LOCKWOOD TARGETED ECONOMIC DEVELOPMENT DISTRICT

STUDY AREA

BIG SKY ECONOMIC DEVELOPMENT

SANDERSON STEWART
Market Analysis
Initial Findings

Lockwood, TX
100 acre industrial site

Brian Duffey, Vice President
Economic & Research Services

Growth Trends - Population
- Rutherford Industrial Study
- Population grew at 5.1% in 2015
- Activity year reported, trended for another decade and a half of industrial growth

Lockwood Opportunity
- Large site with large parcel opportunities
- Excellent access with I-10
- Proximity to industrial locations
  - 490,000 sq. ft. 4900 S I-10
  - Regional Economic Development District (RED) Tax Increment Financing
  - Standard industrial design for sites including
    - Primary products
    - Industrial parks
- Further study
  - Development planning and site layout
  - Infrastructure needs
  - Land use planning

Industrial Land Supply and Needs
- Industrial land is scattered throughout Yellowstone County, small ownership parcels
- Few opportunities for a quality master planned industrial park
- Corporations don’t want the risk of the development process – they want sites that are ready
- Needs
  - Demand for 900 acres over next 30 years
  - Secondary processing, office and retail
  - Good infrastructure
  - Full utilities: water, sewer, electric, gas, telecommunications

Industrial Market
- 46.0 m sq. ft. of industrial property
  - For lease
  - Vacancy rate is 34% of the inventory
  - Competitive location for an industrial location
  - Large industrial market sized at approximately 250,000 sq. ft. per year
Market Analysis
Initial Findings

Lockwood TEDD Feasibility Study

Brian Duffany, Vice President
Economic & Planning Systems
Growth Trends - Population

- Billings population exceeded 100,000 in 2010
- Arbitrary but important threshold for national retailers and real estate investors/developers

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tot. #</td>
</tr>
<tr>
<td>Population</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billings</td>
<td>92,609</td>
<td>104,170</td>
<td>108,975</td>
<td>16,366</td>
</tr>
<tr>
<td>Laurel</td>
<td>6,257</td>
<td>6,718</td>
<td>6,998</td>
<td>741</td>
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<tr>
<td>Remainder of County</td>
<td>30,486</td>
<td>37,084</td>
<td>39,781</td>
<td>9,295</td>
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<tr>
<td>Total</td>
<td>129,352</td>
<td>147,972</td>
<td>155,754</td>
<td>26,402</td>
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<tr>
<td>Households</td>
<td></td>
<td></td>
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<tr>
<td>Billings</td>
<td>38,537</td>
<td>43,945</td>
<td>46,433</td>
<td>7,896</td>
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<tr>
<td>Laurel</td>
<td>2,533</td>
<td>2,790</td>
<td>2,946</td>
<td>413</td>
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<tr>
<td>Remainder of County</td>
<td>11,014</td>
<td>13,937</td>
<td>15,136</td>
<td>4,122</td>
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<tr>
<td>Total</td>
<td>52,084</td>
<td>60,672</td>
<td>64,515</td>
<td>12,431</td>
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</tbody>
</table>

Source: ESRI, Economic & Planning Systems

153074-Lockwood TEDD Economic and Financial Analysis Data | 153074-Pop Hx.xlsx | Table
Billings Location
Industrial Market

- ~16.0 million sq. ft. in Yellowstone County
- Five industrial and business parks are 34% of the inventory
- Competitive inventory is 5.5 million sq. ft.
- Yellowstone County market grew by 300,000 sq. ft. per year

<table>
<thead>
<tr>
<th>Geography</th>
<th>2000-2015 Construction</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zoo Drive/Exit 443</td>
<td>429,217</td>
<td>9.1%</td>
</tr>
<tr>
<td>Gabel Road</td>
<td>394,320</td>
<td>8.3%</td>
</tr>
<tr>
<td>Lockwood Road/I-90 Corridor</td>
<td>406,597</td>
<td>8.6%</td>
</tr>
<tr>
<td>BN Industrial Subdivision</td>
<td>35,764</td>
<td>0.8%</td>
</tr>
<tr>
<td>Adjacent to BN</td>
<td>171,898</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,437,796</strong></td>
<td><strong>30.4%</strong></td>
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<tr>
<td>Yellowstone County</td>
<td><strong>4,727,614</strong></td>
<td></td>
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</tbody>
</table>

