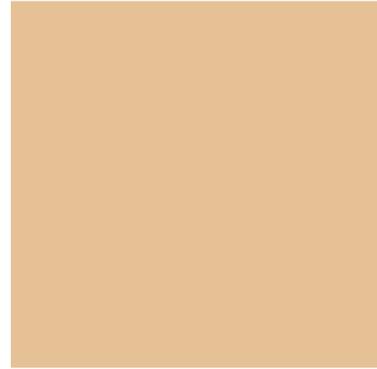
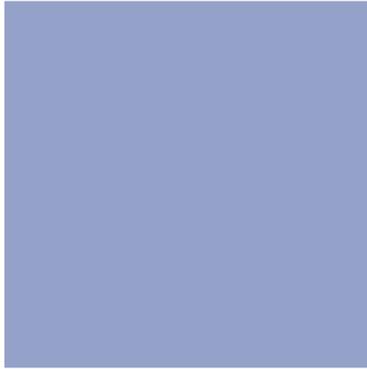




# Lockwood TEDD Strategic Plan



BIG SKY  
**ECONOMIC**  
DEVELOPMENT

EDA • EDC    CREATING MONTANA BUSINESS OPPORTUNITIES

**FINAL DRAFT**  
**NOVEMBER 2016**

**SANDERSON**   
**STEWART**



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## **STEERING COMMITTEE**

Mike Aritzia, Lockwood Water & Sewer District

Kevin Gustainis, Property Owner

Marshall Knick, Property Owner

Tim Miller, Yellowstone County Public Works

Cory Moore, BSED Board Member

Tobin Novasio, Lockwood Schools

Vu Pham, Property Owner

Bob Riehl, Lockwood Steering Committee

Robin Rude, Montana Department of Revenue

Terry Seiffert, Property Owner

John Staley, Lockwood Fire District

Nic Talmark, Property Owner

Scott Walker, City/County Planning

Woody Woods, Lockwood Steering Committee

## **CONSULTANT TEAM**

### *SANDERSON STEWART*

Lauren Waterton

Michael Sanderson

Mac Fogelsong

Carol Sperat

### *ECONOMIC & PLANNING SYSTEMS, INC.*

Brian Duffany

Sean Garvey

### *LAND DESIGNS, INC*

Stacey Robinson

Kurtis Grow

## **BIG SKY ECONOMIC DEVELOPMENT**

Steve Arveschoug, Executive Director

Dianne Lehm, Community Development

Katy Easton, Community Development

Allison Corbyn, Business Recruitment



# INTRODUCTION



## Plan Purpose

The Lockwood Targeted Economic Development District (TEDD) has the potential to add a new dimension to the economic life of Yellowstone County. By creating an active business environment around the needs of industrial and manufacturing employers, the District will serve the needs for creating economic activity within Yellowstone County. This includes the potential to attract emerging, established, relocating, and growing businesses. The TEDD Strategic Plan provides a path for further developing a competitive advantage for Yellowstone County over competing locations for business and professional employment. The work plan and implementation strategies demonstrate how strategic investments can transform the area and provide a basis for prioritizing future activities.

The purpose of the Lockwood TEDD is to provide planned industrial space in order to attract and retain industrial and manufacturing businesses in Yellowstone County.

The *Yellowstone County Industrial Park Feasibility Study*, completed in 2014, noted that demand for industrial space is strong and will continue to grow through 2030. It is expected to outpace supply, particularly for space associated with value-added commodities. The study also noted that realtors, developers and business owners interviewed for the study, felt that Yellowstone County had missed opportunities for business development because space was not readily available. As the Study assessed opportunities to create an industrial park, sites throughout Yellowstone County were evaluated, with three concept areas identified for additional analysis. Those concept areas are:

**Spurling Siding** - located west of Laurel near the future West Laurel 1-90 interchange. Because of its location near the Montana Rail Link Laurel Yard, rail operations cost and time considerations could be advantageous. However, the owners of the property are currently not interested in development, therefore development at this site is not feasible.

**BN Industrial Subdivision** – located within the City of Billings, this site offers the opportunity for redevelopment and infill within an existing developed area.

**Lockwood Area** – located north of Interstates 90 and 94, a portion of the concept area includes the Trailhead Commerce Park, envisioned as a rail-served commercial development for multi-modal transload, warehousing, manufacturing and multi-use park. The Feasibility Study identified this concept area as the preferred site for future development of an industrial park.

In response to the needs of the community and recommendations of the *Feasibility Study*, BSED has undertaken the task of identifying multiple sites for planned industrial space that can accommodate the demand for industrial space. In that Study, Lockwood became the preferred location. In an effort to develop a strategy for funding of needed infrastructure improvements, the area is designated as the Lockwood TEDD, with the intent to use tax increment financing for such funding.

## Project Area

Lockwood is an unincorporated community, east of the City of Billings, within Yellowstone County. As the most populous county in Montana, with a population in 2015 of 155,754, Yellowstone County is an economic center for Montana and adjacent states. The community of Lockwood, with access to Interstates 90 and 94 and BNSF railroad, is well suited for industrial development.

The future Billings Bypass route will bisect the TEDD and allow for direct access, increasing the opportunity for this area to be a strategic transportation hub for the region. This increases the opportunities for warehousing, manufacturing and light industrial uses that need access to transportation systems for raw materials and product delivery.

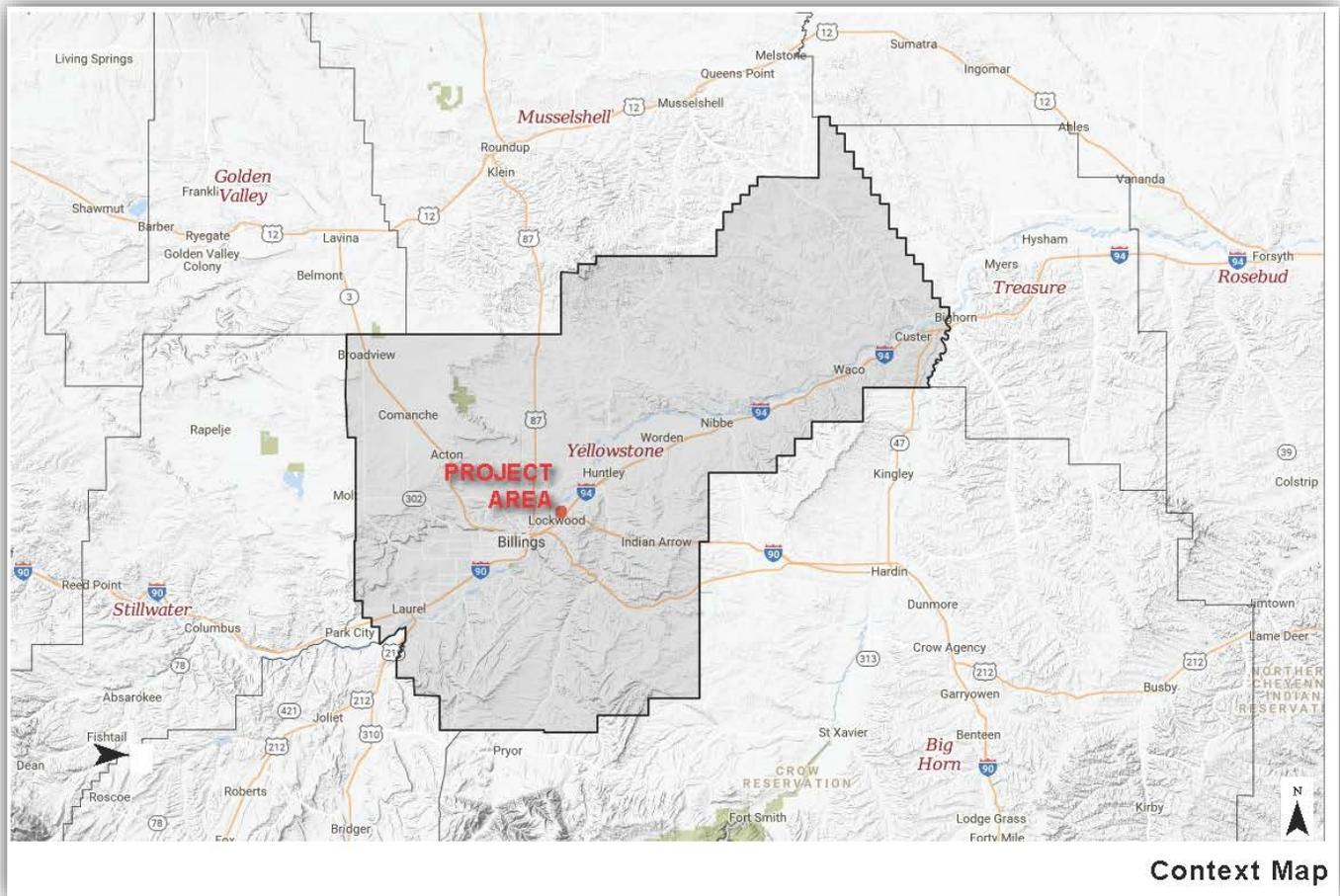


Figure 1 Lockwood TEDD location within Yellowstone County

## Goals and Objectives

The TEDD Strategic Plan responds to the following goals and objectives developed for this project.

### Goals

The goals of Yellowstone County in creating the Lockwood TEDD are as follows:

- Support the expansion of existing industry, and the recruitment of new industry, within Yellowstone County by providing planned, ready-to-go industrial space
- Provide a locally-driven funding tool that can be used to partner with private industry and local developers to fund the construction and maintenance of key infrastructure investments that are needed to foster the growth of value-added industry
- Foster economic and employment opportunities within Yellowstone County and the Lockwood community through the development of secondary value-adding industries
- Create a planned industrial area in Lockwood that attracts industry and leads to additional private investment in the Lockwood area
- Implement a development plan centered around the growth of industrial businesses, while providing the basis for non-motorized transportation improvements around the Bypass project

### Objectives

The intended outcome of this plan is to establish a pathway for stimulating business development in the manufacturing and industrial sectors. The following objectives identify actions by which the goals can be achieved.

- Create an Advisory Board to the Board of County Commissioners to assist with the development of annual work plans and financing strategies for the TEDD
- Develop a master plan that responds to existing and future trends in the industrial and manufacturing sectors
- Create a marketing and recruitment plan for the District
- Identify and secure anchor tenants for the District
- Leverage public funds through job creation and private investment to build infrastructure
- Create an environment that attracts businesses to the District
- Help existing businesses to realize greater opportunity within the District
- Provide easy and convenient access to and through the District
- Define a preferred phasing plan and areas for District expansion
- Implement the non-motorized transportation plan to support pedestrian traffic through the District.

## Plan Framework

The TEDD Strategic Plan is focused on establishing a work plan and program for Yellowstone County, Big Sky Economic Development, property owners and the Lockwood community to follow in order to successfully develop the Lockwood TEDD. The following elements are the basis for this Plan.

### Targeted Economic Development District

In 2013, the Montana Legislature authorized the creation of TEDDs in order to support value adding industries. The use of tax increment financing to help provide infrastructure needed for these industries is a key part of the legislation. The Lockwood TEDD and this Strategic Plan have been developed around the creation of the TEDD and the ability to use tax increment financing as a part of the infrastructure development.

### Market Analysis

The demand for industrial space in the Billings area and likely site absorption within the Lockwood TEDD is a key competent underlying the work plan and implementation recommendations. A complete market analysis, including demand forecast, site absorption, estimated tax increment financing revenues and bonding capacities are included in this Strategy Plan.

### Previous Plans and Studies

Yellowstone County recently updated the Lockwood Growth Policy, which include a growth guideline statement regarding the TEDD. Additionally, the Lockwood Community Plan, Industrial Park Feasibility Study, Lockwood TEDD Study Area Statement of Infrastructure Deficiency, and the Industry Cluster Analysis and Marketing Plan, have been reviewed and used in developing the strategies and recommendations outlined here.

### Recruitment Strategy

Business recruitment efforts seek to attract new enterprise to the TEDD and enhance the success of existing enterprise. Attracting new business promotes economic development by creating new above average paying jobs, building the existing tax base and connecting companies to existing industry clusters to enhance both existing and new business operations. Recruitment to the area will be a joint partnership between the public sector and the private sector. The TEDD Advisory Board, local economic development, service districts, and property owners will provide expertise on these efforts.

### Development Partnerships

TEDD development will be a cooperative effort among the local economic development organization, property owners, service districts, and County staff to achieve its goal of fostering industrial development. These cooperative partners will jointly work to attract businesses to expand and locate within the Lockwood TEDD and provide them with the data, research, tools, programs, and possible funding mechanisms to complete the agreement or partnership.

# MARKET ANALYSIS

# 2



## Introduction

Economic & Planning Systems (EPS) was retained by Big Sky Economic Development (BSED) as part of the multidisciplinary consulting team lead by Sanderson Stewart to evaluate the feasibility of creating a Targeted Economic Development District and a master planned industrial park in the unincorporated Lockwood Area within Yellowstone County, seven miles east of Billings, Montana. This report summarizes:

- An industrial market analysis prepared by EPS;
- Industrial absorption estimates for a Lockwood Industrial Park;
- Phasing recommendations; and
- Tax Increment Financing (TIF) revenue projections within the TEDD for infrastructure financing.

In Montana, the 1974 Urban Renewal statutes allow for the formation of urban renewal districts to use TIF to fund new development in blighted or infrastructure deficient areas. In 2013, the legislature passed an amendment that allows cities or counties to form Targeted Economic Development Districts (TEDD) with the power to use TIF to assist with infrastructure financing for what is termed “secondary value-adding industries”. This amendment therefore now allows for the use of TIF for general economic development and business recruitment projects generating new economic activity. The legislation has been interpreted by the Attorney General to allow TIF in a TEDD to be spent on costs or activities that “support” value adding industries. This is a broad interpretation that allows for flexibility in determining the eligible costs to be funded or financed with TIF dollars.

## Summary of Findings

- **Growth of Billings** – Billings is now over 100,000 people and has generated interest from retailers and restaurants as well as a broader cross section of industrial and service businesses. The industrial market has grown with the overall economy as wholesalers and service providers (e.g. maintenance and repair of equipment) wish to have a presence in Billings. Billings is a retail, health care, service, and distribution hub that services Montana, northern Wyoming, and the western Dakotas.
- **Billings Area Industrial Market** – The Billings area has absorbed approximately 315,000 square feet of industrial space annually over the last 15 years. About 75 percent of the construction and absorption has been in warehousing and distribution space. The majority of industrial building users look for buildings in the 15,000 to 30,000 square foot range. There were fewer than 10 buildings larger than 50,000 square feet built in the past 15 years.
- **Land Availability** – There are land constraints for industrial development. Land on the west side of Billings is more appealing for residential and retail development, and there is greater potential for incompatibility with surrounding residential development. Overall, there is a lack of industrial-zoned land with full municipal utilities reported by brokers interviewed for this study and as reported in the KLJ Engineering study. The Lockwood area has generally compatible land uses, but does not have full utilities at this time.
- **Industrial Demand Forecast** – EPS has estimated that industrial demand will average 258,000 square feet per year for the next 20 years. This translates to roughly 50 to 60 acres per year of gross land area. This is based on projected employment growth of 1.4 percent per year and a ratio of 200 square feet of industrial space per job (total jobs) in Yellowstone County.
- **Lockwood Site Absorption** – The five major industrial areas around Billings have accounted for approximately one-third of the industrial absorption. The remaining development is in scattered locations. It is estimated that a master planned industrial park could capture 25 percent of the market. Its market share could be higher if the development is well executed and marketed but it is not advisable to base phasing and revenue projections on aggressive market assumptions.
- **Phasing Recommendation** – The TEDD tax increment revenue projection period is 15 years. A 15 year first phase of development is recommended to be in the 200-acre to 300-acre range of net developable area. Based on current landowner participation in the TEDD it is estimated that 293 acres are currently available for Phase I as of this writing. The development and financial projections below assume that a 260-acre first phase can be assembled. This phasing recommendation includes a 25 percent increase in land to account for the unrealized potential in the Billings area due to a lack of adequate sites. This also allows for additional planning flexibility to accommodate large industrial tenants and recruiting targets.
- **TEDD Financing Capacity and Infrastructure Costs** – Infrastructure improvements are necessary in order to spur development of the TEDD as the current infrastructure is not adequate to support the planned industrial uses. In order to activate the proposed TEDD site, the road, sewer, and water systems require approximately \$9.5 million in improvements. It is estimated that over 15 years, the TEDD could

generate nearly \$12.0 million in cumulative tax increment revenues. This revenue stream could potentially support financing of \$7.2 million (on year 10 cash flow) to \$10.7 million (on year 15 cash flow). The tax increment financing stream is not likely to be sufficient to support significant amount of financing until at least year 10 of development. This means that other funds will need to be identified to build the infrastructure so that development can move forward. Either a developer or a partnership would need to front end these costs. In addition, it is not guaranteed that bond underwriters would be willing to issue bonds on a potentially risky development.

## Billings Market Context

### Lockwood TEDD Site Description

Lockwood is an unincorporated area of Yellowstone County approximately seven miles east of Billings. An area of Lockwood north of I-90 and east of Johnson Lane has been identified as a potential location for a master planned industrial park. It is already adjacent to other industrial developments, so there may be better compatibility with surrounding land uses than areas on the west side of Billings that are planned for new residential development. The area is level; however, substantial areas of the northern study area are encumbered by Yellowstone River flood plain. Overall, land ownership consists of several large land owners that facilitate land assemblage for a master planned project.

### Billings Location

Billings is located in the south-central part of Montana, as shown in **Figure 2**. The county seat of Yellowstone County, it is the largest city in Montana and the only one with a population of over 100,000. It is located along the I-90 corridor within an 11-hour drive (the maximum daily allowable for truckers) of several major cities including Denver, Salt Lake City, Boise, Spokane, Calgary, and Fargo (**Figure 4**). Billings is also strategically located at the intersection of several Class 1 railroads making it an ideal location for warehousing and distribution operations serving these cities as well as those farther afield such as Minneapolis/St. Paul and Seattle.

