) Within 20 days after the day on which the lieutenant governor transmits written
358 notification under Subsection (3)(b), the Utah Population Committee shall:
359 (i) determine whether, based on the map or plat described in Subsection
360 10-2a-502(5)(e), the proposed preliminary municipality will, when all phases of
361 the map or plat are completed, likely comply with the population, population
362 density, and contiguity requirements described in Section 10-2a-502; and
363 (ii) provide notice of the determination to the lieutenant governor and the county
364 clerk.

365 (b) If the Utah Population Committee determines, under Subsection (5)(a)(i), that, when
366 all phases of the plan or plat are completed, the proposed preliminary municipality
367 will not likely comply with the population, population density, and contiguity
368 requirements described in Section 10-2a-502, the lieutenant governor shall rescind
369 the certification described in Subsection (3) and reject the feasibility request.

370 (6) The lieutenant governor shall certify or reject feasibility requests in the order in which

371 the requests are filed.

372 (7)(a) If the lieutenant governor determines, under Subsection (4), that the feasibility
373 request fails to comply with Section 10-2a-502, or rejects the feasibility request under
374 Subsection (5)(b), the sponsors may, subject to Section 10-2a-505, amend the
375 feasibility request to correct the deficiencies and refile the feasibility request with the
376 lieutenant governor.

377 (b) Except as provided in Subsection (7)(c), the sponsors may submit an amended
378 feasibility request within 90 days after the day on which the lieutenant governor
379 makes the determination or rejection described in Subsection (7)(a).

380 (c) The sponsors may not submit an amended feasibility request more than once.

381 (d) The lieutenant governor shall consider a feasibility request that is amended and
382 refiled under Subsection (7)(a) as a newly filed feasibility request and process the
383 feasibility request in accordance with this section.

384 (8) Any individual in the Office of the Lieutenant Governor or on the Utah Population
385 Committee who plays a role in the preliminary municipality approval process described
386 in this part shall be independent of and not affiliated with an applicant or a sponsor of a
387 petition to incorporate a preliminary municipality.

388 Section 6. Section **10-2a-504** is amended to read:

389 **10-2a-504 (Effective 05/06/26) (Repealed 01/01/31). Feasibility study --**

390 **Feasibility study consultant -- Qualifications for proceeding with incorporation.**

391 (1)(a) Unless the lieutenant governor rescinds the certification under Subsection
392 10-2a-503(5)(b), the lieutenant governor shall, within 90 days after the day on which
393 the lieutenant governor certifies a feasibility request under Subsection
394 10-2a-503(3)(a), in accordance with Subsection (2), engage a feasibility consultant to
395 conduct a feasibility study on the proposed preliminary municipality, as the proposed
396 preliminary municipality is described in the certified feasibility request.

397 (b) If the primary sponsor desires that the feasibility study described in this section be
398 based off a plan that is materially different than what is described in the certified
399 feasibility request:

400 (i) the primary sponsor shall notify the lieutenant governor and the lieutenant
401 governor shall rescind the certification of the feasibility request;
402 (ii) the primary sponsor shall submit a new written explanation to the county, as
403 described in Section 10-2a-502.5; and
404 (iii) the primary sponsor shall submit a new feasibility request as described in Section

10-2a-502.

(2) The lieutenant governor shall:

(a) select a feasibility consultant in accordance with Title 63G, Chapter 6a, Utah Procurement Code;

(b) ensure that the feasibility consultant:

- (i) has expertise in the processes and economics of local government; and
- (ii) is not affiliated with a sponsor of the feasibility request or the county in which the proposed municipality is located; and
- (iii) considers data, information, and analysis provided to the feasibility consultant by the county, as described in Subsection (4); and

(c) require the feasibility consultant to:

- (i) submit a draft of the feasibility study to each applicable person with whom the feasibility consultant is required to consult under Subsection (3)(c) within 90 days after the day on which the lieutenant governor engages the feasibility consultant to conduct the study;

(ii) allow each person to whom the consultant provides a draft under Subsection (2)(c)(i) to review and provide comment on the draft;

(iii) submit on the same day a completed feasibility study, including a one-page summary of the results, to the following within 120 days after the day on which the lieutenant governor engages the feasibility consultant to conduct the feasibility study:

(A) the lieutenant governor;

(B) the county legislative body of the county in which the proposed preliminary municipality area is located;

(C) the primary sponsor contact; and

(D) each person to whom the consultant provided a draft under Subsection (2)(c)(i);
and

(iv) attend the public hearings described in Section 10-2a-506 to present the feasibility study results and respond to questions from the public.

