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EXECUTIVE SUMMARY

Background

Over the past 18 months, site selectors and business owners have contacted Big Sky Economic Development (BSED) with requests for industrial space on which to house manufacturing, warehousing, transportation and distribution operations. BSED has been unable to site these operations in Yellowstone County due to extremely low industrial vacancy rates, inadequate transportation, utilities and communications infrastructure and deficient buildings with limited expansion opportunities. Recognizing that businesses do not have to absorb time-intensive and capital-intensive costs to tailor land and infrastructure to their individual industry needs, BSED was concerned that businesses would locate their operations in competing communities. To get a better sense of these missed opportunities, BSED contacted local real estate professionals, developers, engineers and planners to explore whether investments in a development-ready industrial park could be successful. The conversations confirmed a trend of communities beginning planned industrial park developments throughout the region. The trend led BSED to commission a feasibility analysis. Through a competitive procurement process, BSED secured KLJ to further identify Yellowstone County’s preliminary industry opportunities for an industrial park; assess supply and demand for industrial lands; evaluate site options and develop operational plans for selected sites; outline alternatives for the operational ownership and development of an industrial park; and provide a set of recommendations with implementation strategies.

To begin the project, BSED and KLJ hosted a virtual tour of the Northern Plains Commerce Centre in Bismarck, ND. The meeting purpose was to provide BSED Steering Committee members an overview of typical industrial park planning and development sequences, operations and management structure, and collaborate about lessons learned. The presentation also included similar discussion of projects located in Shelby and Kalispell, MT and Gillette, WY (see Appendix 1).

Market Analysis

KLJ launched its analysis with a review of BSED’s recent Industry Cluster Analysis and Marketing Plan, which is a meaningful study from which to draw preliminary industry opportunities for an industrial park. It identifies industries that have clustered together to create a regionally competitive advantage for Yellowstone County. The industry clusters offer substantial benefits to businesses through knowledge and technological “spillovers,” shared labor pools, shared resources and shared infrastructure that lend cost savings by reducing overall production and operating costs. Yellowstone County’s clustering of upstream and mid-stream oil and gas, manufacturing and warehousing, and transportation and logistics industries are ideal opportunities for industrial park development. Analyzing qualitative and quantitative data, KLJ determined that the clusters are growing and will continue to grow. The trend offers a significant advantage for BSED’s new industrial business recruitment and expansion efforts. Moreover, employment projections provided by the University of Montana’s Bureau of Business and Economic Research (BBER) indicated that industrial related sectors – manufacturing, construction, mining, natural resource development, trade, transportation and utilities – will add more than 4,600 jobs in the next 25 years.

Demand for Industrial Lands

To measure demand for industrial lands in Yellowstone County, KLJ analyzed industrial-sector employment projections, commodity flow patterns by rail and truck, freight revenue forecasts and information gleaned from local stakeholders. Data provided by BBER, Federal Highway Administration’s (FHWA) Freight Analysis Framework (FAF), American Trucking Associations (ATA) and Association of American Railroads (AAR) indicate steady and continued growth in manufacturing-related industries through 2035. Overall freight revenue is projected to increase by 63.6 percent to $1.3 trillion annually suggesting that manufacturing industries, which produce freight shipments, will continue to grow. Applying a University of Oregon model for determining industrial land needs, KLJ calculated Yellowstone County will need between 305 to 460 acres of industrial land to accommodate projected employment growth. Because need for land is tied to employment growth, if hiring exceeds expectations additional industrial space will likely be needed.

By 2040, Yellowstone County is projected to add 18,000 jobs to its labor force. More than 4,600 of those jobs will be manufacturing and related industries. Accompanying that growth will be a demand for more than 300 acres of industrial land.

Yellowstone County’s clustering of upstream and mid-stream oil and gas, manufacturing and warehousing, and transportation and logistics are ideal opportunities for industrial park development.
Local stakeholders described the type of industrial space in high demand. For example, BSED recently received a call from a site selector seeking the following:

- 40-acre site
- Minimum 30-car rail-siding/spur
- 750,000 gallons of water per day
- Soil – ideally bedrock (soft soil increases construction costs)
- 1500 mcf of natural gas per day
- ~6 MW of electricity

Local commercial realtors reported similar specifications for industrial space. In a recent meeting facilitated by KLJ, one realtor reported that he could sell multiple properties of 10,000 to 25,000 square feet of warehouse space with 18-foot sidewalls, overhead doors and a truck dock level door situated on 2 to 5 acres of land. Key stakeholders also stated that existing and future businesses prefer larger warehousing space, flexible sites and parcel sizes, adequate truck and rail access, and adjoining land uses that are similarly zoned to better accommodate future plans for expansion.

Supply of Industrial Lands

To measure Yellowstone County’s supply of industrial lands, KLJ met with City/County Planning representatives and reviewed GIS maps of industrial-zoned lands (See Figure 2-2 and Appendix 2). To understand how well the lands are meeting industry needs, KLJ interviewed local commercial realtors, brokers, industry experts, business owners, government representatives and elected officials. Currently, Yellowstone County has 301 acres of vacant industrial properties, which is less than 10 percent of all industrial lands. Billings has approximately 260 acres of vacant industrial land while the Laurel Planning Jurisdiction has less than 3 acres of vacant industrially zoned lands. (The amount of land available is actually less than this because the numbers include roads, railroad, utility corridors and other exempt properties.) Vacancy rates for industrial properties are low and the market has absorbed approximately 200,000 square-feet of industrial space each year for the last few years, according to NAI Business Properties.

Yellowstone County’s industrial lands are most constrained by:

- A piecemeal parcel-by-parcel approach that limits land assemblage
- Conflicts with competing land uses
- Insufficient support for existing needs (infrastructure, workforce, tenant-finished sites)
- No certified-ready sites or large warehouse/manufacturing buildings

The availability of certified ready or shovel ready sites is a key factor in new industrial business recruitment. As noted in a recent marketing study commissioned by BSED, Janet Ady reported that: “The competition in business recruitment is fierce and increasing in intensity every day...[r]eadiness will be the basis on which communities and regions compete.” She noted that when these available sites, buildings and infrastructure such as water, sewer, electric, gas and fiber optic connectivity are not readily available, economic development efforts are stunted. Unfortunately, this has held true for Yellowstone County.
KLJ discovered through stakeholder interviews that lack of suitable industrial space resulted in a number of missed opportunities. One stakeholder reported that their business turned away at least three major employers in the oil and gas development industry because no adequate sites were available in a timely manner. Two of those businesses relocated to North Dakota; one relocated to Wyoming. Local commercial realtors also reported similar missed opportunities on a monthly basis. As the Ady Voltedge study implies, if Yellowstone County is to capture these opportunities, it must develop planned space with sufficient infrastructure where industries can effectively plan to relocate and expand. The potential economic impact of such a well-planned development could be significant.

**Economic Impacts**

The economic impact of a fully-developed and thriving industrial park can be a substantial boon to local and regional economies. While economic impact analyses have not yet been conducted on any of the industrial parks located in Montana, the Troutdale Reynolds Industrial Park (TRIP) in Portland, OR is illustrative. The 366-acre park generated 7,916 new jobs and more than $452 million in personal earnings. However, it should be understood that industrial park projects are long-term ventures. The impact of a fully-developed park may not be realized for 10 years or more. However, value of development gains realized within the first 10 years should not be overlooked. Movement toward competitive advantage, more jobs, more industry and an increased tax base is paramount.

**Industry Expectations**

Incentives for developing an industrial park are needed to encourage businesses to either relocate or expand operations. However, Yellowstone County lacks sufficient industrial park space for large parcels with few barriers to development. Providing flexible parcel sizes with adequate infrastructure may be all that is needed to entice an industrial-type business to relocate. Moreover, a public-private partnership with BSED, Yellowstone County, cities and/or a private developer may make the cost of developing an industrial park more economically feasible—especially if rail siding infrastructure is needed. Private developers bring capital, land, industry expertise and potential development opportunities to the table. Public entities bring the ability to apply for and secure competitive grants or low-interest loans to offset development costs. They can also utilize tax increment financing through the creation and management of tax increment finance districts (TIFD) and targeted economic development districts (TEDD). TIFD and TEDD are fundamental “bootstrapping” mechanisms that offset public infrastructure costs in order to spur much needed private investment into areas where the tax base is declining, where blight is apparent or where infrastructure deficiencies hinder desired growth.

**Site Options and Operational Plans**

KLJ used a series of decision drivers to identify three potential candidate site locations in Laurel, Billings and Lockwood. Site evaluation began by assessing infrastructure availability and parcel size, and then expanded to a variety of criteria developed in conjunction with BSED and key stakeholders. Several potential site options were identified within Yellowstone County and determining specific site viability was completed in two stages. The first stage was a general search using property size and infrastructure as the principal criteria; the initial search focused on properties that were 100 to 500 acres in size (or could be aggregated to reach that total), could potentially be served by both public and private utilities, were close to Interstate 90 (I-90) and in proximity to the BNSF Railway mainline. Site selectors and developers will eventually use unique criteria to meet specific business model objectives.

**Spurling Siding**

The Spurling Siding option is located west of Laurel and consists of approximately 150 acres with some existing infrastructure nearby (See Figure 4-1 and Appendix 3). However, significant upgrades to power infrastructure will be necessary to support large-scale manufacturing. The site has direct access to rail facilities and is located south of a future west Laurel I-90 interchange; although the industrial park would only have direct access to I-90 by modifying the interchange. The majority of adjacent land uses are agricultural/farmstead and some residential. It will require a minimal amount of land assemblage to make the site operationally feasible and does offer flexibility with site design and future expansion if needed.
BN Industrial Subdivision

The BN Industrial Subdivision—nearly 230 acres—is located near King Avenue West and trucks exit by way of Monad Road and South 20th Street West (See Figure 4-3 and Appendix 4). The subdivision currently has existing rail siding in place and several rail spurs; however, the vast majority of existing businesses and land uses do not utilize any of the subdivision’s existing rail infrastructure. Although some track is out of service, much of it could provide access to numerous properties within the subdivision if the area were redeveloped. Property owners reported that road width and storm water management are not conducive to expansion. Infrastructure improvements and rail upgrades will be needed to support industrial growth. This existing subdivision may be a candidate for infill redevelopment; however, adjacent residential land uses and incompatible land uses within the existing subdivision could make it difficult, especially because the majority of businesses own land abutting rail siding. Vacant properties scattered throughout the subdivision are indicative of a suboptimum land use pattern.

Lockwood Area

The potential industrial park in Lockwood is located near the interchange of I-90 and I-94 (See Figure 4-2 and Appendix 5). The site is generally located between the interstate and Yellowstone River and encompasses 320 acres in the “west phase” and 170 acres in the “east phase.” Some necessary infrastructure extensions will be needed; the most pressing being water and sewer services. Floodplain impacts and related permitting should be anticipated with the west phase. Rail siding facilities would be needed; however, the site is located at the east interchange for the future Billings Bypass project.

Given Yellowstone County’s industry clusters, the projected growth in industry-sector employment, commodity flow patterns by both rail and truck, rail and interstate access, and land assemblage opportunities—the Trailhead Commerce Park, Montana Peterbilt, Pacific Steel & Recycling and a handful of other businesses have clustered together, albeit perhaps, inadvertently so. The fact that the private sector has initiated the development of an industrial park in this area is certainly indicative of the demand for sites. However, each business has individually shouldered the cost burdens of infrastructure deficiencies. It is quite likely that these burdens have constrained the pace of industrial development currently underway. This is unfortunate in light of the information gleaned from local stakeholders that Yellowstone County is already missing industry opportunities. The public sector can play a significant role in capturing industry opportunities and promoting the speed of industrial development by alleviating the burden borne by infrastructure deficiencies.

Operational Ownership/Development Alternatives

Ownership and development alternatives include investments from either a private or public entity or both. Private entities can range from a transloader to shortline or mainline railroad companies to investment groups or singular companies. Public entities include cities, counties, economic development agencies or port authorities.

Public Ownership/Management

A public ownership and management model has been applied in a number of industrial parks throughout the region. A public entity such as an economic development agency, municipality or port authority owns the land and rail, and either leases or sells parcels within the park. The public entity could either develop infrastructure as needed, or allow private businesses to construct infrastructure to their parcels if owned. The key benefit to this arrangement is twofold: the public agency can secure grant funds for infrastructure that would not otherwise be available to private business and the public agency can guide the long-term vision of the park development through working with private landowners and developers.

Private Ownership/Management

A private entity management arrangement has not been widely used across the region. A private entity would essentially own and manage all aspects of the industrial park including selling, leasing or owning lots, managing transloading functions within the park and constructing infrastructure. Advantages include relatively zero risk for the public sector; yet, the vision for a large-scale park may be different from a private entity versus a public agency.

KLJ recommends a public-private partnership for pursuing development of an industrial park within Yellowstone County.
Public-Private Ownership/Management (Partnership Model)

A public-private partnership model is a hybrid between the two previous examples. Nearly 75 percent of all industrial parks researched utilize a public-private partnership. The public entity has access to grants and funding sources that a private company could leverage with capital. The public entity can also guide development and promote the community’s economic development interests by ensuring that the vision for the community is realized through development agreements with private companies. Private entities would own and develop the park with infrastructure assistance from the public sector in the form of grants, low-interest loans and tax increment financing.

Examples of Public-Private Partnerships

Economic growth and prosperity are substantially hindered when businesses are required to shoulder the full burden of public infrastructure investments. Because the investments ultimately benefit the entire community by creating new jobs, new business and an increased tax base, it implores public sector participation. This is – and has been – an ideal role for BSED. For years, BSED has been instrumental in spurring private sector development by utilizing grants, loans and tax increment financing to offset the costs of public infrastructure associated with private sector projects. BSED’s Memorandum of Understanding with the City of Billings and the Billings Industrial Revitalization District (the 501(c)(6) organization comprised of nearly 300 property owners in the East Billings Urban Renewal District) outlines BSED’s role in revitalization of this formerly blighted area of the City’s oldest industrial lands. Since 2006, BSED has secured and leveraged more than $3 million in local, state and federal funds to spur more than $38 million in private investments. BSED has played an equally critical role in the successful developments of Shiloh Crossing, Cabela’s, TransTech and GE – all of which contribute substantially to the local economy, year over year – and required some measure of public partnership.

That said, infrastructure investments in industrial parks are vital to reach build-out, particularly when such parks offer rail siding and transloading. However, rail-served industrial parks are costly and require substantial investments in public infrastructure. The private sector simply cannot shoulder all of these costs. BSED can play a critical role in offsetting costs.

Implementation Strategy and Recommendations

KLJ’s research indicates businesses desiring to expand to or locate in Yellowstone County would benefit from a new industrial park with potential for rail capabilities. While this study provides adequate evidence to assert the feasibility of developing an industrial park in the Yellowstone County area, local market dynamics will signal the direction of that development. It is our recommendation that BSED pursues the next steps toward implementation in support of this strategic opportunity.

Overall Feasibility

The development of an industrial park in Yellowstone County is feasible. Demand for industrial space is substantial. Industrial-sector employment projections, commodity flow patterns by both rail and truck, freight revenue forecasts and stakeholder interviews show that growth in manufacturing and related-industries over the next 20 years will be accompanied by increased demand for industrial land. Yet, Yellowstone County’s industrial land supply is not adequate to meet current or future demand. Local business owners, commercial realtors and government representatives report that the majority of available, developable lands are wrought with a number of constraints. Individual vacant parcels tend to be scattered between existing structures. Most cannot accommodate future expansion or planned assemblage. Several are bound by conflicting land uses. Many have inadequate access for large trucks, limited access to highways and interstates, insufficient utilities and communications infrastructure and limited, if any, access to rail siding facilities. Few include buildings with adequate floor space, ceiling height, fire suppression systems or docking bays. None are certified ready.

Yellowstone County has missed a number of industry opportunities and the trend toward readiness sets it even further behind the competition. It is not surprising that the private sector has initiated development of an industrial park in the Lockwood area. However, each business must shoulder individually the cost burdens of infrastructure deficiencies. The burdens constrain the pace of industrial development. The public sector can play a significant role in promoting the speed of industrial development by alleviating the burden borne by infrastructure deficiencies. Certainly, this role squares well with BSED’s mission, experience and expertise.
Development Scenarios

KLJ has developed three scenarios for the future development of the concept areas identified.

Spurling Siding

Spurling Siding is generally supported by the City of Laurel and Montana Rail Link (MRL) representatives; however, its present land use and infrastructure constraints may prolong development. One advantage to this potential location is the West Laurel I-90 Interchange construction planned by Montana Department of Transportation (MDT), which likely will enhance future development discussions adjacent to this site. Another advantage is the site’s proximity to the MRL Laurel Yard as related to associated rail operations cost and time considerations.

The property owners located within the Spurling Siding concept area reported that they have no interest in selling or redeveloping their land at this time, yet they are not willing to forego future opportunities to do so. Until such time as the land becomes available on the market, development is not feasible.

BN Industrial Subdivision

Limited development in the BN Industrial Subdivision could proceed sooner than the other sites. Stakeholder interviews with existing property owners, private utility providers and City of Billings representatives suggested a willingness to consider redevelopment. Limitations could be existing infrastructure not meeting design requirements, as well as required public infrastructure upgrades. However, existing rail and zoning make the location advantageous.

Billings City/Yellowstone County Planning has identified the concept area for potential infill development in accordance to its Infill Development Policy. As that process moves forward, BSED should explore development opportunities in collaboration with City/County Planning. Further assessment of the parcels within the subdivision may meet the standards for urban renewal. Designating the concept area as a TEDD (in the case of secondary value-adding industry) or a TIF district (for maximum land use flexibility) may spur redevelopment by incentivizing private investment.

Lockwood Area

The property owners located within the Lockwood Area reported interest in developing an industrial park. A portion of the concept area contains the Trailhead Commerce Park (TCP), currently envisioned as a rail-served commercial development project for a multi-modal transload, warehousing, manufacturing and multi-use industrial park. Representatives from the Lockwood community, Yellowstone County and City of Billings were amenable to the concept and agreed that continued discussion about potentially developing this area is necessary.

The future Billings Bypass route (see Appendix 6), which will allow smoother truck movement to and from Northern Montana and Canada, squarely intersects with TCP. Consequently, due to its proximity to multiple transportation routes, the Lockwood Area could be a strategic transportation hub for multi-modal transloading, warehousing, manufacturing and light industrial use for the State of Montana. However, the area within and surrounding the Lockwood Area does not have adequate infrastructure to accommodate full-scale industrial development. BSED could be instrumental in furthering the economic development of this area by initiating the development of a TEDD around the concept area. The area could encompass such businesses as Montana Peterbilt, Pacific Steel & Recycling, Axiom International, American Steel and Winkler Trucking, among others. One or more of these businesses could feasibly serve as the area’s anchor tenants. Through development of a comprehensive plan for the larger study area, appropriate boundaries for an industrial park may take shape and may conform to TCP’s current boundaries, or extend beyond them into adjacent land area.
Recommended Next Steps and Implementation Strategies

Based on the foregoing analysis and collaborative planning with BSED and local stakeholders, KLJ recommends the following steps and implementation strategies:

1. Capture and synergize the clustered industrial-sector economic activity already underway in the concept areas. Industry clusters lend competitive advantages and cost savings for businesses. Yellowstone County's industry clusters are ideal for industrial park development. To capture and synergize the clustered industrial-sector economic activity already underway in the concept areas, BSED's initial approach should include pursuing opportunities to designate the Lockwood area as a TEDD.