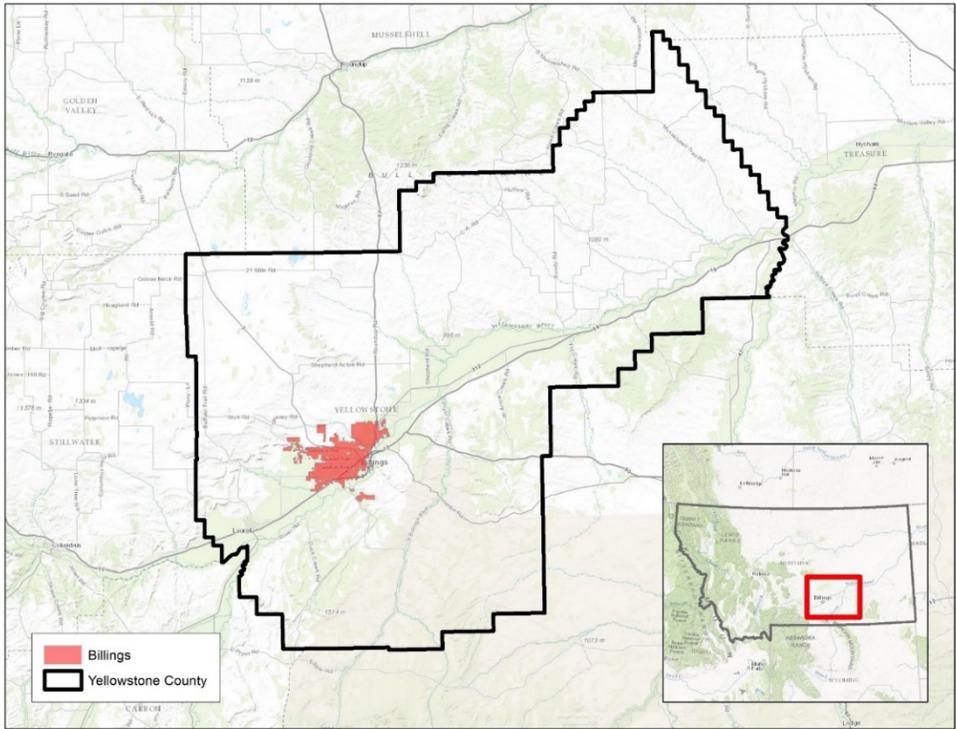


Figure 2 Billings and Yellowstone County, Montana

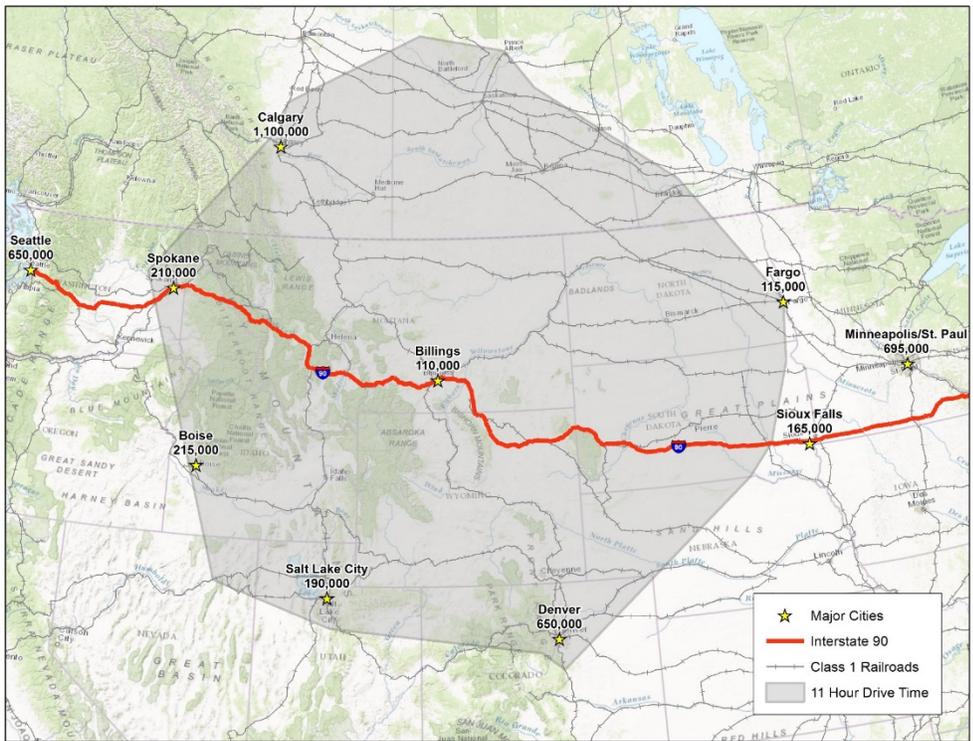


Figure 3 Interstate 90 Corridor

## Population and Households

From 2000 through 2015 Billings added over 16,000 new residents, growing at 1.1 percent annually as shown in **Table 1**. Over that time the City’s share of Yellowstone County’s population declined slightly as other parts of the County grew faster, including Lockwood. Overall, the County added more than 26,000 residents, an average of 1,800 or 1.2 percent annually.

Household growth outpaced population in both cities as well as the remainder of the County signaling an increase in the number of smaller households and a corresponding decrease in average household size.

Table 1 Population and Household Trends, 2000-2015

Geography	2000	2010	2015	Change 2000-2015		
				Tot. #	Ann. #	Ann. %
<b>Population</b>						
Billings	92,609	104,170	108,975	16,366	1,091	1.1%
Laurel	6,257	6,718	6,998	741	49	0.7%
Remainder of County	<u>30,486</u>	<u>37,084</u>	<u>39,781</u>	<u>9,295</u>	<u>620</u>	<u>1.8%</u>
<b>Total</b>	<b>129,352</b>	<b>147,972</b>	<b>155,754</b>	<b>26,402</b>	<b>1,760</b>	<b>1.2%</b>
<b>Households</b>						
Billings	38,537	43,945	46,433	7,896	526	1.3%
Laurel	2,533	2,790	2,946	413	28	1.0%
Remainder of County	<u>11,014</u>	<u>13,937</u>	<u>15,136</u>	<u>4,122</u>	<u>275</u>	<u>2.1%</u>
<b>Total</b>	<b>52,084</b>	<b>60,672</b>	<b>64,515</b>	<b>12,431</b>	<b>829</b>	<b>1.4%</b>

Source: ESRI; Economic & Planning Systems

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## Economic Trends and Conditions

From 2000 through 2015, Yellowstone County added approximately 15,000 jobs growing at 1.4 percent per year as shown in **Table 2**. The largest growth industries in terms of total jobs include Health Care and Social Assistance (4,100 jobs); Accommodation and Food Services (2,400 jobs); Retail Trade (1,900 jobs); Construction (1,900 jobs); and Professional, Scientific, and Technical Services (1,700 jobs). Construction and Professional, Scientific, and Technical Services both grew at 3.0 percent annually and were among the fastest growing along with smaller industries such as Mining, Quarrying, and Oil and Gas Extraction (5.0 percent) and Management of Companies and Enterprises (4.3 percent). The only industry to show a significant loss was Administration, Supporting, Waste Management, and Remediation Services which lost just over 1,200 jobs.

Table 2 Employment Trends by NAICS Sector, Yellowstone County, 2000-2015

Wage and Salary Jobs	2000	2015	Change 2000-2015		
			Total	Ann. #	Ann. %
Agriculture, Forestry, Fishing and Hunting	199	297	98	7	2.7%
Mining, Quarrying, and Oil and Gas Extraction	236	494	258	17	5.0%
Utilities	318	291*	-27	-2	-0.6%
Construction	3,394	5,274*	1,880	125	3.0%
Manufacturing	3,288	3,513	226	15	0.4%
Wholesale Trade	5,051	5,512	461	31	0.6%
Retail Trade	9,034	10,939	1,905	127	1.3%
Transportation and Warehousing	3,349	3,602	254	17	0.5%
Information	1,143	1,314	171	11	0.9%
Finance and Insurance	2,485	2,864*	379	25	1.0%
Real Estate and Rental and Leasing	909	1,036	127	8	0.9%
Professional, Scientific and Technical Services	3,127	4,855*	1,728	115	3.0%
Management of Companies and Enterprises	326	614	287	19	4.3%
Admin., Support, Waste Mng., and Rem. Svcs.	4,513	3,305*	-1,207	-80	-2.1%
Educational Services	3,549	4,111	562	37	1.0%
Health Care and Social Assistance	8,720	12,850	4,130	275	2.6%
Arts, Entertainment, and Recreation	1,235	1,853	617	41	2.7%
Accommodation and Food Services	6,567	8,952	2,385	159	2.1%
Other Services, except Public Administration	2,925	3,427	502	33	1.1%
Public Administration	3,487	3,739	253	17	0.5%
Unclassified	0	12	12	1	---
<b>Total Jobs</b>	<b>64,702</b>	<b>79,818</b>	<b>15,116</b>	<b>1,008</b>	<b>1.4%</b>

\* Indicates all or a portion of employment is withheld due to disclosure issues.

Source: Bureau of Labor Statistics; Economic & Planning Systems

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The percentage of total jobs by industry is shown in **Figure 4**. Health Care and Social Assistance has the highest concentration of Yellowstone County employment with 16.1 percent of total jobs. It also showed the largest increase in concentration since 2000 when it made up 13.5 percent of the County’s jobs. Retail Trade makes up 13.7 percent of jobs, a slight decrease from the industry’s 14 percent share in 2000. Accommodation and Food Services is the only other industry with over 10 percent of the County’s jobs with 11.2 percent.

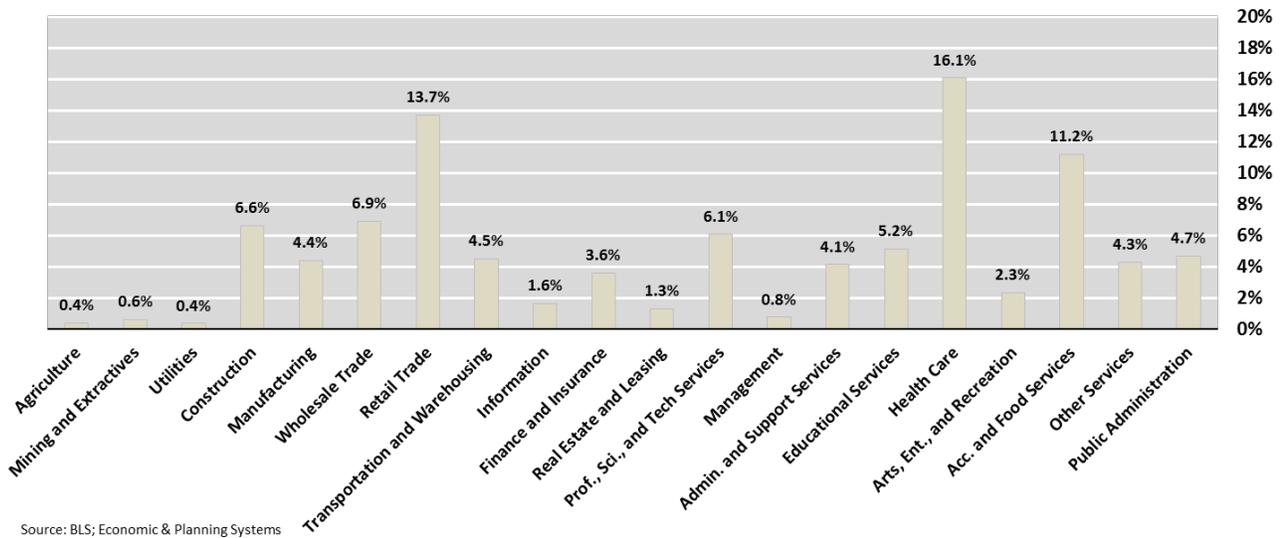


Figure 4 Job Concentration by Industry Sector, Yellowstone County, 2015

Figure 5 shows total employment for Yellowstone County compared to the unemployment rate for the County and the U.S. from 2000 through 2015. Total employment increased from approximately 64,000 in 2000 to 76,500 in 2008 before showing a decline during the recession to 74,000 jobs. The County has seen a steady increase post-recession and had 78,500 jobs as of 2015. Despite the unemployment rate being higher in 2000, Yellowstone County has generally been lower than the U.S. as a whole while following a similar trend. Both the County and the Country saw an increase during the recession although the County saw a more moderate increase of one to two points while the national unemployment rate increased by over five points. As of 2015 Yellowstone County had a 4.0 percent unemployment rate versus a national rate of 5.8 percent.

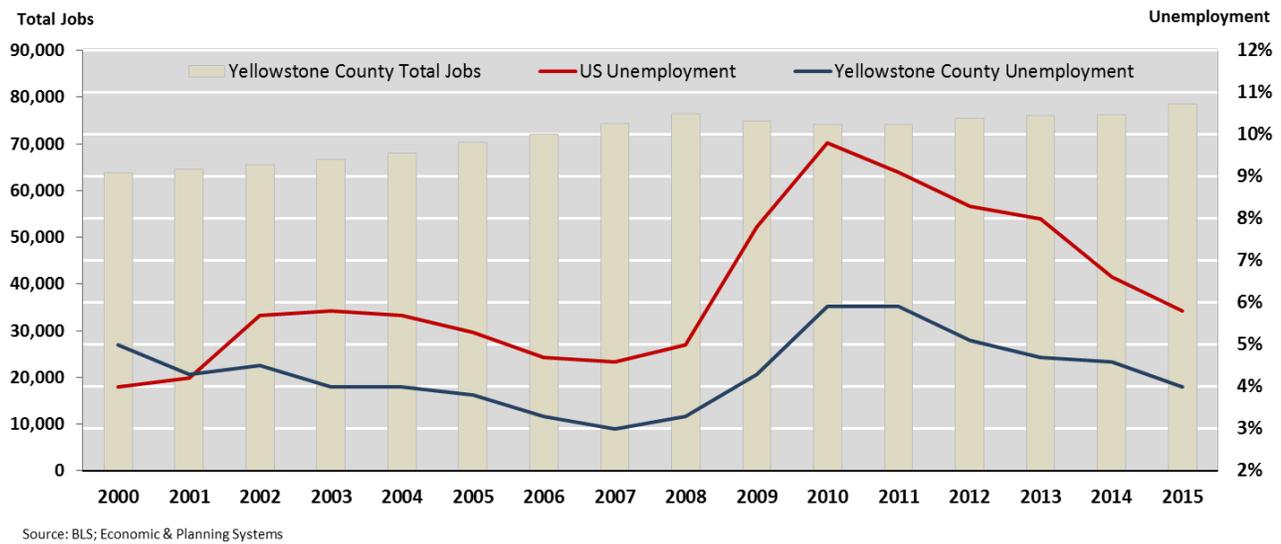


Figure 5 Total Jobs Vs. Unemployment Rate, 2000-2015

## Targeted Industries

In 2013, BSED completed the Industry Cluster Analysis and Marketing Plan (DCI, 2013) to identify the industries that should be prioritized for recruitment and retention in the Yellowstone County region. The targeted industry recommendations were based on an analysis of employment data compared to the State of Montana and the United States; a business survey and interview process; and interviews with commercial real estate experts. The economic base of Yellowstone County, including the employment levels in targeted industries, has not changed significantly since this 2013 study and its findings are still relevant. Employment grew by 5.7 percent, and the percentages of each industry only changed marginally at the 2-digit NAICS level.

The targeted industries recommended in the Targeted Industry Study are listed and defined below and in **Table 3**. The Appendix of the DCI study contains detailed employment data for each cluster, and was reviewed for this analysis. The suitability of each cluster for recruitment to the Lockwood TEDD is discussed next.

- **Upstream and Midstream Oil and Gas** – Oil and gas exploration and production; field services; pipeline companies; refineries; and petroleum marketing companies.
- **Health Care Services and Supply Chain** – Includes health care facilities (e.g. hospitals, clinics); providers (e.g. doctors); laboratories; medical supply wholesaling and distribution; and medical equipment manufacturing.
- **Regional Headquarter and Back Office Operations** – Regional managing offices, back office functions, and customer service centers for any variety of industries.
- **Data Centers and IT Services** – Data processing and storage centers; telecom providers; and technology and media companies.
- **Manufacturing** – Value added food products, machinery and equipment, chemicals, and guns.
- **Warehousing and Distribution** – Distribution hubs to serve Montana, northern Wyoming, and western North Dakota. Includes shipping and logistics companies, and distribution and warehousing for any company with a presence in this area. May include warehousing and distribution functions within other industries listed above.

Description	2010 Employment	% of Total	Industrial Park Location
<b>Targeted Industries</b>			
Upstream and Midstream Oil and Gas	1,527	2.0%	75-100%
Health Care Services and Supply Chain	10,643	14.1%	25% or less
Regional Headquarter and Back Office Operations	1,562	2.1%	25% or less
Data Centers and IT Services	1,017	1.3%	25% or less
Manufacturing	1,376	1.8%	75-100%
Warehousing and Distribution	<u>2,303</u>	<u>3.1%</u>	75-100%
<b>Total Targeted Industries</b>	<b>18,428</b>	<b>24.4%</b>	
<b>2011 Employment, Yellowstone County</b>	<b>75,456</b>	<b>100.0%</b>	

Source: Bureau of Labor Statistics; Economic & Planning Systems

Table 3 Targeted Industry Employment (2010) and Industrial Location Potential

### Upstream and Midstream Oil and Gas

This sector comprised 2.0 percent of all jobs in 2010. This is the most volatile sector of the targeted industries, as it will vary with oil and gas exploration and production. Growth in these industries is closely linked to oil prices and corresponding production and exploration levels.

This cluster is comprised of a mixture of industrial and office space users, but is a good recruitment candidate for the Lockwood TEDD industrial park. Exploration and production companies may locate in office and flex industrial space depending on if their firm includes any field operations or if those are contracted out. Oil field services firms provide drilling, fracturing, maintenance and repair, welding, construction, environmental, and other services to support drilling exploration and production wells and maintenance of existing assets. These firms primarily use industrial space, often with needs for extensive outdoor storage.