(3)(a) The feasibility study shall include:

(i) an analysis of:

(A) the likely population and population density within the proposed preliminary municipality area when all phases of the map or plat for the proposed preliminary municipality area are completed;[-and]

439 (B) the population and population density of the area surrounding the proposed
440 preliminary municipality area on the day on which the feasibility request was
441 submitted; and

442 (C) any land use entitlements already established within the proposed preliminary
443 municipality area;

444 (ii) an analysis of the following, determined as if, at the time of the analysis, the
445 proposed [-]preliminary municipality area is incorporated as a town with a
446 population of 100 [people] individuals:

447 (A) the initial and projected five-year demographics and tax base within the
448 boundaries of the proposed preliminary municipality area and the surrounding
449 area, including household size and income, commercial and industrial
450 development, and public facilities;

451 (B) subject to Subsection (3)(b), the initial and five-year projected cost of
452 providing all municipal services to the proposed preliminary municipality area,
453 including administrative costs and the costs of public infrastructure required to
454 provide each municipal service to the proposed preliminary municipality area;

455 (C) assuming the same tax categories and tax rates as imposed by the county and
456 all other current service providers at the time during which the feasibility
457 consultant prepares the feasibility study, the initial and five-year projected
458 revenue for the proposed preliminary municipality area;

459 (D) the risks and opportunities that might affect the actual costs described in
460 Subsection (3)(a)(ii)(B) or the revenues described in Subsection (3)(a)(ii)(C) of
461 the proposed preliminary municipality area;

462 (E) new revenue sources that may be available to the proposed preliminary
463 municipality area that are not available before the area incorporates, including
464 an analysis of the amount of revenues the proposed preliminary municipality
465 area might obtain from those revenue sources;

466 (F) the projected tax burden per household of any new taxes that may be levied
467 within the proposed preliminary municipality area within five years after
468 incorporation as a town; and

469 (G) the fiscal impact of the proposed preliminary municipality area's incorporation
470 as a town on unincorporated areas, other municipalities, special districts,
471 special service districts, and other governmental entities in the county;[-and]

472 (iii) an analysis regarding whether sufficient water will be available to support the

473 proposed preliminary municipality area when the development of the area is
474 complete[.] ; and

475 (iv) if applicable, a separate analysis of any data, information, and analysis provided
476 by the county as described in Subsection (4).

477 (b)(i) In calculating the projected costs under Subsection (3)(a)(ii)(B), the feasibility
478 consultant shall assume the proposed preliminary municipality area will provide a
479 level and quality of municipal services that fairly and reasonably approximate the
480 level and quality of municipal services that are provided to the area surrounding
481 the proposed preliminary municipality area at the time the feasibility consultant
482 conducts the feasibility study.

483 (ii) In calculating the current cost of a municipal service under Subsection
484 (3)(a)(ii)(B), the feasibility consultant shall consider:

485 (A) the amount it would cost the proposed preliminary municipality area to
486 provide the municipal service for the first five years after the area incorporates
487 as a town; and
488 (B) the proposed or current municipal service provider's initial and five-year
489 projected cost of providing the municipal service after the proposed
490 preliminary municipality area incorporates as a town.

491 (iii) In calculating costs under Subsection (3)(a)(ii)(B), the feasibility consultant shall
492 account for inflation and anticipated growth.

493 (c) In conducting the feasibility study, the feasibility consultant shall consult with the
494 following before submitting a draft of the feasibility study under Subsection (2)(c)(iii):

495 (i) if the proposed preliminary municipality will include lands owned by the United
496 States federal government, the entity within the United States federal government
497 that has jurisdiction over the land;
498 (ii) if the proposed preliminary municipality will include lands owned by the state,
499 the entity within state government that has jurisdiction over the land;
500 (iii) each entity that provides, or is proposed to provide, a municipal service to a
501 portion of the proposed preliminary municipality area;[and]
502 (iv) each other special service district that provides, or is proposed to provide,
503 services to a portion of the proposed preliminary municipality area[.] ; and
504 (v) the legislative body of the county in which the preliminary municipality area is
505 located.

506 (d)(i) The analysis required by this Subsection (3) shall be based on data that is

507 objective, reliable, and grounded in area-specific information from the preceding
508 10 years, professional or market-based studies, including market absorption,
509 pricing, and existing available lots in the area.

510 (ii) The feasibility consultant shall:

511 (A) only use data provided by a sponsor if the feasibility consultant determines the
512 data can be independently verified to meet the requirements of Subsection
513 (3)(d)(i); and
514 (B) if the feasibility consultant uses data provided by a sponsor, provide an
515 explanation of the determination described in Subsection (3)(d)(ii)(A) in the
516 feasibility study.

