YELLOWSTONE COUNTY BOARD OF COUNTY COMMISSIONERS

Resolution No. 15 - 22

Resolution of Necessity Declaring an Infrastructure Deficient Area Exists within Yellowstone County, Montana in an Area Known as the Lockwood Concept Area and that Investment in Infrastructure in that Area is Necessary in the Interest of Public Health, Safety, or Welfare of the Residents of Yellowstone County

WHEREAS, the State of Montana has recognized that portions of its cities, towns and counties are deficient in infrastructure improvements for targeted economic development and therefore constitute an impediment to the growth of infrastructure intensive value-adding economic development;

WHEREAS, the creation of infrastructure in support of value-adding economic development is a matter of state policy and state concern because the state and its local governments have continued to suffer economic dislocation due to the lack of value-adding industries;

WHEREAS, local governments lack sufficient capital to rectify the infrastructure shortage in infrastructure-deficient areas, thus impeding their ability to achieve economic growth through the development of value-adding industries;

WHEREAS, the procedure provided in Title 7, Chapter 15, Part 42 and 43 of the Montana Codes Annotated authorizes local governments to exercise statutory development powers through comprehensive targeted economic development plans and projects, after the local government has made a finding that an infrastructure deficient area exists that substantially impairs or arrests the sound growth of the local government or its environs; retards the development of new and expanded value adding industry; constitutes an economic or social liability and/or is detrimental to the financial wellbeing of the community and its citizens;

WHEREAS, in 2013, on behalf of the Yellowstone County Board of County Commissioners, Big Sky Economic Development conducted a study to identify Yellowstone County’s opportunities for an industrial park; assess supply and demand for industrial lands; evaluate site options and develop operational plans for selected sites; evaluate opportunities for operational ownership and development of an industrial park, and provide a set of recommendations with implementation strategies; the Industrial Park Feasibility Analysis for Yellowstone County was completed in October 2014;

WHEREAS, on November 25, 2014, on behalf of the Yellowstone County Board of County Commissioners, Big Sky Economic Development secured professional services to assist the County Commissioners in taking the steps to develop a Targeted Economic Development District (TEDD) for the Lockwood Concept Area, identified in part in the Industrial Park Feasibility Analysis, and directed that an analysis of the infrastructure deficiencies in the Lockwood Concept TEDD Study Area be conducted;

WHEREAS, on behalf of the Yellowstone County Board of County Commissioners, Big Sky Economic Development has prepared a Statement of Infrastructure Deficiencies (attached is a copy) to document the existence of infrastructure deficiencies in the Lockwood Concept TEDD Study Area, which encompasses an area of approximately 1,000 acres generally located north of Interstate 90 and 94, south and east

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Resolution of Necessity Lockwood Concept Area–Statement of Infrastructure Deficiencies 1 of 2
of the Yellowstone River, and with the majority east of Johnson Lane, in portions of Sections 07, 08, 17, 18, 19 and 20, Township 1 North, Range 27 East, PMM; Yellowstone County, Montana and in particular found:

1. Water System – A public water system is not available in the area, and will require expansion of the Lockwood Sewer and Water District, main extensions, and increased filtering capacity.
2. Sewer System – A public sewer system is not available in the area, and will require expansion of the Lockwood Sewer and Water District, renegotiation of the agreement with the City of Billings for additional treatment capacity, main extensions, and upgrading of lift station.
3. Transportation – Both on- and off-site transportation upgrades, including rights-of-way, will be required for traffic circulation, safety and access. Rail trans-loading facilities and multi-modal opportunities are not available.
4. Utilities – Electric and gas service for ordinary industrial users is available with rights of way and line extensions. Heavy load industrial users would require supply, transmission line and substation expansions, and redundancy.
5. 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.
6. General Improvements – Additional infrastructure and public service deficiencies will be identified over time, for example, public transportation, lighting, storm water drainage systems, and emergency services.