The DCI study noted that pipeline companies do not have a large presence in Yellowstone County. It is unlikely that this segment will grow significantly since it does appear likely that the Keystone XL pipeline will move forward. The industrial park may also appeal to other types of construction and maintenance and repair firms that serve the three existing refineries, as well as other oil and gas and mining activities in Montana, North Dakota, and Wyoming. Petroleum marketing companies represent less than 100 jobs in Yellowstone County and primarily use office space. They are therefore not judged to be a good candidate for the Lockwood TEDD industrial park.

### Health Care and Health Supply Chain

Industrial and flex space users are estimated to make up approximately 25 percent of the 10,600 jobs in the health care and health care supply chain cluster (as of 2010). These include laboratories and a small number of device/equipment manufacturers and wholesalers. While this is currently a small cluster, it should be targeted for recruitment because of the expected continued growth in health care. The lack of any major firms, especially in the wholesale and distribution category, may also indicate a gap in the market.

### **Regional Headquarter and Back Office Operations**

Employers in this cluster typically occupy office space, although many seek low-cost space. In general, office users do not prefer to locate near heavy industrial uses because of noise, smell, and visual impacts. The office market in Billings is growing on the west side of Billings closer to the labor force and supporting restaurant, hotel, and retail amenities. It is difficult to establish a new office location in an area with no previous office development track record. Therefore, this cluster is not judged to be appropriate for the Lockwood TEDD industrial park.

### **Manufacturing**

BSED's Industry Cluster Analysis and Marketing Plan identified six targeted industries for Yellowstone County and greater Billings, including manufacturing. Within the manufacturing sector, food products, machinery and equipment, and gun manufacturing are potential candidates to locate in Lockwood. The State is also exploring ways to strengthen agribusiness sectors including more value added processing of Montana agricultural products rather than shipping out inputs to be processed elsewhere.

## **Target Opportunities**

The areas identified as having the greatest opportunity for the TEDD are: 1) Agriculture Processing, 2) Manufacturing 3) Transloading/Warehousing and Distribution, and 5) Businesses that already exist in the market that may benefit from relocating to an industrial park.

### **Agriculture Processing**

The majority of the agriculture products produced in Montana leave the state to be processed. This represents a lost economic opportunity. Enhancing the value added agricultural sector in Yellowstone County will keep more value in our local economy. Montana is the number one producer of peas and lentils and the third largest producer of garbanzo beans. This in combination with the flourishing barley industry demonstrates a large opportunity to add value to these products before they leave the state. Additionally, there may be opportunities to enhance the feed, fertilizer, and slaughter sectors.

#### Types of Companies to Target:

- Pea Processing Facility
- Bulk Commodity Distribution Facility
- Malting Plant
- Feed Pellet Manufacturing
- Fertilizer Manufacturer
- Boutique Meat Processing Facilities

### **Manufacturing**

With three petroleum refineries in Yellowstone County, there is an opportunity to recruit industries that utilize products that the refineries produce such as gasoline, conventional gasoline blendstocks for blending with ethanol, diesel fuel, asphalt, butane and propane. There could be a significant competitive advantage for companies that use these products because of the proximity to their supply chain. Similarly, with one of only two large palladium producers in the world just 40 minutes from Billings, there may be processes and products that utilize palladium that would benefit from being located in Yellowstone County.

Additionally, based on information from the existing businesses in Yellowstone County along with business inquiries Big Sky Economic Development has received, there is opportunity to recruit businesses within the steel manufacturing and related processes sector.

The final sector that will be a focus for this area is the manufacturing of products related to healthcare. With a large healthcare sector in Billings, there is an advantage for new medical products to be manufactured here if they are being tested/implemented within our care facilities.

Types of Companies to Target:

- Shingle Manufacturers
- Asphalt Manufacturing
- Fertilizer Manufacturers
- Ceramic Capacitors Manufacturing (found in laptops and cell phones)
- Catalytic Converter Manufacturing
- Galvanizing Plant
- Bolt/fastener manufactures
- Steel Painting/Powder-coating Facilities
- Prosthetic manufacturing
- New to market medical device manufacturing

### **Transloading/Warehousing and Distribution**

As the largest community within a 500-mile radius and located at the intersection of I-90 and I-94 the TEDD location will provide an excellent opportunity for companies needing distribution to/from and through Yellowstone County.

Types of Companies to Target:

- Transloading Operation
- Fly Ash Operations
- Big Box Store Distribution
- Co-Packer for Regional Manufacturers
- Shipping and Labeling Companies

### **Existing Business Opportunities**

Due to the lack of planned industrial space in Yellowstone County, many local or existing businesses are located in areas that are not optimal for their operations or the business has outgrown its current footprint. With an industrial park, there is also the opportunity for businesses to gain a competitive advantage by locating next to their supply chain – allowing industry clusters that already exist in our community to come together and reap the full benefit of the cluster effect. Planned space may offer existing companies a place to maximize efficiencies, especially those related to the receiving and distributing of products via truck or rail.

## Market Conditions

### Yellowstone County Industrial Market

As of 2015, Yellowstone County had approximately 16.3 million square feet of industrial space as shown in **Table 4**. The large majority, 87 percent or about 14.1 million square feet, is either warehouse, distribution, or flex space with the remaining square footage coming in the form of manufacturing and truck terminals.

Industrial Type	Sq. Ft.	Pct. Of Total
Manufacturing	1,818,684	11.1%
Distribution	3,128,050	19.2%
Flex	1,713,185	10.5%
Truck Terminal	371,450	2.3%
Warehouse	<u>9,282,981</u>	56.9%
<b>Total Inventory</b>	<b>16,314,350</b>	

Source: Yellowstone County; Economic & Planning Systems

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Table 4 Existing Industrial Inventory, Yellowstone County, 2015

**Table 5** shows Yellowstone County’s industrial development trends for 2000 through 2015. Overall the County added 540 industrial buildings totaling 4.7 million square feet of industrial space during this period, an average of 36 buildings and 315,000 square feet per year. The share of each industrial type follows the existing inventory closely with nearly 90 percent or 4.2 million square feet being warehouse, distribution, or flex space.

The annual totals vary significantly, ranging from 1 million square feet developed in 2004 to just under 92,000 square feet in 2010 (note that 2015 is not a complete year). The average new industrial building is relatively small at under 9,000 square feet. This varies by industrial type as new manufacturing and flex space averaged approximately 6,000 to 8,000 square feet per structure while distribution facilities were closer to 50,000 square feet.

Industrial Type	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Change 2000-2015		
	Tot. #	Tot. #	Tot. #	Tot. #	Tot. #	Tot. #	Tot. #	Tot. #	Tot. #	Tot. #	Tot. #	Tot. #	Tot. #	Ann. #					
<b>Square Feet</b>																			
Manufacturing	15,716	117,558	1,000	2,760	36,545	12,544	6,260	45,796	24,560	26,212	2,060	56,171	62,418	24,717	0	0	434,317	28,954	
Distribution	0	30,128	0	24,800	123,485	42,226	30,432	0	146,607	41,659	0	0	33,204	116,501	179,304	0	768,346	51,223	
Flex	38,800	19,696	86,082	51,810	113,360	46,243	38,760	0	30,260	3,800	0	0	0	32,556	84,134	12,713	558,214	37,214	
Truck Terminal	0	11,850	0	0	0	0	0	0	9,984	0	0	13,040	29,541	0	0	0	64,415	4,294	
Warehouse	113,667	114,730	125,061	37,248	759,515	186,491	224,714	190,284	233,555	144,574	89,703	90,964	156,233	195,779	226,804	13,000	2,902,322	193,488	
<b>Total</b>	<b>168,183</b>	<b>283,962</b>	<b>212,143</b>	<b>116,618</b>	<b>1,032,905</b>	<b>287,504</b>	<b>300,166</b>	<b>236,080</b>	<b>444,966</b>	<b>216,245</b>	<b>91,763</b>	<b>160,175</b>	<b>281,396</b>	<b>369,553</b>	<b>490,242</b>	<b>25,713</b>	<b>4,727,614</b>	<b>315,174</b>	
<b>Buildings</b>																			
Manufacturing	2	11	1	1	3	11	2	20	1	1	4	4	8	6	0	0	75	5	
Distribution	0	1	0	1	4	1	1	0	2	1	0	0	2	1	2	0	16	1	
Flex	5	2	13	4	10	6	8	0	2	1	0	0	0	5	10	1	67	4	
Truck Terminal	0	1	0	0	0	0	0	0	1	0	0	1	1	0	0	0	4	0	
Warehouse	21	18	18	9	29	27	27	23	30	31	17	24	25	32	45	2	378	25	
<b>Total</b>	<b>28</b>	<b>33</b>	<b>32</b>	<b>15</b>	<b>46</b>	<b>45</b>	<b>38</b>	<b>43</b>	<b>36</b>	<b>34</b>	<b>21</b>	<b>29</b>	<b>36</b>	<b>44</b>	<b>57</b>	<b>3</b>	<b>540</b>	<b>36</b>	
<b>Average Building Size</b>																			
Manufacturing	7,858	10,687	1,000	2,760	12,182	1,140	3,130	2,290	24,560	26,212	515	14,043	7,802	4,120	---	---	---	---	
Distribution	---	30,128	---	24,800	30,871	42,226	30,432	---	73,304	41,659	---	---	16,602	116,501	89,652	---	---	---	
Flex	7,760	9,848	6,622	12,953	11,336	7,707	4,845	---	15,130	3,800	---	---	---	6,511	8,413	12,713	---	---	
Truck Terminal	---	11,850	---	---	---	---	---	---	9,984	---	---	13,040	29,541	---	---	---	---	---	
Warehouse	5,413	6,374	6,948	4,139	26,190	6,907	8,323	8,273	7,785	4,664	5,277	3,790	6,249	6,118	5,040	6,500	---	---	
<b>Total</b>	<b>6,007</b>	<b>8,908</b>	<b>6,629</b>	<b>7,775</b>	<b>22,454</b>	<b>6,389</b>	<b>7,899</b>	<b>5,490</b>	<b>12,360</b>	<b>6,360</b>	<b>4,370</b>	<b>5,523</b>	<b>7,817</b>	<b>8,399</b>	<b>8,601</b>	<b>8,571</b>	<b>---</b>	<b>---</b>	

Source: Yellowstone County: Economic & Planning Systems  
H:\153074-Lockwood TEDD Economic and Financial Analysis\Data\153074-Commercial Property Yellowstone.xlsx\Comp by Year

Table 5 Industrial Development Trends, Yellowstone County, 2000-2015

### Billings Area Industrial and Business Parks

Industrial development in the Billings area is concentrated in five main areas which make up approximately one-third of the County’s inventory, as shown in **Table 6**. The area with the most existing total commercial space is Gabel Road, a 617-acre development which is located in the southwest part of the City between Overland Avenue and Hesper Road and adjacent to I-90 (**Figure 6**). Of Gabel Road’s 2.3 million square feet of commercial space, about 53 percent or 1.2 million square feet are industrial space.

**Figure 7** shows the Zoo Drive/Exit 443 industrial development. This 417-acre development is located due south of the Gabel Road development on the south side of I-90 just outside the City of Billings. It has just over 1 million square feet of commercial development, approximately 64 percent of which is industrial.

The BN Industrial Subdivision is located along Monad Road and adjacent to Laurel Road in the southern part of Billings, as shown in **8**. The 229-acre industrial area has the most industrial space of the major parks with over 1.6 million square feet, about 93 percent the subdivision’s total development. Adjacent to BN is another 170 acres with 1.2 million square feet of commercial space including over 700,000 square feet of industrial.

The largest of the industrial and business park areas by land area is the 2,560-acre Lockwood Road/I-90 Corridor located between the Yellowstone River and I-90 northeast of Billings (**Figure 9**). Of the area’s 2.0 million square feet of development approximately 62 percent or 1.2 million is industrial space.

<b>Geography</b>	<b>Approx. Acres</b>	<b>Office Sq. Ft.</b>	<b>Retail and Other Comm. Sq. Ft.</b>	<b>Industrial Sq. Ft.</b>	<b>Total</b>
Zoo Drive/Exit 443	417	31,719	332,442	644,423	1,008,584
Gabel Road	617	502,288	570,039	1,213,906	2,286,233
Lockwood Road/I-90 Corridor	2,560	154,866	609,334	1,233,436	1,997,636
BN Industrial Subdivision	229	13,122	108,699	1,640,254	1,762,075
Adjacent to BN	<u>170</u>	<u>106,229</u>	<u>318,388</u>	<u>739,626</u>	<u>1,164,243</u>
<b>Total</b>	<b>3,993</b>	<b>808,224</b>	<b>1,938,902</b>	<b>5,471,645</b>	<b>8,218,771</b>

Source: Yellowstone County; Economic & Planning Systems

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Table 6 Major Industrial and Business Park Areas, 2015