517 (4)(a) The legislative body of the county in which the preliminary municipality area is
518 located may provide the feasibility consultant with data, information, and analysis the
519 legislative body considers relevant to the feasibility study.

520 (b) Data, information, and analysis described in Subsection (4)(a) may include
521 information about:

522 (i) projected needs for future property tax increases;
523 (ii) projected county costs in regard to development of the proposed preliminary
524 municipality area, including development costs outside but adjacent to the
525 proposed preliminary municipality area;
526 (iii) deferred maintenance costs in or near the proposed preliminary municipality
527 area; and
528 (iv) unique factors about the county or the proposed preliminary municipality or both
529 that may create a strain on county resources in the future.

530 (c) The feasibility consultant shall consider data, information, and analysis provided by
531 the county under Subsection (4)(a) and:

532 (i) use the data, information, and analysis in the feasibility study; or
533 (ii) if the feasibility consultant determines that any or all of the data, information, or
534 analysis provided by the county is not relevant to the feasibility study, provide a
535 thorough explanation of the determination in the draft feasibility report.

536 [4)] (5) If the five-year projected revenues calculated under Subsection (3)(a)(ii)(C) exceed
537 the five-year projected costs calculated under Subsection (3)(a)(ii)(B) by more than 5%,
538 the feasibility consultant shall project and report the expected annual revenue surplus to:

539 (a) the primary sponsor contact;

540 (b) the legislative body of the county in which the preliminary municipality area is

located; and

(c) the lieutenant governor.

[(5)] (6)(a) Except as provided in Subsection [(5)(b)] (6)(b), if the results of the feasibility study, or a supplemental feasibility study described in Section 10-2a-505, show that the average annual amount of revenue calculated under Subsection (3)(a)(ii)(C) does not exceed the average annual cost calculated under Subsection (3)(a)(ii)(B) by more than 5%, the process to incorporate the area that is the subject of the feasibility study or supplemental feasibility study may not proceed.

(b) Except as provided in Subsection 10-2a-505(3), the process to incorporate an area described in Subsection [§ 5(a)] § 6(a) may proceed if a subsequent supplemental feasibility study conducted under Section 10-2a-505 for the proposed incorporation demonstrates ~~compliance with Subsection 5(a)~~ that the average annual amount of revenue calculated under Subsection 3(a)(ii)(C) does exceed the average annual cost calculated under Subsection 3(a)(ii)(B) by more than 5%.

[(6)] (7) If the results of the feasibility study or revised feasibility study do not comply with Subsection [(5)] (6), and if requested by the sponsors of the request, the feasibility consultant shall, as part of the feasibility study or revised feasibility study, make recommendations regarding how the proposed preliminary municipality area may be altered to comply with Subsection [(5)] (6), unless the sponsors are precluded from modifying the feasibility request under Subsection 10-2a-505(3).

[~~(7)~~] (8) The lieutenant governor shall post a copy of the feasibility study, and any supplemental feasibility study described in Section 10-2a-505, on the lieutenant governor's website and make a copy available for public review at the lieutenant governor's office.

Section 7. Section **10-2a-505** is amended to read:

10-2a-505 (Effective 05/06/26) (Repealed 01/01/31). Modified feasibility request

-- Supplemental feasibility study.

(1)(a) The sponsors of a feasibility request may modify the request to alter the boundaries of the proposed preliminary municipality area and refile the modified feasibility request with the lieutenant governor if:

(i) the results of the feasibility study do not comply with Subsection [10-2a-504(5)(a)]
10-2a-504(6)(a); or

(ii)(A) the feasibility request complies with Subsection 10-2a-502(3)(a);

(B) the annexation petition described in Subsection 10-2a-502(3)(a) that proposed

the annexation of an area that is part of the proposed preliminary municipality area has been denied; and

(C) a petition for incorporation described in Section 10-2a-507, based on the feasibility request, has not been filed.

(b)(i) The sponsors of a feasibility request may not file a modified request under Subsection (1)(a)(i) more than 90 days after the day on which the feasibility consultant submits the final results of the feasibility study under Subsection 10-2a-504(2)(c)(iii).

(ii) The sponsors of a feasibility request may not file a modified request under Subsection (1)(a)(ii) more than 18 months after filing the original feasibility request under Section 10-2a-502.

(c) A modified feasibility request under Subsection (1)(a) shall comply with Subsections 10-2a-502(1) through (4).