NOW THEREFORE, BE IT RESOLVED,

The Yellowstone County Board of County Commissioners finds that infrastructure deficiencies exist within the Lockwood Concept TEDD Study Area and that infrastructure investment in this area (pursuant to the Montana Urban Renewal Law) is necessary and desirable in the interest of the public health, safety, and welfare of the residents of Yellowstone County and that this investment in infrastructure be made with a commitment to quality improvement and a commitment to property owner and community involvement in decision making. Attached is a copy of the Statement of Infrastructure Deficiencies.

Passed and Adopted on the 21st day of April 2015.

BOARD OF COUNTY COMMISSIONERS
YELLOWSTONE COUNTY, MONTANA

Bill Kennedy, Chairman

James E. Reno, Member

John Ostlund, Member

Jeff Martin, Clerk & Recorder

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Resolution of Necessity Lockwood Concept Area—Statement of Infrastructure Deficiencies
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Introduction

Yellowstone County is considering the formation of a Targeted Economic Development District or "TEDD" to foster secondary, value adding economic development in the community of Lockwood. More particularly, the study area of study is comprised of approximately 1,000 acres, generally located north of Interstate 90 and 94, south and east of the Yellowstone River, and with the majority east of Johnson Lane. The general study area is shown by the blue line below. (Red line shows parcels.)
The creation of a TEDD must be undertaken in accordance with 7-15-4279 Montana Code Annotated (MCA), which provides for the establishment of such districts by local governments and authorizes the use of tax increment financing (TIF) to help fund activities in support of targeted economic development. The key step in creating a TEDD is the preparation of a Comprehensive Development Plan, which guides the investment of resources in addressing critical issues. If the local government plans to include TIF as a funding mechanism, its use and purpose must be specified in the Comprehensive Development Plan.

7-15-4279 MCA, adopted by the Montana Legislature in 2013, states that a local government may authorize the creation of a TEDD in support of secondary value-adding economic development projects. Montana statutes define secondary value adding products and secondary value-adding industries as follows:

(a) "secondary value-added products or commodities" means products or commodities that are manufactured, processed, produced, or created by changing the form of raw materials or intermediate products into more valuable products or commodities that are capable of being sold or traded in interstate commerce;
(b) "secondary value-adding industry" means a business that produces secondary value-added products or commodities or a business or organization that is engaged in technology-based operations within Montana that, through the employment of knowledge or labor, adds value to a product, process, or export service resulting in the creation of new wealth.

Prior to its creation, the area under consideration for the TEDD must be found to be deficient in infrastructure improvements as stated in a "Resolution of Necessity", adopted by the Yellowstone County Commission under 7-15-4280 MCA. This Statement provides the finding of infrastructure deficiencies in support of the Resolution.
The Context
Lockwood is an unincorporated community east of and adjacent to the City of Billings in Yellowstone County, Montana. Its population in 2010 was 6,797, according to the U.S. Census. The American Community Survey, an ongoing statistical survey that samples a small percentage of the population every year, places the 2013 population at 6,718, a decline of approximately 1% over the three year period. During the same period, the City of Billings experienced a 4.7% increase in population, from 104,190 to 109,059 and Yellowstone County grew by 4.2% from 147,972 to 154,162. According to the US Census, Lockwood has a total land area of 12.90 square miles and a density of 527 persons per square mile.

Community History
Originally known as Lockwood Flats, the community was named for Captain Lockwood, soldier and surveyor for the U.S. Government, who camped in the foothills. Median Household Income (MHI) in Lockwood is $47,568, below the MHI for the City of Billings, at $48,908 and Yellowstone County, at $51,342. However, Lockwood's poverty rate is 10.7%, lower than both the county's rate of 12.3% and the City of Billings' rate of 14.1%. The State's poverty rate is 15.2% and state MHI is $46,230. (U.S. Census Bureau, 2009-2013 5-Year American Community Survey).
near the Crow Reservation in the late 1800s. The area was also originally the site of a rail
stop called Hirsch, located between Johnson Lane and old Coulson Road. A community
began to develop in association with the stop; however, the topographical name
Lockwood stuck, and “Hirsch” was eventually forgotten. In 1898, the Sullivan School
was constructed. And four schools were constructed in 1913, including Central, Pine
Hill, Bitter Creek and King. (lockwoodmontana.com).

