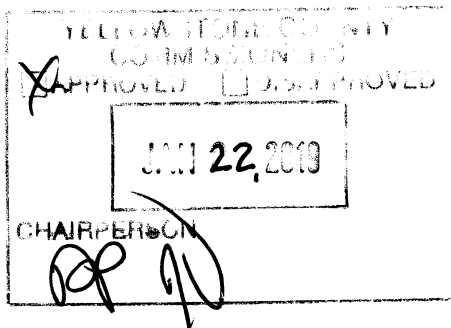


Lockwood Targeted Economic Development District

Annual Work Plan

January 2019-December 2019



Prepared By:
Lockwood TEDD Advisory Board

Preface

Goals of the Lockwood TEDD

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 facilitating the provision and development of planned, ready-to-go industrial space.
- Provide a locally-driven funding tool that can be used to partner with private industry and 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 supporting non-motorized transportation facilities with the Billings Bypass.

Targeted Industries

A local government may create a TEDD in support of value-adding economic development by development of infrastructure within the district that would encourage the location and retention of value-adding projects. The Lockwood TEDD will target businesses that produce products defined in MCA 7-15-4279 (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.

Additionally, the Lockwood TEDD will also support secondary value-adding industry, defined in MCA 7-15-4279 (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.

The Industry Cluster Analysis and Marketing Plan completed in 2013 for Big Sky Economic Development, identified the industries that should be prioritized for recruitment and retention in the Yellowstone County region. The following industry sectors identified in that study that produce secondary value-added products or are a value-adding industry, and therefore appropriate for the Lockwood TEDD are as follows:

Examples of the types of businesses that may be targeted for the TEDD include:

**Upstream and Midstream
Oil and Gas**

oil and gas exploration and production
field services
pipeline companies
refineries
petroleum marketing companies

**Health Care Services
and Supply Chain**

laboratories
medical supply wholesaling and distribution
medical equipment manufacturing

Manufacturing

value added food products
machinery and equipment
chemicals, guns

**Warehousing
and Distribution**

distribution hubs to serve the region
shipping and logistics companies
distribution and warehousing

Examples of the types of businesses that may be targeted for the TEDD include:

Pea Processing Facility
Bulk Commodity Distribution Facility
Malting Plant
Feed Pellet Manufacturing
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 Operation
Fly Ash Operations
Co-Packer for Regional Manufacturers
Shipping and Labeling Companies

Tax Increment Financing

Yellowstone County could use tax increment financing to fund some or all of the public infrastructure needed to support the value-adding industry development within the Lockwood TEDD. The private industrial development that will generate the property taxes needed to finance the infrastructure, will also need that infrastructure to develop. Therefore, initial investment by private entities for public infrastructure will be necessary to start development within the TEDD. Once property taxes have increased enough to generate revenue for the TEDD, there are several mechanisms that Yellowstone County can use to pay for expansion of needed infrastructure.

- Tax Increment Bonds – Revenues from the tax increment would be pledged to pay bond principal and interest annually. The terms of the bond would be dependent on tax increment revenues available. The amount of tax increment realized each year must exceed the amount of the bond payment to be made each year, by as much as two times and the County must maintain an adequate reserve account.

Tax increment districts are authorized by Montana law for a period of 15 years. However, the time period may be extended up to 25 years to coincide with the term of a tax increment bond.

- Annual Tax Increment Appropriations – Smaller projects may be financed by annual tax increment receipts by appropriation. Funds would be determined each year based on the amount of the annual increment minus prior commitments, including debt service administrative costs.
- Revolving Loan Funds – The Montana statutes allow for loan programs that use TIF funds. Such funds may be loaned for the construction of private infrastructure or other activities in support of the goals of the TIF district. As principal and interest payments are made, the funds may be loaned again.

- Conventional Financing –Yellowstone County may borrow funds from commercial lending institutions to finance public infrastructure improvements. Annual tax increment revenues will pay principal and interest on the loan. A conventional loan agreement will not, however, extend the authorized 15-year time period for a TEDD.
- Developer Reimbursement Agreements – Because the initial investment for the improvements and extensions of public improvements will likely be funded by private entities, Yellowstone County 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.

Federal and State Grants

Yellowstone County may pursue other funding sources in conjunction with the TIF program. Federal and state grants are available to assist local governments in financing capital improvements.