(d) Within 20 days after the day on which the lieutenant governor receives the modified request, the lieutenant governor shall follow the same procedure described in Subsections 10-2a-503(1) through (4) for the modified feasibility request as for an original feasibility request.

(2) The timely filing of a modified feasibility request under Subsection (1) gives the modified feasibility request the same processing priority under Subsection 10-2a-503(6) as the original feasibility request.

(3) The sponsors of a feasibility request may not file a modified feasibility request under Subsection (1)(a)(i) more than once.

(4) Within 10 days after the day on which the county clerk receives a modified feasibility request under Subsection (1)(a) that relates to a request for which a feasibility study has already been completed, the lieutenant governor shall commission the feasibility consultant who conducted the feasibility study to conduct a supplemental feasibility study that accounts for the modified feasibility request.

(5) The lieutenant governor shall require the feasibility consultant to:

(a) comply with the requirement to consider data provided by the county as described in Subsection 10-2a-504(4):

(b) submit a draft of the supplemental feasibility study to each applicable person with whom the feasibility consultant is required to consult under Subsection 10-2a-504(3)(c) within 30 days after the day on which the feasibility consultant is engaged to conduct the supplemental study;

609 [609] (c) allow each person to whom the consultant provided a draft under Subsection [
610 (5)(a)] (5)(b) to review and provide comment on the draft; and
611 [611] (d) submit on the same day a completed supplemental feasibility study, to the
612 following within 45 days after the day on which the feasibility consultant is engaged
613 to conduct the feasibility study:
614 (i) the lieutenant governor;
615 (ii) the county legislative body of the county in which the incorporation is proposed;
616 (iii) the primary sponsor contact; and
617 (iv) each person to whom the consultant provided a draft under Subsection [(5)(a)]
618 (5)(b).

619 (6)(a) Subject to Subsections (3) and (6)(b), if the results of the supplemental feasibility
620 study do not comply with Subsection [10-2a-504(4)] 10-2a-504(5), the sponsors may
621 further modify the request in accordance with Subsection (1).

622 (b) Subsections (1)(d), (4), and (5) apply to a modified feasibility request described in
623 Subsection (6)(a).

624 (c) The lieutenant governor shall consider a modified feasibility request described in
625 Subsection (6)(a) as an original feasibility request for purposes of determining the
626 modified feasibility request's processing priority under Subsection 10-2a-503(6).

627 Section 8. Section **10-2a-505.5** is enacted to read:

628 **10-2a-505.5 (Effective 05/06/26). County audit of a feasibility study or**
629 **supplemental feasibility study -- Third party evaluation.**

630 (1) Upon receipt of a complete feasibility study under Section 10-2a-504 or a complete
631 supplemental feasibility study under Section 10-2a-505, the county shall post the study
632 or a summary of the study on the county website within one business day of receipt.

633 (2) The county may, at the county's own cost, hire a consultant to:

634 (a) audit the feasibility study or supplemental feasibility study; and
635 (b) provide a written report on the feasibility study or supplemental feasibility study that
636 confirms or disputes the results of the study.

637 (3)(a) Except as provided in Subsection (3)(b), a county that hires a consultant as
638 described in Subsection (2) shall:

639 (i) notify the lieutenant governor and the sponsors of the intent to dispute no later
640 than 60 days after the day on which the county receives the results of the study;
641 and
642 (ii) no later than 90 days after the day on which the county receives the complete

643 feasibility study, file a dispute with the lieutenant governor that:

644 (A) explains the basis for the county's objection to the results of the feasibility
645 study or supplemental feasibility study; and
646 (B) if applicable, includes a copy of an auditing consultant's written report that
647 identifies any weaknesses in methodology, assumptions, conclusions, or data
648 strength in the feasibility study or supplemental feasibility study.

649 (b) If the lieutenant governor has conducted an initial public hearing under Section
650 10-2a-506 before the lieutenant governor and county legislative body receive the
651 results of a supplemental feasibility study that comply with Subsection 10-2a-504(5),
652 a county that hires a consultant as described in Subsection (2) shall:

653 (i) notify the lieutenant governor and the sponsors of the intent to dispute no later
654 than 20 days after the day on which the county receives the results of the complete
655 supplemental study; and
656 (ii) no later than 45 days after the day on which the county receives the complete
657 supplemental study, file a dispute with the lieutenant governor that:
658 (A) explains the basis for the county's objection to the results of the supplemental
659 feasibility study; and
660 (B) if applicable, includes a copy of an auditing consultant's written report that
661 identifies any weaknesses in methodology, assumptions, conclusions, or data
662 strength in the supplemental feasibility study.