2. BSED should initiate the development of a TEDD in the Lockwood concept area. Recent state legislation effecting urban renewal planning law extends to counties the ability to utilize tax increment financing to support secondary value-added industry by creating targeted economic development districts. BSED should partner with the County to create a TEDD in the Lockwood area. BSED should identify all property owners situated within the designated area and prepare a preliminary map of the proposed district for the County Commissioners to consider. Upon approval, BSED should draft a Resolution of Necessity and Statement of Infrastructure Deficiency for review and approval by the Commissioners and County attorney. BSED and the Commissioners should meet with the relevant taxing jurisdictions – including the school district, fire district, water and sewer district and transportation district – to obtain input on TEDD. Upon approval from the Commissioners, BSED should prepare a Comprehensive Development Plan that addresses the district's infrastructure deficiencies, TIF provision, projects planned to address the deficiency and plans to include secondary, value-added industries. As the County's economic development arm, BSED is uniquely positioned to administer and manage the TEDD. BSED should identify itself in this role in the Comprehensive Plan. In preparing the Comprehensive Plan, BSED should meet with the City/County Planning Director to ensure that the TEDD conforms to the County's growth policy and implementation strategies.

3. BSED should work with the property owners in the Lockwood TEDD to outline development roles and development agreements and secure the appropriate approvals. BSED should work collaboratively with property owners to identify the most viable configurations for ownership and management. In the early stages of development, BSED will likely fulfill the role of offsetting public infrastructure costs associated with private investments. As the boundaries of the industrial park within the TEDD are distinguished through the comprehensive planning process, BSED's role may expand beyond management of the TEDD.

4. In partnership with the City of Billings, BSED should continue discussions with the property owners and businesses in the BN Subdivision to determine the best approach for a redevelopment scenario. BSED should be mindful that the scope of this feasibility analysis did not include an analysis of property owners' readiness to embrace industrial development opportunities. As such, BSED should assist the City of Billings in determining the best next steps toward redevelopment in the BN Subdivision.

5. BSED should pursue funding to offset development and public infrastructure costs associated with development of an industrial park. As noted multiple times throughout this analysis, rail-served industrial parks are costly, time-intensive ventures. To be successful, BSED should pursue grant funding through the Department of Transportation's (DOT) Transportation Investment Generating Economic Recovery (TIGER) program, US Economic Development Administration's (US EDA) Local Technical Assistance programs and construction funding, the Montana Department of Commerce’s Big Sky Trust Fund planning dollars and the Montana Board of Investment’s grant and low-interest loan programs. BSED’s Community Development Department should prepare a funding matrix against development phases, once available.

6. Develop a marketing plan in partnership with the private sector that may include railroad companies and their economic development departments. Readiness is the basis upon which Yellowstone County will compete for new business. BSED’s Marketing Director should take the lead on outlining a marketing plan for the Lockwood area once development roles and responsibilities among public and private partners are agreed upon.

These implementation strategies are designed to better prepare Yellowstone County to capitalize on its competitive advantages, better position it to meet the growing demands for industrial space and to place it among the region’s “ready” communities.
CHAPTER 1 – INDUSTRY OPPORTUNITIES

KLJ launched its analysis with a review of BSED’s recent Industry Cluster Analysis and Marketing Plan. The report is a meaningful study from which to draw preliminary industry opportunities for an industrial park. It identifies industries that have clustered together to create a regionally competitive advantage for Yellowstone County. The industry clusters offer substantial benefits to businesses through knowledge and technological “spillovers,” shared labor pools, shared resources and shared infrastructure that lend cost savings by reducing overall production and operating costs.

Yellowstone County’s clustering of upstream and mid-stream oil and gas, manufacturing and warehousing, and transportation and logistics industries are ideal opportunities for industrial park development. Analyzing both qualitative and quantitative data, KLJ noted that these clusters are growing and will continue to grow. This trend offers a significant advantage for BSED’s new industrial business recruitment and industrial business expansion efforts.

Key Findings

» Yellowstone County had the most diverse economy in the state with no sector representing more than 17 percent of total industries. Having a diversified economy provides Yellowstone County businesses with confidence in the sustainability of an industrial park.

» Target industries with the greatest potential to occupy a new industrial site include: oil/gas extraction, specifically downstream businesses with value-added products such as plastics, fertilizer, cosmetics or dyes as well as machinery for up- and mid-stream extraction; value-added chemical coal industries such as carbon fiber, silicon metal or activated carbon; distribution services including warehousing, logistics and truck transport; agricultural processing and collection; small-arms manufacturers and precision manufacturing; and transloading operations.

Recommendations

» Expand manufacturing industry operations to capitalize on existing and future market potential.

» Target and market upstream and mid-stream oil and gas, manufacturing and warehousing, and transportation and logistics.

» Attract and market downstream oil industries which represent a large market in Billings and have the potential to be a long-term opportunity, especially since natural resource development companies are constantly creating new technologies to make oil and gas extraction more efficient.

» Support efforts that focus on industrial park uses that create and/or ship machinery, petrochemicals and cereal grains. Communities that support such uses stand the most to gain. In addition, certain commodities such as precision instruments, electronics and nonmetal mineral products (sand, stone, clay, etc.) are rising commodities in terms of value shipped and projected to increase rapidly through 2040.

Industry Indicators

BSED’s recent Industry Cluster Analysis and Marketing Plan conducted by DCI identifies industries that have clustered together to create a regionally competitive advantage. KLJ utilized this data to determine industries that possessed regional advantages as well as those industries that have potential opportunities to expand operations.

DCI defines a location quotient (LQ) as way to “to identify the industries that have a higher-than-average representation in Billings and in Yellowstone County as compared to the state, the economic region, and the United States. Industries with an LQ that is greater than 1.0 are likely to be linked to an existing competitive industry cluster that is present in the county.” Industries well above a 1.0 represent strong clusters, while industries below 1.0 represent weak clusters; however, these same clusters have the potential to grow.
The LQ data identifies that oil and gas industries as a whole have a comparative high LQ at 3.6 while manufacturing as a whole has a substantially lower LQ at 0.2. Warehousing, transportation and logistics have a combined LQ of 1.3. The low LQ for manufacturing suggests that Billings and Yellowstone County are importing more resources than exporting, thus providing an opportunity to grow this market. However, certain manufacturing such as overhead traveling crane, hoist and monorail system manufacturing, truck trailer manufacturing and fabricated structural steel manufacturing are healthy sectors that act as net exporters rather than importers. As such, these manufacturing industries should continue to expand operations to capitalize on the existing and future market potential.

**Figure 1-1: Industrial Use Sector Location Quotients**

![Location Quotients Diagram](image)

*Source: BSED’s Industry Cluster and Analysis Plan*

Figure 1-1 indicates significant differences in manufacturing related clusters within Yellowstone County. Petroleum refineries are more than 20 times more concentrated in the County than the region, state or national level. However, warehouse, transportation and logistics is only 1.3 times more concentrated in the County suggesting the ability to expand these operations.

Data provided by University of Montana’s Bureau of Business and Economic Research (BBER) also indicates that Yellowstone County had the most diverse economy in the state with no sector representing more than 17 percent of total industries, as shown in Figure 1-2. A diversified economy suggests a sustainable economy, one that reduces volatility and provides long-term economic health in all sectors, including industrial-type uses such as manufacturing; warehouse, transportation and logistics; and construction and natural resource development. This is generally an important component to siting industrial parks, as these facilities tend to require flexibility with tenants, and the types of uses within the industrial park frequently change from conceptual layout to actual development.

Therefore, having a diversified economy provides Yellowstone County businesses with confidence in the sustainability and long-term use of an industrial park.

*(BBER) expects Yellowstone County to again surpass the state average in growth for the next few years as its key drivers continue to benefit from energy development and recovery in the national goods economy.*
Specific Industry Targets

BSED’s Industry Cluster and Analysis Plan identified six industry clusters that Yellowstone County and the Billings area should pursue. KLJ also recommends the same market sectors with the exception of focusing on downstream oil and gas sectors rather than upstream sectors based on our diverse business model with serving oil and gas extracting companies. Such industries include value-added chemical oil companies (e.g. plastics, fertilizer, cosmetics, dyes or clothing), and value-added chemical coal companies (e.g. carbon fiber, silicon metal or activated carbon).

- “Upstream” refers to the piping and facilities owned by the exploration companies or the businesses that are drilling for oil/gas.
- “Midstream” is the gathering pipe and processing facilities that operate between the upstream and downstream facilities. Midstream companies connect the upstream entities to the downstream entities.
- “Downstream” refers to the large pipelines and processing facilities (refineries) that move the commodity from the production area (Bakken) to its final destination. The destination is usually a refinery or export facility that processes the oil and gas into useable goods (gas, plastics, etc.).
Of the six industry clusters identified in BSED’s Industry Cluster Analysis and Marketing plan, upstream and midstream oil and gas, manufacturing, warehousing, transportation and logistics are the most compatible with a large-scale industrial park. Regional headquarter operations may also be appropriate for an industrial park depending upon the type of industry recruited. For example, an oil or gas regional headquarter such as Exxon or a logistics regional headquarter such as FedEx would be likely candidates.

1. Upstream and midstream oil and gas
2. Healthcare services and the health supply chain
3. Regional headquarter and back-office operations
4. Data centers and IT services
5. Manufacturing industries including value-added food products, machinery and equipment manufacturing, chemical manufacturing and gun manufacturing
6. Warehousing, transportation and logistics

KLJ recommends slight modifications to the list given its expertise in the Bakken area. Modifications include focusing on midstream and downstream oil, gas and coal industries. Such industries include value-added chemical oil companies (e.g. plastics, fertilizer, cosmetics, dyes or clothing), and value-added chemical coal companies (e.g. carbon fiber, silicon metal or activated carbon).
CHAPTER 2 – MARKET ANALYSIS

“I was both pleased and excited to learn that Big Sky Economic Development Organization was spearheading an Industrial Park Feasibility Analysis. I remember ten years ago when I was searching for a site to relocate our beverage facility and the challenge it was due to the fact Billings did not have an industrial park. We were looking for a site that offered both truck and rail access in a good area within the city. We ended up in a great location, but we sacrificed the rail access because there were no options we could find that offer rail and truck access.”
–John Decker, Briggs Distributing Company, Inc.

“We’re constantly turning away customers because we don’t have the adequate space for manufacturing and warehouse clients. If we had a facility that could accommodate both those types with 18-foot sidewalls, docking bays, access to rail and trucking corridors and had city services such as water, sewer, power, etc., then we could easily begin placing industries in Yellowstone County.”
–Drew Smith, NAI Business Properties

KLJ conducted a market analysis to determine the feasibility of developing an industrial park within Yellowstone County. Utilizing qualitative and quantitative data, KLJ determined that the clusters identified in Chapter 1 – upstream and mid-stream oil and gas, manufacturing and warehousing, and transportation and logistics – are growing and will continue to grow. The trend offers a significant advantage for BSED’s new industrial business recruitment and expansion efforts. Moreover, employment projections provided by the BBER indicated that industrial related sectors – manufacturing, construction, mining, natural resource development, trade, transportation and utilities – will add more than 4,600 jobs in the next 25 years.

KLJ analyzed industrial-sector employment projections, commodity flow patterns by rail and truck, freight revenue forecasts and information gleaned from local stakeholders to measure demand for industrial lands within Yellowstone County. To measure supply of industrial lands, KLJ met with City/County Planning representatives and reviewed GIS maps of industrial-zoned lands. KLJ interviewed local commercial realtors, brokers, industry experts, business owners, government representatives and elected officials to better understand how well these lands are meeting industry needs.

Demand for industrial space is forecasted to grow through 2030. Based on local stakeholder input and state-level data, demand is projected to outpace supply, as petroleum, machinery, cereal grains, precision instruments and mixed freight will be the highest-value commodities exported. The available data is limited with respect to city or regional geographies; most quantitative data is only available on a statewide basis. As such, qualitative data from stakeholder input was used to supplement both supply and demand information.

The data KLJ collected indicates Yellowstone County and the Billings Metro Area would benefit from a new industrial park with the potential for rail capabilities and trucking facilities.

Demand for industrial space is forecasted to grow through 2030. Based on local stakeholder input and state-level data, demand is projected to outpace supply, as petroleum, machinery, cereal grains, precision instruments and mixed freight will be the highest-value commodities exported. The available data is limited with respect to city or regional geographies; most quantitative data is only available on a statewide basis. As such, qualitative data from stakeholder input was used to supplement both supply and demand information.

The data KLJ collected indicates Yellowstone County and the Billings metro area would benefit from a new industrial park with the potential for rail capabilities. While data may be mixed regarding truck versus rail shipping for the industrial park, the majority of information obtained supports the need to create a new park rather than revitalize existing industrial park areas such as the existing BN Industrial Subdivision. However, the existing BN Industrial Subdivision would supplement some industries that have an immediate need to expand within Billings. Several key stakeholders stated that existing and future businesses prefer larger warehousing space, more flexible sites and parcel sizes and better access for truck movements with the ability to utilize rail for transloading. In addition, non-industrial users within or adjacent to existing industrial parcels make it difficult to develop new facilities. Therefore, non-compatible land uses such as residential or public (churches, primary schools, etc.) should be prohibited within a new park unless these uses can be substantially mitigated from industrial uses.

chapter 2 – market analysis
Workforce trends suggest all employment sectors related to industrial and manufacturing uses including trade, logistics and freight shipments are forecasted to either remain at a steady level or increase. The University of Montana’s Bureau of Business and Economic Research (BBER) provided information from IHS Global Insight that shows wages and salaries will increase nearly 70 percent from year 2013 to year 2035 for industrial related employment classifications. Additionally, non-farm earnings for Yellowstone County are forecasted to outpace all other counties, with the exception of Gallatin County. Employment and workforce wages tend to be a better indicator of potential growth opportunities for industrial uses rather than analyzing freight shipments or number of new establishments. However, freight shipments and other data should be used to confirm or refute employment forecasts and related information to workforce trends.

Data suggests both trucking and rail will be viable options for shipping commodities throughout the state as well as across the nation. Transportation modes and the amount of freight shipped are important attributes to consider when siting an industrial park because shippers need to efficiently move goods produced by industrial uses. Trucking is projected to be the primary mode for intrastate shipments as well as shipments to Idaho and Wyoming. Rail is projected to be the primary mode for interstate shipments to the ports of Seattle/Tacoma/Portland and to the Minneapolis/St. Paul port. Forecasted commodity movements, which indicate the growth potential for industrial uses and their goods produced, include cereal grains, logs, gravel and non-metal mineral products for intrastate movements and machinery, live animals/fish, crude petroleum, coal and precision instruments for interstate movements.

Key Findings

» Supply is not adequate to meet current and future demand for industrial space.

» Demand for industrial space is steady. Local realtors reported receiving weekly requests for manufacturing sites and buildings with 10,000-25,000 sq. ft., 18-foot side walls, 2-4 acres of land with access to I-90 and rail and doc-level bays for distribution. BSED reported receiving approximately five calls each month over the past 18 months for larger sites ranging from 10-40 acres and 50,000-100,000 square feet of warehouse space.

» Demand for industrial space will remain steady through 2030 as evidenced by wage and employment data from BBER and freight flows from FAF, ATA and AAR.

» Warehousing and manufacturing facilities are the two most fielded requests for industrial-type uses; sites with adequate city services such as water, sewer, power and fire suppression, which are key elements for sighting new facilities, must be available before a company will commit. FIBER is a growing need for several uses.

» Warehousing and distribution services are outgrowing the functionality of the existing BN Subdivision location; new spaces are needed.

» Billings and Yellowstone County lack sufficient space to accommodate large-scale manufacturing and distribution services (10,000-25,000 sq. ft. buildings preferred with potential up to 200,000 sq. ft.).

» Realtors, developers and businesses expressed concern that Yellowstone County has missed, and continues to miss, several industry expansion/relocation opportunities because of a lack of “shovel ready” sites and non-site specific barriers such as the state and local business climate, including the business equipment tax, Right-to-Work legislation and Billings’ annexation limitations.

» The need for an industrial rail park in Yellowstone County is supported by growth in the state and Yellowstone County economies, specifically manufacturing, transportation, wholesale and trade center services and oil and gas sectors.

1 Bureau of Business and Economic Research, IHS Global Insight Annual Forecast Data, 2014
Limitations on existing facilities range from inadequate warehouse space and infrastructure at certain sites; transportation access for semi-trailers; low side-wall and ceiling heights. Overall freight revenue is projected to increase by 63.6 percent to $1.3 trillion annually, suggesting industries that produce freight shipments will continue to grow. Employment is a better indicator of industrial-type growth than number of new establishments or freight tonnage; Yellowstone County wages and salaries related to industrial uses are projected to increase nearly 70 percent from year 2013 to year 2035. Communities within 200-300 miles of the Bakken experienced nearly a 25 percent increase in average weekly wages. Workforce characteristics and hiring suggest a high demand for critical skill sets related to manufacturing and industrial-type uses. Most businesses interviewed stated that finding and retaining good employees is their number one priority; Billings’ workforce is the largest competitive advantage for several companies. Freight movements are expected to increase through 2035 with rail increasing more than trucking; however, local freight movements will still rely on trucking for short distance delivers and time-sensitive materials. Rail will be the primary freight mode for interstate shipments; trucking will be the primary freight mode for intrastate movements. Target industries such as agricultural processing facilities; mid-stream and down-stream oil and gas businesses; precision manufacturing; transportation, warehouse and logistics; and value-added coal and oil/gas industries will have the greatest use potential for a new industrial park. Identifying and securing an anchor tenant is a crucial component to the future success of the park; having flexibility with industry types is also critical as companies will change throughout the evolution of the park. Acquiring a premier transloader with a proven track record will enhance the marketability of an industrial park. **Recommendations**

- Provide flexible parcels with certified ready infrastructure and tenant-finished parcels may be all that is needed to entice future industrial uses.
- Stakeholder input and data indicate the need for a park with 305-460 acres to be developed in phases to preserve funds and reduce risk of overdevelopment.
- Enhance and expand workforce training programs that focus on skilled trades (welders, diesel mechanics, precision manufacturing and agricultural processing) and professional services (accountants, marketing and engineers) to increase Billings’ competitiveness.
- Develop scenarios that include both rail and trucking facilities as major freight shipments for industrial commodities.
- Develop a site plan and marketing materials with identified incentives to begin attracting and placing future tenants; demand is steady for a new park.
- Incorporate site attributes to attract today’s manufacturing businesses; existing industrial spaces can meet the immediate needs, but long-term success of industrial uses will benefit greatly from a larger park with flexible site design, better transportation access, upgraded infrastructure and limiting land-use incompatibility.
- Capitalize on the long-term development of the Bakken oilfield by attracting value-added oil, gas and coal companies as well as secondary support businesses such as machine manufacturers.
- Target industries that can and will utilize the Seattle/Tacoma and Minneapolis/St. Paul ports; these ports will receive the majority of freight shipped from Montana.
- Secure a premier transloader to make the industrial park more competitive across the region; four existing parks within Montana and Wyoming have premier transloading capabilities.
Stakeholder Input Meetings

BSED and KLJ identified a list of stakeholders to interview regarding future demand for industrial space. Local stakeholders also provided a list of ideal market conditions and industrial park attributes to assist in developing a park that met current and future demand. The list includes site specific items as well as general comments regarding the market. KLJ inquired about the target industries suitable for an industrial park and workforce issues affecting manufacturing and industrial uses. BSED also scheduled several stakeholder meetings throughout the study to gather feedback on issues and to determine market impacts at the local level.