Source: Yellowstone County: Economic & Planning Systems
H:\183074-Lockwood TEDD Economic and Financial Analysis\Data\[183074-Commercial Property Yellowstone.xlsx]A
Industrial Land Supply and Needs

- Industrial land is scattered throughout Yellowstone County, small ownership parcels
- Few opportunities for a good quality master planned industrial park
- Corporate tenants don’t want the risk of the development process – they want sites that are ready
- Needs
  - Demand for 800 acres over next 20 years
  - Separated from retail, office, and residential
  - Good Interstate access
  - Full utilities: water, sewer, electric, gas, storm water
Lockwood Opportunity

- Level sites with large parcel ownership
- Interstate access and visibility
- Proven industrial market location
  - 400,000 sq. ft. 2000-2015
- Targeted Economic Development District (TEDD)
  - Tax increment financing
  - Fund or finance infrastructure to support value adding industries
- Further study
  - Development phasing and timing
  - Infrastructure costs
  - Landowner participation
FUNDING

PRIVATE FUNDING
- Developers and Investors
- Business Owners
- Property Owners
- On-site improvements including buildings, parking, landscaping and amenities

GRANTS AND LOANS
- Grant and Low Interest Loan Programs
- TIGER Grants - Transportation Investment Generating Economic Recovery
- TSEP - Treasure State Endowment Program up to $500,000 with a 1:1 match
- Montana InterCap Program - Board of Investments loan program
- Community Development Block Grants - planning and economic development
- USDA - Rural Development - Grant and Loan programs available
- Transportation Alternatives - Trails, bike and pedestrian improvements
- Federal Surface Transportation Program - Railroad crossing improvements

TAX INCREMENT FINANCING
PRIVATE FUNDING

Developers and investors
Business Owners
Property Owners

On-site improvements including buildings, parking, landscaping and amenities
GRANTS AND LOANS

Grant and Low Interest Loan Programs

- **TIGER Grants** - Transportation Investment Generating Economic Recovery
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TAX INCREMENT FINANCING

**Base Assessed Value (AV)**

Belongs to all other taxing entities in project area

**Incremental AV**

Tax belongs to TEDD to pay project costs

**New Post Project AV**

Entire AV now belongs to all taxing entities in project area

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**Department of Revenue**
- New taxes are calculated on the entire AV
- Tax Increment Financing District (TEDD) is a Regional Economic Development District (REDD)

**What does it mean to the Taxpayer**
- Project is funded by a special district
- If the area goes the same, the reduction in tax is calculated the same way
- Your tax bill will show a line item for the TEDD
- No additional cost
- Helps to attract jobs and other businesses to your local area

**TEDD Basics**
- Taxed at the same as Development District
- Does not increase your property taxes
- Shares any growth in property taxes as a base revenue in the TEDD district
- TEDD funds can be used for infrastructure and other improvements

**Important Reminders**
- Tax increment is determined per individual property
- New assessors for the issuance of assessment
- Don’t assess the property in the year of issuance of the assessment
- Assessment is spread over 10 years
- Taxable for the year in which the property is assessed
- New assessors for the issuance of assessment

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**Property Tax Bills**

| Property | Address | Value | Tax Rate | Taxable Value | Taxable Assessed Value | Total Taxable Assessed Value
|----------|---------|-------|----------|---------------|------------------------|-----------------------------
| Property A | 123 Main St | $100,000 | 2% | $2,000 | $2,000 | $2,000
| Property B | 456 Oak Ave | $150,000 | 3% | $4,500 | $4,500 | $7,500
| Property C | 789 Elm St | $200,000 | 4% | $8,000 | $8,000 | $8,000

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**Life of the TEDD**

Assessed Value (AV) $5
Department of Revenue

• How taxes are calculated within a

  – Tax Increment Financing District (TIFD)

  or

  – Targeted Economic Development District (TEDD)
What does it mean to the Taxpayer

• Property value is based on use – same as now
• If the use stays the same, the value is calculated the same way
• Your tax bill will show a line item for the TEDD
  – No additional cost
  – Similar to how School and other Districts appear on your tax bill
TEDD Basics