663 (c) A county that has complied with Subsection (3)(a) may, but is not required to,
664 comply with Subsection (3)(b).

665 (d) A county that did not file a timely notice of intent or a dispute under Subsection
666 (3)(a) may file a notice of intent or a dispute under Subsection (3)(b).

667 (4)(a) As used in this Subsection (4), "feasibility threshold result" means the finding that
668 the five-year projected revenues calculated under Subsection 10-2a-504(3)(a)(ii)(C)
669 exceed the five-year projected costs calculated under Subsection
670 10-2a-504(3)(a)(ii)(B) by more than 5%.

671 (b) Within 15 days of receiving a timely submitted written report, the lieutenant
672 governor shall:
673 (i) evaluate the written report; and
674 (ii) if the lieutenant governor determines that, on the face of the report, it is more
675 likely than not that the feasibility study or supplemental feasibility study is flawed
676 enough to put the feasibility threshold result in doubt:

677 (A) hire a third party to evaluate the feasibility study or supplemental feasibility
678 study and the written report as described in Subsection (4)(c); and
679 (B) toll the preliminary municipality incorporation process, as described in
680 Subsection (4)(e).

681 (c)(i) The lieutenant governor shall select three potential evaluators:
682 (A) with expertise in statistical analysis; and
683 (B) in accordance with Title 63G, Chapter 6a, Utah Procurement Code.
684 (ii) The sponsor of the feasibility request and county, in order designated by the
685 lieutenant governor's coin flip, may each eliminate one of the evaluators described
686 in Subsection (4)(c)(i).
687 (iii) The evaluator that remains after the eliminations described in Subsection
688 (4)(c)(ii) shall:
689 (A) analyze the complete feasibility study or supplemental feasibility study and
690 the written report; and
691 (B) within 45 days, determine if the feasibility study or supplemental feasibility
692 study sufficiently supports the feasibility threshold result and provide the
693 lieutenant governor with the determination.

694 (d) The lieutenant governor shall provide the evaluator's determination to the county and
695 sponsor of the feasibility request within three business days of receiving the
696 determination.
697 (e) If the lieutenant governor tolls the process, the deadlines for public hearings in
698 Section 10-2a-506 and for filing a petition for incorporation of the proposed
699 preliminary municipality in Section 10-2a-507 are paused and restart the day the
700 lieutenant governor notifies the county and sponsor of the feasibility request of the
701 evaluator's determination, if the determination is that the feasibility study or
702 supplemental feasibility study supports the feasibility threshold result.
703 (f) If the evaluator described in Subsection (4)(c)(iii) determines the feasibility study or
704 supplemental feasibility study does not sufficiently support the feasibility threshold
705 result:
706 (i) the lieutenant governor may not complete the public hearings required under
707 Section 10-2a-506; and
708 (ii) the sponsor of the feasibility request may make a modified feasibility request as
709 described in Section 10-2a-505.

710 Section 9. Section **10-2a-506** is amended to read:

711 **10-2a-506 (Effective 05/06/26) (Repealed 01/01/31). Public hearings on feasibility**
712 **study results -- Notice of hearings.**

713 (1) If the results of the feasibility study or supplemental feasibility study comply with
714 Subsection [10-2a-504(4),] 10-2a-504(5), and the tolling provisions of Subsection
715 10-2a-505.5(4)(e) or 10-2a-505.6(3)(a) do not apply, the lieutenant governor shall, after
716 receipt of the results of the feasibility study or supplemental feasibility study, conduct
717 public hearings in accordance with this section.

718 (2)(a) If a portion of the proposed preliminary municipality area is approved for
719 annexation after the feasibility study or supplemental feasibility study is conducted
720 but before the lieutenant governor conducts a public hearing under Subsection (4),
721 the lieutenant governor may not conduct the public hearing under Subsection (4)
722 unless:

723 (i) the sponsors of the feasibility study file a modified feasibility request in
724 accordance with Section 10-2a-505; and
725 (ii) the results of the supplemental feasibility study comply with Subsection
726 10-2a-504(4).

727 (b) For purposes of Subsection (2)(a), an area is approved for annexation if a municipal
728 legislative body:
729 (i) approves an annexation petition proposing the annexation of an area that is part of
730 the proposed preliminary municipality area under Section 10-2-810 or 10-2-811; or
731 (ii) adopts an ordinance approving the annexation of an area that is part of the
732 proposed preliminary municipality area under Section 10-2-812.

733 (3) The lieutenant governor shall conduct a public hearing:
734 (a) within 60 days after the day on which the lieutenant governor receives the results
735 under Subsection (1) or (2)(a)(ii);
736 (b) at a location within or near the proposed preliminary municipality; and
737 (c) to allow the feasibility consultant to present the results of the feasibility study and
738 inform the public about the results.