Commercial Realtors Meeting (March 2014)

KLJ approached stakeholder input by guaranteeing anonymity and aggregating responses to collect honest input; several stakeholders only provided input knowing their information would remain confidential.

The purpose of the meeting was to generate a “needs list” from clients requesting industrial space in Billings as well as to gather input on local trends for demand for such facilities. The general consensus was that an industrial park was needed as realtors are constantly turning away clients because the area lacks sufficient space for large-scale industrial uses such as warehouse and manufacturing. Truck versus rail access, the need for high-speed internet and office space within the park were additional items that many stakeholders raised as issues to be addressed.

Investment Strategies Meeting (April 2014)

The meeting focused on strategies and tools such as tax increment financing (TIF) and targeted economic development districts to develop an industrial using public funding options. Janet Cornish with Community Development Services of Montana provided a comprehensive overview of TIF and TEDD strategies and related tools that could be utilized for industrial park development.

Concept Planning Meeting (June 2014)

The purpose of the meeting was to review conceptual layouts of four different park locations throughout Yellowstone County. In addition, KLJ discussed the results of the market study to solicit feedback on whether the data presented matched what realtors, businesses and local officials were hearing and experiencing at the local level. The consensus was that each concept had advantages and drawbacks, but sites with available infrastructure, rail and truck access and vacant sites with compatible land uses was needed. Market input focused workforce issues and Billings’ ability to retain quality employees for future businesses as well as the need for industrial space 10 years ago. Several comments focused on the immediate need for industrial space to accommodate businesses locating elsewhere and the ability to revise the tax code to make Montana more competitive with surrounding states.

Key Stakeholder Comments

“The strike zone for Billings’ industrial property demand seems to be 10,000-25,000 square feet, 18-foot plus sidewalls, big overhead doors, truck dock level door, on 2-5 acres. If I had 10 of those I could sell them this week.” Drew Smith, NAI Business Properties

“We feel this area has a high degree of potential for a long-term industrial park site in the county. PSR also likes the appropriate planning to get compatible business activity to prosper in this area.” Patrick Kons, Vice President Scrap Operations, Pacific Steel and Recycling

“The state’s business equipment tax is the single biggest hurdle to attracting large-scale industry to Billings. Our property tax also needs overhauling as well as the State’s Right-to-Work legislation. Until those items get fixed, it will be difficult to attract national companies that can go across the border to North Dakota or Wyoming.” Matt Brosovich, Basin Development & Properties
General Comment Classification

Comments were generally divided into three overall categories, which are listed below, as well as workforce issues. The top three issues raised during meetings and interviews are noted as well in the Supply section. BSED should begin addressing these three general problems with this study and how to best move forward to achieve a new industrial park.

1. Billings has limited space for new uses within existing structures and existing space is incompatible for today’s and tomorrow’s industrial needs.
2. Expansion opportunities for industrial uses are constrained by inadequate access to major transportation corridors, insufficient infrastructure, incompatible land uses and no certified ready sites.
3. Future opportunities are hampered by a lack of planned spaces for future industrial use; developers and businesses don’t know where to build or where public investment will occur.

Table 2-1: Stakeholder Comments

<table>
<thead>
<tr>
<th>Stakeholder Comments</th>
<th>Percent of Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Limitations to Yellowstone County’s Industrial Land Supply</td>
<td></td>
</tr>
<tr>
<td>Tax structure needs improvement; business equipment and property tax</td>
<td>64%</td>
</tr>
<tr>
<td>Existing warehouse space is too small (&gt;10,000 sq. ft.)</td>
<td>55%</td>
</tr>
<tr>
<td>Rail access/shipping are restrictive for small businesses</td>
<td>45%</td>
</tr>
<tr>
<td>County sites lack adequate infrastructure</td>
<td>45%</td>
</tr>
<tr>
<td>No lot aggregation or site expansion in existing industrial zones</td>
<td>36%</td>
</tr>
<tr>
<td>Incompatible land uses surrounding existing sites</td>
<td>36%</td>
</tr>
<tr>
<td>Side wall height 12-16 feet is limiting</td>
<td>27%</td>
</tr>
<tr>
<td>Existing buildings have outdated safety</td>
<td>27%</td>
</tr>
<tr>
<td>Ceiling heights of 18-22 feet are too low for new technologies</td>
<td>27%</td>
</tr>
<tr>
<td>Truck access into existing parks is prohibitive to long-haul units</td>
<td>18%</td>
</tr>
<tr>
<td>Below grade docking bays; in adequate lay down yard</td>
<td>18%</td>
</tr>
<tr>
<td>Yellowstone County’s Industrial Land Demand</td>
<td></td>
</tr>
<tr>
<td>Warehousing and distribution services are outgrowing the functionality of the King Avenue location</td>
<td>71%</td>
</tr>
<tr>
<td>Manufacturing sector is strong in Billings and will continue; some data indicates Bakken may have more influence on Billings’ economy</td>
<td>57%</td>
</tr>
<tr>
<td>Downstream oil industries are a large, untapped market in Billings</td>
<td>57%</td>
</tr>
<tr>
<td>Bakken will be a long-term resource and new technologies related to oil and gas will drive continued investment</td>
<td>57%</td>
</tr>
<tr>
<td>Hospitality corridor businesses may need incentives to relocate; new park location should accommodate existing industrial companies</td>
<td>43%</td>
</tr>
<tr>
<td>Pursue precision manufacturing to support new businesses and the potential long-term educational investments by local institutions</td>
<td>29%</td>
</tr>
</tbody>
</table>
Table 2-1: Stakeholder Comments (continued)

<table>
<thead>
<tr>
<th>Mediating Supply and Demand for Industrial Land</th>
<th>14%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redundant operations to provide 24/7 power is critical</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Workforce Issues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortage of skilled laborers; welders, diesel mechanics and accountants 100%</td>
<td></td>
</tr>
<tr>
<td>Change perception that manufacturing/trade skills are less glamorous than college degree; welders pay more than college degrees 83%</td>
<td></td>
</tr>
<tr>
<td>Educational programs need to be more responsive and flexible with training programs for new technologies 67%</td>
<td></td>
</tr>
<tr>
<td>Time, flexibility and mobility are more important than wages 67%</td>
<td></td>
</tr>
<tr>
<td>Difficult to attract quality employees with skills for specific industries 50%</td>
<td></td>
</tr>
<tr>
<td>Money/wages is not the overarching reason for losing employees 50%</td>
<td></td>
</tr>
</tbody>
</table>
Existing Inventory

Existing industrial park inventory within Yellowstone County is limited to scattered parcels within existing parks (BN Industrial Subdivision in Billings) or at various sites that lack sufficient infrastructure, throughout the County. The region lacks a large, dedicated area for new industrial development that is not bound by the constraints of incompatible land use; obsolete, non-functional buildings (low wall heights, no fire suppression services); confined transportation access points (cannot accommodate long-haul semi-trailers) or deteriorating infrastructure (inadequate power).

Yellowstone County Industrial Parks

Currently, Yellowstone County has one dedicated industrial park with rail access – BN Industrial Subdivision and nearby lands – with approximately 230 acres of industrial, business/office, non-profit and public uses. The Tierra Yellowstone Industrial Subdivision, located near the intersection of Gabel Road and South 32nd Street, includes industrial lands such as Cretex Concrete Products, but has limited rail and highway access.

The region lacks a large, dedicated area for new industrial development that is not bound by the constraints of incompatible land use; obsolete, non-functional buildings (low wall heights, no fire suppression services); confined transportation access points (cannot accommodate long-haul semi-trailers) or deteriorating infrastructure (inadequate power).

Industry Trends

According to NAI Business Properties, the Billings Area has experienced an average annual absorption rate of 200,000 sq. ft. for industrial type uses. NAI noted that if space were available, absorption rates would likely rise because of the limited existing industrial facilities in Yellowstone County. In addition, BSED has been fielding roughly five calls per month regarding ready-made warehousing and distribution facilities between 50,000-100,000 sq. ft. Recently (August 2014), BSED received a request for industrial space with the following items; this request exemplifies the type of space industrial companies are looking for in the Yellowstone Area.

» 40-acre site
» Minimum 30-car rail-siding/spur
» 750,000 gallons of water per day
» Soil – ideally bedrock (poor soils increase construction costs)
» 1500mcf of natural gas per day
» ~6MW of electricity

One stakeholder also noted that in the last 18 months, their company has had to turn away at least three large, national firms related to the oil and gas industry that wanted industrial and office space between two and four acres with city services and access to rail.

Customers have requested specific items for new facilities such as high ceiling (25') and wall heights (18') for crane clearance and spec/shell buildings in various sizes that can be easily and quickly “tenant-finished” with the option of expansion. Yellowstone County lacks such space.
Supply for Industrial Lands

Supply for industrial space was obtained from multiple sources, as noted earlier. Supply was specifically addressed through the availability of existing industrial lands and warehousing space in Yellowstone County. To understand how well the lands are meeting industry needs, KLJ interviewed local commercial realtors, brokers, industry experts, business owners, government representatives and elected officials. Currently, Yellowstone County has 301 acres of vacant industrial properties, which is less than 10 percent of all industrial lands. Billings has approximately 260 acres of vacant industrial land while the Laurel Planning Jurisdiction has less than 3 acres of vacant industrially zoned lands. (The amount of land available is actually less than this because the numbers include exempt properties such as roads, railroads, utility corridors and other exempt properties.) A general land use planning practice is to have nearly 20 percent of vacant land for each use to prohibit price wars from land speculation and lack of growth areas.

The sheer number of Yellowstone County’s acreage zoned heavy industrial (HI), controlled industrial (CI), entryway light industrial (ELI) and parcels currently vacant provide a somewhat skewed view of industrial land supply because it obscures several constraints that make the parcels unappealing to industrial business. Several are bound by conflicting land uses. Many have inadequate access for large trucks, limited access to highways and interstates, insufficient utilities and communications infrastructure and limited, if any, access to rail siding facilities. Few include buildings with adequate floor space, ceiling height, fire suppression systems or docking bays. None are certified ready.

The availability of certified-ready or shovel-ready sites is a key factor in new industrial business recruitment. As noted in a recent marketing study commissioned by BSED, Janet Ady reported: “The competition in business recruitment is fierce and increasing in intensity every day... (r)eadiness will be the basis on which communities and regions compete.” She noted that when these (available sites, buildings and infrastructure such as water, sewer, electric, gas and fiber optic connectivity) are not readily available, economic development efforts are stunted. Unfortunately, this has held true for Yellowstone County.

Figure 2-1: Classification of Industrial Acres in Yellowstone County

![Chart showing industrial acres in Yellowstone County](chart.png)

Source: Billings and Yellowstone County Planning Staff
Figure 2-2: Yellowstone County Area Industrial Zoned Lands Map

Source: Billings and Yellowstone County Planning Staff
Current Limitations

Anecdotal evidence also points to a supply shortage for appropriate industrial uses. KLJ discovered through stakeholder interviews that lack of suitable industrial space resulted in a number of missed opportunities. One stakeholder reported their business turned away at least three major employers in the oil and gas development industry because no adequate sites were available in a timely manner. Two of those businesses relocated to North Dakota; one relocated to Wyoming. Local commercial realtors also reported similar missed opportunities on a monthly basis. As the Ady Voltedge study implies, if Yellowstone County is to capture these opportunities, it must develop planned space with sufficient infrastructure where industries can effectively plan to relocate and expand. The potential economic impact of such a well-planned development could be significant.

As noted in several stakeholder meetings and interviews and summarized in Table 2-1: Stakeholder Comments, real estate professionals and developers noted that existing spaces have the following three general constraints:

1. Limited space within existing structures and incompatible space for today’s and tomorrow’s industrial needs
2. Limited expansion opportunities with access to major transportation corridors, insufficient infrastructure, incompatible land uses and no certified ready sites
3. Lack of planned spaces for future use; developers and businesses don’t know where to build or where public investment will occur

The current market has limitations regarding available space for existing and new businesses. The constraints have forced at least three major industries (more than 50 jobs per industry) – two related to oilfield development and one manufacturer – to relocate from Billings. In addition, BNSF has had to turn away customers because of a lack of adequate industrial space with access to both rail and truck. While BNSF could not quantify the number of customers, representatives have noted that requests for such sites have substantially increased in the past 12 months.

Demand for Industrial Lands

Demand for industrial space within Yellowstone County is growing. BBER employment data shows wages and employment are forecasted to grow through 2030. Demand projections also indicate the need for planned industrial, manufacturing and warehousing facilities with sites that can be tenant finished depending upon specific needs relevant to a particular business and have access to rail and trucking corridors. KLJ referenced a study and land demand model developed by the University of Oregon – Basic Methods for Determining Land Needs – to develop a baseline demand for industrial lands. The model indicates Yellowstone County will need between 305-460 acres of industrial lands to accommodate future employment forecasts for industrial-related jobs.

Industrial acreage needed was calculated using employment forecasts from BBER and applying an amount of industrial land needed per employee in related industrial fields. As noted in the University of Oregon model, a range of “acres per employee” were used to calculate acreages for future industrial development and serve as “planning-level” estimates for potential growth.

Additionally, NAI Business Properties and BSED, as noted in Chapter 1, have fielded multiple calls from the past 12 months looking for specific manufacturing and warehousing space, of which Billings has a very limited supply. BSED typically receives five calls per month and NAI Business Properties receives calls on a weekly basis for such uses.
NAI Business Properties also noted the Billings metro area absorbs approximately 200,000 sq. ft. annually in warehouse and manufacturing space. Roughly estimated, the Billings area would need approximately 10-20 acres per year to accommodate 200,000 sq. ft. of industrial-type uses (acreage can vary greatly depending on zoning, setbacks, lot coverages, specific site design, road/ROW dedication and a host of other development requirements). It should also be noted that the absorption numbers only represent data provided by NAI Business Properties and no other realty companies. As such, the Billings area may require more acres per year for industrial space.

Moreover, as the Bakken continues to develop and evolve, Yellowstone County will have opportunities to capitalize on value-added industries for the 20-30 year drill-out life expectancy of the Bakken shale\(^2\) (that is, assuming no new technologies are developed to extract more oil/gas from the shale in the next 30 years).

Local Industry Trends

Reliable local data was extremely difficult to obtain; most freight analysis from credible sources only drill down to the state level. However, KLJ was able to utilize the Montana Freight Assessment along with key stakeholder interviews to develop a reasonable analysis of local trends. While specific data on freight movements was not available, stakeholder input from commercial realtors, existing rail and trucking companies and manufacturing/industrial businesses provided valued input. The input is summarized in Table 2-1: Stakeholder Comments.

Stakeholders’ Views on Yellowstone County’s Supply and Demand for Industrial Lands

Existing Deficiencies

- Few parcels within existing parks with capacity for expansion; landlocked
- Land use incompatibility with residential/non-industrial uses
- Poor transportation access points for long-haul trailers (110 feet or greater)
- Small buildings (5,000 sq. ft.); no fire suppression; no grade-level docking bays
- Low side wall (14-16 feet) and ceiling heights (18-22 feet)
- 10-20 acre sites not available with infrastructure
- Non-rail users limit access to rail siding
- Inadequate laydown yard (size and ease of access) for rail/transload users

Building and Parcel Needs

- The preferred building and parcel/pad size should include:
  - 2-5 acres with option for expansion
  - 10,000-25,000 sq. ft. buildings with tenant finishes
  - 18-foot minimum side wall height
  - 25-foot minimum ceiling height
  - One level preferable; at-grade docking bays
  - City services (water, sewer, power, FIBER)
  - Access to both rail and I-90; laydown yard preferred
- The ideal park should include:
  - 300 acres at minimum to make economy of scale profitable
  - Manufacturing, warehouse and offices within close proximity of each other
  - Flexible site design and expansion opportunities on-site
  - Certified ready sites (infrastructure in place)
  - Redundant operations to provide 24/7 power is critical to some businesses

\(^2\) North Dakota Mineral Resource Department
Access and Transportation Needs

» Direct access to I-90/I-94 and direct access to MRL and BNSF rail lines are critical
» Transloading capabilities for non-heavy rail users would be ideal, especially for smaller-scale businesses (1-5 rail cars per month)
» Rail access with competitive pricing would increase potential for new industrial businesses
» Truck access should take into account long-haul trailers with 110-foot long minimum loads
» Hospitality corridor businesses may need incentives to move once area is revitalized; new park location should account for accommodating existing industrial-type companies

Regional Industry Trends

KLJ utilized information from BSED’s Industry Cluster and Analysis Planto affirm data obtained from Freight Analysis Framework (FAF), Association of American Railroads (AAR), American Trucking Association (ATA) and stakeholder input. As noted in Chapter 1, KLJ identified four specific industrial-use clusters that Yellowstone County and the Billings area should pursue:

» Upstream and midstream oil and gas
» Regional headquarters
» Manufacturing industries including value-added food products, machinery and equipment manufacturing, chemical manufacturing and gun manufacturing
» Warehousing, transportation and logistics

KLJ recommends slight modifications to the list per our involvement and familiarity with clients in the Bakken area. Modifications include focusing on midstream and downstream oil, gas and coal industries rather than upstream businesses.

KLJ also analyzed the WTC’s Montana Freight Assessment for additional freight movement information at the local and regional level. The study utilized the Journal of Commerce’s Port Import Export Reporting Service (PIERS) as supplemental information for containerized shipments. Billings had the second highest average originating freight container volume; Butte had the highest volume from 2008-2010. As noted in the report, “Growth in emerging Asian economies is driving demand for agriculture and natural resources with significant opportunities for value-added food products and manufactured goods. To fully realize gains, producers and manufacturers need a robust logistics and infrastructure to support growth and meet demands of foreign buyers; however, the current freight network in Montana is extremely fragmented among industries and regions, lacking access to Class I rail, intermodal or multimodal consolidations hubs.” While Billings has access to Class I rail and intermodal facilities, the current layout of existing parks is a deterrent to future industries as noted in multiple interviews.