Potential sources include the following:

- Treasure State Endowment Program (TSEP) is a state funded program to assist local governments finance 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.
- 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.
- Community Development Block Grant (CDBG) is a federally funded program that provides assistance to communities for things such as public facilities, economic development and planning grants.
- Transportation Alternatives Program (TA Program) is a federal program to assist local government develop transportation alternatives, including on- and off-road pedestrian and bicycle facilities, infrastructure projects that improves access to public transportation, recreational trail improvements, and safe routes to schools.

- The Better Utilizing Investments to Leverage Development (BUILD) Discretionary Grant program is a federal program that funds the building and repairing of critical pieces of road, rail, transit and port facilities.

Unused Tax Increment

In accordance with MCA 7-15-4291, Yellowstone County “may enter into agreements with the other affected taxing bodies to remit to such taxing bodies any portion of the annual tax increment not currently required for the payment of the costs listed in 7-15-4288 MCA or pledged to the payment of the principal of premiums, if any, and interest on bonds to in 7-15-4289.”

PROGRAM ADMINISTRATION

The Lockwood TEDD program will be managed by an advisory board, which may include representatives from the community, property owners within the TEDD, and/or taxing entities. The board will report to the Yellowstone County Board of County Commission. Decisions concerning annual work plans and budgets, programs, recruiting and other actions will be made directly by the Yellowstone County Board of County Commissioners. The Lockwood TEDD Advisory Board will prepare an annual work plan and budget, including anticipated revenues, project priorities and financing strategies. Once the work plan and budget have been reviewed and set by the Board of County Commissioners, it will be the responsibility of the Advisory Board to implement the work plan and oversee/manage the budget.

Each annual work plan will include the following elements:

- Anticipated increment revenue
- Financing strategies anticipated, including:
 - o Tax increment
 - o Debt financing
 - o Additional funding sources
- Project priorities and associated costs
- Administrative budget, including staff and consulting services
- The Yellowstone County Board of County 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

The Lockwood TEDD Advisory Board shall follow all local government procurement rules with respect to:

- o Preparing bid and proposal requests
- o Reviewing proposals from engineers, contractors, and other vendors
- o Making recommendations to the BOCC regarding contractor selection
- o Monitoring projects
- o Conducting market analysis, engineering studies, and project feasibility analyses

TEDD Program Criteria

Yellowstone County can use tax increment financing in conjunction with other funding mechanisms to support the development of secondary value-adding industry within the Lockwood TEDD. Infrastructure projects identified for funding will need to meet criteria that have been established based on the goals of this plan. The following criteria may be used to evaluate requests for improvement projects using tax increment financing. Future criteria may be added as District needs warrant.

- Project Location. The project must meet one of the following criteria:
 - o Be located within the Lockwood TEDD area, or
 - o May be outside of the TEDD area but provide vital and necessary connection from public infrastructure to the TEDD area
- Job Creation. Projects that demonstrate an increase in the number of jobs within the area.
- Taxable Valuation. Projects that demonstrate an increase in the valuation of the property, which will increase the tax base.
- Value-Adding. Projects must be engaged in value-adding industries as defined in MCA 7-15-4279 (a) and (b).

Annual Work Plan

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I. District Vision

Mission Statement: Establish a planned, ready-to-go industrial area with all utilities, services, and transportation amenities in place; recruit and attract business and industry which will provide greater economic opportunity and diversity to Lockwood, Billings, and Yellowstone County.

Vision Statement: Establish a long-range strategy for the Lockwood Industrial Park which meets both the short-term and long-term development needs for the greater Yellowstone County economy.

Objectives:

- *Develop a forward-thinking infrastructure plan which addresses projected needs through the development of shovel-ready industrial land.*
- *Ensure coordination and symmetry of the Lockwood Industrial Park with the City of Billings, Yellowstone County, the community infrastructure of Lockwood, the Montana Department of Transportation (MDT), Montana Rail Link and BNSF.*
- *Outline overall infrastructure needs to assist with securing the appropriate mix of both public and private investment to facilitate the timely and efficient buildout of the Lockwood Industrial Park.*

II. Development Priorities--Priorities that will implement the vision

The Infrastructure Master Plan is complete, outlining a broad plan for the development of infrastructure within the TEDD. More detailed planning and engineering documents will be needed to proceed with implementation of the overall plan.