In 1947, Carter Oil Company began construction of a 20,000 barrel-a-day refinery in
Lockwood. The site was selected for its proximity to both the Yellowstone River and rail
service and was dedicated on August 26th, 1949. Built on 340 acres, this new refinery
replaced a Yale Oil refinery, located north of the Yellowstone River in Billings, that had
opened in 1929. The Carter Refinery became Humble Oil in 1959 and in the summer of
1960, Humble began to market ENCO gasoline at Carter outlets throughout the Pacific
Northwest, including Billings. ENCO was derived from the words — Energy and
Company. The company changed its name to Exxon Company, U.S.A. in 1973, and
became ExxonMobil, when the two companies merged in 1999. Today, employing 260
people and 100 – 150 contractors, the company processes approximately 60,000 barrels
of crude oil a day. (The Exxon-Mobile Website and Big Sky Business Journal 2009).

The following table details current employment information for the Lockwood Census
Designated Place (CDP). Residents employed in retail trade, educational services, and
healthcare and social assistance account for more than a third (37.6%) of the entire
civilian work force.

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>Number Employed</th>
<th>Margin of Error (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian employed population 16 years and over</td>
<td>3,608</td>
<td>(X)</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing and hunting, and mining</td>
<td>115</td>
<td>+/-1.9</td>
</tr>
<tr>
<td>Construction</td>
<td>412</td>
<td>+/-3.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>237</td>
<td>+/-2.9</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>142</td>
<td>+/-2.3</td>
</tr>
<tr>
<td>Retail trade</td>
<td>682</td>
<td>+/-4.9</td>
</tr>
<tr>
<td>Transportation and warehousing, and utilities</td>
<td>331</td>
<td>+/-3.4</td>
</tr>
<tr>
<td>Information</td>
<td>23</td>
<td>+/-0.8</td>
</tr>
<tr>
<td>Finance and insurance, and real estate and rental and leasing</td>
<td>178</td>
<td>+/-2.2</td>
</tr>
<tr>
<td>Professional, scientific, and management, and administrative and waste management services</td>
<td>227</td>
<td>+/-2.5</td>
</tr>
<tr>
<td>Educational services, and health care and social assistance</td>
<td>676</td>
<td>+/-4.3</td>
</tr>
<tr>
<td>Arts, entertainment, and recreation, and accommodation and food services</td>
<td>287</td>
<td>+/-3.5</td>
</tr>
<tr>
<td>Other services, except public administration</td>
<td>258</td>
<td>+/-3.3</td>
</tr>
<tr>
<td>Public administration</td>
<td>40</td>
<td>+/-0.8</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2009-2013 5-Year American Community Survey
There are 2,646 housing units in the Lockwood CDP, of which 2,149 are owner-occupied. The median housing value is $157,300, compared to $180,900 for the City of Billings and $181,500 for Yellowstone County. Vacant housing units account for just 1% of the total (U.S. Census Bureau, 2009-2013 5-Year American Community Survey).

Establishing Infrastructure Deficiency
As stated above, prior to establishing a TEDD, the Yellowstone County Commission must adopt a Resolution of Necessity designating the area as infrastructure deficient. This action establishes that infrastructure improvement of the area is necessary for the welfare of the residents of the local government. It provides the rationale for investment in public infrastructure in support of economic development activities and establishes the need for a TEDD and associated plan with a TIF provision.

In 2013, on behalf of the Yellowstone County Board of County Commissioners, Big Sky Economic Development Authority commissioned a study to identify Yellowstone County’s industry opportunities for an industrial park; assess supply and demand for industrial lands; evaluated site options and develop operational plans for selected sites; evaluate opportunities for operational ownership and development of an industrial park; and provide a set of recommendations with implementation strategies. The study’s findings indicated that the development of an industrial park in the Lockwood “concept area”, in association with the planned Billings Bypass project, slated for construction by the Montana Department of Transportation, could support manufacturing and light industrial development. Readiness is the basis on which communities compete for industrial development. When infrastructure (water, sewer, electric, gas and fiber optic connectivity) is not readily available, economic development efforts are stunted. Therefore without addressing the area’s public infrastructure needs first, the opportunity for intensive, well planned private investment may be lost to other communities.