739 (4) The lieutenant governor shall:
740 (a) conduct an additional public hearing following each occasion when, after the day of
741 the initial public hearing, the lieutenant governor receives the results of a
742 supplemental feasibility study that comply with Subsection 10-2a-504(4); and
743 (b) hold the public hearing described in Subsection (4)(a):
744 (i) within 30 days after the day on which the lieutenant governor receives the results

745 of the supplemental feasibility study;

746 (ii) at a location within or near the proposed preliminary municipality;

747 (iii) to inform the public that the feasibility presented to the public at the preceding

748 public hearing does not apply; and

749 (iv) to allow the feasibility consultant to present the results of the supplemental

750 feasibility study and inform the public about the results.

751 (5) At each public hearing required under this section, the lieutenant governor shall:

752 (a) provide a map or plat of the boundary of the proposed preliminary municipality;

753 (b) provide a copy of the applicable feasibility study for public review;

754 (c) allow members of the public to express views about the proposed preliminary

755 municipality, including views about the proposed boundaries; and

756 (d) allow the public to ask the feasibility consultant questions about the applicable

757 feasibility study.

758 (6) The lieutenant governor shall publish notice of each public hearing required under this

759 section for the proposed preliminary municipality area, as a class B notice under Section

760 63G-30-102, for at least three weeks before the day of the public hearing.

761 (7)(a) Except as provided in Subsection (7)(b), for a hearing described in this section,

762 the notice described in Subsection (6) shall:

763 (i) include the feasibility study summary described in Subsection 10-2a-504(2)(c)(iii);

764 and

765 (ii) indicate that a full copy of the feasibility study is available on the lieutenant

766 governor's website and for inspection at the lieutenant governor's office.

767 (b) Instead of publishing the feasibility summary under Subsection (7)(a)(i), the

768 lieutenant governor may publish a statement that specifies the following sources

769 where a person may view or obtain a copy of the feasibility study:

770 (i) the lieutenant governor's website;

771 (ii) the lieutenant governor's office; and

772 (iii) a mailing address and telephone number.

773 Section 10. Section **10-2a-507** is amended to read:

774 **10-2a-507 (Effective 05/06/26) (Repealed 01/01/31). Petition for incorporation --**

775 **Requirements and form.**

776 (1) At any time within one year after the day on which the lieutenant governor completes

777 the public hearings required under Section 10-2a-506, subject to any applicable tolling

778 period under Subsection 10-2a-505.5(4)(d), the owners of the property who filed the

779 feasibility request under Section 10-2a-502 for the proposed preliminary municipality
780 area may proceed with the incorporation process by filing a petition for incorporation of
781 the proposed preliminary municipality that:

782 (a) includes the typed or printed name, signature, address, and phone number of the
783 initial landowners;

784 (b) describes the proposed preliminary municipality area, as described in the feasibility
785 request or the modified feasibility request;

786 (c) demonstrates compliance with Subsection [10-2a-504(4)] 10-2a-504(5);

787 (d) states the proposed name for the proposed preliminary municipality;

788 (e) designates the primary sponsor contact for the proposed preliminary municipality;

789 (f) designates the board chair and three of the four board members who will serve as a
790 five member council form of government for the preliminary municipality, described
791 in Section 10-3b-402, for the preliminary municipality;

792 (g) is accompanied by an accurate map or plat, prepared by a licensed surveyor, that
793 conforms to the information, including planning and phasing, that was included in the
794 certified feasibility request showing:

795 (i) the boundaries of the proposed preliminary municipality;

796 (ii) a single development plan for the proposed municipality, depicting each phase of
797 the development; and

798 (iii) the structure that will serve as a municipal building or community center where
799 preliminary municipality or future incorporated town business or operations may
800 be conducted, which shall be completed in the first phase of the development;

801 (h) is accompanied by a bond, cash deposit, or letter of credit that:

802 (i) is posted by the initial landowners;

803 (ii) is in favor of the county in which the preliminary municipality area is located, up
804 and until the time the preliminary municipality is incorporated as a town, to
805 guarantee that the initial landowners will complete any infrastructure for which
806 construction has begun or which is necessary, under state law or county ordinance,
807 for any developed parcels;

808 [(iii)] (iii) is in favor of the town that is incorporated from the proposed preliminary
809 municipality, to guarantee that the initial landowners will complete the system
810 infrastructure no later than six years after the day on which the initial landowners
811 file the petition for incorporation described in this section;[and]