Coordination with MDT as the Billings Bypass project progresses to identify areas where future utilities locations are anticipated and develop a strategy to either construct portions of or identify alternatives to accommodate this infrastructure

after Bypass construction. Pursue opportunities to integrate the proposed infrastructure into MDT planning and the possibility of a joint application with MDT for available grant funding.

Coordination with Montana Rail Link and BNSF on the development/expansion of rail sidings and spurs to service the TEDD.

Marketing of the TEDD, including:

- *Work with BSED's New Business Recruitment and Outreach department (Melanie Schwarz and Allison Corbyn) to advertise the TEDD and its advantages.*
- *Work with area property owners to determine their plans or hopes for the future use of their parcels.*
- *Work with MRL/BNSF for possible recruitment assistance (Certified Site?)*

III. Project Priorities and Associated Costs

a. Marketing and recruitment opportunities

Marketing efforts, because of the coordination with BSED as described above, should have minimal costs. BSED will provide marketing services in-kind. An estimate of \$3,000 for marketing materials is included in this year's TEDD budget. More extensive and expensive marketing campaigns are, of course, available if the Board so desires.

Due to the lack of infrastructure in the TEDD and the lack of current funding to address that need, efforts should be focused on recruiting an anchor tenant or tenants able and willing to pay for the cost of necessary public infrastructure with the understanding that those amounts may be reimbursable under a development agreement as increment becomes available. Having cost estimates available for the extension of utility services from the area tie-ins to various locations would help this effort.

TEDD Advisory Board members should meet with Commercial Real Estate agents to:

- *Provide information about the TEDD and the properties within it, and*
- *Obtain information from these agents as to the needs and requirements of their industrial clients.*

b. Water and Sewer Infrastructure Improvements

Development of water and sewer infrastructure in this area is crucial for two reasons:

- *Fire protection – a huge expense without water infrastructure to provide a steady source.*
- *The inability to use septic systems on the west side of the TEDD due to floodplain regulations.*

These components are very expensive but are vital to the success of the TEDD. Once they are complete, development of the TEDD will progress much more quickly.

Cost associated with water and sewer infrastructure improvements are outlined in the Lockwood TEDD Master Plan.

IV. **Anticipated Increment Revenue**

The Lockwood TEDD anticipated increment for this tax year is \$80,080 to be received in two installments – after November 2018 and May 2019.

V. **Financing strategies anticipated, including:**

a. Tax increment

Tax increment may be used for planning and projects within the TEDD. After estimated expenses, approximately \$45,000 will be available in 2019. If a BUILD grant is determined to be a feasible option and an application is desired by the Yellowstone Board of County Commissioners, some of this amount will need to be used to hire a consultant for the grant application process.

b. Debt financing

As development occurs and tax increment grows and accrues, debt financing will be explored as an option for larger infrastructure projects in the Lockwood TEDD.

c. Additional funding sources

Grant funding

- *Treasure State Endowment Program (TSEP) is a state funded program to assist local governments finance 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.

- 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.
- Transportation Alternatives Program (TA Program) is a federal program to assist local government develop transportation alternatives, including on- and off-road pedestrian and bicycle facilities, infrastructure projects that improves access to public transportation, recreational trail improvements, and safe routes to schools.
- The Better Utilizing Investments to Leverage Development (BUILD) Discretionary Grant program is a federal program that funds the building and repairing of critical pieces of road, rail, transit and port facilities.

VI. Administrative budget, including staff and consulting services

<i>Anticipated Income (Increment)</i>	<i>\$80,080</i>
<i>Anticipated Expenses</i>	
<i>Repay loan to BSED (2 x \$10,225)</i>	<i>\$20,450</i>
<i>KLJ – BUILD feasibility study</i>	<i>\$11,000</i>
<i>Marketing material</i>	<i>\$ 3,000</i>
<i>Remainder available for additional expenses</i>	<i>\$45,630</i>

Other possible expenses:

- *BUILD grant application expenses if feasible and MDT agrees to a coordinated application.*
- *Additional engineering studies/reports*
 - *Water/sewer infrastructure elevation to coordinate with Bypass project*
 - *Other Utilities infrastructure evaluation to coordinate with MDT Bypass project*
 - *Development of road and utility connections within the TEDD.*
 - *Other possible construction projects*