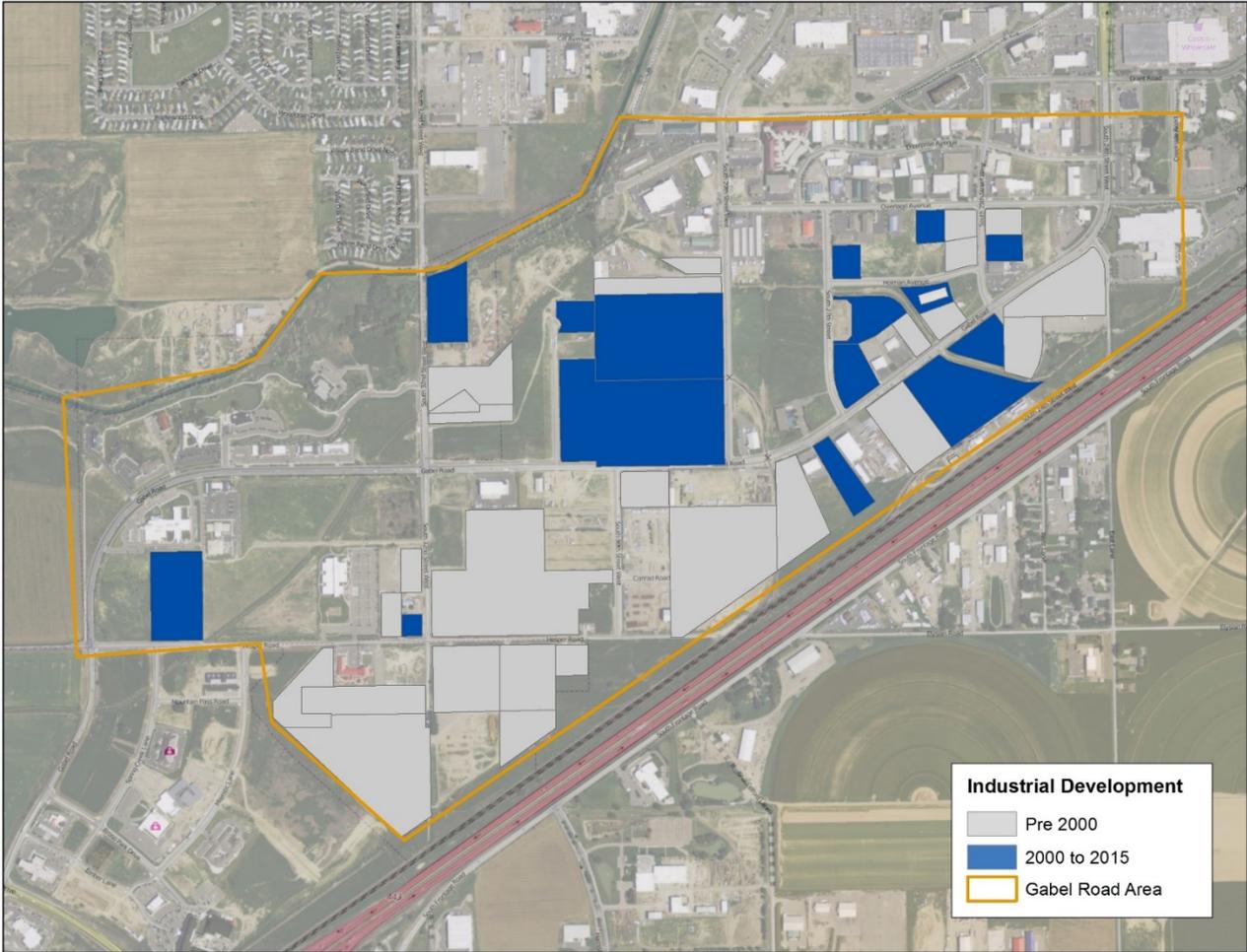


Figure 6 Gabel Road Area

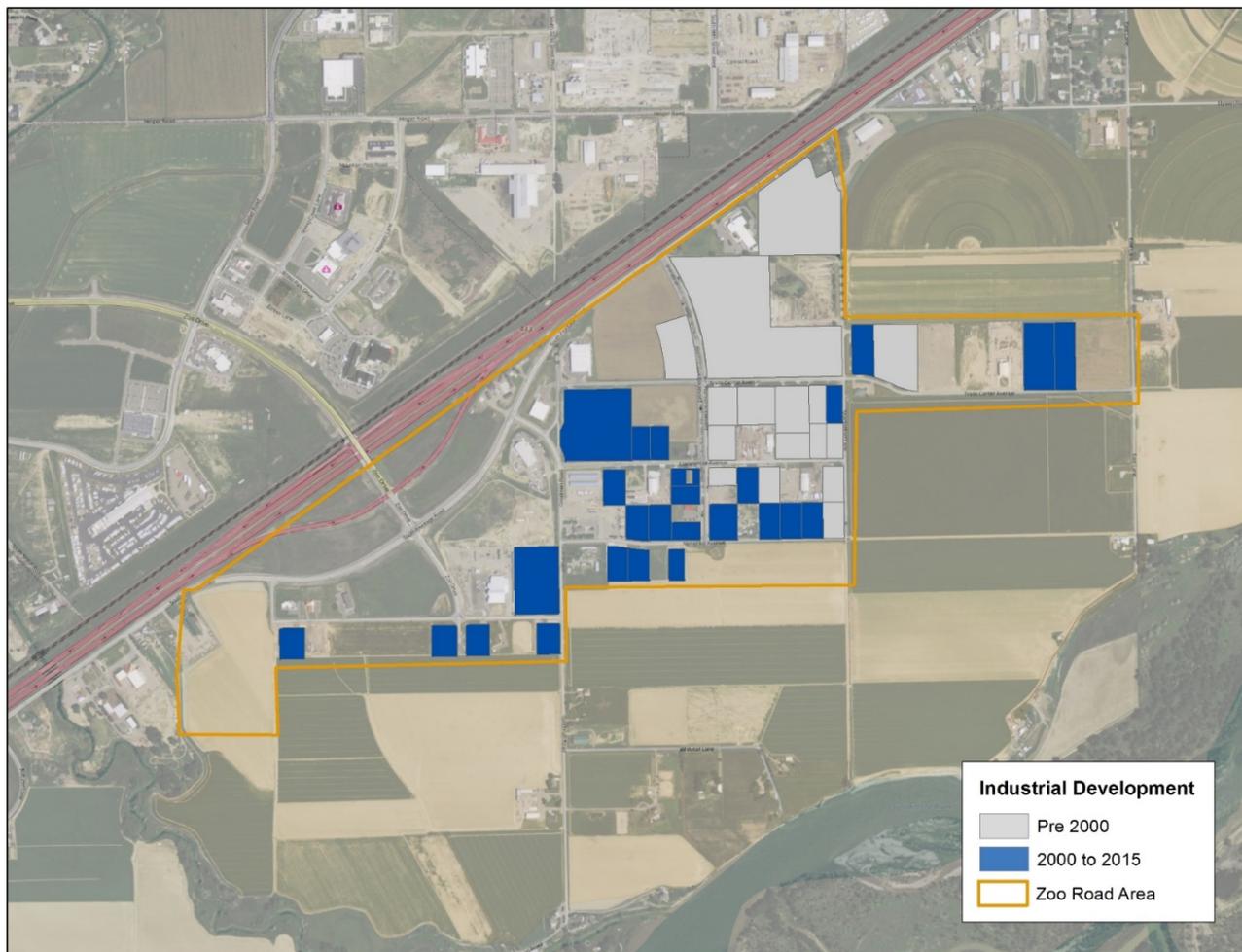


Figure 7 Zoo Drive Area

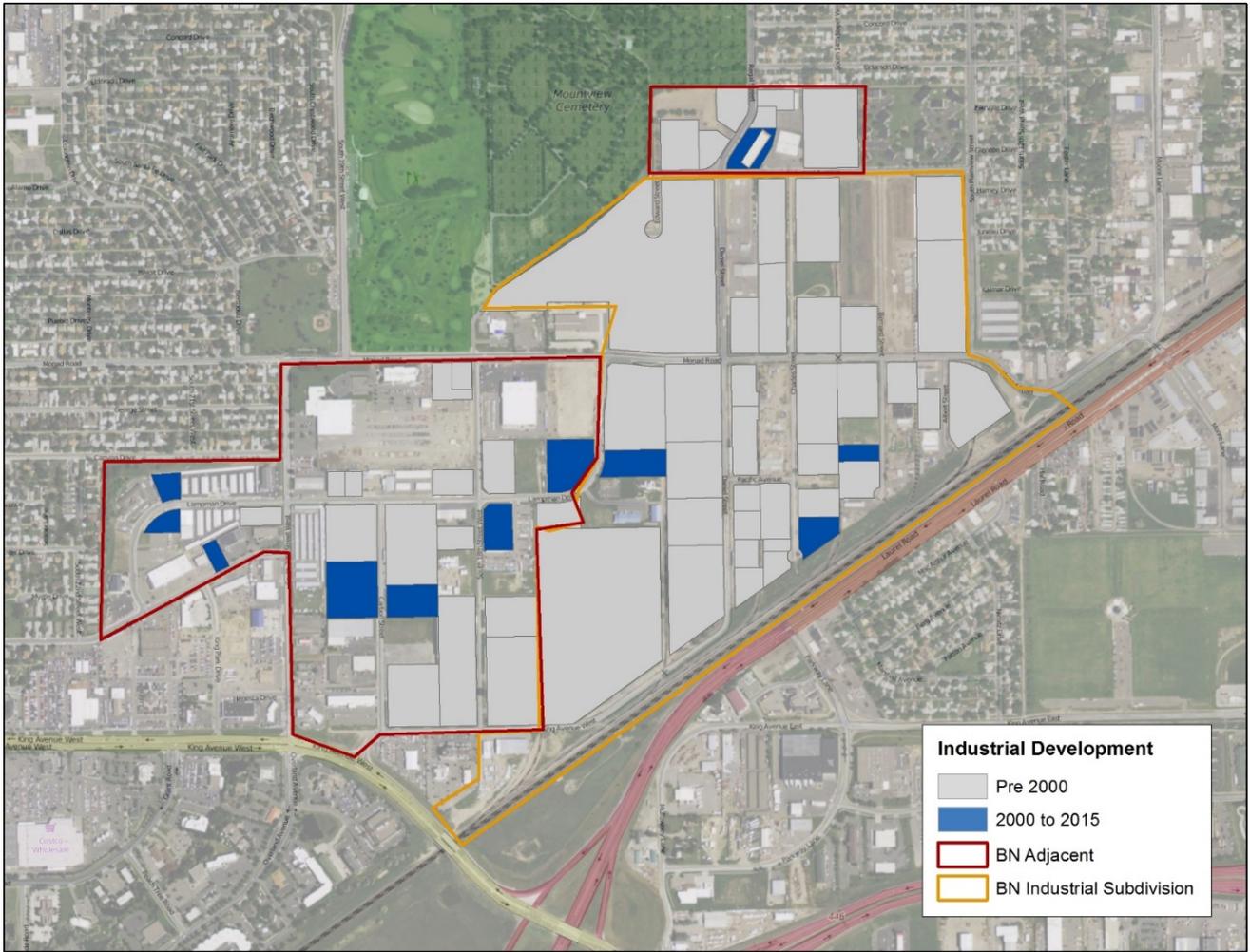


Figure 8 BN Industrial Subdivision

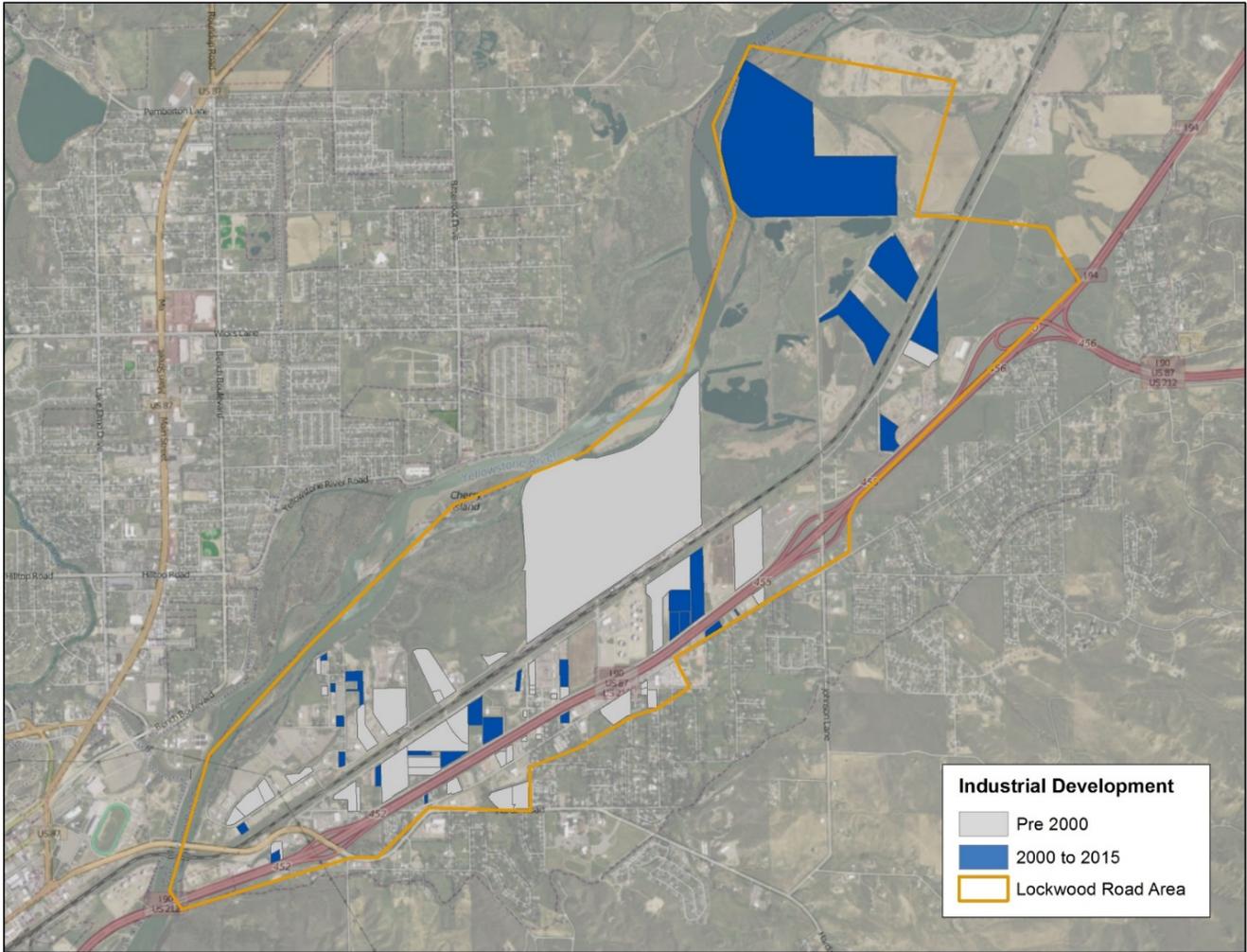


Figure 9 Lockwood Road Area

**Table 7.** shows the share of each major park's industrial space developed before 2000 and from 2000 through 2015. BN Industrial Subdivision was largely built out before 2000 as only 2 percent of its industrial space (36,000 square feet) was developed from 2000 through 2015, an average of 2,400 square feet per year. The industrial development Adjacent to BN grew by about 172,000 square feet from 2000 through 2015, or about 11,500 square feet of space per year. This represents approximately 23 percent of its total industrial space. While there may still be some infill sites remaining, this area is largely built out as well.

The other three major industrial and business park areas added an average of 26,000 to 29,000 square feet per year from 2000 through 2015. For both the Gabel Road and Lockwood Road/I-90 Corridor areas this represents about one-third of their total industrial space, while that figure is closer to two-thirds for Zoo Drive/Exit 443.

Geography	Pre-2000 Sq. Ft.	2000-2015		Total
		Sq. Ft.	Ann.	
Zoo Drive/Exit 443	215,206	429,217	28,614	644,423
Gabel Road	819,586	394,320	26,288	1,213,906
Lockwood Road/I-90 Corridor	826,839	406,597	27,106	1,233,436
BN Industrial Subdivision	1,604,490	35,764	2,384	1,640,254
Adjacent to BN	<u>567,728</u>	<u>171,898</u>	<u>11,460</u>	<u>739,626</u>
<b>Total</b>	<b>4,033,849</b>	<b>1,437,796</b>	<b>95,853</b>	<b>5,471,645</b>

Source: Yellow stone County; Economic & Planning Systems

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Table 7 Industrial Development, Pre-2000 and 2000-2015

A more detailed breakdown of industrial space development for the three areas that are not currently built out is shown in **Table 8**. Each added between 390,000 and 430,000 square feet of industrial space from 2000 through 2015. While Gabel Road and Lockwood Road/I-90 Corridor were well-established prior to 2000 with over 800,000 square feet of industrial space each, Zoo Drive has nearly tripled its inventory over this time after starting the century with closer to 200,000 square feet.

Approximately 60 percent of pre-2000 industrial development was warehouse space for all three geographies. This trend continued for Gabel Road and Lockwood Road as about two-thirds of development from 2000 through 2015 was new warehouse space. Zoo Road’s new warehouse space made up about 45 percent of development during this time as the percentage of distribution space increased and manufacturing and terminal facilities were developed for the first time.

Along with an increase in the percentage of warehouse space from 2000 through 2015, Gabel Road also saw the development of its first distribution facilities during this period. This was offset by decreases in development of manufacturing and flex space as these two types accounted for 37 percent of total space developed before 2000 versus only 18 percent after.

Geography	Pre 2000 Sq. Ft.	Change 2000-2015		Total
		Sq. Ft.	Ann.	
<b>Zoo Drive/Exit 443</b>				
Manufacturing	---	35,140	2,343	35,140
Distribution	50,400	116,501	7,767	166,901
Flex	37,972	72,000	4,800	109,972
Terminal	---	13,040	869	13,040
Warehouse	<u>126,834</u>	<u>192,536</u>	<u>12,836</u>	<u>319,370</u>
<b>Total</b>	<b>215,206</b>	<b>429,217</b>	<b>28,614</b>	<b>644,423</b>
<b>Gabel Road</b>				
Manufacturing	152,261	17,048	1,137	169,309
Distribution	---	62,148	4,143	62,148
Flex	153,486	51,982	3,465	205,468
Terminal	20,492	---	---	20,492
Warehouse	<u>493,347</u>	<u>263,142</u>	<u>17,543</u>	<u>756,489</u>
<b>Total</b>	<b>819,586</b>	<b>394,320</b>	<b>26,288</b>	<b>1,213,906</b>
<b>Lockwood Road/I-90 Corridor</b>				
Manufacturing	232,497	47,583	3,172	280,080
Distribution	11,308	24,800	1,653	36,108
Flex	20,628	57,311	3,821	77,939
Terminal	53,862	---	---	53,862
Warehouse	<u>508,544</u>	<u>276,903</u>	<u>18,460</u>	<u>785,447</u>
<b>Total</b>	<b>826,839</b>	<b>406,597</b>	<b>27,106</b>	<b>1,233,436</b>

Source: Yellow stone County; Economic & Planning Systems

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Table 8 Industrial Development by Type, Pre-2000 and 2000-2015

As discussed previously, industrial space developed from 2000 through 2015 was typically small averaging under 9,000 square feet. During that period only eight major tenants, defined as those occupying greater than 50,000 square feet of space, entered the Yellowstone County market. About two-thirds is distribution space as the area continues to grow into a significant hub in the Rocky Mountain West region.

The largest of these tenants is FedEx which opened a 137,000 square foot distribution facility in the Gabel Road area in 2014. Other major tenants include a 117,000 square foot pet and lawn supply distribution facility in the Zoo Road area completed in 2013; a 113,000 square foot irrigation system manufacturing plant north of town in Broadview developed over a 12-year period from 2000 to 2012; and a 90,000 square foot beverage distribution facility on Intermountain Street opened in 2008.

Owner	Address	Type	Industry	Acres	Sq. Ft	Year Built
Jela LLC	3605 Hesper Rd	Distribution	FedEx distribution	49.2	137,284	2014
K2SR LLC	7225 Entryway Dr	Distribution	Pet and lawn supply distribution	5.9	116,501	2013
Mountain View Colony Inc	14435 Oswald Rd	Manufacturing	Irrigation system manufacturing	640.0	113,390	2000-2012
Brocopp Properties LLC	1010 Intermountain St	Distribution	Beverage distribution	11.0	90,142	2008
Decker Holdings, LLC	3545 Hesper Rd	Distribution	Beverage distribution	6.3	62,148	2004
Pacific Hide And Fur Depot	3385 Coulson Rd	Warehouse	Steel casting and recycling	23.6	58,484	2013
FKCD LLC	3723 Pierce Pkwy	Distribution	Office supplies distribution	4.8	56,465	2008
Kirksey Properties LLC	Shorey Rd	Warehouse	Unknown	154.4	56,360	2007

Source: Yellowstone County; Economic & Planning Systems

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Table 9 Major Tenants, 2000-2015

## Industrial Development Forecast

This chapter estimates future demand for industrial space in Yellowstone County based on trends in employment in the County compared to trends in the industrial space inventory. An employment projection is used to estimate future industrial building demand.

### Industrial Demand Projection

Historic values for total industrial space were divided by historic total employment numbers to yield a trend in a ratio of industrial building square feet per job as shown on **Table 10**. From 2000 through 2015, industrial space per job increased by approximately 13 percent from 181 square feet to 204 square feet. This ratio broadly accounts for the relationship between industrial space and demands from all sectors of the economy.

Description	2000	2005	2010	2015	Change 2000-2015		
					Tot. #	Ann. #	Mkt. Share
<b>Total Jobs</b>	<b>64,860</b>	<b>71,937</b>	<b>75,181</b>	<b>80,129</b>	<b>15,269</b>	<b>1,018</b>	<b>--</b>
<b>Industrial Space (Sq. Ft.)</b>							
Manufacturing	2,359,704	2,580,343	2,799,041	3,128,050	768,346	51,223	16.9%
Distribution	1,193,771	1,510,962	1,583,782	1,713,185	519,414	34,628	11.4%
Flex	1,400,083	1,570,490	1,675,378	1,818,684	418,601	27,907	9.2%
Truck Terminal	307,035	318,885	328,869	371,450	64,415	4,294	1.4%
Warehouse	<u>6,494,326</u>	<u>7,717,371</u>	<u>8,600,201</u>	<u>9,282,981</u>	<u>2,788,655</u>	<u>185,910</u>	<u>61.2%</u>
<b>Total</b>	<b>11,754,919</b>	<b>13,698,051</b>	<b>14,987,271</b>	<b>16,314,350</b>	<b>4,559,431</b>	<b>303,962</b>	<b>100.0%</b>
<b>Sq. Ft. Industrial Space Per Job</b>	<b>181</b>	<b>190</b>	<b>199</b>	<b>204</b>	<b>--</b>	<b>--</b>	

Source: Bureau of Labor Statistics; Yellowstone County; Economic & Planning Systems

H:\153074-Billings Lockwood TEDD Economic and Financial Analysis\Models\153074-Employment Forecast-09-14-2015.xlsm\1-Hist Space

Table 10 Industrial Space and Job Trends, 2000-2015

An employment projection was prepared by evaluating historical job growth rates for Yellowstone County and the Montana Department of Labor and Industry’s projected job growth rate for 2017 to 2024. Using an estimated job growth rate of 1.4 percent per year, total employment is projected to grow from just over 80,000 jobs in 2015 to nearly 106,000 jobs in 2035. A constant ratio of 200 square feet of industrial space per job was then multiplied by projected total employment to determine total industrial space demand in 5-year increments. The difference in these values equals the total new industrial space demand for Yellowstone County. Total demand is estimated at 5.2 million square feet for the next 20 years, or 258,000 square feet per year.