The Billings area has the opportunity to capitalize the potential growth market internationally, and having an industrial park with a premier transloader and facility will help ensure Billings, Yellowstone County and the State of Montana remain competitive at the global level. The WTC report also noted that, “The only operational intermodal freight facility in the state of Montana that currently has dedicated train service for container exports by rail is located in Billings... And because Billings is on a coal route of the BNSF, access to track and (intermodal) terminal is limited. Currently outbound container freight from Billings and Wyo-Ben is primarily transported by truck, transloaded into containers and shipped from the Port of Seattle, Portland or Tacoma...”
Chapter 2 – Market Analysis

State and National Industry Trends

According to the ATA, trucking accounted for 68.5 percent of all freight tonnage in year 2012 and is expected to rise to 70.8 percent by year 2024. Truckload volumes are also expected to grow 3.2 percent annually through year 2018; while overall freight revenue is projected to increase by 63.6 percent to $1.3 trillion annually, suggesting that industries that require freight shipments will continue to grow.

While ATA data specifies that trucking will continue to be the primary mode for freight movements, FAF data suggests a different perspective, with pipelines accounting for the highest percent of all freight (liquid and non-liquid) moved throughout Montana followed by trucking and then rail. However, the AAR indicates that rail freight movements across the US are increasing. Total carloads have increased 6.4 percent from April 2014 as compared to April 2013. Railcars in storage also decreased 15,763 cars to 223,791 (6.5 percent decrease) from April 1, 2014 to May 1, 2014, suggesting more rail cars are being put to use and rail shipping is improving.

Figure 2-3: Distribution of Freight by Mode

![Distribution of Freight by Mode](image)

Source: FAF Dataset 3, 2011

FAF data indicates three important trends. However, it should be noted that FAF will release new forecasts in late 2014, which BSED should use to verify the forecasted freight shipment trends through year 2040.

1. Intrastate freight is primarily moved by trucking, not rail, and is projected to continue to increase through year 2040.
2. Trucking is the primary mode of freight transport to the Colorado, Idaho, Utah and Wyoming region. Furthermore, the bulk of freight is trucked to Idaho and Wyoming likely due to the lack of Class I rail lines to these states, whereas Colorado and Utah have access to Class I rail.
3. Regional freight shipments to the Pacific Northwest will grow as fast as rail freight toward the Dakotas and upper Midwest; the three closest ports are Seattle/Tacoma, Minneapolis/St. Paul and Chicago. However, freight movements to the Pacific Northwest will remain relatively stable while freight movements toward the upper Midwest peak in 2020 and decline through 2040. Given the trends in shipping, Billings should target industries that can and will utilize the ports as primary outbound shipping destinations.

Forecasted freight shipment trends should be verified with the release of the FAF forecasts in late 2014.

3 Association of American Railroads, Rail Time Indicators, May 2014
KLJ examined transload freight – unloading freight from one mode (e.g. rail) and loading to another mode (e.g. truck) to determine potential needs of a transloading facility at the industrial park. Because data indicated the need for both trucking and rail depending upon the final destination, transloading would be a beneficial park aspect. Data shows intermodal freight increased more than 9.0 percent in April 2014 over April 2013, suggesting it will continue to be a priority for industries requiring multiple shipping modes. Acquiring a transloader will significantly improve operations at the industrial park especially if rail becomes a significant aspect. More importantly, attracting a premier transloader – a transloader with a proven track record servicing BNSF – can help improve operations within the park and provides benefits such as:

- Rail accessibility without a large capital investment
- Access to numerous value-added services
- Excellent for companies that do not have a rail line into their facilities but can handle/store large quantities at their facilities
- Allows customers to obtain the cost convenience of using individual railcar service without needing a rail-served facility

More importantly, attracting a premier transloader – a transloader with a proven track record servicing BNSF – can help improve operations within the park and provides benefits.

---

Table 2-2: Regional Freight Comparison (shown in 1,000 tons)

<table>
<thead>
<tr>
<th>Mode</th>
<th>Year</th>
<th>Region 1</th>
<th>Region 2</th>
<th>Region 3</th>
<th>Region 4</th>
<th>Region 5</th>
<th>Region 6</th>
<th>Region 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail</td>
<td>2011</td>
<td>3,232</td>
<td>27,372</td>
<td>1,290</td>
<td>4,784</td>
<td>19,595</td>
<td>232</td>
<td>4,938</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>4,697</td>
<td>31,250</td>
<td>1,466</td>
<td>4,130</td>
<td>21,552</td>
<td>351</td>
<td>5,461</td>
</tr>
<tr>
<td></td>
<td>2030</td>
<td>6,133</td>
<td>25,455</td>
<td>1,675</td>
<td>3,213</td>
<td>18,821</td>
<td>430</td>
<td>5,910</td>
</tr>
<tr>
<td></td>
<td>2040</td>
<td>7,918</td>
<td>21,616</td>
<td>1,964</td>
<td>3,057</td>
<td>18,515</td>
<td>525</td>
<td>6,757</td>
</tr>
<tr>
<td>Truck</td>
<td>2011</td>
<td>35,917</td>
<td>1,300</td>
<td>13,506</td>
<td>371</td>
<td>581</td>
<td>271</td>
<td>1,014</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>40,979</td>
<td>1,562</td>
<td>32,926</td>
<td>491</td>
<td>723</td>
<td>383</td>
<td>1,303</td>
</tr>
<tr>
<td></td>
<td>2030</td>
<td>46,285</td>
<td>1,701</td>
<td>42,989</td>
<td>605</td>
<td>728</td>
<td>458</td>
<td>1,346</td>
</tr>
<tr>
<td></td>
<td>2040</td>
<td>53,961</td>
<td>1,852</td>
<td>50,454</td>
<td>830</td>
<td>785</td>
<td>550</td>
<td>1,540</td>
</tr>
</tbody>
</table>

Source: FAF Dataset 3, 2011

Transload Trends

KLJ examined transload freight – unloading freight from one mode (e.g. rail) and loading to another mode (e.g. truck) to determine potential needs of a transloading facility at the industrial park. Because data indicated the need for both trucking and rail depending upon the final destination, transloading would be a beneficial park aspect. Data shows intermodal freight increased more than 9.0 percent in April 2014 over April 2013, suggesting it will continue to be a priority for industries requiring multiple shipping modes. Acquiring a transloader will significantly improve operations at the industrial park especially if rail becomes a significant aspect. More importantly, attracting a premier transloader – a transloader with a proven track record servicing BNSF – can help improve operations within the park and provides benefits such as:

- Rail accessibility without a large capital investment
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- Excellent for companies that do not have a rail line into their facilities but can handle/store large quantities at their facilities
- Allows customers to obtain the cost convenience of using individual railcar service without needing a rail-served facility

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4 Association of American Railroads, Rail Time Indicators, May 2014
5 BNSF Railway, Door-to-Door Transload, 2014
International Industry Trends

Canada shipments were also analyzed to determine potential international growth opportunities. As noted in the FAF data, a majority of freight is primarily shipped via rail. As such, KLJ focused only on rail trends for Canadian shipments.

A growing amount of freight is being moved on rail between the United States and Canada through Montana. The United States imports about 1.2 million more tons annually than it exports; however, the trend is expected to change in the future as shown in the following figures. Montana outbound freight is forecasted to increase 65 percent by year 2020 and 54 percent by year 2030. Similarly, freight imports from Canada are expected to increase 27 percent by year 2020 and 34 percent by year 2030. By year 2040, freight exports to Canada will be larger than rail imports. In general, exports are expected to almost quadruple in the next 30 years as trade with Canada increases dramatically. Imports grow almost as rapidly; however, only a handful of products are shipped through Montana.

Figure 2-4: Commodity Exports from Montana to Canada (Shown in Thousand Tons)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2011</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonmetallic minerals</td>
<td>1000</td>
<td>2000</td>
<td>3000</td>
<td>4000</td>
</tr>
<tr>
<td>Metallic ores</td>
<td>5000</td>
<td>6000</td>
<td>7000</td>
<td>8000</td>
</tr>
<tr>
<td>Basic chemicals</td>
<td>2000</td>
<td>3000</td>
<td>4000</td>
<td>5000</td>
</tr>
<tr>
<td>Paper articles</td>
<td>1000</td>
<td>2000</td>
<td>3000</td>
<td>4000</td>
</tr>
<tr>
<td>Wood products</td>
<td>500</td>
<td>1000</td>
<td>1500</td>
<td>2000</td>
</tr>
<tr>
<td>Coal n.e.c.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: FAF Dataset 3, 2011

Figure 2-5: Commodity Imports from Canada to Montana (Shown in Thousand Tons)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2011</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal n.e.c.</td>
<td>500</td>
<td>1000</td>
<td>1500</td>
<td>2000</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>2000</td>
<td>3000</td>
<td>4000</td>
<td>5000</td>
</tr>
<tr>
<td>Articles-base</td>
<td>1000</td>
<td>2000</td>
<td>3000</td>
<td>4000</td>
</tr>
<tr>
<td>Animal feed</td>
<td>500</td>
<td>1000</td>
<td>1500</td>
<td>2000</td>
</tr>
<tr>
<td>Basic chemicals</td>
<td>2000</td>
<td>3000</td>
<td>4000</td>
<td>5000</td>
</tr>
<tr>
<td>Milled grain</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: FAF Dataset 3, 2011
Regional Economic and Workforce Trends

Employment growth was a major factor when deciding the market for a new industrial park. The University of Montana’s Bureau of Business and Economic Research (BBER) provided employment data forecasts specific to industrial uses for Yellowstone County through 2035. BBER staff encouraged KLJ to analyze employment, which is a more accurate indicator of the health of an industry, rather than evaluating other market indicators such as location quotients (LQs), freight movements or number of new establishments. While construction, natural resources and mining are forecasted to grow the fastest, trade, transportation and utilities are expected to employ the most people.

Wages and salaries related to industrial uses are projected to increase nearly 70 percent between now and year 2035, as shown in Figure 2-6. BBER data indicates that non-farm earnings for Yellowstone County are forecasted to outpace all other counties, with the exception of Gallatin County. Employment forecasts, also shown in Figure 2-6, indicate either sustained growth with manufacturing staying near 3,400 jobs or steady growth with construction, natural resources and mining rising from 5,500 to 9,000 jobs annually through 2035. Transportation, trade and utilities has the highest employment through 2035 with 21,600 jobs, thereby indicating an industrial park would be supported by the future health of industrial related uses. The large employment numbers from transportation, trade and utilities also signify industrial uses that require these services would benefit from the steady employment growth.

Figure 2-6: Yellowstone County Employment and Wage Forecasts

Source: BBER and IHS Global Insight, 2014
Figure 2.7: Non-Farm Earning Changes for Metro Counties

Actual and Projected Change in Non-Farm Earnings
Metro Counties 2010-2017

Source: BBER and IHS Global Insight, 2014
Workforce development is a crucial determinant when deciding upon the need for an industrial park. If industries cannot find workers to fulfill jobs, they are less likely to expand or begin new operations. Data indicates Yellowstone County does have a growing workforce and an extremely high placement rate for recent college graduates. The county was near the top in workforce categories for Montana urban counties including:

- Lowest unemployment rate at 3.6 percent
- Highest total population with 154,200 people
- Third highest median household income at $50,000
- Third lowest median age at 38.3 years old
- Fourth highest educational rate with 20.9 percent of people having a bachelor’s degree or higher

Table 2-3: Montana Urban County Workforce Comparison

<table>
<thead>
<tr>
<th>Total Population, 2013</th>
<th>Butte-Silver Bow-Deer Lodge</th>
<th>Cascade</th>
<th>Flathead</th>
<th>Gallatin</th>
<th>Lewis &amp; Clark</th>
<th>Missoula</th>
<th>Yellowstone</th>
</tr>
</thead>
<tbody>
<tr>
<td>34,500</td>
<td>82,400</td>
<td>93,100</td>
<td>94,700</td>
<td>65,300</td>
<td>111,800</td>
<td>154,200</td>
<td></td>
</tr>
<tr>
<td>Median Age, 2012</td>
<td>41.7</td>
<td>38.9</td>
<td>41.4</td>
<td>31.4</td>
<td>40.4</td>
<td>34.4</td>
<td>38.3</td>
</tr>
<tr>
<td>People 65 or Older, 2012</td>
<td>16.3%</td>
<td>15.8%</td>
<td>15.0%</td>
<td>9.9%</td>
<td>14.3%</td>
<td>11.7%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Population with Bachelor’s Degree or Higher, 2012</td>
<td>15.7%</td>
<td>16.2%</td>
<td>19.7%</td>
<td>31.4%</td>
<td>25.0%</td>
<td>25.4%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$37,417</td>
<td>$44,116</td>
<td>$44,734</td>
<td>$51,911</td>
<td>$54,139</td>
<td>$45,054</td>
<td>$50,00</td>
</tr>
<tr>
<td>Unemployment Rate, Nov. 2013</td>
<td>4.8%</td>
<td>4.3%</td>
<td>7.3%</td>
<td>4.7%</td>
<td>3.8%</td>
<td>4.5%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Source: BBER 2014 Economic Outlook

In addition, placement rates were exceptional for recent graduates as 96 percent of City College students (certificates, AAS and AS) received placement in their related field with 66 percent of graduates finding work in Billings. MSU-B College of Arts and Science students had a 97 percent placement after college with 55 percent receiving employment in Billings. In addition, STEM (science, technology, engineering and math) occupations – most closely associated with industrial uses – are projected to grow by 17 percent through 2020 compared to 14 percent for non-STEM occupations. The county has a relatively young, educated workforce as compared to other counties throughout the state, suggesting industries will have a competitive workforce from which to recruit and expand businesses.

Moreover, most businesses KLJ interviewed stated that finding and retaining good employees is their number one priority followed by increasing overall business. Stakeholders noted the largest competitive advantage was Billings’ workforce and, without a competitive workforce and associated training programs to educate potential employees, their business expansion plans would be shelved. Several businesses KLJ interviewed were hiring across multiple disciplines including skilled and non-skilled employees. The most needed skilled employees included welders, truck drivers, machinists and diesel mechanics. The most needed non-skilled employees included accountants, drafters, sales/marketing and engineers (chemical, electrical and mechanical).

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6 Montana State University – Billings, Graduate Data, 2013
7 US Congress Joint Economic Committee, STEM Education Report, 2012
**Future Industry Projections**

Commodity flows were used to forecast future growth in certain industries and demand for industrial lands. Understanding which commodities are projected to increase will allow BSED and local communities to target those industry clusters and related commodities. Identifying an anchor tenant is a key component to the success of an industrial park. Understanding regional freight trends and needs are an important step in targeting the right anchor tenant. FAF data was utilized to determine commodity flows and growth potential. Four of the top six commodities are related to energy extraction. Machinery is expected to be the top commodity for interstate shipping in year 2040 followed by live animals/fish and crude petroleum and then precision instruments. Data suggest that the manufacturing sector in the Billings area will be critical to the success of an industrial park.

Communities that support the need for an industrial park focusing on machinery, petrochemicals and cereal grains will stand to benefit the most from the industry types that ship those goods and materials. In addition, certain commodities such as precision instruments, electronics and nonmetal mineral products (sand, stone, clay, etc.) are rising commodities in terms of value shipped and are often the materials created from uses typically found in industrial parks.

**Table 2-4: Commodity Flows by Value Shipped**

<table>
<thead>
<tr>
<th>Intrastate Commodities</th>
<th>Interstate Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RAIL</strong></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>2040</td>
</tr>
<tr>
<td>Coal</td>
<td>Coal</td>
</tr>
<tr>
<td>Machinery</td>
<td>Machinery</td>
</tr>
<tr>
<td>Gasoline</td>
<td>Gasoline</td>
</tr>
<tr>
<td>Fuel oils</td>
<td>Fuel oils</td>
</tr>
<tr>
<td>Mixed freight</td>
<td>Electronics</td>
</tr>
<tr>
<td>Unknown</td>
<td>Mixed freight</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td><strong>2040</strong></td>
</tr>
<tr>
<td>Coal</td>
<td>Machinery</td>
</tr>
<tr>
<td>Machinery</td>
<td>Crude petroleum</td>
</tr>
<tr>
<td>Gasoline</td>
<td>Live animals/fish</td>
</tr>
<tr>
<td>Fuel oils</td>
<td>Cereal grains</td>
</tr>
<tr>
<td>Mixed freight</td>
<td>Machinery</td>
</tr>
<tr>
<td>Unknown</td>
<td>Mixed freight</td>
</tr>
<tr>
<td><strong>TRUCK</strong></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>2040</td>
</tr>
<tr>
<td>Logs</td>
<td>Cereal grains</td>
</tr>
<tr>
<td>Coal</td>
<td>Logs</td>
</tr>
<tr>
<td>Cereal grains</td>
<td>Waste/scrap</td>
</tr>
<tr>
<td>Gravel</td>
<td>Gravel</td>
</tr>
<tr>
<td>Waste/scrap</td>
<td>Nonmetal min.</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td><strong>2040</strong></td>
</tr>
<tr>
<td>Logs</td>
<td>Cereal grains</td>
</tr>
<tr>
<td>Coal</td>
<td>Logs</td>
</tr>
<tr>
<td>Cereal grains</td>
<td>Cereal grains</td>
</tr>
<tr>
<td>Waste/scrap</td>
<td>Waste/scrap</td>
</tr>
<tr>
<td>Nonmetal min.</td>
<td>Nonmetal min. prods.</td>
</tr>
</tbody>
</table>
**Bakken Influence**

The Bakken will be a major influence to the Billings Area, especially with regard to rail transport. As noted in The Bakken Magazine, “According to PLG (a consulting firm focused on logistics, engineering and supply in the energy industry), the Bakken will experience between a 75 percent and 100 percent growth in crude-by-rail volume by 2018. In western Canada, crude-by-rail growth could reach a 400 percent increase by 2017.” As stated earlier, KLJ believes rail service will be a growing need for a future industrial park, although it will have to compete with oil tankers. However, if the Keystone Pipeline is approved and constructed, it could relieve some rail demand for freight shipping.

World Trade Center’s (WTC) Montana Freight Assessment also indicated that inbound container volume related to oil and gas extraction activities in the Bakken region have increased by 35 percent from 2009 to 2010. The vast majority of inbound containerized shipments included frack sand; however, as extraction processes become more efficient the need for large quantities of overseas frack sand may decrease, especially as more companies begin using local sand resources. Because of this trend, import containerized volumes may decrease at the global level, but as evidenced in FAF data, import rail volumes into Montana from Canada are projected to increase 34 percent through 2030.