More particularly, the following infrastructure deficiencies within the Lockwood Concept TEDD study area have been identified.

Sewer and Water Infrastructure
The community of Lockwood is served by the Lockwood Sewer and Water District. However, its service area does not include the TEDD study area and
water services end at the intersection of Johnson Lane and North Frontage Road. The Lockwood Water and Sewer District is currently in the process of updating its Water Master Plan. The Master Plan will factor in the TEDD study area and consider the impacts that it will have on both the water and sewer systems of the District. Portions of the study area are not developable because of the Yellowstone River floodplain. Only the actual developable acreage will be evaluated in the Master Plan. Preliminary estimates of water demands and wastewater generation rates for a proposed development within the TEDD study area have been prepared by the property owner and those estimates will be evaluated in the Master Plan.

Sewer/Wastewater – The Lockwood Sewer and Water District has an agreement with the City of Billings which allows the District to transmit wastewater from Lockwood to the City’s treatment plant. However, the Lockwood agreement limits the amount of effluent that can be transmitted to the plant, available on a first-come, first-served basis. Further, the City, has a limited amount of additional treatment capacity. For example, Lockwood Sewer and Water District is currently in negotiations with the Exxon-Mobil Refinery, a high volume user, to provide services, which would utilize all of Lockwood’s remaining capacity under the agreement with Billings. The provision of wastewater infrastructure to the study area would require an expansion of the Sewer and Water District and an expanded agreement with the City to provide additional treatment. In addition, the sewage transmission lines may not be adequate, in some locations along the route, to serve increased demand, and would likely require upgrades. The existing lift station at Johnson Lane would probably need to be upgraded to serve the TEDD. Finally, the construction of a lift station within the TEDD study area would be desirable.

Water – As noted above, the current water line ends at Johnson Lane and North Frontage Road. In order to serve the TEDD study area, the line would have to be extended, requiring an expansion of the Sewer and Water District’s geographic area. The two filters at the water treatment plant are currently being upgraded. As the TEDD study area is occupied by new industries, the water treatment plant would require modification to include a third filter thereby increasing its filtering capacity; and as demand for water increases, it may be necessary to obtain additional water rights to serve the growing need. In addition, water mains may have to be looped to ensure adequate water pressure.

Transportation Infrastructure

Vehicular – Primary roads throughout the study area will require upgrades to serve growing activity within the Lockwood Concept TEDD study area, particularly Coulson Road and Johnson Road, portions of which are not paved. Rights-of-ways as well as
roads may also have to be widened to accommodate increased traffic and non-vehicular modes of transportation. Road design should address the need to provide adequate access for emergency vehicles (police, fire and ambulance). Offsite transportation upgrades may be required as proper traffic circulation, safety and access continue to be concerns at the Interstate 90 interchange at Johnson Lane, as well as at the intersection of Johnson Lane and Old Hardin Road just south of the interchange.

**Billings Bypass Project** – The Montana Department of Transportation in cooperation with the Federal Highway Administration issued a Record of Decision (ROD) for the Billings Bypass project. The ROD names Phase 1 of the Preferred Alternative (Mary Street Option 2) as described in the Final Environmental Impact Statement as the selected alternative. This alternative will provide a 5.15-mile-long two-lane roadway connection across the Yellowstone River between I-90 and Old Hwy 312. The final design and location of the Billings Bypass project will have to consider access points to serve the study area’s future industrial development.

**Rail** – Rail service to the Lockwood Concept TEDD study area is provided by Montana Rail Link, which leases track and land from the Burlington Northern Santa Fe Railroad. However, the site lacks any transloading facilities, which enable the transfer of goods and materials from truck to rail, with minimal handling. In addition, the construction of the Billings Bypass project will require the incorporation of an elevated railroad crossing to ensure continued service.