*Total demand is estimated at 5.2 million square feet for the next 20 years, or 258,000 square feet per year.*

Description	2015	2020	2025	2030	2035	Change 2015-2035		
						Tot. #	Ann. #	Ann. %
Projected Employment	80,129	86,643	92,912	99,280	105,908	25,778	1,289	1.4%
Sq. Ft. Industrial Space per Job	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>			
<b>Total Space Demand</b>	<b>16,025,867</b>	<b>17,328,673</b>	<b>18,582,488</b>	<b>19,855,947</b>	<b>21,181,557</b>	<b>5,155,690</b>	<b>257,785</b>	<b>1.4%</b>
<b>New Demand</b>	---	<b>1,302,807</b>	<b>1,253,815</b>	<b>1,273,459</b>	<b>1,325,610</b>	---	---	

Source: Bureau of Labor Statistics; Yellowstone County; Economic & Planning Systems

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Table 11 Projected Industrial Space Demand, 2015-2035

## Lockwood Site Absorption Estimates

**Table 11** shows low and high capture scenarios for both building square feet and site acreage for the Lockwood TEDD over the next 20 years as some of the new space demand will be captured by other industrial areas in Yellowstone County. For building square feet, the low scenario has the Lockwood TEDD capturing 25 percent of the County’s new industrial demand, nearly 1.3 million square feet or an average of approximately 64,000 square feet per year. Under the high scenario, the TEDD would capture 50 percent or 2.6 million square feet, an average of approximately 129,000 square feet annually. Assuming a new project could capture half of the market is aggressive and not a recommended working assumption.

The second part of the table shows the same low and high capture scenarios in terms of site acreage. A typical industrial floor area ratio (FAR) of 0.15 was used, meaning that an average of 15 percent of land area is developed industrial space. In order to derive net site acreage from building square feet, the building size is divided by the FAR value to get land square feet which is then divided by 43,560, the number of square feet in an acre. Net site acreage ranges from 197 acres over the 20-year period, or 9.9 acres per year for the low capture scenario to 395 acres or 19.7 acres per year for the high capture scenario. Infrastructure such as roadways, utility rights-of-way, and drainage adds about 30 percent to the net acreage totals. This equals gross totals of 256 acres for the low scenario and 513 for the high scenario, annual averages of 12.8 acres and 25.6 acres, respectively.

Capture Rate	Factors	2015-2020	2020-2025	2025-2030	2030-2035	Growth 2015-2035	
						Tot. #	Ann. #
<b>New Demand (Sq. Ft.)</b>		<b>1,302,807</b>	<b>1,253,815</b>	<b>1,273,459</b>	<b>1,325,610</b>	<b>5,155,690</b>	<b>257,785</b>
<b>Building Sq. Ft.</b>							
25% Capture		325,702	313,454	318,365	331,402	1,288,923	64,446
50% Capture		651,403	626,907	636,729	662,805	2,577,845	128,892
<b>Site Ac. (Net)</b>							
25% Capture	0.15 FAR	50	48	49	51	197	9.9
50% Capture	0.15 FAR	100	96	97	101	395	19.7
<b>Site Ac. (Gross)</b>							
25% Capture	+30%	65	62	63	66	256	12.8
50% Capture	+30%	130	125	127	132	513	25.6

Source: Bureau of Labor Statistics; Yellow stone County; Economic & Planning Systems

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Table 12 Lockwood TEDD Capture Scenarios, 2015-2035

## Development Implementation

This chapter provides development phasing recommendations for the proposed TEDD. Also, it provides an analysis of the TEDD's financing capacity including a projection of the revenue from tax increment financing (TIF) and an estimate of the bonding (financing) capacity which is then compared to trunk infrastructure costs.

### Development Phasing

As discussed in Chapter 4, it is estimated that the TEDD will be able to absorb approximately 13 acres to 26 acres (gross) of industrial land on an annual basis if it can capture 25 percent to 50 percent of the market (**Table 13**). Twenty-five percent market share is a more realistic and conservative estimate. However, due to the possibility that there is unrealized industrial development and company recruitment potential due to the lack of suitable industrial land in the area, 25 percent was added to each of these figures to allow for greater planning flexibility and to accommodate large industrial tenants and recruiting targets. Over a 15-year Phase I buildout, the capture scenario of 25 percent (plus the 25 percent planning flexibility factor) would total 240 acres of industrial development.

Capture Rate	Capture (Gross Ac.)	Untapped Potential	Annual Absorption	15-Year Phase I
25% Capture	13 ac./year	25%	16 ac./year	240 ac.
50% Capture	26 ac./year	25%	31 ac./year	465 ac.

Source: Economic & Planning Systems

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Table 13 Potential TEDD Site Absorption, Phase I

A recommendation for a 15-year first phase of development is in the 200-acre to 300-acre range. Based on current landowner participation in the TEDD it is estimated that 290 acres are currently available for Phase I. The development and financial projections below assume 240-acre as a first phase of the TEDD.

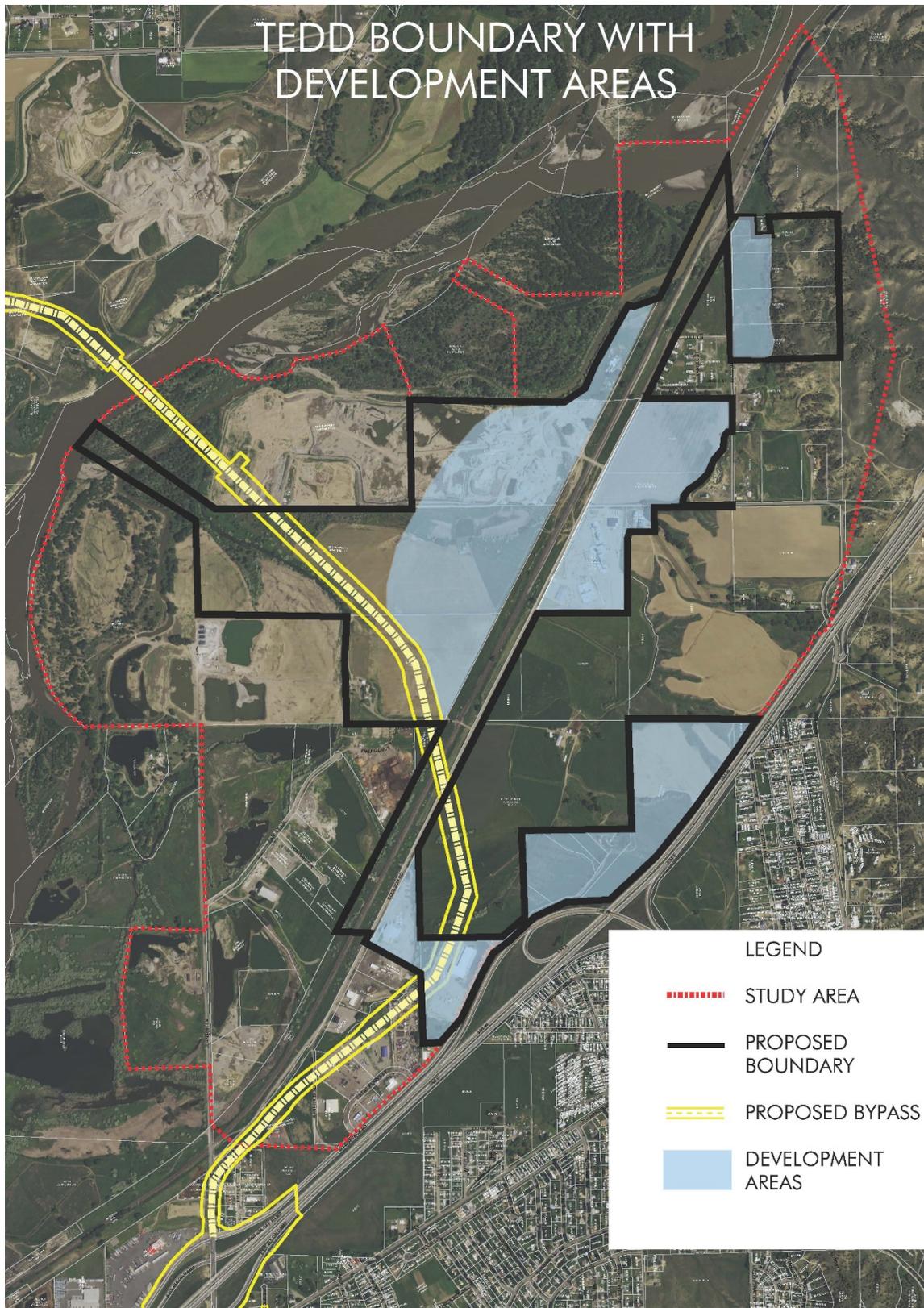


Figure 10 Proposed Development Area

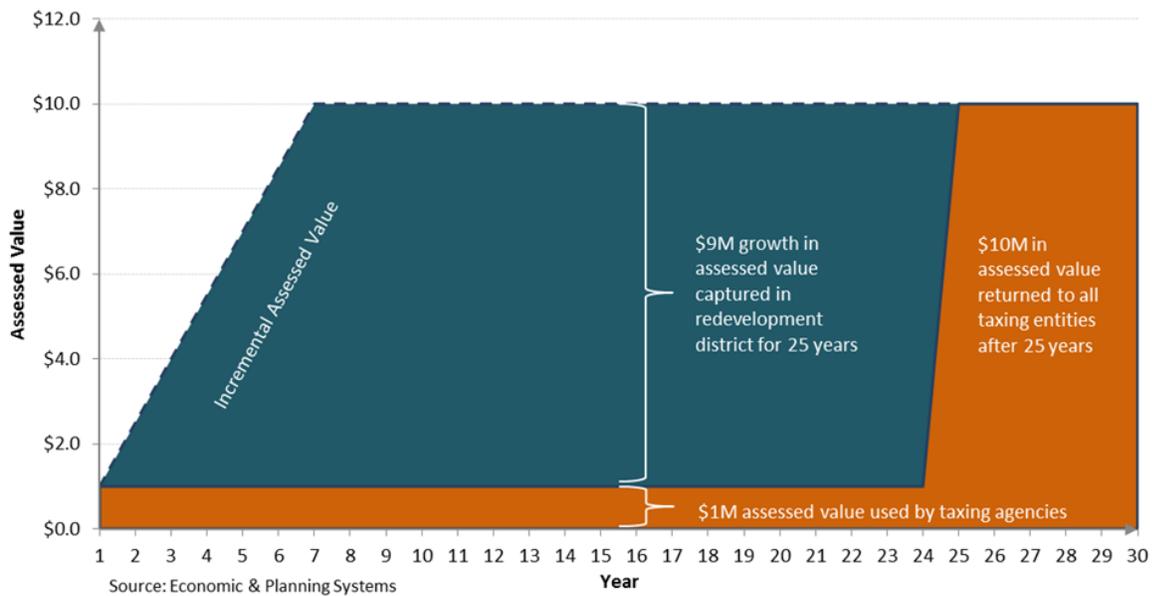
### Tax Increment Financing Definition

In Montana, the 1974 Urban Renewal statutes allow for the formation of urban renewal districts to use tax increment financing (TIF) to fund new development in blighted or infrastructure deficient areas. In 2013, the legislature passed an amendment that allows cities or counties to form TEDDs with the power to use TIF to assist with infrastructure financing for what is termed “secondary value-adding industries.” This amendment therefore now allows for the use of TIF for general economic development and business recruitment projects generating new economic activity at the state level.

TIF captures the incremental new tax revenues created by new development or other increases in property values in a defined district area. The base assessed value (and property tax) within the TIF area is set or “frozen” at the amount existing as of the date chosen to establish the base assessed value within the TIF or TEDD area. After this date, any new tax revenue generated as a result in an increase in assessed value due to new development or other increases in property values would be redirected to the authority to pay for eligible development costs.

For example, if the assessed value in a redevelopment district is \$1 million on the date of plan adoption, then the mill levy for each of the overlapping taxing jurisdictions is applied to that \$1 million assessed value each year of the plan. As the properties in the redevelopment district begin to increase in value due to the redevelopment efforts, that increase in assessed value multiplied by the combined mill levy of the overlapping taxing jurisdictions goes to the URA or DDA. If the assessed value of property in the district increases to \$10 million in Year 5, the taxes derived from multiplying the combined mill levy by the \$1 million base go to the existing taxing jurisdictions, but the mill levy times the \$9 million in new assessed valuation goes to the TEDD (**Figure 11**).

Figure 11 Tax Increment Financing Illustration



## TEDD Financing Capacity

### TEDD Revenue Projection

The property tax increment the proposed TEDD could accrue during a 15-year absorption period is estimated in **Table 14** on the following page. For the purposes of this analysis a 200-acre net development area (approximately 260 acres gross) was used and land and building development absorption were evenly distributed on an annual basis.

Using an average market value of \$90 per building square foot, an average of 87,000 square feet of development is projected. Total market value is estimated at \$7.8 million each year. Adding 25 percent for personal property equates to an additional \$2.0 million of market value for a total of \$9.8 million. Over the 15-year period, the market value in the TEDD would total \$147.0 million.

Industrial property is assessed at 1.89 percent of the total market value including personal property. At this assessment rate, the TEDD would gain \$185,000 of assessed value per year, or \$2.8 million over 15 years. Property tax is calculated at 536.54 mills, or just over \$99,000 per year for each of 87,000 square feet of industrial development. As the site is built out, the annual tax increment will grow to slightly less than \$1.5 million. The increment is cumulative, totaling nearly \$12.0 million over the 15-year period.

*The increment is cumulative, totaling nearly \$12.0 million over the 15-year period.*

### TEDD Bonding Capacity Estimate

Since tax increment accrues along with development and is not available up front, it is often desirable to finance these costs using a bond or loan backed by the expected TIF/TEDD revenues. One such option is the issuance of debt in the form of a municipal bond. Using an interest rate of 6.5 percent over a term of 30 years, potential bond capacities were evaluated for three issuance points; Year 5, Year 10, and Year 15.

TIF is often used to finance infrastructure and the TEDD statute allows for bonds with a 30-year term plus additional time if the bonds are refinanced. Bonding (financing) capacity is based on annual cash flow to support debt service – in this case property tax increment. Financing capacity increases as more development occurs and more tax increment accrues. In Year 5, it is estimated that the Lockwood TEDD would be generating approximately \$500,000 in property tax per year. After deducting debt coverage requirements, estimated at 1.5 times principal and interest, approximately \$325,000 is available for debt service. Based on these figures, a bond issued on Year 5 cash flow is estimated to be approximately \$4.3 million (**Table 15**).

The bond proceeds can be received one year earlier if 12 months of capitalized interest are paid. Underwriters will require at least one year of debt service to be set aside in a debt service reserve fund (\$330,000). There are also issuance costs (largely legal and commissions) at 2.0 percent of the bond proceeds. The net bond proceeds are then approximately \$3.6 million on year 5 cash flow, \$7.15 million on year 10 cash flow, and \$10.7 million on year 15 (buildout) cash flow. To the best of our

knowledge, no investment banks have issued bonds on TEDD district revenues in Montana to date. The first bond deal on a TEDD will likely be highly scrutinized by underwriters, meaning that a strong project with adequate financial backing will be needed to issue debt.

Table 14 Tax Increment Accrual, 15-Year Absorption Schedule

Absorption	Factor	Year 1	Year 5	Year 10	Year 15	Total	Annual Average
<b>Industrial Development</b>							
Absorption - Acres (net)	200.0 ac.	13.3	13.3	13.3	13.3	<b>200.0</b>	<b>13.3</b>
Building Sq. Ft.	0.15 FAR	87,120	87,120	87,120	87,120	<b>1,306,800</b>	<b>87,120</b>
Market Value	\$90/sq. ft.	\$7,840,800	\$39,204,000	\$78,408,000	\$117,612,000	\$117,612,000	
Plus Personal Property Tax	25.0%	<u>\$1,960,200</u>	<u>\$9,801,000</u>	<u>\$19,602,000</u>	<u>\$29,403,000</u>	<u>\$29,403,000</u>	
<b>Total Market Value</b>		<b>\$9,801,000</b>	<b>\$49,005,000</b>	<b>\$98,010,000</b>	<b>\$147,015,000</b>	<b>\$147,015,000</b>	
Assessed Value	1.89%	\$185,239	\$926,195	\$1,852,389	\$2,778,584		
<b>TEDD Tax Increment</b>	<b>536.54 mills</b>	<b>\$99,388</b>	<b>\$496,940</b>	<b>\$993,881</b>	<b>\$1,490,821</b>	<b>\$11,926,570</b>	<b>\$795,105</b>

Source: Economic & Planning Systems

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Description	Factors	Year 5	Year 10	Year 15
Interest Rate		6.50%	6.50%	6.50%
Bond Term (Years)		30	30	30
<b>Estimated Net Revenue Available for Debt Service</b>				
Annual Property Tax		\$496,940	\$993,881	\$1,490,821
Estimated Annual Administrative Costs	1.50%	\$7,454	\$14,908	\$22,362
Debt Coverage	1.50	\$163,162	\$326,324	\$489,486
<b>Net Revenue Available for Debt Service</b>		<b>\$326,324</b>	<b>\$652,648</b>	<b>\$978,973</b>
<b>Estimated Total Bonds</b>		<b>\$4,260,000</b>	<b>\$8,520,000</b>	<b>\$12,780,000</b>
Capitalized Interest	12 months	\$280,000	\$550,000	\$830,000
Bond Reserve Fund	1 yr D/S	\$330,000	\$650,000	\$980,000
Formation & Issuance Costs	2.00%	\$90,000	\$170,000	\$260,000
<b>Estimated Bond Proceeds</b>		<b>\$3,560,000</b>	<b>\$7,150,000</b>	<b>\$10,710,000</b>

Source: Economic & Planning Systems

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Table 15 Bonding Capacity Estimate, 15-Year Absorption Schedule

## Infrastructure Costs

Infrastructure improvements are necessary in order to spur development of the TEDD as the current infrastructure is not adequate to support the planned industrial uses. In order to activate the proposed TEDD site, the road, sewer, and water systems require significant investment in several phases. The first phase of infrastructure is necessary to access the parcels on the northern part of the site. TIF revenue or financing could be used to finance these costs or reimburse a developer over time.