The economic impact of the Bakken to surroundings communities such as Billings has been evidenced in a recent report by the Minneapolis Federal Reserve. Communities within 200-300 miles of the Bakken (Yellowstone County is approximately 250 miles removed) have experienced a nearly 25 percent increase in average weekly wages.8 Similarly, commercial and industrial loans – indicators that industrial-type uses are expanding – increased dramatically from 2012 to 2013 for counties in the Bakken and modestly for all remaining Montana counties.

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8 Federal Reserve Bank of Minneapolis, Fed Gazette, Labor Markets and Banking and Loans, 2014
Figure 2-8: Wage Impacts from Bakken Influence

Index of average weekly wages by distance from the Bakken*

2001Q4 = 100, 4-quarter moving average, inflation-adjusted

* Bakken area counties: Billings, Burke, Divide, Dunn, Golden Valley, McKenzie, Mountrail, Stark and Williams in ND and Richland, Roosevelt and Sheridan in MT; distance is calculated using center point longitude and latitude coordinates of counties. Averages weighted by employment levels.

** Limited to counties in IA, MN, MT, NE, ND, SD and WY

Source: Federal Reserve Bank of Minneapolis, 2012

Figure 2-9: Commercial and Industrial Loan Impacts from Bakken Influence

Source: Federal Reserve Bank of Minneapolis, 2012
**Economic Impacts**

Data regarding economic impacts of existing industrial parks within Montana and across the region is very limited. KLJ conducted a survey and discovered that only one industrial park – Northern Plains Commerce Center – had developed an economic impact analysis of the park. However, it should be noted that the 2006 analysis included a hypothetical review of what might happen if Bobcat were to develop. In reality, Bobcat’s plans changed and the scenarios identified did not come to fruition. Therefore, KLJ researched other industrial parks from across the mountain west to determine economic impacts. Only one example resembled similar aspects to the Billings area: Portland, OR.

KLJ recommends BSED implement a program to track economic impacts of this potential park to determine if future parks would be warranted as well as to provide local and state legislatures the ability to gauge the return on investment of industrial parks within Yellowstone County. Metrics to be tracked should include at a minimum: jobs created, tax revenue generated, sales revenue from businesses, employee wages and secondary induced benefits.

**Northern Plains Commerce Centre (NPCC), Bismarck, ND**

NPCC is a 243-acre park with direct access to BNSF’s mainline through a spur siding that was constructed to serve the park. It is located on the south side of Bismarck next to the airport and approximately 3 miles from I-94. The anchor tenant is Bobcat and currently has seven remaining lots for sale or lease; approximately 20 parcels have either been sold or leased since 2006. The following economic analysis includes proposed expansion plans of Bobcat’s plant only (which did not occur as outlined) and no other industry within the park.

**Table 2-5: Total (Direct and Secondary) Economic Impacts of Bobcat Expansion**

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>Engineering Facility</th>
<th>Final Vehicle Assembly</th>
<th>Plant Expansion</th>
<th>Skid Steer Loader Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>$1,134,000</td>
<td>$1,984,000</td>
<td>$5,953,000</td>
<td>$11,906,000</td>
</tr>
<tr>
<td>Transportation</td>
<td>$229,000</td>
<td>$400,000</td>
<td>$1,200,000</td>
<td>$2,400,000</td>
</tr>
<tr>
<td>Communications and Public Utilities</td>
<td>$1,052,000</td>
<td>$1,841,000</td>
<td>$5,222,000</td>
<td>$11,043,000</td>
</tr>
<tr>
<td>Ag. Processing/Manufacturing</td>
<td>$2,277,000</td>
<td>$3,985,000</td>
<td>$11,956,000</td>
<td>$23,912,000</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$6,452,000</td>
<td>$11,290,000</td>
<td>$33,871,000</td>
<td>$67,742,000</td>
</tr>
<tr>
<td>Finance, Insurance and Real Estate</td>
<td>$3,010,000</td>
<td>$5,267,000</td>
<td>$15,802,000</td>
<td>$31,604,000</td>
</tr>
<tr>
<td>Services</td>
<td>$1,313,000</td>
<td>$2,298,000</td>
<td>$6,893,000</td>
<td>$13,786,000</td>
</tr>
<tr>
<td>Households</td>
<td>$10,273,000</td>
<td>$17,977,000</td>
<td>$53,931,000</td>
<td>$107,863,000</td>
</tr>
<tr>
<td>Other 1</td>
<td>$2,335,000</td>
<td>$4,440,000</td>
<td>$13,318,000</td>
<td>$26,636,000</td>
</tr>
<tr>
<td>Total Impacts</td>
<td>$28,275,000</td>
<td>$49,482,000</td>
<td>$148,446,000</td>
<td>$296,892,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Engineering Facility</th>
<th>Final Vehicle Assembly</th>
<th>Plant Expansion</th>
<th>Skid Steer Loader Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary Employment (FTE jobs)</td>
<td>305</td>
<td>536</td>
<td>1,622</td>
<td>3,250</td>
</tr>
<tr>
<td>State Tax Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and Use</td>
<td>$299,000</td>
<td>$523,000</td>
<td>$1,568,000</td>
<td>$3,136,000</td>
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<tr>
<td>Personal Income</td>
<td>$154,000</td>
<td>$270,000</td>
<td>$809,000</td>
<td>$1,618,000</td>
</tr>
<tr>
<td>Local Tax Revenues (Bismarck MSA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$60,000</td>
<td>$103,000</td>
<td>$314,000</td>
<td>$627,000</td>
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<tr>
<td>Property Tax</td>
<td>$295,000</td>
<td>$565,000</td>
<td>$1,706,000</td>
<td>$3,418,000</td>
</tr>
</tbody>
</table>

Source: F. Larry Leistritz, KLJ
**Troutdale Reynolds Industrial Park (TRIP) Development, Portland, OR**

Martin Associates, who conducted the economic analysis for Portland’s TRIP, noted “Economic impacts generated by tenants were measured in terms of jobs, personal income, business sales revenue, and state and local taxes. Portland’s 366-acre TRIP generated 7,916 new jobs and more than $452 million dollars in personal earnings.” The park is located between the Columbia River and the Troutdale airport, has access to I-84 and Union Pacific has a rail spur into the park. The anchor tenant is FedEx; the park has 12 parcels ready for development ranging from 5 to 40 acres.

**Table 2-7: Troutdale Reynolds Economic Impact Example**

<table>
<thead>
<tr>
<th>Troutdale Reynolds Industrial Park (TRIP) Economic Impact</th>
<th>Project-Affected</th>
<th>Other Trip</th>
<th>Total Trip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acres</td>
<td>235</td>
<td>131</td>
<td>366</td>
</tr>
<tr>
<td>Jobs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>2,392</td>
<td>1,334</td>
<td>3,726</td>
</tr>
<tr>
<td>Induced</td>
<td>1,318</td>
<td>735</td>
<td>2,053</td>
</tr>
<tr>
<td>Indirect</td>
<td>1,372</td>
<td>765</td>
<td>2,137</td>
</tr>
<tr>
<td>Total</td>
<td>5,082</td>
<td>2,834</td>
<td>7,916</td>
</tr>
<tr>
<td>Personal Earnings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>$91,043,138</td>
<td>$50,751,706</td>
<td>$141,794,844</td>
</tr>
<tr>
<td>Induced/Local Purchases</td>
<td>$112,893,491</td>
<td>$62,932,116</td>
<td>$175,825,607</td>
</tr>
<tr>
<td>Indirect</td>
<td>$86,829,284</td>
<td>$48,402,707</td>
<td>$135,231,991</td>
</tr>
<tr>
<td>Total</td>
<td>$290,765,912</td>
<td>$162,086,529</td>
<td>$452,852,441</td>
</tr>
</tbody>
</table>

**Competition from Other Industrial Parks**

A comprehensive overview of competing parks is located Chapter 5, Table 5-3. The closest park, which is also the largest, is located in Hardin, MT, 45 miles south along I-90. The park does have rail access and primarily services the energy industry; however, it will likely not compete with Billings as the area lacks a potential workforce, proximity to key transportation facilities including BNSF and MRL mainlines and quality of life components, which are competitive advantages for Yellowstone County.

**Incentives, Barriers and Marketing Approach**

**Incentives**

A complete listing of grant and funding programs for an industrial park is listed in Chapter 5. General incentives for developing an industrial park and encouraging businesses to locate within it range from tax incentives to land swaps to tax increment finance districts for infrastructure improvements to grants. Because Yellowstone County lacks an industrial park space with few barriers to development, simply providing flexible parcels with infrastructure may be all that is needed to entice an industrial-type business to relocate. However, if BSED and the City of Billings want to encourage redevelopment of the Hospitality Corridor and other industrial areas, the following incentives should be pursued to encourage existing industries to relocate to an industrial park:

- Reduce or waive property taxes for a set amount of time
- Create a Targeted Economic Development District (TEDD) or Business Enterprise Zone
- Collaborate with state representatives to remove or reduce business equipment tax and property tax assessment calculations
- Develop a land-swap program for existing businesses in Hospitality Corridor to relocate
- Provide “certified ready” sites with installed infrastructure and road/rail access
- Acquire a premier transloader to facilitate logistical freight operations on-site
- Coordinate with educational institutions to develop specific workforce training programs
- Utilize local, state and federal grants to fund infrastructure and/or workforce needs
- Refine zoning guidelines and annexation-related policies to encourage park development
Certified Ready Sites

Through multiple stakeholder interviews and inquiries received from both NAI Business Properties and BSED, a common request for “certified ready” or “shovel ready” sites were noted as a key factor for whether a new business was serious about relocating to the Billings Metro Area. As noted in a recent Target Marketing Assistance study from Ady Voltedge, “communities are no longer competing at a state level; rather they are competing at the regional and national level.” In addition, the report noted when these [available sites, buildings and infrastructure such as water, sewer, electric, gas and fiber optic connectivity] are not readily available, economic development efforts will be stunted. Furthermore, it is vital that Yellowstone County and the Billings Metro Area have a plan for infrastructure and where future industries can locate, including zoning and annexation plans, so potential companies such as manufacturing industries can effectively plan for relocation or expansion.

Certified ready sites are generally considered to have infrastructure in place such as water, sewer, power, roads, rail and telecommunications. While no national definition or designation exists, several states have adopted certified ready programs to entice development. BSED could develop a program to establish certified ready sites and the attributes associated with it, whether it be installed infrastructure (water, sewer, power, roads, rail), environmental and soils analysis, zoning/entitlements, title work, tenant-finished buildings, etc.

South Dakota’s Certified Ready Sites (CRS) Program “is an economic development tool available to all cities, counties and developers in the state. The purpose of the program is to promote commercial and industrial sites that are development ready. The South Dakota CRS Program is operated under the supervision of the Governor’s Office of Economic Development (GOED) for the purpose of providing consistent information on-sites available throughout the state.”

Minnesota also has a similar program called Shovel-Ready Site Certification, whereby shovel-ready sites “certify that the most time-consuming technical and regulatory aspects of development (zoning, title work, environmental studies, soils analysis and infrastructure) are already complete. Minnesota’s certification program gives communities a competitive edge by making the sites more attractive to companies and site-selection consultants looking for locations for business startups, expansions or relocations.”

Oregon operates a Certified Industrial Lands program that “offers strategic advantages to industrial development by creating an inventory of highly marketable, project-ready industrial sites that are ready for construction within six months or less.” Sites need to be certified through a certification team administered by the state and have to be recertified every two years. The state also has a “decision ready” designation that is not as comprehensive as a certified site, but can be used as a fast-tracking tool for reducing risk for potential developers.

Barriers

While the need for an industrial park is evidenced in the data and through stakeholder interviews, the Montana Freight Assessment did identify potential barriers to Montana’s overall freight system. The barriers could impact the development of Yellowstone County’s industrial park because the barriers are on a regional and statewide scale. While trucking may be less impacted due to the shorter delivery distances and availability of interstate and highway access, rail would be subject to the barriers identified:

» Inland freight costs to/from Montana make it difficult (or impossible) to compete with companies located near or at ports or major distribution center
» Railroads not currently providing intermodal train service to Montana terminals
» Lack of committed trade volume to support the economics of intermodal rail service or facility
» Local governments not involved or supportive of a collective concept (planning implementation)
» Traffic needs to be incremental to existing intermodal terminals currently serving Montana
» Minimal coordination among industries or regions to integrate or share transportation cost
» Fragmented industries over a vast geographic region challenges companies’ efforts to consolidate freight with similar industries or trade lanes
» Rail capacity on trade routes are committed to unit trains with limited additional capacity for intermodal freight
» Lack of workforce to support export needs
» Lack of knowledge or understanding of opportunities and advantages of intermodal or containers freight
» Poor condition of transportation infrastructure, especially in rural parts of the United States

Marketing Efforts

KLJ recommends utilizing a simple site plan to begin marketing efforts to potential businesses. BSED should compile a database with interested businesses and coordinate contact calls with local realtors to determine potential anchor tenants for the park. Once a tenant has been identified as being a suitable industry for the park, BSED should discuss the site plan and identify parcels for locating the potential industry. In addition, a marketing brochure should be created with site characteristics, maps and contact information. The marketing brochure should, at a minimum, include the following information:

» Overall master plan and map of park including possible zoning designations
» Acreage of total park
» Parcel size and locations
» Type of infrastructure available to parcels
» Road and rail layout including major access points for each mode
» Amount of rail frontage; amount of road frontage
» Potential lay down yard and/or warehousing space
» BSED and local realtor contact information
» Preliminary cost estimates for lease or purchase of parcel

Competitive Advantages

Yellowstone County has several competitive advantages for industrial park development. Billings is the largest city in Montana and the region; the next largest metro area is Bismarck-Mandan in North Dakota. Yellowstone County also has the lowest unemployment rate, the fourth highest percent of people with bachelor’s degrees and is projected to have the second highest non-farm earnings for all metro counties in Montana. Moreover, Billings is at the intersection of two primary shipping corridors for trucks, movements including I-90 that travels south into Wyoming and has connections to Denver as well as I-94, which connects Minneapolis/Saint Paul to Seattle. BNSF railways Class I main line also runs through Billings, and portions are leased and operated by MRL. Because of this, industries requiring the efficient movement of goods and products have several options for doing so.

Yellowstone County also has three colleges that are more than willing to develop and create training programs to assist new industries with workforce skills and the needed employees for specialized jobs. This is especially important for new industries, which may not have available workforce needs in the state of Montana. Lastly, Billings’ quality of life is a major component for attracting and retaining quality employees.

BSED should use these items in their marketing efforts when approaching companies, especially anchor tenants, to locate within the industrial park.

Applicable incentives for each site are listed to display the competitive advantages of each site within Yellowstone County.
CHAPTER 3 – SITE ALTERNATIVES

This study used a series of decision-drivers to evaluate the candidate site locations. Because the search is limited to Yellowstone County, many frequently-used site selection factors are neutralized and therefore excluded from site-specific evaluations. For example, skilled, technical and management workforce availability, some operating costs and vertical building costs are similar across the County. Other factors including the market for a specific industry, or an industry’s proximity to its customers or suppliers, cannot be included in a site evaluation until a specific industry is identified. At that time, some of the factors described below may be adjusted to reflect the particular needs of that industry or group of industries. Table 3-1 at the end of this chapter illustrates comparative site alternative characteristics.

Key Findings and Recommendations

» Potential large acreage sites were identified in Yellowstone County, while rail-served locations are limited. Although property owners are aware of the study, KLJ did not investigate whether properties identified are available.

» Stakeholders interviewed, including infrastructure owners and elected officials, generally agreed that potential sites identified are viable and could support an industrial park.

» Proper time allowance for entitlements should be anticipated, since two of the three site areas are not currently part of adopted long-range planning or zoning documents.

» Infrastructure deficiency is a challenge, and addressing this issue would be a prerequisite to developing any of the three sites. Potential infrastructure costs and timeline implications should be anticipated with all potential sites.

Site Evaluation Process

Site evaluation went beyond simply checking off infrastructure availability and parcel size. Several potential site options were identified within Yellowstone County and determining specific site viability was completed in two stages.

The first stage was a general search using property size and infrastructure as the principal criteria. The initial search focused on properties that were 100 to 500 acres in size (or could be aggregated to reach that total), could potentially be served by both public and private utilities, were close to the interstate and in proximity to the BNSF Railway mainline.

This initial stage concluded with a search that yielded numerous potential locations. Next, based on KLJ’s market research and input from stakeholder interviews, further refinement was necessary. Narrowing down the site options focused on property that could potentially be rail-served without exorbitant costs associated with a grade-separated railroad/interstate crossing. Stage one culminated with the three site alternatives shown on Figure 3-1. The three sites are known as Spurling Siding, BN Industrial Subdivision and Lockwood Area. Although site selectors and developers will eventually use unique criteria to meet specific business model objectives, the site evaluation criteria used for the purposes of this study are more generalized. The project criteria for candidate site evaluation are grouped into the following primary categories:

1. Size – 100 to 500 acres, as mentioned above
2. Utility and Transportation Infrastructure
3. Regulatory Requirements and Environmental Constraints
4. Future Compatibility
5. Property Development Considerations
Infrastructure Deficiency

Although some utility and transportation infrastructure is either on-site or nearby, most of the sites do not have adequate existing infrastructure to support this large-scale development at full build-out. It is likely that upgrades to existing private (utilities and rail) and public (utilities and roads) infrastructure will be necessary. One of the next implementation steps should entail detailed preliminary engineering analyses of all infrastructure to determine associated costs and time lines required to address infrastructure deficiency.

Utility Infrastructure

General Availability

Utility infrastructure is available to all locations, but each has constraints and will require in-depth capacity studies prior to design and construction. The Lockwood Area and Spurling Siding locations are undeveloped, which requires extension of public and private utilities to serve the sites. The BN Industrial Subdivision has existing utility infrastructure; however, most is aged and likely requires rehabilitation as part of redevelopment.

Storm Water Infrastructure

Storm water infrastructure design and construction will be subject to storm water management criteria established by either City of Billings, Yellowstone County or Montana Department of Environmental Quality (DEQ), depending on the site location. It is likely that storm water management would be on-site or adjacent to the properties, as conveying runoff off-site is likely not feasible or in accordance with current local regulations.
**Utility Infrastructure**

*Utility infrastructure is available to all locations, but each has constraints and will require in-depth capacity studies prior to design and construction.*

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**Water and Sanitary Sewer**

Connecting to public water supply and sanitary sewer is feasible for all sites, and should be anticipated. The Lockwood Area could be served by either Lockwood Water & Sewer District (LWSD) or City of Billings, depending on annexation and LWSD boundary expansion scenarios. However, only the City of Billings water treatment plant (WTP) has existing capacity to serve the Lockwood Area sites at full build-out; the Lockwood WTP would require upgrades to eventually serve the Lockwood Area sites. City of Laurel indicated that upgrades to both the WTP and wastewater treatment plant (WWTP) would likely be necessary to fully develop Spurling Siding. The BN Industrial Subdivision would likely require rehabilitation of aged water and sanitary sewer infrastructure, but no upgrades to the City of Billings WTP or WWTP are anticipated.