812 [(iii)] (iv) meets the requirements of Subsection (4);

813 (v) is held by an institution independent from the sponsor; and
814 (vi) will be refunded to the initial landowners in percentages that reflect the progress
815 toward completing the system infrastructure;[-and]
816 (i) is accompanied by an executed improvement warranty for the improvement warranty
817 period, which may be a cash deposit, surety bond, letter of credit, or other similar
818 security, as required by the county, in the amount of up to 10% of the lesser of the:
819 (i) county engineer's estimated cost of completion; or
820 (ii) the initial landowner's reasonable proven cost of completion;
821 (j) is accompanied by payment in full, from the initial landowners, of the costs incurred
822 by the lieutenant governor for the feasibility study, the public notices, the hearings,
823 and the other expenses incurred by the lieutenant governor to comply with the
824 requirements of this part in relation to the proposed preliminary municipality[.] ; and
825 (k) includes a signed certification indicating that the sponsor will develop the
826 preliminary municipality in accordance with the description in the certified feasibility
827 request, or an alternate description included in the certified feasibility request, subject
828 to conditions identified in the final feasibility study, including the overall master plan
829 layout, number of housing units, build schedule phasing, affordable housing
830 requirements, and structure described in Subsection (1)(g)(iii).

831 (2)(a) If, within six years after the day on which the initial landowners file a petition for
832 incorporation under Subsection (1), the system infrastructure for the preliminary
833 municipality is not completed, the portion of the bond, cash deposit, or letter of credit
834 described in Subsection (1)(h) that has not been refunded to the initial landowners
835 shall forfeit to[the preliminary municipality] :
836 (i) the county, if the preliminary municipality has not incorporated as a town; or
837 (ii) the town.
838 (b) If, within the improvement warranty period, an improvement is not completed, fails,
839 or is demonstrated to be faulty or substandard, the executed improvement warranty
840 described in Subsection (1)(i) shall forfeit to:
841 (i) the county, if the preliminary municipality has not incorporated as a town; or
842 (ii) the town.
843 (3) If, within four years after the day on which the first residential certificate of occupancy
844 is issued for the development described in Subsection 10-2a-503(5)(e), or six years after
845 the day on which the initial landowners file a petition for incorporation under Subsection
846 (1), the preliminary municipality has not transitioned to a town:

847 (a) the lieutenant governor shall issue a certificate dissolving the preliminary
848 municipality;

849 (b) all roads and infrastructure within the preliminary municipality revert to the county
850 in which the preliminary municipality is located;

851 (c) the area within the proposed municipality falls under the jurisdiction of the county
852 and is no longer incorporated; and

853 (d) the initial landowners are liable to the county for damages caused to the county due
854 to the dissolution of the preliminary municipality.

855 (4) The amount of the bond, cash deposit, or letter of credit required by Subsection (1)(h)
856 shall be determined:

857 (a) based on engineering estimates or construction bids; and
858 (b) by an independent financial or risk management consultant retained by the county,
859 subject to consultation with the sponsor.

860 (5) The improvement warranty period and improvement warranty described in Subsection
861 (1)(i) shall be determined by the county for each type of improvement, according to the
862 same standards and requirements the county utilizes under Sections 17-79-707 and
863 17-79-805.

864 Section 11. Section **10-2a-508** is amended to read:

865 **10-2a-508 (Effective 05/06/26) (Repealed 01/01/31). Processing of petition by**
866 **lieutenant governor -- Certification or rejection -- Petition modification.**

867 (1) Within 45 days after the day on which a petition for incorporation is filed under Section
868 10-2a-507, the lieutenant governor shall:

869 (a) determine whether the petition for incorporation complies with Section 10-2a-507;
870 and

871 (b)(i) if the lieutenant governor determines that the petition for incorporation
872 complies with Section 10-2a-507, incorporate the preliminary municipality, issue
873 a certificate of incorporation, and appoint the board chair and three board
874 members designated under Subsection [10-2a-507(1)(e)] 10-2a-507(1)(f); or
875 (ii) if the lieutenant governor determines that the petition for incorporation fails to
876 comply with Section 10-2a-507, reject the petition for incorporation and notify the
877 primary sponsor contact in writing of the rejection and the reasons for the
878 rejection.

879 (2)(a) If the lieutenant governor rejects a petition for incorporation under Subsection
880 (1)(b)(ii), the sponsors of the petition for incorporation may correct the deficiencies

881 for which the petition for incorporation was rejected and refile the petition for
882 incorporation with the lieutenant governor.