Both initial phases require improvements to the road, sewer, and water systems totaling approximately \$9.5 million (**Table 16**). The cost for Phase IA is estimated to total approximately \$6.3 million for improvements and associated contingency and administrative costs while Phase IB is estimated to total \$3.2 million. Of the \$9.5 million total investment, around 39 percent (\$3.7 million) will go to sewer improvements, 34 percent to roads (\$3.3 million), and the remaining 27 percent (\$2.6 million) to water. Contingency costs are a fixed 20 percent of construction costs while administrative costs are slightly higher at around 22 percent.

Table 16 Off-site Infrastructure Improvement Costs

Phase	Construction	Contingency	Admin	Total
<b>Phase IA</b>				
Road	\$1,525,860	\$305,172	\$352,326	\$2,183,358
Sewer	\$1,730,600	\$346,120	\$369,700	\$2,446,420
Water	<u>\$1,196,075</u>	<u>\$239,215</u>	<u>\$247,297</u>	<u>\$1,682,587</u>
<b>Total</b>	<b>\$4,452,535</b>	<b>\$890,507</b>	<b>\$969,322</b>	<b>\$6,312,364</b>
<b>Phase IB</b>				
Road	\$759,795	\$151,959	\$175,439	\$1,087,193
Sewer	\$872,100	\$174,420	\$186,302	\$1,232,822
Water	<u>\$625,800</u>	<u>\$125,160</u>	<u>\$129,388</u>	<u>\$880,348</u>
<b>Total</b>	<b>\$2,257,695</b>	<b>\$451,539</b>	<b>\$491,130</b>	<b>\$3,200,364</b>
<b>Total</b>				
Road	\$2,285,655	\$457,131	\$527,765	\$3,270,551
Sewer	\$2,602,700	\$520,540	\$556,002	\$3,679,242
Water	<u>\$1,821,875</u>	<u>\$364,375</u>	<u>\$376,685</u>	<u>\$2,562,935</u>
<b>Total</b>	<b>\$6,710,230</b>	<b>\$1,342,046</b>	<b>\$1,460,452</b>	<b>\$9,512,728</b>

Source: Sanderson Stewart; Economic & Planning Systems

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The bond financing estimates of \$7.2 to \$10.7 million are not available until at least year 10. This means that other funds will need to be identified to build the infrastructure so that development can move forward. A developer or a partnership would need to front end these costs as part of a developer reimbursement agreement.

## SITE ANALYSIS

# 3



In identifying strategies for development of the Lockwood TEDD, this Plan recognizes a number of issues – opportunities and constraints – that influence the development potential of the area. These issues were evaluated for suitability for land development, utility and transportation infrastructure and availability for future development.

### Land Use and Development Patterns

The Lockwood TEDD has a mix of agricultural and industrial uses. Because the area has been developing over time, there is an inconsistent pattern of development. As a long time agricultural area, there are currently several large parcel farm operations. Over time, industrial users have located to the area in and near the Lockwood TEDD. This pattern is shown in Figure 12.

The proposed Trailhead Commerce Park (TCP) is located within a portion of the Lockwood TEDD, and will be built as a commercial development project with rail service providing multi-modal transload, warehousing and manufacturing within a multi-use industrial park. Additionally, there will be conservation areas and greenspace. As it lies adjacent to the existing Montana Rail Link (MRL) line, Interstate 90, Interstate 94 and is within the proposed Billings Bypass corridor and borders the Yellowstone River, the TCP will be well suited as a transportation hub and trailhead to the Northwest Region and Canada as a whole.

In addition to the proposed TCP, there are several existing businesses located within the Lockwood TEDD, including Pacific Recycling large steel recycling facility. Scrap metals are purchased and sold at this facility to manufacturers that produce new products from these recycled materials. In order to

facilitate their production, a rail spur from the MRL line provides service that enables steel to be loaded directly onto rail cars.

Johnson Lane Materials is a sand and gravel company located within the Lockwood TEDD. They use a crusher and wash plant to provide all types of road base, sand, crushed rock, top soil, round rocks and imported landscape materials. This facility serves the greater Yellowstone County region.

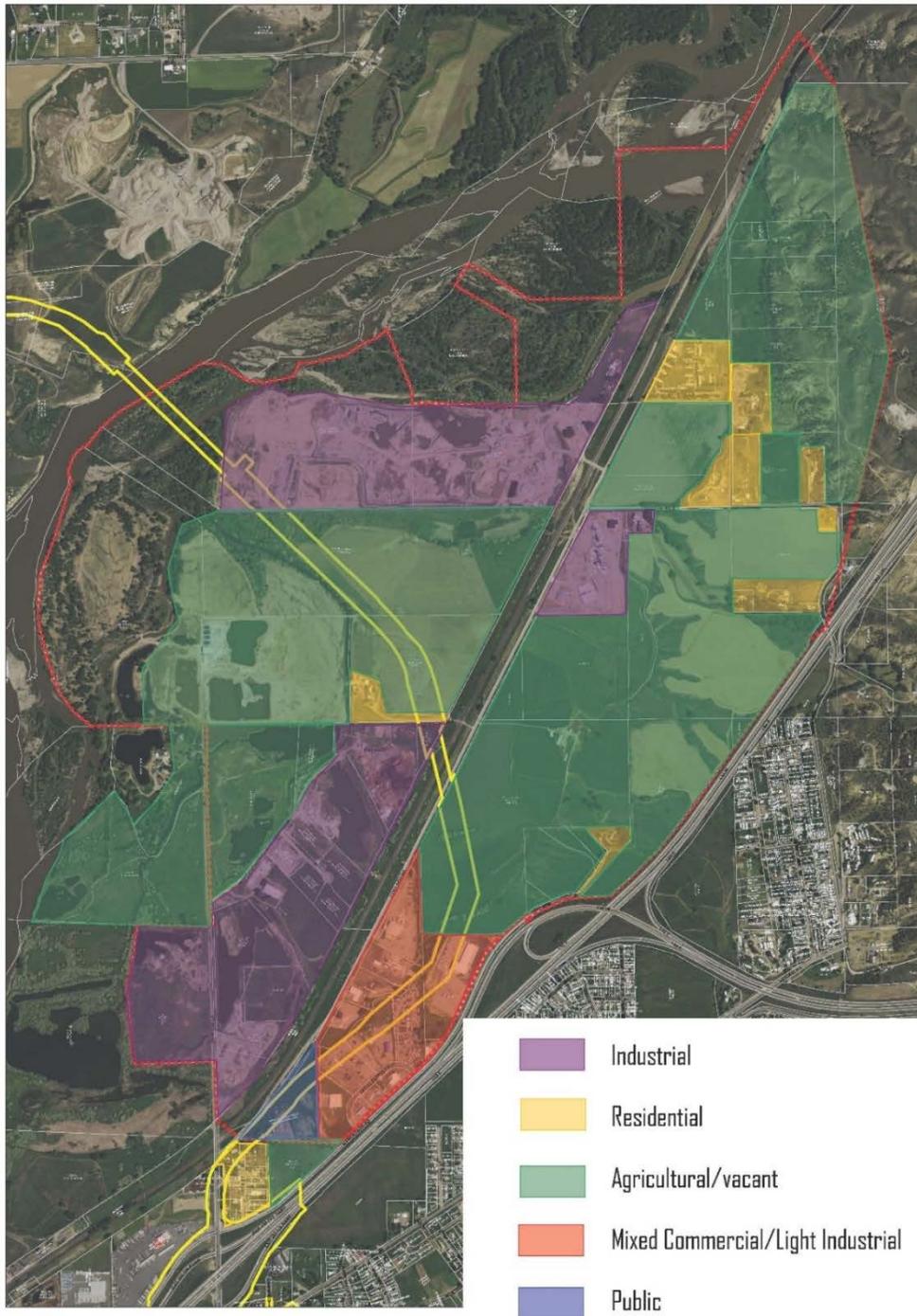


Figure 12 Land Use

## Transportation and Access

Transportation and access to and within the Lockwood TEDD will be critical to its success. Existing conditions of the transportation infrastructure will limit the District's ability to attract businesses. However, planned system improvements, combined with strategic investment of new and rebuilt infrastructure will create the needed transportation system for development within the TEDD.

### Local Roads

Access to the area is provided by local roads, including Johnson Lane, Coulson Road and the Frontage Road. Johnson Lane north of the intersection with Coulson Road is primarily gravel and would provide limited access to properties within the District.

Coulson Road, a portion of which is paved, would provide the primary access to the District. It would need to be improved to a County standard section of 40-feet of pavement width with 2-feet of shoulder to accommodate the traffic that would be associated with development of the Lockwood TEDD.

Additional local access roads will need to be designed and constructed within the District. These should be planned to provide access to development sites, improve internal circulation and be efficient to serve multiple sites and facilities.

### Interstate Highways

The Interstate 90 interchange at Johnson Lane connects the TEDD to the greater interstate transportation network. This interchange provides full access to east and westbound access to Interstate 90 and 94. Ease of truck access to the Lockwood TEDD from the Johnson Lane interchange provides advantages that other locations in Yellowstone County do not have.

### Billings Bypass

The Montana Department of Transportation is currently in the planning and design phase for the Billings Bypass project. This project will provide a 5-mile long, two lane limited access roadway connection across the Yellowstone River between Interstate 90 and Old Highway 312. There are several roadway improvements within Lockwood that are associated with this project. The I-90 interchange at Johnson Lane will be reconstructed to accommodate the new bypass. Alternative alignments are still under consideration. Additionally, a new intersection with the bypass and Coulson Road will be constructed, which will create direct access to the southern portion of the Lockwood TEDD. An additional access point to the bypass from the TEDD area will be considered as design of the bypass progresses. MDT has indicated that they will work with the land owners and the Trailhead Commerce Park to identify a preferred access location.

### Rail Service

Rail service to the Lockwood TEDD is provided by Montana Rail Link, which leases track and land from Burlington Northern Santa Fe Railroad. There is currently a spur from the main line to the Pacific Steel facility. Additional rail spurs, including a transloading facility would benefit the development of the Lockwood TEDD. A transloading facility is a location that transfers shipments from one mode of

transportation to another. It is most common when one mode of transport cannot be used to ship goods for the entire length of a trip. A transloading facility within the Lockwood TEDD would enable rail shipments to be placed on delivery trucks for transportation to places not served by rail. It would also enable goods produced within the Lockwood TEDD to be shipped via rail to distant customers.

### **Non-Motorized Transportation**

The community of Lockwood has identified pedestrian safety as a key issue. Within the Lockwood TEDD, there are no sidewalks, curbs or bicycle facilities. As part of this planning effort, a trail alignment for pedestrian and bicycle access has been identified to connect the Lockwood community with the proposed Billings Bypass project. A committee of the stakeholders reviewed the opportunities with creating this connection. Detailed discussion of the proposed alignment is located in Chapter 4.

## **Infrastructure**

April 21, 2015, the Yellowstone County Board of County Commissioners adopted the Resolution of Necessity declaring an infrastructure deficient area known as the Lockwood Concept Area. The following infrastructure deficient conditions in the Lockwood Concept Study Area were identified:

- **Water System:** a public water system is not available in the area, and will require expansion of the Lockwood Water and Sewer District, main extensions, and increased filtering capacity. The Lockwood Water and Sewer District serves the community of Lockwood. However, the service area does not include the Lockwood TEDD area. The closest water service line is located at the intersection of Johnson Lane and the North Frontage Road. New service lines, modifications to the treatment facility and potentially new water rights as demand increases will be necessary to service the Lockwood TEDD area. Preliminary estimates indicate that water service to the Lockwood TEDD, not including treatment facility upgrades or water rights acquisition, will likely be over \$4 million.
- **Sewer System:** a public sewer system is not available in the area, and will require expansion of the Lockwood Water and Sewer District, renegotiation of the agreement with the City of Billings for additional treatment capacity, main extensions, and upgrading of the current lift station. The Lockwood Water and Sewer District transmits wastewater from Lockwood to the City of Billings' treatment plant. This agreement between the District and the City limits the amount that can be transmitted to the plant.

Expansion of the District to include the Lockwood TEDD area would require installation of new service lines, upgrades to an existing lift station at Johnson Lane and potentially an additional lift station within the TEDD area. Preliminary cost estimates for the sewer main extensions and lift station improvements will likely be over \$5 million.

- **Transportation:** both on- and off-site transportation upgrades, including rights-of-way, will be required for traffic circulation, safety and access. Rail transloading facilities and multi-modal opportunities are not available.

Roads to and within the TEDD area will require improvement to the minimum standards for a Commercial Collector road, as specified Yellowstone County Subdivision Regulations. Specifically, Coulson Road will initially provide primary access to the TEDD area and will need to be improved to a County standard road. Road improvements to service the TEDD area will like be over \$4 million.

Montana Department of Transportation is currently working on design plans for the Billings Bypass, a project that will connect Interstate 90 at Johnson Lane with Highway 312, north of Billings. The proposed bypass will cross the Yellowstone River adjacent to the Lockwood



Transportation

TEDD. The final design will have to consider access points to serve the area and the future industrial development.

Non-motorized transportation has been identified as a key issue in Lockwood. There are no sidewalks or multi-use trails within the Lockwood TEDD area. Providing multi-modal access adjacent to the bypass – particularly with the bridge over the Yellowstone – has been identified as an important element in the development of a plan for the Lockwood TEDD.

- **Utilities:** electric and gas service for ordinary industrial users is available with right-of-way and line expansions. Heavy load industrial users would require supply, transmission line and substation expansions and redundancy.

Electric power is provided by Yellowstone Valley Electric Company. As noted in the Statement of Infrastructure Deficiency, service for future industrial users would require substantial upgrades to the transmission lines within the Lockwood TEDD area. Industrial users typically have high electrical demands. Additional transmission lines to create redundancy and possibly a new substation would be required to adequately serve the area with new industrial users.

Natural gas is available in the vicinity. However, main lines would need to be extended to serve the Lockwood TEDD area.

- **Broadband Connectivity:** the area has limited access to broadband service and upgrades would probably require a new line from downtown Billings. Critical information infrastructure would have to incorporate redundancy to assure reliable service.

Broadband service would need to be extended from Johnson Lane to serve the Lockwood TEDD area.

- **General improvements:** additional infrastructure and public service deficiencies will be identified over time. As the TEDD area is developed, improvements and provisions for lighting, storm water drainage systems, and emergency services will need to be addressed.

# DEVELOPMENT STRATEGY

## 4



### Development Priorities

The development strategy is the business plan for achieving the goals and objectives outlined in the plan. It provides guidance on the criteria and timing for public private partnerships necessary to accelerate development and allow the District to achieve its potential.

An underlying principle of this strategy is that development through public-private partnerships is essential to the success of the District. Public-private partnerships can focus on linking the purpose, benefits and phasing of public and private projects to reflect the shared benefits of working together.

A range of funding tools must be available to fulfill the vision. While tax increment financing is a powerful resource, it alone is not enough to finance all the elements required for development of the District. Other sources, such as private funding, and federal and state grants and loans must also be pursued.

As a master plan is developed and projects identified, the following elements should be used to develop priorities:

**Leverage:** focusing investment in key areas to build momentum and synergies with the District is critical in the early stages of development. Early investments should be done to help leverage subsequent ones.

**Linkage:** public projects that link to and support the development of private projects will be essential. Public investment should only occur where there is strong private support and investment within the District.

**Flexibility:** due to the large amount of infrastructure that will be required for full build out of the District, a master plan that is phased and can respond to future economic and market conditions will be essential for the success. This flexibility must also balance leverage opportunities to ensure that investment is building momentum.

## Trailhead Commerce Park Trail Connection

An opportunity exists to create multi-modal transportation connections between the Lockwood Community and the Yellowstone River, and ultimately across the river to Dover Park. As part of the Lockwood TEDD Strategic Plan, a concept trail alignment that connects the Lockwood community via Johnson Lane to the bridge of the Billings Bypass has been evaluated. In the study of a potential pedestrian trail alignment through the Lockwood TEDD Study Area, both design opportunities and design constraints became apparent. This section describes the current conditions, the need and the opportunity to create such a connection.

### Billings Bypass

The Billings Bypass project, currently under design after Montana Department of Transportation (MDT) issued a Record of Decision in 2014 regarding construction of this new principal arterial highway connecting Interstate 90 with Old Highway 312. The purpose of the project is to address deficiencies in connectivity and lack of mobility due to the physical barriers in the east Billings area. The preferred alignment runs from Johnson Lane through the Lockwood TEDD area, crossing the Yellowstone River and finally connecting with Highway 312.

The Record of Decision indicates that pedestrian and non-motorized transportation will be accommodated within an 8-foot wide shoulder, an area that also serves as a vehicle break down lane. In response to the lack of adequate pedestrian and non-motorized transportation accommodation, the Lockwood Pedestrian Safety District Advisory Board submitted a letter to the Yellowstone County Board of County Commissioners requesting that adequate facilities be provided as part of the Billings Bypass.