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**Power**

Electric utility infrastructure is in proximity to the sites, but additional capacity may be required. To determine the ability for either power company to serve a site, a load interconnection feasibility study request will be required at the time of initial proposed requests for service, which typically lasts 3-6 months with an associated fee. It is assumed that any site developed would eventually have a demand of greater than 1 megawatt and that a likely load for an industrial park might range between 1 and 6 megawatts, depending on the tenants for a respective location.

The electrical service providers to each site are either Northwestern Energy (NWE) or Yellowstone Valley Electric Cooperative (YVEC), and depending on the site location both providers could be involved with providing service. A preliminary infrastructure analysis was conducted by NWE to generally describe the availability and capacity for each of the three potential sites, which is summarized below.

**Spurling Siding Site**

NWE and YVEC both have infrastructure in this area, and as such, the service provider (depending on loads) may be determined based on the Montana Code Annotated Territorial Integrity laws. In either case, infrastructure upgrades would be necessary, and this location is the lowest rated of the three sites based on electric infrastructure availability.

**BN Industrial Subdivision Site**

NWE is the service provider to this area. Following the completion of substation upgrades, the existing infrastructure will have capacity to serve industrial users. This location is the highest rated site based on electric infrastructure availability.

**Lockwood Area Sites**

Similar to Spurling, both NWE and YVEC have infrastructure in this area, but the “last mile” retail service is provided by YVEC. However, the YVEC substation is served by a NWE transmission line that could be nearing capacity, and any significant additional loads may require upgrades to the transmission line. Load Interconnection Studies may be required to satisfy both NWE and YVEC service requirements. This location is rated in the middle of the three sites based on electric infrastructure availability.

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**Fiber Optics**

Accessibility of communications, specifically broadband or high bandwidth communications, was also considered. The local telephone provider for the area is Century Link and the local cable provider is Charter, both capable of providing these services. There are several other communications-related service providers in Yellowstone County, however, that should not be overlooked, such as VisionNet, Triangle Telephone, Cutthroat Communications and Mid-Rivers Communications.

Once site location has been chosen, potential providers will need to be brought together to determine their willingness to provide broadband to the proposed area, the associated costs and the type of infrastructure that will be utilized. With the number of broadband providers in the area, the broadband needs of the proposed Industrial Park should be accommodated.
Natural Gas

MDU is the natural gas provider for all subject areas. Preliminary natural gas information was obtained by KLJ for the purposes of this feasibility study, and MDU will be able to provide more detailed information concerning facility requirements when the natural gas load for the industrial park is available.

**Spurling Siding Site**

Existing natural gas facilities adjacent to the site that would accommodate smaller industrial load with a relatively short main extension. Additional capacity is available adjacent to the site that would require more significant installation of facilities.

**BN Industrial Subdivision Site**

MDU has natural gas facilities within this site that would handle a smaller industrial load. Additional capacity would require a relatively short main extension from existing facilities adjacent to the site.

**Lockwood Area Sites**

MDU has natural gas facilities on Johnson Lane near the southwest corner of the site west of Coulson Road and on Coulson Road that could serve the site east of Coulson Road. Both sites could be served with relatively short main extensions and service lines.

Transportation Infrastructure

Rail and interstate access were primary considerations during the site evaluation process. All sites are along the BNSF Railway mainline, as well as within reasonable proximity to I-90. See Chapter 4 – Site Operations for additional discussion on existing and future transportation infrastructure. Ease of truck access is not the same for each site. Although Table 3-1 addresses proximity to I-90 it is worth noting that without significant road network improvements, BN Industrial Subdivision and Spurling Siding would require truck traffic to navigate through local streets prior to I-90 access. The Lockwood Area has more convenient I-90 access.

### Significant local road network upgrades will likely be necessary prior to full build-out of any potential site.

Regulatory Requirements and Environmental Constraints

**Building Permits**

Building permits will be obtained from either the local jurisdiction or the State of Montana. Aside from satisfying potential permit requirements below prior to obtaining a building permit, constraints related to building permit approvals are not anticipated.

**Air Quality**

A final determination is not possible until specific land uses and tenants are known. The Billings airshed meets National Ambient Air Quality Standards (NAAQS) for criteria pollutants.

**Flood Hazard**

Flood hazards are not pertinent to the BN Industrial Subdivision and Spurling Siding sites. However, the Lockwood Area site is within FEMA floodplain and floodway designations, and would require additional investigation to mitigate potential impacts and obtain necessary permitting.

**Other Required Permits**

Other required permits will be identified during preliminary project planning with appropriate state and federal agencies. At the lead agency’s discretion, it may be necessary to conduct environmental documentation according to the National Environmental Policy Act, such as an Environmental Assessment (EA) or an Environmental Impact Statement (EIS). Environmental documentation requires federal review, which can take 12 months or longer for approval.
Cultural/Historic Resources

Ideally, there is documentation that there are no cultural/historic resources on-site. Costs and time of addressing cultural/historic resources should be covered in site development cost criteria. A review of the National Register of Historic Places database and related mapping indicates there are 34 listings within Yellowstone County on the National Register of Historic Places; none are located on or near the candidate sites.

Endangered/Threatened Species

The Montana animal species of concern report is produced jointly by the Montana Natural Heritage Program (MTNHP) and Montana Fish, Wildlife and Parks. Montana animal species of concern are native Montana animals (including mammals, birds, fish, reptiles, amphibians and invertebrates) that are considered to be “at risk” due to declining population trends, threats to their habitats and/or restricted distribution. KLJ conducted a cursory review of available literature, and although additional environmental research will be necessary with any of the sites, initial indications are positive. It is unlikely that any threatened, endangered, candidate or proposed species would occur at any of the potential project sites. In addition, due to conditions present at each potential site, it is unlikely that any MTNHP special status species or species of concern would be present at any of the sites.

Future Compatibility

Existing Land Use

The Lockwood Area land uses include residential, farmstead, commercial, agricultural and vacant. The BN Industrial Subdivision land uses include commercial, industrial, public/exempt and vacant. A majority of the site is utilized as commercial. The Spurling Siding is currently utilized as farmstead, which includes a residential dwelling, associated buildings and surrounding land.

Zoning

Zoning and related regulations permit the use of the candidate site for an industrial site. If local regulations do not currently permit an industrial development or other related regulations (such as height or noise restrictions) preclude an industrial use on the candidate site, it could be a lengthy process to obtain a change in zoning or obtain a conditional use permit. Zoning districts, per the Unified Zoning Regulations for Billings and Yellowstone County, for each site are identified below, followed by a brief description of each district.

The Lockwood Area includes four zoning districts: Controlled Industrial, Heavy Industrial, Agricultural Open Space and Agricultural Suburban, with the majority of the site designated as Heavy Industrial. In addition, a portion of the Lockwood Area is not zoned. The BN Industrial Subdivision is located within the City of Billings and is entirely within the Controlled Industrial district. The Spurling Siding is within an area of the county with no zoning.

Controlled Industrial

The Controlled Industrial district is intended to accommodate a variety of business, warehouse and light industrial uses related to wholesale. It can also accommodate other business and light industries not compatible with other commercial districts.

Heavy Industrial

The Heavy Industrial district is intended to accommodate manufacturing, processing, fabrication and assembly of materials and products.

Agricultural Suburban

The Agricultural Suburban district is intended to protect and preserve agricultural lands for limited agricultural functions, and to provide a buffer between urban and unlimited agricultural uses.

Agricultural Open Space

The Agricultural Open Space district is intended to preserve agricultural lands for a wide range of agricultural functions, and limit the scattered intrusion of uses not compatible with an agricultural environment.
Future Land Use

Local future land use mapping and policies should be compatible with the use of the candidate site for an industrial park. If they do not currently permit an industrial development, it could be a lengthy process to obtain a change in future land use designation or adopted policies (for example, there could be an adopted policy precluding new industrial development adjacent to existing residential uses).

The “County/City Planning Board Growth Map” illustrates projected growth trends based on the Yellowstone County Board of Planning’s understanding of future growth rates and land use needs. The map is not regulatory, but included in the Yellowstone County and City of Billings 2008 Growth Policy Update as “an example of how both market forces and community planning might affect future patterns of development.” It should be noted that the City/County Growth Policy and associated maps will be updated in 2015.

Property Development Considerations

All of the sites are comprised of multiple parcels owned by different entities. Property owners were identified in and adjacent to all sites and provided to BSED. A title report was not obtained for any of the sites, which will be recommended as subsequent project phases occur.

The BN Industrial Subdivision is already subdivided and zoned Controlled Industrial. Unless specific property owner needs require otherwise, land assemblage is not necessary. Land assemblage would be required for the Lockwood Area site and Spurling Siding site.

Table 3-1: Comparative Site Alternative Characteristics

<table>
<thead>
<tr>
<th>Site Size, Availability and Cost</th>
<th>Spurling Siding</th>
<th>BN Industrial Subdivision</th>
<th>Lockwood Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approximate Site Size</td>
<td>150 Acres</td>
<td>230 Acres</td>
<td>320 Acres (west) 170 Acres (east)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Utility Infrastructure</th>
<th>Spurling Siding</th>
<th>BN Industrial Subdivision</th>
<th>Lockwood Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water and Sanitary Sewer</td>
<td>2.4-Mile Extension Required</td>
<td>Rehabilitation/Replacement Likely</td>
<td>1.5-Mile Extension Required</td>
</tr>
<tr>
<td>Storm Water Infrastructure</td>
<td>Non-Existent</td>
<td>Rehabilitation/Replacement Likely</td>
<td>Non-Existent</td>
</tr>
<tr>
<td>Power Infrastructure Availability</td>
<td>Significant Upgrades Necessary</td>
<td>Minor Upgrades Necessary, If Any</td>
<td>Some Upgrades Necessary</td>
</tr>
<tr>
<td>Fiber Optics</td>
<td>Non-Existent</td>
<td>Some Existing Service</td>
<td>Non-Existent</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>Some Existing Service</td>
<td>Some Existing Service</td>
<td>Some Existing Service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transportation Infrastructure</th>
<th>Spurling Siding</th>
<th>BN Industrial Subdivision</th>
<th>Lockwood Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interstate Access</td>
<td>1.9 Miles (Adjacent to Future West Laurel Interchange)</td>
<td>1.5 Miles</td>
<td>1.7 Miles</td>
</tr>
<tr>
<td>Rail Proximity</td>
<td>Adjacent to Existing Siding</td>
<td>Existing Spurs On-Site</td>
<td>Adjacent to Main Line</td>
</tr>
<tr>
<td>Internal Loop Track Feasibility</td>
<td>Possible, with Site Expansion</td>
<td>Not Possible</td>
<td>No Zoning</td>
</tr>
<tr>
<td>Billings Logan International Airport Proximity</td>
<td>19.5 Miles</td>
<td>6.5 Miles</td>
<td>9.5 Miles</td>
</tr>
<tr>
<td>Public Transportation Availability</td>
<td>No Public Transit is Available</td>
<td>Site Bisected by the 3D Crosstown Route and Close to the 9D Central Route of the City of Billings MET Transit</td>
<td>No Public Transit is Available</td>
</tr>
</tbody>
</table>
### Table 3-1: Comparative Site Alternative Characteristics (continued)

<table>
<thead>
<tr>
<th>Regulatory Requirements and Environmental Constraints</th>
<th>Spurling Siding Site</th>
<th>BN Industrial Subdivision Site</th>
<th>Lockwood Area Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Zoning</td>
<td>None</td>
<td>Controlled Industrial District</td>
<td>Controlled Industrial, Heavy Industrial, Agricultural Open Space and Agricultural Suburban. In addition, a portion of the Lockwood Area is not zoned. A majority of the site is designated as Heavy Industrial.</td>
</tr>
<tr>
<td>Topography</td>
<td>Level</td>
<td>Level</td>
<td>Level, with Small Bench Adjacent to I-94</td>
</tr>
<tr>
<td>Flood Hazard Considerations</td>
<td>Not Anticipated</td>
<td>Not Anticipated</td>
<td>Floodplain Permit Required</td>
</tr>
<tr>
<td>Wetlands Impacts</td>
<td>Not Anticipated</td>
<td>Not Anticipated</td>
<td>Minor Impacts Possible</td>
</tr>
<tr>
<td>Endangered/Threatened Species Impacts</td>
<td>Not Anticipated</td>
<td>Not Anticipated</td>
<td>Not Anticipated</td>
</tr>
<tr>
<td>Cultural/Historical Resources Impacts</td>
<td>Not Anticipated</td>
<td>Not Anticipated</td>
<td>Not Anticipated</td>
</tr>
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<td>Air Quality Concerns</td>
<td>Not Anticipated</td>
<td>Not Anticipated</td>
<td>Not Anticipated</td>
</tr>
<tr>
<td>Future Compatibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Existing Land Use</strong></td>
<td>Farmstead that includes a residential dwelling, associated buildings and surrounding land</td>
<td>A majority of the site is utilized as commercial; other land uses include industrial, public/exempt and vacant</td>
<td>Land uses include residential, farmstead, commercial, agricultural and vacant</td>
</tr>
</tbody>
</table>

**chapter 3 – site alternatives**
### Table 3-1: Comparative Site Alternative Characteristics (continued)

<table>
<thead>
<tr>
<th>Adjacent Land Uses</th>
<th>Spurling Siding Site</th>
<th>BN Industrial Subdivision Site</th>
<th>Lockwood Area Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location adjacent to undeveloped property or property used for industrial use</td>
<td>North: Agricultural, Residential</td>
<td>Commercial, Public/Exempt</td>
<td>Commercial, Public/Exempt, Vacant</td>
</tr>
<tr>
<td></td>
<td>South: Agricultural, Residential, Vacant</td>
<td>Commercial, Residential</td>
<td>Commercial, Vacant</td>
</tr>
<tr>
<td></td>
<td>East: Farmstead, Residential</td>
<td>Commercial, Public/Exempt, Residential</td>
<td>Agricultural, Commercial, Residential</td>
</tr>
<tr>
<td></td>
<td>West: Farmstead</td>
<td>Commercial, Public/Exempt</td>
<td>Commercial</td>
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</table>

<table>
<thead>
<tr>
<th>Adjacent Zoning</th>
<th>Spurling Siding Site</th>
<th>BN Industrial Subdivision Site</th>
<th>Lockwood Area Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location adjacent to undeveloped property or property zoned for industrial use</td>
<td>North: No Zoning</td>
<td>Residential 6000, Public</td>
<td>Agricultural Open Space, No Zoning</td>
</tr>
<tr>
<td></td>
<td>South: No Zoning</td>
<td>Community Commercial, Highway Commercial, Heavy Industrial</td>
<td>Highway Commercial</td>
</tr>
<tr>
<td></td>
<td>East: Residential Manufactures Home, Residential 200</td>
<td>Heavy Industrial, Public</td>
<td>No Zoning</td>
</tr>
<tr>
<td></td>
<td>West: No Zoning</td>
<td>Public</td>
<td>Agricultural Open Space</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Property Attributes</th>
<th>Spurling Siding Site</th>
<th>BN Industrial Subdivision Site</th>
<th>Lockwood Area Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Assemblage Required</td>
<td>Minimal</td>
<td>Not Necessary</td>
<td>Minimal</td>
</tr>
<tr>
<td>Property Available</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Portions Available</td>
</tr>
<tr>
<td>Development Flexibility (Layout, Circulation, Etc.)</td>
<td>Flexible (undeveloped)</td>
<td>Built-Out</td>
<td>Flexible (undeveloped)</td>
</tr>
<tr>
<td>Financial Incentive Availability</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
CHAPTER 4 – SITE OPERATIONS

At this stage layouts should be viewed as conceptual. Until specific tenant requirements are known, it is advisable to prepare high-level schematics for general discussion purposes with property owners, BSED’s steering committee, rail companies and operators and potential industrial park tenants.

Key Findings and Recommendations

» Site operations are highly dependent on specific tenant needs, and flexible planning and development is strongly encouraged.

» Each conceptual site layout below accommodates rail service; however, it should be noted that not all parcels within the sites will require direct rail access.

» Two of the three site alternatives can be built to suit specific tenant requirements.

» When evaluating internal operations and circulation efficiency, road/rail intersections that could potentially increase track delays should be kept to a minimum.

General Layout Considerations

The site operation plans depicted in Figures 4-1 and 4-2 were prepared to generate an initial concept of how a park might be developed. The primary objective was to evaluate potential for flexible developments as well as constraints to external access and those facing internal operators.

The layout concepts provided include interior space (parcels) that would be directly adjacent to rail along with outlier parcels designated for businesses that would not require direct rail access, and who could potentially be served by a transloader. Specific parcel boundaries are not shown to emphasize the need for flexibility at this stage to accommodate potential tenant requirements.

Emphasis was placed on minimizing road/rail intersections, both exterior and interior to the site. Additionally, providing the general location of internal collector and local roads depicts how truck and train traffic might interact within the subdivision.

Rail Traffic

After consulting with BNSF and Montana Rail Link (MRL) it was concluded that all sites could be served by rail, as long as appropriate improvements were made to eliminate mainline track delays or disrupt other operations. Rail designers evaluated operational considerations with input from both MRL and BNSF during concept development. Although both Spurling and Lockwood locations could conceivably accommodate a loop track design, only one loop concept is shown due to the limited demand for such facilities. The concepts instead focus on spurs with ladder track layouts that would serve numerous parcels, the likes of which could accommodate warehousing and manufacturing facilities, as well as lay down yards.

Truck Routes and Interstate Access

At present, the Spurling and Lockwood locations have reasonable trucking access. However, both have unique roadway considerations. First, the Lockwood Area site is in the vicinity of the future Billings Bypass and Johnson Lane interchange reconstruction. Similarly, the Spurling Siding site is adjacent to the future west Laurel I-90 interchange. In both instances, eventual construction of those improvements would significantly enhance trucking logistics and interstate access.

Existing BN Industrial Subdivision

In the case of the BN Industrial Subdivision, the graphical depiction (Figure 4-3) illustrates the convenience of existing rail infrastructure within the subdivision. Although some track is out of service, much of the track provides access to numerous property within the subdivision. The most practical trucking routes are when traffic enters from the south via King Avenue West and exits by way of Monad Road and South 20th Street West.
Figure 4-1: Spurling Siding

Site Layout Concept

Spurling Siding

- Industrial with Direct Rail Access
- Areas without Direct Rail Access
- Potential Internal Collector Roads
- Potential Future Rail
- Interstate Access Route
- Major Roads
- BNSF Main Line
Figure 4-2: Lockwood Area

Site Layout Concept
Lockwood Area

- Industrial with Direct Rail Access
- Areas without Direct Rail Access
- Potential Future Rail
- Potential Internal Collector Roads
- Interstate Access Route
- Major Roads
- BNSF Main Line
- MDT By-pass Route

Note: Mainline turnouts shown for conceptual clarity only. Actual improvements would require a new siding(s) on both sides of mainline.
Figure 4-3: BN Industrial Subdivision (Existing)
CHAPTER 5 – OWNERSHIP AND DEVELOPMENT ALTERNATIVES

Ownership alternatives range from wholly-owned public and private parks to public/private partnerships to lease options. Ownership alternatives should include a mix of both lease and owner-occupied units to provide a flexible environment for changing economies. The ability to lease property provides an owner the ability to adapt to businesses that may leave or change when new technologies become available or when new businesses relocate to Yellowstone County. Since no specific formula exists for what percentage of sites should be owned versus leased, the owner’s business model will determine the final ownership makeup.