- Targeted Economic Development District
- Does not increase your property taxes
- Channels any *growth* in property tax above a base number to the TEDD district
- TEDD funds can be used for infrastructure and other improvements
### Property Tax Bills

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Stmt #</th>
<th>Billing Date</th>
<th>Description</th>
<th>1st Amount</th>
<th>2nd Amount</th>
<th>Total Tax Billed</th>
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<tbody>
<tr>
<td>2015</td>
<td>10705</td>
<td>10/16/15</td>
<td>TOTAL</td>
<td>2,038.94 P</td>
<td>2,038.91 P</td>
<td>4,077.85 P</td>
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<tr>
<td>2015</td>
<td>10705</td>
<td>10/16/15</td>
<td>0000 - 27TH ST URBAN RENEV</td>
<td>733.34 P</td>
<td>733.33 P</td>
<td>1,466.67 P</td>
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<tr>
<td>2015</td>
<td>10705</td>
<td>10/16/15</td>
<td>2TI3 - 2TI3 N27TH URBAN REN</td>
<td>901.74 P</td>
<td>901.74 P</td>
<td>1,803.48 P</td>
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<tr>
<td>2015</td>
<td>10705</td>
<td>10/19/15</td>
<td>BACF - BACF BLGS ARTERIAL C</td>
<td>57.44 P</td>
<td>57.44 P</td>
<td>114.88 P</td>
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<tr>
<td>2015</td>
<td>10705</td>
<td>10/19/15</td>
<td>BID1 - Business Improv Dist 1</td>
<td>37.50 P</td>
<td>37.50 P</td>
<td>75.00 P</td>
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<tr>
<td>2015</td>
<td>10705</td>
<td>10/19/15</td>
<td>BLSW - BLSW BILLINGS STOR</td>
<td>50.72 P</td>
<td>50.72 P</td>
<td>101.44 P</td>
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<tr>
<td>2015</td>
<td>10705</td>
<td>10/19/15</td>
<td>BS#1 - BS#1 BLGS STREET MA</td>
<td>176.18 P</td>
<td>176.18 P</td>
<td>352.36 P</td>
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<tr>
<td>2015</td>
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<td>BS#2 - BS#2 BLGS STREET MA</td>
<td>37.37 P</td>
<td>37.37 P</td>
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<td>2015</td>
<td>10705</td>
<td>10/19/15</td>
<td>L008 - 0008 BLGS LIGHT MAINT</td>
<td>7.80 P</td>
<td>7.80 P</td>
<td>15.60 P</td>
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<tr>
<td>2015</td>
<td>10705</td>
<td>10/19/15</td>
<td>PD01 - BILLINGS PARK DISTRIB</td>
<td>27.59 P</td>
<td>27.59 P</td>
<td>55.18 P</td>
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<tr>
<td>2015</td>
<td>10705</td>
<td>10/16/15</td>
<td>SOIL - SOIL SOIL CONSERVATI</td>
<td>1.11 P</td>
<td>1.10 P</td>
<td>2.21 P</td>
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<td>2015</td>
<td>10705</td>
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<td>TIDU - TIDU TID - UNIVERSITY</td>
<td>8.15 P</td>
<td>8.14 P</td>
<td>16.29 P</td>
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</tbody>
</table>

This is a Real Property Tax bill for Yellowstone County. The Levied Taxes under 0000-27th St UR are part of the base for the district which goes to the General Fund and the 2TI3 taxes go to the TIFD Fund. TIDU are mills that still go to the University system even when a TIFD/TEDD is present.
Important Reminders

• Tax increment is not determined per individual property.
  – Once the increment for the entire district has been determined, a percentage is calculated that will indicate the amount of the General Tax that stays with the base and the amount of the General Tax that goes to the TEDD.
  – To maximize the benefit to the District, the timing of the creation and filing of the District is important.
    • Base value is determined for the year of creation.
    • Potential increment is calculated the following year.
    • If improvements have already happened in the base year, the increment potential will be less.
NEXT STEPS

Zoning

Final Boundary Area

Goals and Objectives

Comprehensive Development Plan

Public Review