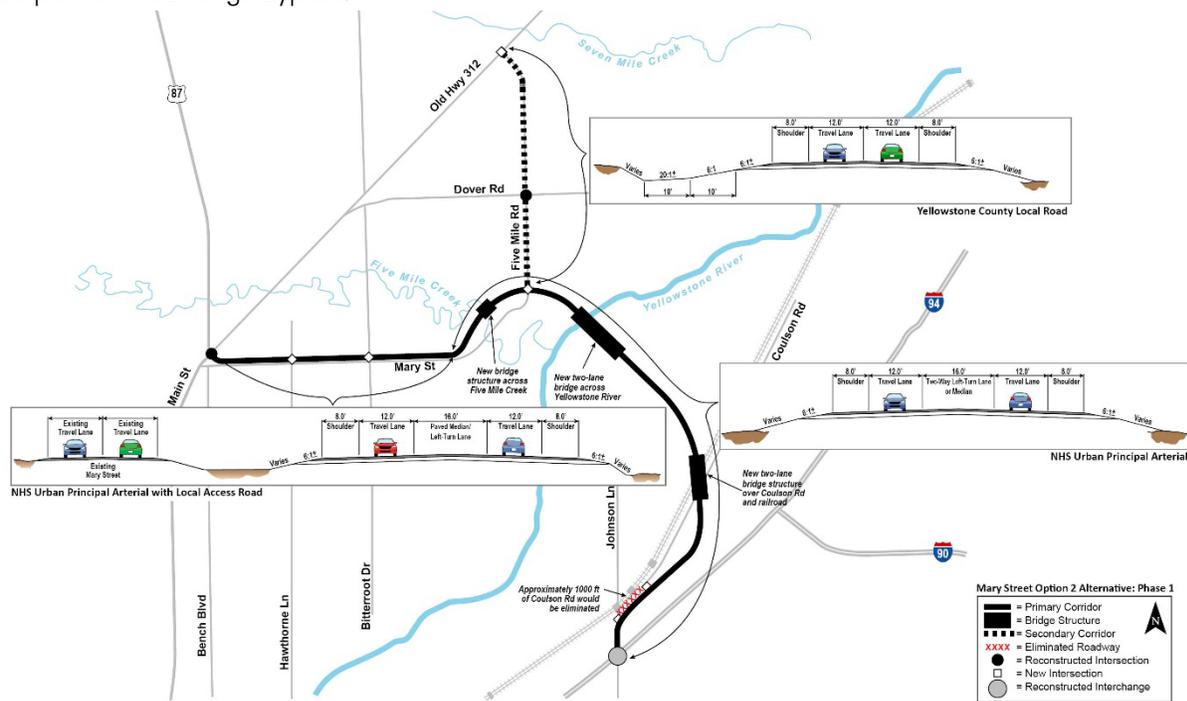


Figure 13 Billings Bypass Alignment. Source: Montana Department of Transportation

### Lockwood Pedestrian Safety District

In 2014, the Yellowstone County Board of Commissioners initiated a referendum to create a special improvement district for the purpose of enhancing pedestrian safety and provide for alternative means of transportation in the Lockwood Area. The effort was in response to increased conflicts between pedestrians and vehicles and a lack of sufficient infrastructure to separate the two uses.

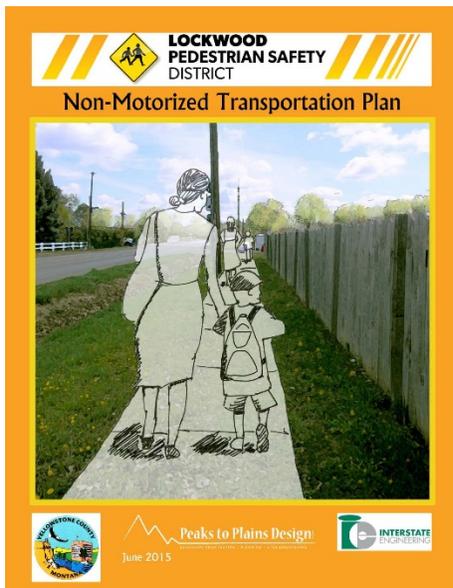
The District encompasses the same area as the Lockwood School District, and includes the area of the Lockwood TEDD. The Special Improvement District is administered by the Yellowstone County Board of Commissioners, with guidance from advisory board of members who live and work in the District. The mission of the District is to “effectively eliminate fatalities and serious injuries caused by vehicular and pedestrian conflicts throughout the Lockwood area.” In order to complete this mission, a five-year work plan was created, as part of the *Lockwood Non-Motorized Transportation Plan*.

*“Lockwood is a vibrant community with thriving industrial, commercial and residential neighborhoods where people of all ages and physical attributes can travel safely and efficiently without the use of an automobile.”*

--Vision of the Lockwood Pedestrian Safety District

### Lockwood Non-Motorized Transportation Plan

The Lockwood Non-Motorized Transportation Plan identified current conditions, documentation of safety data, summary of the extensive public participation process and summary of the five-year work plan.



The work plan identifies six areas of focus: education, enforcement, encouragement, engineering, evaluation and partnerships and funding. Projects to improve pedestrian safety are focused in areas of Lockwood with existing development, exclusively south of Interstate 90. Pedestrian facilities along the south side of Old Hardin Road are identified within the five-year plan.

The opportunity to connect these future pedestrian facilities with a future trail connection through the Trailhead Commerce Park will create greater access to the Yellowstone River and Dover Park for Lockwood residents.

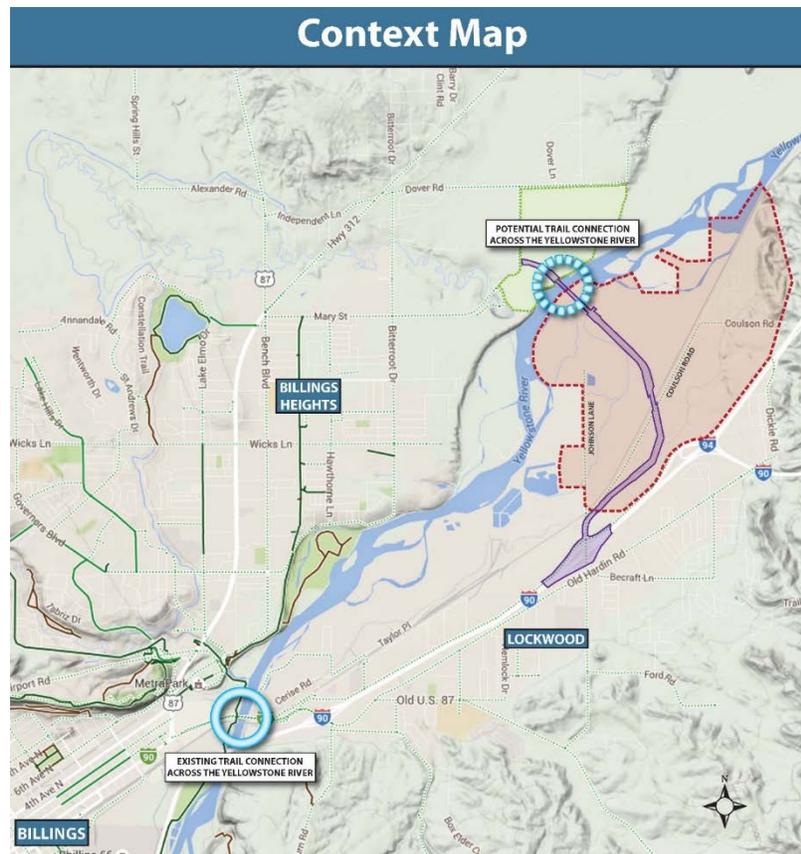
## Existing Conditions

The implementation of a pedestrian trail over the Yellowstone River and through the study site provides for the opportunity to connect the existing Heritage Trail and the Lockwood Non-Motorized Transportation Plan. The Heritage Trail is a community-wide trail system for non-motorized uses. As part of a greater bicycle and pedestrian network of sidewalks, trails, and on-street bicycle facilities, the Heritage Trail Plan is the roadmap to create off-street trails. Until now, little planning has been done regarding bicycle and pedestrian facilities within this area. As with other areas of Lockwood, existing conditions are not ideal for safe pedestrian and bicycle access.

Currently, the Dick Johnston Bridge (Old Hwy 87) serves as the only pedestrian trail crossing over the Yellowstone River. Functionally classified as a principle arterial, this section of Old Highway 87 carries over 26,000 vehicles per day. The 4-foot wide sidewalks are separated from the vehicle travel lanes with a concrete barrier.



Existing Condition 1: Pedestrian and bicycle access across the Yellowstone River



The Context Map on the left shows the closest access across the Yellowstone River at Old Highway 87, and the opportunity for access with the Billings Bypass.

In order to evaluate this opportunity, a steering committee, comprised of representatives from property owners, Billings TrailNet, Lockwood Pedestrian Safety District, BSED and the consultant team reviewed existing conditions and opportunities to create a link from the south side of Interstate 90 through the study area to the bridge associated with the future Billings Bypass.

The lack of existing infrastructure, a high volume interstate interchange, intersections with the existing rail road, narrow road right-of-ways/easements, the flood plain along the river, and privately owned land all factor into design constraints for the pedestrian trail alignment.

Johnson Lane is a very busy interchange with Interstate 90. Combined with heavy traffic on North Frontage Road, which serves as primary access to Town Pump truck stop, FedEx Ground Delivery facility, and the Exxon Refinery, this area is not ideal for non-motorized transportation. Beyond the North Frontage Road, Johnson Lane serves local traffic to businesses in the area.

Coulson Road is a two-lane local road that serves businesses in and near the Lockwood TEDD area. The road is paved, 22-feet wide, and has approximately a 2-foot gravel shoulder on either side. As it exists today, Coulson Road is not ideal for non-motorized transportation.



*Existing Condition 2: Johnson Lane, north of Coulson Road*



*Existing Condition 3: Coulson Road has no bicycle or pedestrian facilities*

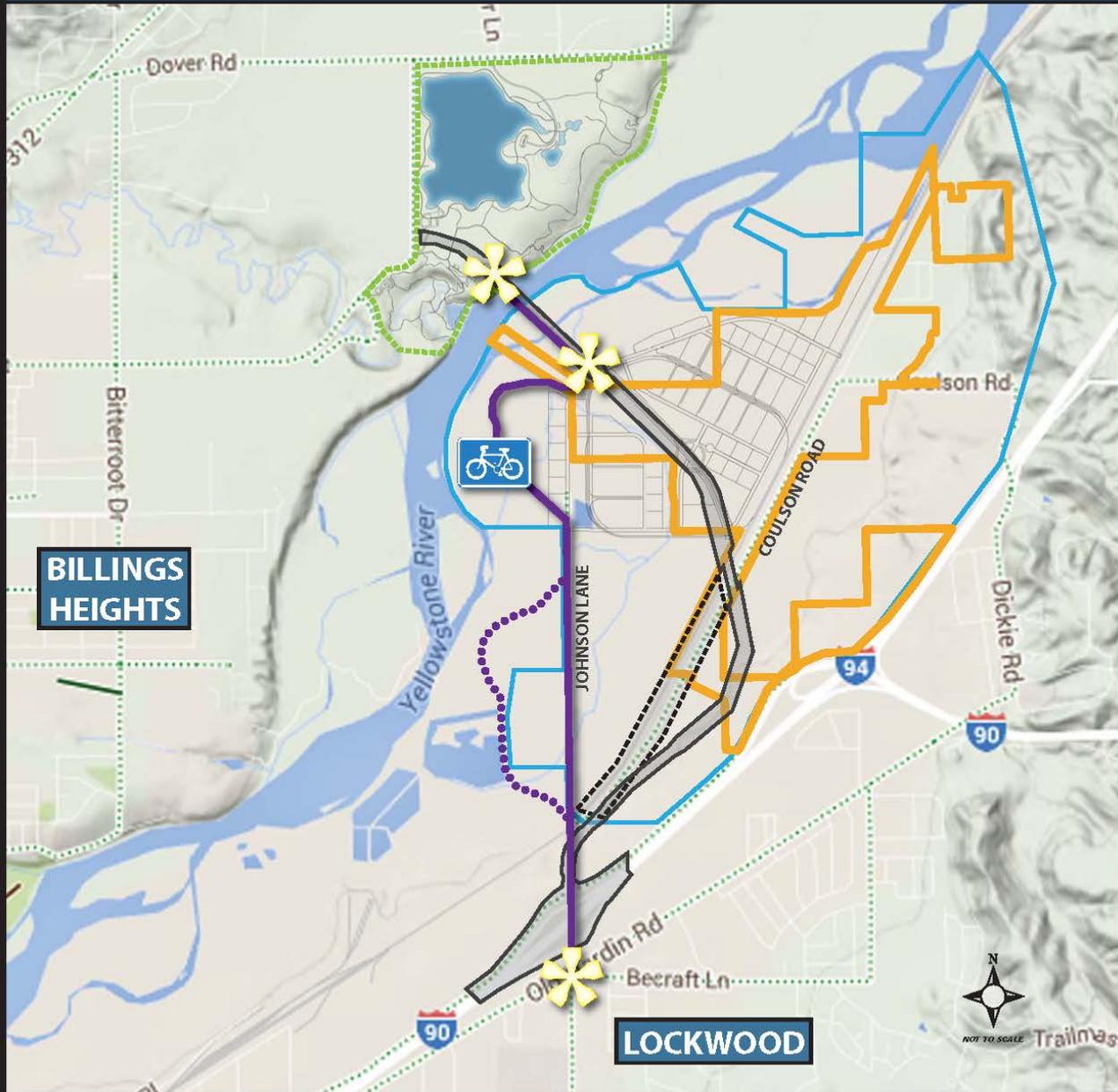
In evaluating the existing conditions and opportunities to connect the Lockwood community to the Billings Bypass, the preferred alignment was identified as Johnson Lane. This alignment has the following positive attributes:

- Limited traffic north of North Frontage Road
- Direct route from Lockwood to the Bypass bridge
- Adjacent property owners who expressed interest in exploring potential easements for a trail
- Access to the Yellowstone River and via property within the Trailhead Commerce Park
- Opportunity to coordinate access from Old Hardin Road as the Johnson Lane interchange is designed to accommodate the Bypass



Existing Condition 4: Analysis of potential trail routes

# Preferred Trail Alignment



NOTE: EXHIBIT IS DIAGRAMATIC IN NATURE AND SHOWS PROPOSED CORRIDORS, NOT ACTUAL ALIGNMENTS

MAP LEGEND		
<b>HERITAGE TRAIL</b>	<b>PREFERRED TRAIL</b>	<b>STUDY AREA</b>
MULT-USE TRAILS	PREFERRED TRAIL ALIGNMENT	LOCKWOOD TEDD
NEIGHBORHOOD TRAILS	ALTERNATE TRAIL ALIGNMENT	STUDY AREA
BIKE ROUTE	POTENTIAL TRAILHEAD/ PARKING	PROPOSED BYPASS ROW
UNIMPROVED/PRIMITIVE TRAIL	CRITICAL CONNECTION POINTS	JOHN H. DOVER MEMORIAL PARK
PARK OR OPEN SPACE		ABANDONED SECTION OF COULSON ROAD



### **Concept Alignment**

The preferred pedestrian trail alignment would occur along the Johnson Lane corridor from the I-90 interchange north to the future bypass crossing over the Yellowstone River. This alignment would allow for separation from the future heavily traveled bypass, making the trail safer for pedestrians. Some areas of collaborative design opportunities with the future bypass design could occur at the I-90 interchange and the bridge crossing over the Yellowstone River to allow for proper pedestrian safety in those areas.

### **Work Plan**

Right-of-ways and/or easements along Johnson Lane would need to be acquired from private land owners to allow room for an off road pedestrian trail. The opportunity for a trailhead/parking lot off Johnson Lane would provide both commuters and leisure users of the trail a destination point for access to the trail system. Additionally, an internal pedestrian trail system along the Yellowstone River could be implemented to take advantage of the great beauty along the river's edge. The design of these trails should meet the design criteria as outlined in both the Heritage Trail Master Plan and the Lockwood Non-Motorized Transportation Plan.

### **Cost Estimate**

In order to plan for the future implementation of the route identified, it is important to consider the associated construction costs of such projects. It is assumed that the trail will be 10-foot wide paved asphalt surface. The concept alignment is estimated to be 17,493 linear feet from the I-90 interchange to the Bypass bridge.

It is anticipated that the cost to construct the trail will be in the range of \$400,000 to \$600,000, depending upon the final alignment and site conditions. The cost does not include the purchase of easements, as those costs are unknown at this time.

## Development Scenario

Development of a master plan should be one of the first priorities of the Lockwood TEDD, and should be the responsibility of the Advisory Board. The master plan will set the vision for how the District will function as a whole, focusing on the interconnection of the many pieces that will combine to create the district. It will establish priorities and create expectations for the use of public funds in combination with other funding strategies.

The District will capitalize on its location, its access to transportation networks and investments of the private development community to create a regionally distinct industrial development. The District's location will be visible from Interstates 90 and 94, as well as the future Billings Bypass. Improvements to the Johnson Lane interchange, as well as Coulson Road will create an entryway to the District. Internal to the District, development of rail spurs will connect development areas to the nationwide freight network, providing businesses with opportunity to transport goods to a broader market.

The location of the District adjacent to the Yellowstone River will provide for a unique opportunity to create an open space network within the District. The Trailhead Commerce Park trail network will allow multiple connections and an opportunity to connect to a river crossing associated with the bypass. Additionally, open space and a trail network will connect to the Lockwood community located south of the District.

Given the size of the District, development will occur in phases. It will be essential to identify

preferred phasing schemes that tie to infrastructure development to ensure that public investment in infrastructure is meeting the needs of the private development and providing leverage opportunities with that investment.

As a master plan is developed, the following concept elements should be explored and incorporated.

- The Trailhead Commerce Park can be a catalyst project for the Lockwood TEDD. A portion of this development is located within the Lockwood TEDD and is envisioned as a light industrial park that integrates rail transloading with commodities warehousing and industrial properties to support value-adding industries.
- The demand forecast for industrial space anticipated a demand of approximately 16 acres per year for industrial development with the Lockwood TEDD. It should be understood that development will likely occur at an uneven rate. As such, using a yearly rate of 16 acres, it could be anticipated that a five-year demand of 80 acres is reasonable. Therefore, a minimum of 80 acres should be identified as an initial phase with a likely 5 year build out cycle.
- Additional phasing should be established to respond to demand while remaining sensitive to over supplying the marketplace.
- Coulson Road will provide primary access to the District. Evaluate entryway features

that will enhance the District's identity. Such design features could also be used to enhance and identify the Frontage Road as a development area within the District.

- Identify locations for key anchors, based on availability of road and rail access, and ease of infrastructure development. Key anchors will be used as a catalyst to promote additional private development.
- As future phases are developed, identify design elements, such as signage and entry identification, that would provide a unifying design concept.
- The Trailhead Commerce Park Trail Connection should be viewed as a signature feature of the area and a benefit to the District. Connector trails between private development entries and the trail connection should be evaluated

# IMPLEMENTATION

# 5



Successful development of the Lockwood TEDD will require numerous activities before any new development occurs within the District. This section identifies those activities of organization and preparation that are needed in the early stages of the District.