Key Findings
» Majority of existing industrial parks within the region are publicly owned; public-private partnership is second most common owner/manager type
» 75 percent of existing parks are larger than 300 acres
» 5 of 12 parks have a dedicated rail transloader
» 4 transloaders are on BNSF’s Premier Transload Network
» Incentives for infrastructure development were used in majority of parks
» Anchor tenants own lots in majority of parks; lease lots for smaller businesses

Recommendations
» Utilize a public-private partnership which offers the greatest benefits with fewer risks for BSED
» Develop future park locations to include a minimum of 300 acres, or have the potential to expand if built smaller
» Secure a premier transloader; it will make the park competitive on a regional scale
» Implement incentive packages to develop infrastructure to attract industry

KLJ recommends as least 25 percent of the sites or acreage should be reserved for leases. This provides businesses and industries, which do not want to own land, the ability to conveniently locate within the park without needing to worry about land costs and associated taxes. Lease-only sites also provide potential start-up businesses with an opportunity that would not be afforded to them if the business had to purchase land.

To encourage job creation, lease-only sites offer an avenue to spur new businesses without the need for capital investments.

KLJ recommends at least 50 percent of the sites or acreage should be reserved for owner occupied sites. The 50 percent allotment provides Yellowstone County with an increased tax base and also provides future businesses the long-term option and commitment of staying within the park. Additionally, industries that own land are more likely to ensure the industrial park thrives, as they have invested time, resources and money. In turn, these businesses tend to be engaged with marketing and recruiting that will enhance the long-term park viability.
Ownership and Management Alternatives

Management alternatives include either a private or public entity. Private entities can range from a transloader to shortline or mainline railroad companies to investment groups or singular companies. Public entities include cities, counties, economic development agencies or port authorities.

Public Ownership/Management

Public ownership and management of industrial parks is typically what has been done across the region. A public entity such as an economic development agency or port authority owns the land and rail, and either leases or sells parcels within the park. The public entity could either develop infrastructure as needed or allow private businesses to construct infrastructure to their parcels if owned. BSED’s role in this alternative would be substantial, and responsibilities may include securing all funds and grants, working with landowners to obtain land, leading marketing efforts, developing infrastructure and providing overall guidance on park development. This alternative has the greatest risk for BSED with a moderate return; however, if the park develops slowly, BSED will be responsible for committed funds.

Private Ownership/Management

A private entity such as a railroad, transloader or business is a management style that has not been widely used across the region. A private entity would essentially own and manage all aspects of the industrial park including selling, leasing or owning lots, managing transloading functions within the park and constructing infrastructure. BSED’s role in this alternative would be minimal and may only include joint marketing efforts with the private sector. This alternative has the lowest risk for BSED, yet may not allow BSED to implement the community vision for the industrial park.

Public-Private Ownership/Management

A public-private ownership model is commonly used to construct industrial parks because of the unique benefits each entity can provide when developing and managing a park. The public entity can access the expertise and increased efficiencies from the private sector that may be provided by the public sector. The public entity has access to grants and funding sources that a private company could leverage with capital. The public entity can also guide development by ensuring the vision for the community is realized through development agreements with private companies. BSED’s role in this alternative would be substantial, but the risk is spread between the public and private sectors. BSED could define its role and responsibilities that best align with their expertise and utilize a private entity’s expertise when needed. This alternative provides low risk with the greatest return on investment while still allowing BSED to implement the vision for the park.

Figure 5-1: Recommended Division of Owner/Lease Sites
Examples of Public-Private Partnerships

Economic growth and prosperity are substantially hindered when businesses are required to shoulder the full burden of public infrastructure investments. Because the investments ultimately benefit the entire community by creating new jobs, new business and an increased tax base, it implores public sector participation. This is – and has been – an ideal role for BSED. For years, BSED has been instrumental in spurring private sector development by utilizing grants, loans and tax increment financing to offset the costs of public infrastructure associated with private sector projects. BSED’s Memorandum of Understanding with the City of Billings and the Billings Industrial Revitalization District (the 501(c)(6) organization comprised of nearly 300 property owners in the East Billings Urban Renewal District) outlines BSED’s role in revitalization of this formerly blighted area of the City’s oldest industrial lands. Since 2006, BSED has secured and leveraged more than $3 million in local, state and federal funds to spur more than $38 million in private investments. BSED has played an equally critical role in the successful developments of Shiloh Crossing, Cabela’s, TransTech and GE – all of which contribute substantially to the local economy, year over year – and required some measure of public partnership.

That said, infrastructure investments in industrial parks are vital to reach build-out, particularly when such parks offer rail siding and transloading. However, rail-served industrial parks are costly and require substantial investments in public infrastructure. The private sector simply cannot shoulder all of these costs. BSED can play a critical role in offsetting costs.
Development and Management Tools

Several options exist for ensuring the intent of the industrial park targets and retains industrial uses and preserves rail access to rail-only companies while also preserving non-rail sites for businesses that only require trucking or transloading shipments. If the park is developed privately, local jurisdictions have little control regarding the management operations within the park. However, if a public entity remains the property owner, it can dictate management options, including transloading, deed restrictions and owner/lease agreements.

Table 5-1: Comparative Aspects of Ownership and Development Alternatives

<table>
<thead>
<tr>
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<th>Public Ownership</th>
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<td>Expertise and Increased Efficiencies</td>
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<td>Flexibility in Site Design</td>
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<td>BSED Opportunity Fund</td>
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<tr>
<td>NMTC</td>
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</table>
Transload Operator/Park Management

Transloading is the loading and unloading of goods and commodities from truck to rail, rail to truck, truck to air, etc. A qualified transloader who has a proven track record of operating within industrial parks has the potential to improve revenue for the property owner, as businesses within the park want a company that understands freight logistics. Acquiring a premier transloader would ensure the management of the industrial park would meet the needs of existing and future businesses, as premier transloaders must meet BNSF Railway standards and show a history of proven performance.

KLJ recommends that the future owner should lease out operations on a term-limit (e.g. 5 years) and not manage the park. By leasing operations to a transloader, the property owner can hire a new transloader should the current operator fail to provide quality and efficient service. Additionally, a transloader that has previous experience tends to have a comprehensive understanding of what is needed to service an industrial park that has on-site shipping as well as off-site warehouse or laydown area needs.

Deed Restrictions and Development Agreements

Deed restrictions can be placed on the sale of land that only allow rail-oriented businesses to locate along rail lines and non-rail users to locate near roads or non-rail access sites. Additionally, BSED can preserve the intent of the industrial park through development agreements should future sales occur between multiple owners. The development agreement could require future businesses to produce documents showing the number of potential rail carload shipments, number of jobs produced or amount of truck shipments needed. Failure to produce such information would allow the owner to deny the sale/lease of the property to a business.

Owner/Lease Agreements

Owner and lease agreements are similar to development agreements, which specify what businesses can locate within the rail park. However, the owner and lease agreements should also include a right of first refusal (ROFR) and right of first offer (ROFO). These two mechanisms allow rail-served industries or railroad companies to be given preferential treatment should land become available along rail access lines. The same is true for businesses that require direct access to the interstate or arterial roads, or require close proximity to a transload operator.

A ROFR would specify that a landowner be required to offer to sell the land at a fixed price to the park owner before he/she sells the land to another business or property owner. If the park owner declines to buy the land, the current owner could sell to any entity for the same fixed price.

A ROFO would require a property owner to negotiate a deal with the park owner; should the deal collapse, the property owner would be free to begin negotiations with another entity without price restrictions.

Funding Options and Development Incentives

Funding options and development incentives depend upon the ownership and management style. With a public ownership component, then local, state and federal grant and loan funding options can be utilized. If the park is privately owned, funding options are limited to private investment and few public grants. Other funding options include, but are not limited to, the options listed below and are generally used to develop new industrial parks, although most of the grants listed can be used for redevelopment efforts.

Department of Commerce Economic Development Administration (EDA)

EDA funding is potentially available through Public Works Program funding and Economic Adjustment Assistance Program funding. Economic Adjustment Assistance Program funding can be tied to Public Works Program Funding regardless of economic distress. A potential second scenario to qualify for EDA funding is to assemble a project impact area including Yellowstone County, which could be defined as economically distressed.

Federal Community Development Block Grant (CDBG)

The Federal CDBG is a federally funded pass through grant program from the US Department of Housing and Urban Development. The primary intent of this program is to provide funds to local governments to pay for services that the entity normally provides to a business at a certain cost. Normally, this involves sewer and water lines, fire protection, power lines, roads, public access, etc. Funding may be available through Economic Development Infrastructure, up to $500,000. Water and sewer lines, power, roads, etc. funds may be requested at $35,000 per job created. No match is required.
Montana Community Development Block Grant (CDBG)

The Montana CDBG planning grant funds will be awarded on a continuous basis, as funding allows. Awards are available in amounts up to $30,000 and require a 1:3 match (for every $3 in grant funding, grantees must provide $1 in matching funds) and can be used to finance planning documents including growth policies, economic development related planning studies, neighborhood/redevelopment plans, preliminary engineering reports, reuse of vacant or underutilized industrial sites and other projects deemed eligible by the Department of Commerce. CDBG planning grants are available to eligible counties, cities and towns. Local governments may apply on behalf of special purpose districts (such as water or sewer districts) or on behalf of non-profit organizations.

Rural Business Enterprise Grant (RBEG)

The Rural Development’s RBEG program provides grants for rural projects that finance and facilitate development of small and emerging rural businesses, help fund distance learning networks and help fund employment related adult education programs. RBEGs may fund a broad array of activities such as buying and developing land, establishing a revolving loan fund, constructing buildings, plants, equipment, access to streets and roads, parking areas, utility and service extensions and rural distance learning networks. Rural is defined as communities with a population less than 50,000. The City of Billings would not be eligible for this grant. Grant amounts range from $10,000 to $500,000 and no match is required.

Transportation Investment Generating Economic Recovery (TIGER) Grant

The TIGER grant is a competitive merit-based grant that funds road, rail, transit, multi-use paths and port projects that promise to achieve critical national objectives. Design, permitting and environmental work must be completed to be competitive. Grants typically range from $10 million to $200 million for urban projects and $1 million to $10 million for rural projects. A 20 percent match is required, but 40 percent is needed to make an application competitive.

Railroad Rehabilitation and Improvement Financing (RRIF) Program

This program provides direct loans and loan guarantees to acquire, improve or rehabilitate intermodal or rail equipment or facilities, including track, bridges, yards, buildings and shops; refinance outstanding debt incurred for the purposes listed above; and develop or establish new intermodal or railroad facilities. Under this program the Federal Railroad Administration is authorized to provide direct loans and loan guarantees up to $35 billion to finance development of railroad infrastructure. Up to $7 billion is reserved for projects benefiting freight railroads other than Class I carriers. Direct loans can fund up to 100 percent of a railroad project with repayment periods of up to 35 years and interest rates equal to the cost of borrowing to the government.

Montana Rail Freight Loan Program (MRFL)

The MRFL is a revolving loan fund administered by the Montana Department of Transportation to encourage projects for construction, reconstruction or rehabilitation of railroads and related facilities in the state and implements MCA 60-11-113 to MCA 60-11-115. Loans are targeted to rehabilitation and improvement of railroads and their attendant facilities, including sidings, yards, buildings and intermodal facilities. Rehabilitation and improvement assistance projects require a 30 percent loan-to-value match. Facility construction assistance projects require a 50 percent match.

Eligible applicants for loans under the program include railroads, cities, counties, companies and regional rail authorities. Port authorities may also qualify, provided they have been included in the state transportation planning process. Projects must be integrally related to the railroad transportation system in the state and demonstrate they will preserve and enhance cost-effective rail service to Montana communities and businesses.

Treasure State Endowment Program (TSEP)

TSEP is a state-funded program that has been designed to help address that “affordability” problem by providing grants to lower the cost of constructing public facilities projects. Montana incorporated cities and towns, counties, consolidated governments, Tribal governments, county or multi-county water, sewer or solid waste districts and an authority as defined in 75-6-304, MCA are eligible for funding that can be used for matching grants for local infrastructure projects, matching grants for infrastructure planning and emergency grants for local infrastructure projects.
Targeted Economic Development District (TEDD)

Senate Bill 239 amended the Montana Urban Renewal Law and authorized the creation of Targeted Economic Development Districts or “TEDDs” by local governments (cities and counties). It authorizes the use of Tax Increment Financing (TIF) in TEDDs and clarifies the steps that must be taken by a local government in creating a TEDD that uses a TIF.

Targeted economic development is the development of secondary value-adding industries in areas with infrastructure deficiencies.

Secondary value-added products or commodities are those that are manufactured, processed, produced or created by changing the form of raw materials or intermediate products into more valuable products that may be sold or traded in interstate commerce.

A secondary value-added industry means a business that produces secondary value-added products or commodities, or a business or organization engaged in technology-based operations through the employment of knowledge or labor, adds value to a product, process or export services resulting in the creation of new wealth. For example:

» Processing of raw materials, such as minerals, ore, oil, gas, coal, agricultural products and forestry products
» Processing of semi-finished products used by the industry as a raw material in further manufacturing

A TEDD must:

» Consist of a continuous area with an accurately described boundary large enough to host a diversified tenant base of multiple independent tenants
» Be zoned for use in accordance with the area growth policy
» Not include any property already included within an existing TIF
» Prior to creation, be found to be deficient in infrastructure improvements as stated in the resolution of necessity
» Prior to creation, have a comprehensive development plan in place adopted by the local government(s), ensuring the district can host a diversified tenant base of multiple independent tenants
» Not be designed to serve the needs of a single district tenant or group of non-independent tenants

TEDDs may be managed by:

» City or County Commissions
» City or County Staff
» A Management Contract
» A TEDD Advisory Board

The City or County Commission always has final budget authority.

To establish a TEDD, local governments must:

» Set priorities based on infrastructure needs of targeted industries
» Prepare an annual work plan and corresponding budget
» Identify projects, programs and funding sources
» Assign responsibilities
Suggested development priorities for a TEDD Program include:

» Value-adding activity
» Job creation levels
» Project taxable value
» Leverage ratio
» Private developer/property owner commitments
» Assessment or developer agreements

To pursue a TEDD for an eligible project, these steps are required:

» Hold a public hearing
» Adopt a resolution of necessity, demonstrating the new district will cure deficiencies and improve the applicant’s welfare

Notify and receive approval of the director of the Montana Department of Revenue (this is a lengthy application process)

**Tax Increment Financing (TIF)**

Tax Increment Financing (TIF) is authorized under 7-15-4282 MCA and enables communities to direct property taxes from new development within a designated blighted and/or infrastructure-deficient geographic area to various eligible development activities. TIF is a technique that allows a local government or redevelopment authority to generate new revenues for a group of blighted properties targeted for improvement, known as a TIF district. As improvements are made within the defined district, and as property values increase, the incremental increases in property tax revenue are earmarked for a fund that is used for improvements within the district.

A district is authorized for 15 years, but its life can be extended for up to a total of 40 years if the local government issues a TIF bond any time during the first 15 years. At the termination of the TIF or the payment of outstanding bond, unspent tax increment in the fund must be remitted to the other taxing jurisdictions, unless the municipality has made binding commitments or has established a revolving loan fund per the comprehensive development plan for the district.

Allowable uses of TIF funds by local governments include:

» Business and Technical Assistance
  - Marketing
  - Studies
  - Grants and Loans
» Land and Infrastructure Development
  - Roads
  - Rail
  - Water
  - Sewer
  - Storm Water
  - Utilities
  - Land Improvements
  - Site Preparation
  - Connecting to Services outside the District

Expenditures of TIF-generated revenues are subject to certain restrictions and must be spent within the district. The funds generated from a new TIF district could be used to finance projects other than those listed above, such as street and parking improvements, tree planting, installation of new bike racks, trash containers and benches and other streetscape beautification projects within the designated area. The goal of these types of projects is to create a “sense of place” that is aligned with the overall development.
TIF districts work well with large, expensive projects that promise quick and substantial spikes in the tax increment. Government-owned (tax exempt) property, abandoned buildings, derelict sites in appreciating neighborhoods and projects in locations that have recently been “upzoned” (i.e. approved for higher densities and/or more mixed uses) are common candidates for TIF-financed infill development. The ability to utilize a TIF district must be cited in a local growth policy and as noted in MCA 7-15-4282, an urban renewal plan as defined in MCA 7-15-4206 or a targeted economic development district comprehensive development plan provided in MCA 7-15-4279 must authorize the use of TIF funds and delineate the boundaries of the TIF district.

**Montana Board of Investment (MBOI)**

MBOI provides in-state loan programs for existing businesses. The program is not an option to develop an industrial park, but can be used after it is created to assist with businesses locating in the park. The objective of MBOI’s loan programs are to diversify, strengthen and stabilize the economy with special emphasis placed on investments in new or expanding locally-owned enterprises. Industrial park development aligns well with MBOI’s objectives.

**BSED Opportunity Fund**

The purpose of the Opportunity Fund is to further critical economic development investments in long-term job creating and job retaining ventures. The Fund is similar to the City of Bismarck’s Vision Fund, which was instrumental in the development of the NPCC industrial park.

**New Market Tax Credits (NMTC)**

The NMTC program was implemented by the 2000 Congress as a means to improve economic development among distressed areas and low-income communities. Community Development Entities (CDE) such as MTDCs use their authority to offer individual and corporate investors with modest tax credits in exchange for equity in the CDE. The capital investments are used to support businesses and real estate projects by allowing the CDE to make loans and investments to businesses in distressed areas at better rates than the market. The program provides a tax credit applicable to the investor’s federal income tax return. The tax credit is equivalent to 39 percent of the original investment amount. The tax credit cannot be redeemed before the end of the seven-year period.