**Non-Motorized Transportation** - The community of Lockwood has identified pedestrian safety as a key issue. There is currently no pedestrian oriented transportation infrastructure in the Lockwood Concept TEDD study area. Access to existing businesses in the study area is provided by individual driveways. There are no sidewalks, curbs, or bicycle paths. Area residents have noted that the Billings By-pass project should provide associated pedestrian facilities.
Fire and Emergency Services
Growth within the T E D D study area will require two points of access to enable emergency vehicles to quickly and safely respond to fire and police calls. Medical emergencies presently constitute 70% of the calls received in the Lockwood area. Traffic signals in the Lockwood area have emergency responder monitors, and any new traffic signals will require this feature.

The current ISO rating for the Lockwood area is 9.4. A reliable water supply and quicker response times may improve the ISO rating and consequently reduce fire insurance costs for property owners within the T E D D. Depending on requirements, a satellite emergency services facility might be necessary within the T E D D, more likely for emergency response than for fire service.

Utilities
Electricity – Yellowstone Valley Electric Cooperative (YVEC), a not-for-profit rural electric cooperative, is the exclusive retail service provider to the T E D D study area. Yellowstone Valley distributes power to the area through agreements with the Central Montana Electric Power Cooperative out of Great Falls. The YVEC distribution lines originate out of the YVEC Lockwood substation that is located near the Johnson Lane interchange and is south of the interstate. However, in order to adequately serve industrial users within the T E D D study area, transmission redundancy would be needed to mitigate power outages and/or shortages over time. This is particularly true for industrial users that are at the “end of the transmission line” and typically require two transmission feeds as part of their siting specifications. This could be provided by adding additional transmission lines from the north. A substation may be required to serve a large industrial user with significant energy demand, such as a refinery, or multiple users. Two new substantial users in the Lockwood area are located within the T E D D study area, Montana Peterbilt, and Pacific Steel and Recycling. When Pacific Steel attains full operation, it will probably consume close to 8% of Yellowstone Valley’s total load.

Electric Supply – The YVEC Lockwood substation is connected to a segment of NorthWestern Energy’s (NWE) 69 kV (kilovolt) transmission line that ties into the NWE main transmission system at NWE’s Johnson Lane substation area. According to NWE
officials, this transmission line is nearing capacity, so any new significant electric “load” could potentially require an upgrade to the transmission line. This could significantly effect the development of value-adding manufacturing and other industrial businesses, with high demand, such as a refinery. Future larger electric load developments off this transmission line, that are 1000 kW or larger, would require a NorthWestern Energy Load Interconnection study to determine if the existing transmission line can handle the additional load or if upgrades to the transmission line are necessary. Capital intensive system upgrades to Northwestern Energy’s supply would require a significant lead time of up to two years for study and construction.

_Natural Gas_ – Natural gas is provided primarily by Montana-Dakota Utilities, which currently serves only the south portion of the TEDD study area. Adequate main sizes would need to be extended, rights-of-ways obtained, existing main sizes may need to be expanded, and the system will need to be looped. Natural gas could be co-located in a trench with broadband and electric. Heavy industrial users that require heat for their processes may need additional natural gas supply.

_Broadband Services/Connectivity_ – The area has limited broadband service currently located at the intersection of Johnson Lane and North Frontage Road. Upgrades would probably require a new line from downtown Billings. Critical information infrastructure would have to incorporate redundancy to assure reliable service.

_General Improvements_ – Additional infrastructure and public service deficiencies will be identified and addressed over time. These might include, for example, construction and upgrades to public transportation services, lighting, storm water drainage systems, emergency equipment, traffic control, and obtaining public rights-of-ways and utilities access easements.

**Conclusion**
Based on these findings, the Lockwood Concept TEDD study area site can be described as infrastructure deficient per Montana Statute and that this deficiency impedes the ability of the County to support the development of secondary-value added industries.