## Program Administration

The Lockwood TEDD will be managed by the Lockwood TEDD Advisory Board to the Yellowstone County Commissioners. All decisions regarding budgeting, program design, and related actions will be made directly by the Yellowstone County Commissioners. No later than April of each year the Yellowstone County Board of Commissioners, in conjunction with the Lockwood TEDD Advisory Board, will prepare an annual TEDD budget and work plan for the following fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>). Each annual work plan will include the following elements:

- Anticipated Increment Revenue for the year
- Project Priorities and Associated Costs
- Financing Strategies Anticipated
  - Direct Increment Revenue
  - Debt Financing
  - Other Sources of Funding
- Administrative Budget including staff and consulting services

The Yellowstone County Board of Commissioners will review the work plan and determine whether any changes are necessary before setting the budget. Once the budget is set, the TEDD Advisory Board, in conjunction with the County, will be responsible for:

- Developing financing strategies
- Working with the County, property owners, and developers to identify public infrastructure projects for the future
- Reviewing proposed infrastructure development projects for the future
- Following Yellowstone County procurement rules with respect to:
  - Preparing bid and proposal requests
  - Reviewing proposals from engineers, contractors, and other vendors
  - Making recommendations to the Yellowstone County Board of Commissioners regarding contractor selection
- Monitoring projects
- Conducting market analysis, engineering studies, and project feasibility analyses

## Pre-Development Activities

Preceding any public improvements will be a period of enabling organization. There will be actions necessary, including the development of a master plan, to prepare for planned improvements. There will need to be organizations formed and budgets established, as well as priorities set.

### Lockwood TEDD District Staff

Initially, staff time may be donated by BSED until there are sufficient revenues from the District through TIF that a director may be hired. Tasks include development of Advisory Board bylaws, recruitment of Board members, management of the master plan creation and support for the development of yearly work plans.

### Advisory Board Organization

As described in the Program Administration, a board will be established to advise the Yellowstone County Commission to develop annual work plans, set priorities and develop strategies for implementation. Early in the formation of the Lockwood TEDD, this board will need to be established, with staff support from Big Sky Economic Development. Recommended membership of the board would possibly include the following:

- District Property Owners (4-5 members)
- Yellowstone County Commission (1 member)
- Lockwood Water and Sewer District (1 member)
- Yellowstone County Staff Representative (1 member)
- Lockwood Schools Representative (1 member)
- Lockwood Resident, Property or Business Owner (1-3 members)

- Lockwood Fire District (1 member)
- Lockwood Pedestrian Safety District (1 member)

The Yellowstone County Commission would be responsible for authorizing the Board and appointing specific Board members. Bylaw and other Board documents will need to be created and approved.

### **Master Plan**

As identified previously, a master plan for the Lockwood TEDD area will need to be created. The master plan will set the vision for the District. The Advisory Board should initiate and be responsible for completing the master plan. Specific elements that should be evaluated and included in the master plan are:

- Vision for the District, including intent of public expenditures should be articulated within the Plan
- Development priorities that will implement the vision
- Specific concept elements that are needed to ensure the District is built in accordance with the vision
- Transportation network and connections should be identified, particularly as the Billings Bypass timeline becomes more developed
- Trailhead Commerce Park trail connection should be further articulated as the Bypass alignment and design are finalized

### **Billings Bypass Coordination**

An Important transportation connection to and within the TEDD will be the Billings Bypass. They Bypass will provide improved access to Interstate 90 and Highway 312. Coordination with Montana Department of Transportation regarding the final alignment and access points to the Billings Bypass will help ensure that future tenants benefit from this connection. The Advisory Board should maintain contact with MDT during the design period and provide MDT input on access points. As the master plan is developed, the final alignment of the Bypass should be incorporated into the plan.

### **Marketing and Recruitment**

Development of a marketing and business recruiting plan will be essential to the success of the District. It should be built upon the master plan to ensure that the marketing efforts are reinforcing the vision that has been identified for the District. Additionally, developing a business recruitment plan that identifies the targeted industries and specific properties that are available will help ensure that the District is building out in a coordinated fashion. Marketing and recruitment will need to be done in conjunction with property owners within the District to ensure that as recruitment efforts are underway, properties are available for new and expanding businesses. An initial marketing statement should be developed that focuses on the development of planned, ready-to-use industrial sites for the development of secondary value adding industries. The statement should reflect the project location, access to transportation networks and availability of utilities, as appropriate. An example of a market statement is below.

**With its proximity to multiple transportation routes, the Lockwood TEDD is a strategic hub for industrial, manufacturing and warehousing needs of the Billings community. With rail service and easy access to Interstates 90 and 94, the District provides full connectivity to the regional and national transportation network. As the economic center of Montana, the Billings region offers a well-developed workforce that provides the necessary labor for a growing business community.**

To ensure that the District is developed successfully, business recruitment will be a primary focus of the marketing effort. Business recruitment and outreach efforts will seek to attract new enterprise to Yellowstone County and enhance the success of existing enterprise through the development of the TEDD. Attracting new businesses and assisting existing businesses through outreach promotes economic development by 1) creating new above-average paying jobs in our county, 2) building the existing tax base in Yellowstone County, and 3) connecting companies to existing industry clusters to enhance both existing and new business operations. Recruitment efforts will be bolstered through quality partnerships with organizations that have a vested interest in economic development.

The goals of the TEDD recruitment strategy include:

- Effectively market our community on the local, regional, and national level for the purpose of recruiting new business to Yellowstone County
- Increase lead pipeline and enhance reach of services through outreach in order to support and inform effective business recruitment
- Support enhancement of key economic development infrastructure

In order to implement coordinated and effective business recruitment, a formal partnership with a number of key stakeholders should be created. This group should involve the key stakeholders necessary for economic development, marketing and real estate development. A lead person from Big Sky Economic Development should be assigned to identify key partners and a process for outreach with the end goal of continuing a working partnership of business and property owners, brokers, developers, and industry representatives to address the key economic strategies agreed to by the stakeholders.

The primary actors, and therefore key partners, in implementing economic development goals and attracting or expanding businesses are the major property owners, businesses, real estate brokers and developers. Industry trade groups may also be valuable partners because of the network of people involved in them, and their collective knowledge of the targeted industries.

Specific activities that should be considered by the stakeholder group including the following:

- Solicit ongoing feedback from innovation-focused businesses in targeted technology and manufacturing industries. BSED staff can solicit input from businesses in targeted industry

sectors regarding how Lockwood TEDD can better meet the unique needs of their industries. Ongoing communications will ensure Lockwood TEDD is viewed as a receptive, productive environment for innovative companies. The outreach may include site visits, and regularly scheduled gatherings and events for business leaders within the target industries.

- Attend targeted economic development events to promote the Lockwood TEDD. Focus on economic development events that are targeted to innovation-focused, high-technology and manufacturing industries to build awareness of Lockwood as a location for new businesses.
- Develop a communication outreach program to existing regional businesses. Regular communication programs with existing businesses could include regular distribution of an e-newsletter and/or social media and web based communication tools.
- Communicate attributes of the Lockwood TEDD as a business location, targeted to businesses likely to consider locating in Yellowstone County. Maintaining updated economic data via the BSED website to include top industries, top employers, number of businesses, number of workers, etc. This information could be used by anyone interested in examining Yellowstone County's health as a business location, and as a promotional tool.

### **Identify Gap Funding Sources**

As identified in the market analysis section of this Plan, infrastructure improvements are required to spur development of the Lockwood TEDD and thereby building value of the TIF. Funding of the initial infrastructure will need to come from other sources, either private development, local government funds, or federal or state grants. Identification of these funding sources will be necessary in order to effectively develop the District. Below are a sample of funding sources that should be explored.

#### Developer Funding:

Because the initial investment for the improvements and extensions of public improvements will need to occur before there is TIF available to pay for the improvements, early improvements will likely be funded by private entities. The Lockwood TEDD could enter into reimbursement agreements with private entities for eligible expenses. Such expenses would include public utility and road improvements that serve the TEDD District to support value adding industries. Reimbursement agreements stipulate that public improvements that are installed and paid for by a developer or property owner are eligible for reimbursements as TIF funds become available.

#### Federal Grants:

- Community Development Block Grant (CDBG) is a federally funded program that provides assistance to communities for projects such as public facilities, economic development and planning grants.
- Transportation Alternatives Program (TA Program) is a federal program to assist local governments in developing transportation alternatives, including on- and off-road pedestrian and bicycle facilities, infrastructure projects that improves access to public transportations, recreational trail improvements, and safe routes to school projects.

- o The Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant program is a federal program that funds the building and repairing of critical pieces of road, rail, transit and port facilities.

State Grants:

- o Treasure State Endowment Program (TSEP) is a state funded program to assist local governments in financing capital improvements to sewer and water facilities. Grants can be requested up to \$500,000 and a match from the local government is usually required. The match may be in the form of another grant.
- o The Montana Intercap Program (INTERCAP) is a loan program to assist with costs associated with infrastructure, and the acquisition and installation of equipment or personal and real property.

Special Improvement Districts:

The Board of County Commissioners is authorized and empowered to order and create special improvement districts whenever the public interest or convenience may require (7-12-2102 M.C.A.). The purpose of a Rural Special Improvement District is to provide funding for improvements and maintenance of pre-existing improvements including, but not limited to streets (avenues, highways, lanes, alleys, crossings or intersections, courts, and places which have been dedicated and accepted according to the law or in common and undisputed use by the public for a period of not less than 5 years next preceding), ditches, bridges, culverts, curbs, gutters, sewers, and waterworks. A Petition to Create a Rural Special Improvement District must have the consent of at least 60% of the land owners located in the proposed District.

**Property Owner's Organization**

The creation of a property owner association or business improvement district would provide opportunity to support activities that are not eligible for funding with tax increment financing. These would include marketing efforts to recruit tenants and maintenance of improvements. While the advisory board to the Lockwood TEDD is focused on the activities authorized by the Yellowstone County Commission and state statutes, a property owner organization can provide funding for supporting activities that are necessary to ensure a successful district. This organization would likely include members from the Advisory Board, further ensuring coordination between the public and private sectors.

Leadership of this organization can advocate on behalf of the property owners, and help ensure investments of public and private money are well maintained. A strong organization is likely to have greater recruitment power and therefore likely to accelerate development of the District. Coordination of activities will also ensure that individual actions are mutually supportive, not competitive within the District. This also increases the District's competitiveness for grant funding for projects within the district.

## Phase 1 Capital Investments

The order of the improvements that include public participation will be influenced by a number of factors, including private investment, recruitment activities and market activities. Thus, the sequence of proposed improvements that follows is somewhat arbitrary. A projection of improvements that are beyond the work plan are included for reference.

### Water and Sewer Extensions

In order to serve the District with public utilities, the main lines for water and sewer will be need to be extended along Coulson Road. This will enable properties within the District to be subdivided and developed as individual building sites. Without these extensions, the District cannot develop as envisioned. As indicated earlier in this document, there will likely not be enough TIF revenue to pay for these improvements, therefore, alternative funding mechanisms will need to be identified.

### Coulson Road Improvements

In order to serve the District and anticipated needs of future tenants, improving Coulson Road to a collector street standard will be necessary. This will require improvements to the base of the road, adding gravel shoulders and providing a minimum of 40-feet of pavement width.

### Trail Connection

While industrial parks and natural areas are often viewed as incompatible, within the Lockwood TEDD District, it is viewed as an amenity for businesses and employees. The trail that will connect the community of Lockwood across the Yellowstone River to Dover Park and other parts of Billings will need to be designed, funded and constructed. This work should be done in conjunction with the Billings Bypass project. A separated trail that provides safe access for pedestrian and bicyclists from the Lockwood community south of Interstate 90 to the Yellowstone River north of Interstate 90 will not only enhance opportunity for residents but also provide a unique opportunity for businesses within the Lockwood TEDD District. This natural amenity will provide employees within the District access to a trail for commuting, and the natural river riparian areas to enjoy during lunch breaks.

## Phase 2 Capital Investments

### Frontage Road Water and Sewer Extensions

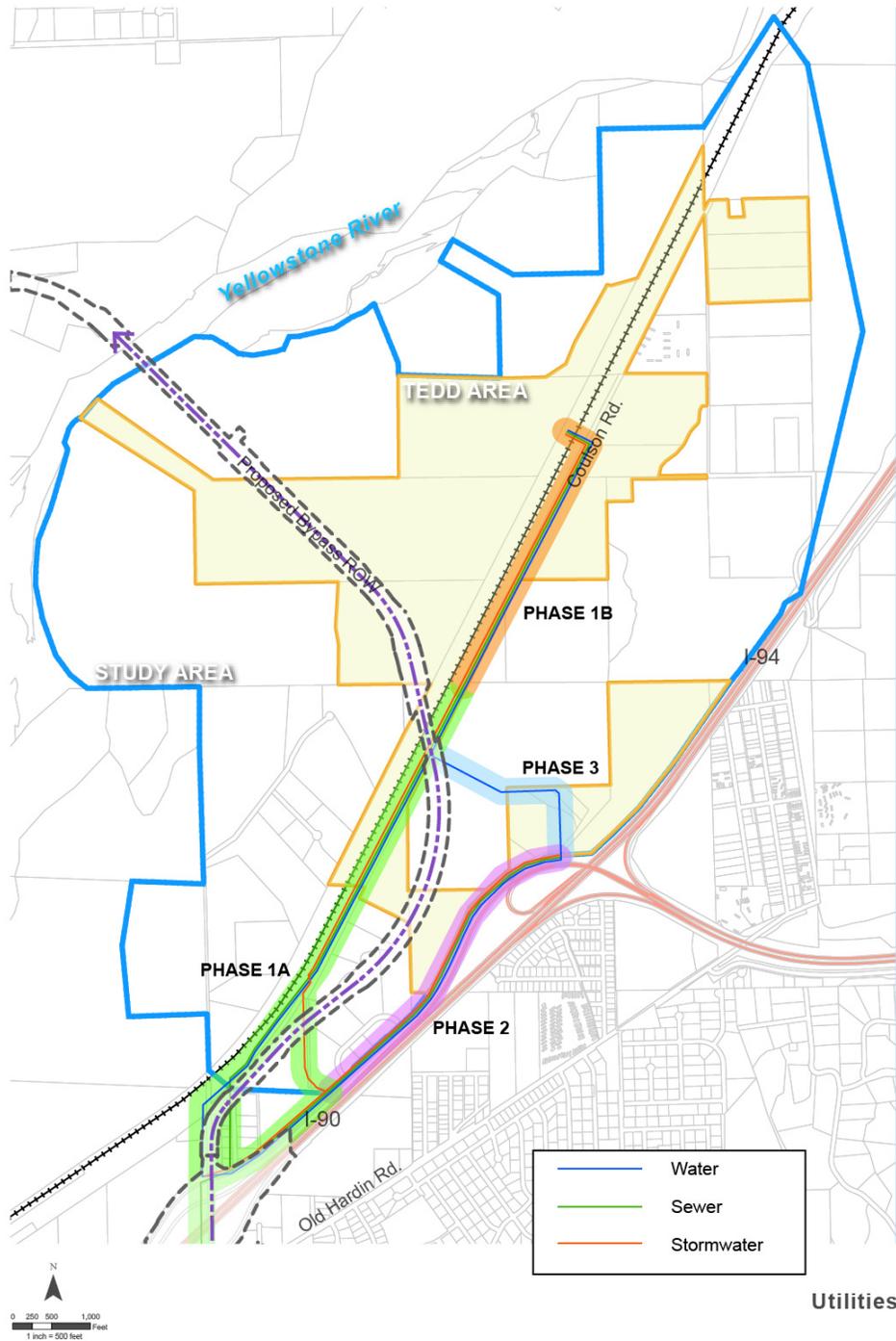
As the District develops, expanding the water and sewer main lines to serve additional areas will be necessary. As identified earlier, expanding the water and sewer services along the Frontage Road will allow development to occur on approximately 92 acres within the District.

### Water Loop Connection

Phase 3 of the initial infrastructure would provide a water main connection between Coulson Road and Frontage Road. This will allow for redundancies in the systems, which can reduce stagnation in the system as well as reduce disruption in service.

### Services for District Expansion

The District has the ability to expand to include additional land. This process would require evaluation of additional area needed as well as property owners petitioning to be added to the District. As these areas are considered for expansion, evaluation of the infrastructure needs will need to be completed and identified within the work plan.



# Work Plan Summary

Lockwood Targeted Economic Development District		Project and Action Summary															
Project Name	Cost Estimate	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Pre-Development Activities</b>																	
Program administration organization	\$0																
Advisory Board organization	\$0																
Master plan	\$50,000																
Marketing and recruitment plan	\$25,000																
Gap funding sources	\$0																
Property owner organization	\$0																
<b>Phase 1 Capital Investments</b>																	
Phase 1 water/ sewer extensions	\$4,219,000			\$4,219,000													
Coulson Road improvements	\$2,183,350				\$2,183,350												
Trail Connection																	
Phase 1B water/sewer extensions	\$2,113,170								\$2,113,170								
Phase 1B Coulson Road improvements	\$1,087,200								\$1,087,200								
<b>Phase 2 Capital Investments</b>																	
Frontage Road water and sewer	\$2,755,380												\$2,755,380				
Frontage Road improvements	\$1,359,750													\$1,359,750			
Water loop connection	\$353,900														\$353,900		
District expansion																	
<b>Total</b>	<b>\$14,071,750</b>	<b>\$75,000</b>	<b>\$0</b>	<b>\$4,219,000</b>	<b>\$2,183,350</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,200,370</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,755,380</b>	<b>\$0</b>	<b>\$1,713,650</b>	<b>\$0</b>	<b>\$0</b>

Note: this table illustrates how Lockwood TEDD projects could be implemented over time. Funding of projects will be contingents upon satisfaction of criteria set forth in the Comprehensive Development Plan as well as the development strategy with regard to private investment, market readiness, availability of capital funds, and funding for on-going maintenance. Based on these criteria and market conditions, the actual timing of projects may be accelerated or delayed.

SANDERSON   
STEWART

 **LDI**  
Land Design, Inc.