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1 MDT, Montana Transportation and Land Use, 2014
Table 5-2: Site Comparison and Funding Options

<table>
<thead>
<tr>
<th>Policy Incentives</th>
<th>Spurling Siding</th>
<th>BN Industrial Subdivision</th>
<th>Lockwood Area</th>
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<tbody>
<tr>
<td>Property Tax Abatement</td>
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<td>√</td>
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<td>TIFD, TEDD*</td>
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<td>√</td>
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<td>Land Exchange</td>
<td></td>
<td></td>
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<tr>
<td>Certified Ready Sites</td>
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<td>√</td>
<td></td>
</tr>
<tr>
<td>Premier Transloader</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workforce Training Programs</td>
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<tr>
<td>Annexation Policy Changes</td>
<td></td>
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<td>√</td>
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<tr>
<td>Refine Zoning Regulations</td>
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<td>√</td>
<td>√</td>
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<table>
<thead>
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<th>Funding Incentives</th>
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<th>BN Industrial Subdivision</th>
<th>Lockwood Area</th>
</tr>
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<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Federal CDBG</td>
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<td>MT CDBG</td>
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<tr>
<td>RBEG</td>
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<td>√</td>
<td>√</td>
</tr>
<tr>
<td>TIGER</td>
<td>√</td>
<td>√</td>
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</tr>
<tr>
<td>RRIF</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>MRFL</td>
<td>√</td>
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<td>√</td>
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<tr>
<td>TSEP</td>
<td>√</td>
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</tr>
<tr>
<td>TEDD (TIF)*</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>MBOI (Post Park Construction)</td>
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<tr>
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<tr>
<td>NMTC</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

* Eligible only if property is annexed into corporate limits.

Case Studies

KLJ initiated the project by facilitating a virtual tour of other regional industrial parks, focusing primarily on the Northern Plains Commerce Centre in Bismarck, ND. The January 1, 2014 presentation was attended by BSED project steering committee members and the purpose was to provide an overview of NPCC planning and development sequences, operations and management structure and general lessons learned. BSED used the findings of this virtual scoping tour to debrief Montana Governor Steve Bullock on the regional significance of this project on January 27, 2014.

Additional case studies are identified in Table 5-3, which show ownership, management and operating models. The case studies demonstrate that a variety of ownership and management structures can work with different parks. The key point is that all industrial parks listed required the political will and cooperation among numerous stakeholders to develop the park.
Figure 5-2: Regional Industrial Parks

Identified Regional Industrial Parks
<table>
<thead>
<tr>
<th>Site</th>
<th>Owner Type</th>
<th>Acres</th>
<th>Available Infrastructure</th>
<th>Model</th>
<th>Tenant Type</th>
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<tbody>
<tr>
<td>Hardin Industrial Park</td>
<td>Two Rivers Authority</td>
<td>800</td>
<td>Partial water, sewer, streets, power, rail</td>
<td>No Transloader</td>
<td>Energy industry</td>
</tr>
<tr>
<td>Belgrade Bruce Industrial Park</td>
<td>Bruce Industrial Park Owners Association</td>
<td>640</td>
<td>No water or sewer as of 2012, partial rail, power</td>
<td>Private parcel ownership</td>
<td>Manufacturing and light industrial</td>
</tr>
<tr>
<td>Livingston Mountain View Office Park</td>
<td>Park County Economic Development</td>
<td>75</td>
<td>Financing for water/sewer improvements in place (2013)</td>
<td>No Transloader</td>
<td>Office</td>
</tr>
<tr>
<td>BN Industrial Subdivision</td>
<td>Individual companies</td>
<td>230</td>
<td>Water, sewer, storm water, streets, power, rail</td>
<td>Baker Transfer Transloader</td>
<td>Office, warehouse, manufacturing, transload</td>
</tr>
<tr>
<td>Bismarck, ND Northern Plains Commerce Centre</td>
<td>City of Bismarck</td>
<td>243</td>
<td>Water, sewer, storm water, streets, power, rail</td>
<td>Tubular Transport Transloader</td>
<td>Energy industry, manufacturing, office, warehouse</td>
</tr>
<tr>
<td>Gillette, WY Energy Park</td>
<td>City of Gillette owns only track</td>
<td>330</td>
<td>Water, sewer, rail, partial storm water, power, streets</td>
<td>City leases track; no Transloader</td>
<td>Energy, manufacturing, office, auto repair, warehouse</td>
</tr>
<tr>
<td>Great Falls, MT Agritech Park</td>
<td>Development Authority</td>
<td>950</td>
<td>Water, sewer, power, telecom, streets</td>
<td>No Transloader</td>
<td>Heavy industrial</td>
</tr>
<tr>
<td>Shelby, MT Port of Northern MT</td>
<td>Port Authority</td>
<td>115</td>
<td>Water, sewer, power, streets, rail</td>
<td>MVR Transloader</td>
<td>Manufacturing and warehouse</td>
</tr>
<tr>
<td>Butte, MT Port of Montana</td>
<td>Port Authority</td>
<td>800</td>
<td>Water, sewer, power, streets, rail</td>
<td>Transloader</td>
<td>Office, warehouse, manufacturing, distribution</td>
</tr>
<tr>
<td>Missoula, MT Development Park</td>
<td>Missoula Development Authority</td>
<td>446</td>
<td>Water, sewer, power, streets, rail</td>
<td>No Transloader</td>
<td>Hotel, restaurants, office, warehouses, residential, manufacturing, parks/trails</td>
</tr>
<tr>
<td>Williston, ND Bakken Industrial Park</td>
<td>Granite Peak</td>
<td>550</td>
<td>Water, sewer, power, streets</td>
<td>No Transloader</td>
<td>Energy and industrial uses</td>
</tr>
<tr>
<td>Casper, WY Casper Logistics Hub</td>
<td>Multiple Owners</td>
<td>700</td>
<td>Water, sewer, power, streets, rail</td>
<td>CHL Transloader</td>
<td>Heavy industrial</td>
</tr>
</tbody>
</table>

*(Data was limited due to proprietary information and available data for public use.)*
CHAPTER 6 – RECOMMENDATIONS AND IMPLEMENTATION PLAN

KLJ’s research indicates that businesses desiring to expand to or locate in Yellowstone County would benefit from a new industrial park with the potential for rail capabilities. While this study provides adequate evidence to assert the feasibility of developing an industrial park in the Yellowstone County area, local market dynamics will signal the direction of that development. It is our recommendation that BSED pursues the next steps toward implementation in support of this strategic opportunity.

The development of an industrial park in Yellowstone County is feasible. Demand for industrial space is substantial. Industrial-sector employment projections, commodity flow patterns by both rail and truck, freight revenue forecasts and stakeholder interviews show that growth in manufacturing and related-industries over the next 20 years will be accompanied by increased demand for industrial land. Yet, Yellowstone County’s industrial land supply is not adequate to meet current or future demand. Local business owners, commercial realtors and government representatives report that the majority of available, developable lands are wrought with a number of constraints. Individual vacant parcels tend to be scattered between existing structures. Most cannot accommodate future expansion or planned assemblage. Several are bound by conflicting land uses. Many have inadequate access for large trucks, limited access to highways and interstates, insufficient utilities and communications infrastructure and limited, if any, access to rail siding facilities. Few include buildings with adequate floor space, ceiling height, fire suppression systems or docking bays. None are certified ready.

Yellowstone County has missed a number of industry opportunities and the trend toward readiness sets it even further behind the competition. It is not surprising that the private sector has initiated development of an industrial park in the Lockwood area. However, each business must shoulder individually the cost burdens of infrastructure deficiencies. The burdens constrain the pace of industrial development. The public sector can play a significant role in promoting the speed of industrial development by alleviating the burden borne by infrastructure deficiencies. Certainly, this role squares well with BSED’s mission, experience and expertise.

Potential Development Scenarios

KLJ has developed three scenarios for the future development of the concept areas identified. Moving forward, more detailed site issues analyses will be completed. Site issues analyses typically include a review of environmental, entitlement, infrastructure and financial constraints. It will also be necessary to refine the concept site layout throughout the planning process in collaboration with rail companies and potential operators. As tenants are targeted and the development becomes clearer, BSED should periodically update and refine the industrial park layout to reflect current market demand.

Spurling Siding

Spurling Siding is generally supported by the City of Laurel and Montana Rail Link (MRL) representatives; however, its present land use and infrastructure constraints may prolong development. One advantage to this potential location is the West Laurel I-90 Interchange construction planned by Montana Department of Transportation (MDT), which likely will enhance future development discussions adjacent to this site. Another advantage is the site’s proximity to the MRL Laurel Yard as related to associated rail operations cost and time considerations.

The property owners located within the Spurling Siding concept area reported that they have no interest in selling or redeveloping their land at this time, yet they are not willing to forego future opportunities to do so. Until such time as the land becomes available on the market, development is not feasible.
BN Industrial Subdivision

Limited development in the BN Industrial Subdivision could proceed sooner than the other sites. Stakeholder interviews with existing property owners, private utility providers and City of Billings representatives suggested a willingness to consider redevelopment. Limitations could be existing site infrastructure not meeting design requirements, as well as required public infrastructure upgrades. However, existing rail and zoning make the location advantageous.

Billings City/Yellowstone County Planning has identified the concept area for potential infill development in accordance to its Infill Development Policy. As that process moves forward, BSED should explore development opportunities in collaboration with City/County Planning. Further assessment of the parcels within the subdivision may meet the standards for urban renewal. Designating the concept area as a TEDD (in the case of secondary value-adding industry) or a TIF district (for maximum land use flexibility) may spur redevelopment by incentivizing private investment.

Lockwood Area

The property owners located within the Lockwood Area reported interest in developing an industrial park. A portion of that concept area contains the Trailhead Commerce Park (TCP), currently envisioned as a rail-served commercial development project for a multi-modal transload, warehousing, manufacturing and multi-use industrial park. Representatives from the Lockwood community, Yellowstone County and City of Billings were amenable to the concept and agreed that continued discussion about potentially developing this area is necessary.

The future Billings Bypass route (see Appendix 6), which will allow smoother truck movement to and from Northern Montana and Canada, squarely intersects with TCP. Consequently, due to its proximity to multiple transportation routes, the Lockwood Area could be a strategic transportation hub for multi-modal transloading, warehousing, manufacturing and light industrial use for the State of Montana. However, the area within and surrounding the Lockwood Area does not have adequate infrastructure to accommodate full-scale industrial development. BSED could be instrumental in furthering the economic development of this area by initiating the development of a TEDD around the concept area. The area could encompass such businesses as Montana Peterbilt, Pacific Steel & Recycling, Axiom International, American Steel and Winkler Trucking, among others. One or more of these businesses could feasibly serve as the area’s anchor tenants. Through development of a comprehensive plan for the larger study area, appropriate boundaries for an industrial park may take shape and may conform to TCP's current boundaries, or extend beyond them into adjacent land area.

Recommended Next Steps and Implementation Strategies

Based on the foregoing analysis and collaborative planning with BSED and local stakeholders, KLJ recommends the following steps and implementation strategies:

1. Capture and synergize the clustered industrial-sector economic activity already underway in the concept areas. Industry clusters lend competitive advantages and costs savings for businesses. Yellowstone County’s industry clusters are ideal for industrial park development. To capture and synergize the clustered industrial-sector economic activity already underway in the concept areas, BSED’s initial approach should include pursuing opportunities to designate the Lockwood area as a TEDD.

2. BSED should initiate the development of a TEDD in the Lockwood concept area. Recent state legislation effecting urban renewal planning law extends to counties the ability to utilize tax increment financing to support secondary value-added industry by creating targeted economic development districts. BSED should partner with the County to create a TEDD in the Lockwood area. BSED should identify all property owners situated within the designated area and prepare a preliminary map of the proposed district for the County Commissioners to consider. Upon approval, BSED should draft a Resolution of Necessity and Statement of Infrastructure Deficiency for review and approval by the Commissioners and County attorney. BSED and the Commissioners should meet with the relevant taxing jurisdictions – including the school district, fire district, water and sewer district and transportation district – to obtain input on TEDD. Upon approval from the Commissioners, BSED should prepare a Comprehensive Development Plan that addresses the district’s infrastructure deficiencies, TIF provision, projects planned to address the deficiency and plans to include secondary, value-added industries. As the County’s economic development arm, BSED is uniquely positioned to administer and manage the TEDD. BSED should identify itself in this role in the Comprehensive Plan. In preparing the Comprehensive Plan, BSED should meet with the City/County Planning Director to ensure that the TEDD conforms to the County’s growth policy and implementation strategies.
3. BSED should work with the property owners in the Lockwood TEDD to outline development roles and development agreements and secure the appropriate approvals. BSED should work collaboratively with property owners to identify the most viable configurations for ownership and management. In the early stages of development, BSED will likely fulfill the role of offsetting public infrastructure costs associated with private investments. As the boundaries of the industrial park within the TEDD are distinguished through the comprehensive planning process, BSED’s role may expand beyond management of the TEDD.

4. In partnership with the City of Billings, BSED should continue discussions with the property owners and businesses in the BN Subdivision to determine the best approach for a redevelopment scenario. BSED should be mindful that the scope of this feasibility analysis did not include an analysis of property owners’ readiness to embrace industrial development opportunities. As such, BSED should assist the City of Billings in determining the best next steps toward redevelopment in the BN Subdivision.

5. BSED should pursue funding to offset development and public infrastructure costs associated with development of an industrial park. As noted multiple times throughout this analysis, rail-served industrial parks are costly, time-intensive ventures. To be successful, BSED should pursue grant funding through the Department of Transportation’s (DOT) Transportation Investment Generating Economic Recovery (TIGER) program, US Economic Development Administration’s (US EDA) Local Technical Assistance programs and construction funding, the Montana Department of Commerce’s Big Sky Trust Fund planning dollars and the Montana Board of Investment’s grant and low-interest loan programs. BSED’s Community Development Department should prepare a funding matrix against development phases, once available.

6. Develop a marketing plan in partnership with the private sector that may include railroad companies and their economic development departments. Readiness is the basis upon which Yellowstone County will compete for new business. BSED’s Marketing Director should take the lead on outlining a marketing plan for the Lockwood area once development roles and responsibilities among public and private partners are agreed upon. The plan should target anchor tenants. Businesses that have clustered in the Lockwood concept area are currently anchoring industrial-sector economic activity. In fact, a few of those businesses have stepped forward to develop a concept for an industrial park. These businesses could serve as the area’s anchor tenants, among them, the businesses comprising the proposed Trailhead Commerce Park, Pacific Steel & Recycling, Montana Peterbilt, American Steel and Winkler Trucking, among others.

KLJ recommends utilizing a simple site plan concept to begin marketing efforts to potential businesses. BSED should compile a database with interested businesses and coordinate contact calls with local realtors to determine potential anchor tenants for the park. Once a tenant has been identified as being a suitable industry for the park, BSED should discuss the site plan and identify parcels for locating the potential industry.

Marketing efforts should focus on those industries that are projected to grow as noted in Chapter 2 – Market Analysis. Industries such as agricultural processing facilities; mid-stream and down-stream oil and gas businesses; precision manufacturing; transportation, warehouse and logistics; and value-added coal and oil/gas industries will have the greatest use potential for a new industrial park. In addition, companies processing cereal grains and non-metallic minerals such as sand, gravel and stone will also be a viable anchor tenant.

BSED should also consider formally soliciting proposals from operators and/or transloaders. Acquiring a premier transloader with a proven track record will enhance the marketability of an industrial park, especially if an anchor tenant requests transloading facilities. Without a transloader, some companies may be reluctant to commit because they may not have the capability of unloading or transferring goods from one mode to another or into storage/lay down yards. More importantly, a transloader will also help market the industrial park to future tenants, as most transloaders receive a weekly fee for the work they perform for each company.

These implementation strategies are designed to better prepare Yellowstone County to capitalize on its competitive advantages, better position it to meet the growing demands for industrial space and to place it among the region’s “ready” communities.
Appendix 1 – KLJ Scoping Tour Table
Appendix 2 – Industrial Lands Map
Appendix 3 – Spurling Siding Concept
Appendix 4 – BN Industrial Subdivision (Existing)
Appendix 5 – Lockwood Area Concept
Appendix 6 – Billings Bypass Concept Diagram
### APPENDIX 1 – KLJ SCOPING TOUR TABLE

<table>
<thead>
<tr>
<th>Project Owner/Developer</th>
<th>Northern Plains Commerce Center</th>
<th>Port of Northern Montana Multimodal Hub</th>
<th>Gillette Rail Spur Utilization Study</th>
<th>Kalispell Market &amp; Feasibility Analysis</th>
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</thead>
<tbody>
<tr>
<td>City of Bismarck</td>
<td>City of Shelby/Port of Northern Montana</td>
<td>City of Gillette</td>
<td>Flathead County EDA</td>
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<th>Property Owner</th>
<th>Northern Plains Commerce Center</th>
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<th>Gillette Rail Spur Utilization Study</th>
<th>Kalispell Market &amp; Feasibility Analysis</th>
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<td>City of Bismarck</td>
<td>City of Shelby/Port of Northern Montana</td>
<td>City of Gillette</td>
<td>Flathead County EDA</td>
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<th>Gillette Rail Spur Utilization Study</th>
<th>Kalispell Market &amp; Feasibility Analysis</th>
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<tbody>
<tr>
<td>Retaining Bobcat</td>
<td>Mini Refinery Biodiesel Plant Crushing Facility</td>
<td>Utilize Existing Rail CM (Business) – New Rail</td>
<td>Relocate CHS Job creation</td>
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<table>
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<th>Gillette Rail Spur Utilization Study</th>
<th>Kalispell Market &amp; Feasibility Analysis</th>
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</thead>
<tbody>
<tr>
<td>Local EDA (Vision Fund)</td>
<td>Local, TIF TIGER, EDA FRA, FHWA</td>
<td>Local</td>
<td>Local, EDA EPA Brownfield TIGER potentially</td>
<td></td>
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<tr>
<td>CIP (utilities)</td>
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<table>
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<th>Anchor Tenant (s) (present or future)</th>
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<th>Port of Northern Montana Multimodal Hub</th>
<th>Gillette Rail Spur Utilization Study</th>
<th>Kalispell Market &amp; Feasibility Analysis</th>
</tr>
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<tr>
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<td>Wind Industry CHS (Malt Barley) Pork Processing</td>
<td>Mountain Mud Homex ICM</td>
<td>CHS Northwest Drywall Blackwell</td>
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<th>Northern Plains Commerce Center</th>
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<th>Kalispell Market &amp; Feasibility Analysis</th>
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<td>Mallory Alexander</td>
<td>TBD – likely outside party</td>
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<th>Gillette Rail Spur Utilization Study</th>
<th>Kalispell Market &amp; Feasibility Analysis</th>
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</table>
APPENDIX 2 – INDUSTRIAL LANDS MAP

This document is intended for informational purposes only and is not guaranteed to be accurate nor current.

8/4/2014

YELLOWSTONE COUNTY GIS

Document Path: M:\DBP-BSEDA\IndustrialZoning.mxd
APPENDIX 3 – SPURLING SIDING CONCEPT

Site Layout Concept

- Spurling Siding
- Industrial with Direct Rail Access
- Areas without Direct Rail Access
- Potential Future Rail
- Interstate Access Route
- Major Roads
- BNSF Main Line

Future West Laurel Interchange
1.3 Miles Potential Water Main Extension
2.5 Miles Potential Water and Sewer Extension
APPENDIX 6 – BILLINGS BYPASS CONCEPT DIAGRAM