883 (b) Notwithstanding the deadline described in Subsection 10-2a-507(1), the sponsors of
884 the petition for incorporation may file a modified petition for incorporation under
885 Subsection (2)(a) no later than 30 days after the day on which the lieutenant governor
886 notifies the primary sponsor contact of the rejection under Subsection (1)(b)(ii).

887 (3)(a) Within 20 days after the day on which the lieutenant governor receives a modified
888 petition for incorporation under Subsection (2)(a), the lieutenant governor shall
889 review the modified petition for incorporation in accordance with Subsection (1).

890 (b) The sponsors of a petition for incorporation may not modify the petition for
891 incorporation more than once.

892 Section 12. Section **10-2a-509** is amended to read:

893 **10-2a-509 (Effective 05/06/26) (Repealed 01/01/31). Governance of preliminary
894 municipality -- Utilities -- Road maintenance.**

895 (1)(a) Within 30 days after the day on which the lieutenant governor issues a certificate
896 of incorporation described in Subsection 10-2a-508(1)(b)(i), the county in which the
897 preliminary municipality is located shall appoint one board member for the
898 preliminary municipality.

899 (b) If the county fails to timely comply with Subsection (1)(a), the board chair and the
900 three board members appointed under Subsection 10-2a-508(1)(b)(i) shall, by
901 majority vote, appoint the final board member.

902 (2) The board chair and board members, described in Subsection (1), of a preliminary
903 municipality:

904 (a) are not required to be residents of the preliminary municipality; and
905 (b) shall serve as the board for the preliminary municipality until replaced by election
906 under Section 10-2a-510.

907 (3)(a) Within 14 days after the day on which the first residential certificate of occupancy
908 is issued for the development described in Subsection 10-2a-503(5)(e), the engineer
909 described in Subsection 10-2a-509(6), shall notify the county and the lieutenant
910 governor, in writing:

911 (i) that the first residential certificate of occupancy has been issued for the
912 preliminary municipality;
913 (ii) of the date on which the first residential certificate of occupancy was issued; and
914 (iii) of the physical address for which the first residential certificate of occupancy

915 was issued.

916 (b) No later than the next municipal general election, or regular general election, that is
917 at least 30 days after the date described in Subsection (3)(a)(ii), the initial landowners
918 shall:

919 (i) replace the board chair or a board member with an individual who is a resident of
920 the preliminary municipality; and
921 (ii) notify the county and the lieutenant governor of the appointment, in writing.

922 (4)(a) Subject to Subsection (4)(b), a preliminary municipality has all the powers and
923 duties of a municipality.

924 (b) A preliminary municipality:

925 (i) may not impose a tax;
926 (ii) may enter into an interlocal agreement with a special district to provide utility
927 services to the preliminary municipality;
928 (iii) has the same authority as another municipality to make decisions regarding
929 zoning and land use;
930 (iv) may not receive an allocation of sales tax or gas tax; and
931 (v) may not exercise eminent domain authority.

932 (5) As needed, the county shall provide all services and utility connections to the
933 preliminary municipality that the county provides other areas in the county if the
934 preliminary municipality:

935 (a) pays the uniformly assessed rates for the services and utilities and reasonable
936 connection fees; and
937 (b) complies with the county's established regulations and specifications for the
938 construction and connection of the local improvements.

939 (6)(a) The preliminary municipality and subsequently incorporated town shall maintain
940 and repair, or cause to be maintained and repaired, any roadway that, on the day on
941 which the individual filed the feasibility request under Section 10-2a-502:

942 [(a)] (i) existed within the preliminary municipality;
943 [(b)] (ii) was within a public right of way that abuts the preliminary municipality; or
944 [(e)] (iii) was within 1/2 mile of the preliminary municipality and connected to, or
945 was proposed in the feasibility request to be connected to, the preliminary
946 municipality.

947 (b) Before the lieutenant governor issues a certificate of incorporation described in
948 Subsection 10-2a-508(1)(b)(i), a county may commission a traffic study on a

949 roadway described Subsection (6)(a) to determine if upgrades to the roadway will be
950 necessary to support a proposed municipality.

951 (7) Before any development occurs within the preliminary municipality area or the
952 preliminary municipality submits a petition to transition to a town, the preliminary
953 municipality shall select an independent third-party engineer to review and approve all
954 building permit applications within the preliminary municipality to ensure compliance
955 with the law.

956 (8) Chapter 2, Classification, Boundaries, Consolidation, and Dissolution of Municipalities,
957 does not apply to a preliminary municipality.

958 **Section 13. Effective Date.**

959 This bill takes effect on May 6, 2026.