

Lockwood TEDD Advisory Board Minutes
Wednesday, August 21, 2019 – 2:30
Yellowstone Conference Room, 1st Floor – Granite Tower

Board Members Present: Woody Woods, Terry Seiffert, Mike Ariztia, Pam Ask, Nick Pancheau

Board Member Absent: John Ostlund, Tim Miller, Frosty Erben, Kelly Wilson, Vu Pham, Josh Starr

Staff and Guests: Steve Arveschoug (BSED), Dianne Lehm (BSED), Robin Rude (MDOR), Matt Corcoran (KLJ), Chris Kukulski (Billings City Administrator), Dave Mumford (City Public Works), Doug Enderson (DOWL), Thom MacLean (BSED)

1. Welcome and Introductions

Woody Woods called the meeting to order at 2:30.

2. Approval of Agenda

Terry Seiffert moved to approve the agenda. Nick Pancheau seconded. Board voted to approve.

3. Approval of Minutes

Terry Seiffert moved to approve the minutes of the July 17, 2019, meeting. Nick Pancheau seconded. Minutes approved.

4. Old Business

KLJ Update: Matt Corcoran of KLJ Engineering provided and briefly reviewed the Strategic Plan they have been developing for the TEDD. The document provides more detailed cost estimates, preliminary scoping maps, and a summary of potential grant and loan funding for the two priority projects identified by the Advisory Board:

1. Water and Sewer infrastructure extension from Old Hardin Road to Coulson Road,
2. Water, Sewer and Road extension along I-90 Frontage Road.

Matt describe Project 1 as the pragmatic, most critical of the two project and Project 2 as a more aspirational project at this point in the TEDD development and the cost estimates reflect that. The estimated cost for Project 1 is \$765,687 and for Project 2 is \$4,839,329.

Steve Arveschoug asked if there may be a way to dovetail a BID/SID/RSID into the TEDD to assist in the funding of infrastructure improvement – possibly incorporating a form of development agreement that would provide a reimbursement of monies paid through that mechanism once the tax increment increases to a point where that is possible. He doesn't know if that would be a viable option for funding, but suggested we need to explore creative ways to fund infrastructure development - ideally options that put the property owners in the driver's seat, giving them input and letting them guide the process. Dave Mumford noted that 51% of property owners must agree to a Special Improvement District, but local government generally likes a higher percentage, like 70%, to feel comfortable about it. Woody said the County likes at least 60% agreement. Matt noted that property owners must receive benefit from the purpose of an SID in order to be included. Project 1 would arguably benefit to the entire TEDD area. Project 2 would likely only benefit the properties in the area adjacent to the Frontage Road extensions. Steve suggested a subcommittee be formed to explore our options for funding – including combinations of grants, special improvement districts, and development agreements in addition to tax increment. Nick Pancheau asked at what point should we include property owners. The subcommittee could include property owners, advisory board members, and BSED staff.

Update on LWSD/City discussions: Thom MacLean provided a brief recap of where we are at in our discussions with the City concerning the extension of the sewer district boundary to include the TEDD study area. We have had several further discussions with City Administrator Chris Kukulski since the last Advisory Board meeting to find a suitable resolution to our current differences. We were hoping to develop a plan that both sides could agree on, but we have not been able to do so. This matter is scheduled to go before City Council at their September 3rd work session.

Woody stated that the City had said at one point in the discussions that they were looking into the cost for the City to extend City services into the TEDD area. He asked Chris Kukulski if those costs have been tabulated. Chris said they have not. He did not ask his staff to develop that information as, based on previous meetings, he did not feel that the TEDD Advisory Board was interested in that scenario.

Woody stated that he felt the County and the City have had a good relationship but is worried that this may sour it. He suggested that the Advisory Board draft and send a letter to the County Commissioners saying that we are at an impasse in this discussion and asking them to get involved with the City Council since those are the two policy-making bodies involved. He suggested that the Board request that BSED send a similar letter. Terry Seiffert agreed with that approach. He felt that there is already an agreement in place between the City and Lockwood Water and Sewer District and it should simply be extended as allowed in the contract. Pam Ask agreed, saying the current agreement is advantageous to the City, with Lockwood paying for

the sewer service from the City. Nick Pancheau stated that opposition to the City's plan needs to be voiced by the community of Lockwood and the TEDD property owners.

Mike asked for clarification of the City's position from Chris, specifically why the City should insist on Waiver of the Right to Protest Annexation in return for the extension of sewer service. Chris stated that Waivers are the least intrusive way to do this. City policy, which has been in place for decades, says annexation should be required. But that approach doesn't work in this case for reasons including the nature of tax increment finance law. He is not aware of any way other than the waivers to preserve the City's ability to annex in the future. He said the City wants to be a partner in the development of this industrial area and it has resource such as sewer service and water to help, but that has not been part of the discussion because of the annexation issue.

Steve mentioned his recent tour of the Montana Connections Industrial Park in Butte. That development has been very successful. It is a 1400-acre area that was mostly owned and developed by the Butte/Silver Bow government. With the area originally owned by the local government, the Butte model was simpler to execute than Lockwood's, but even so they acknowledged that success did not happen overnight. It was a long process. Our model is not as simple. We chose to partner with the local property owners in this development. Therefore, it is essential that we have the buy-in and support of those property owners to make this work. The Lockwood TEDD will not develop overnight, either, but if we cannot get our act together and expedite this process, we will continue to lose opportunities by not having a suitable area to locate interested industrial businesses. Chris suggested that we are losing opportunity because we are insisting on an old model. The City can provide resources and invest in a world-class industrial park that has access to urban facilities and services. We need to find a way to do this. Steve stated that we cannot dictate to the property owners what they like or are willing to agree to.

Mike stated that the City has something at this moment that can leverage annexation and asked if there was any other way. Chris said no, state law prohibits the annexation of industrial property, so the exchange of annexation in return for City service is the moment when that can be accomplished – in this case with waivers that will not be executed for decades. If property owners don't need sewer, they will not have to sign a waiver. Pam asked about the original agreement with Lockwood, why were waivers not required then? Dave Mumford explained that there were health and environmental concerns with the Lockwood system at the time, and it was determined that it wasn't feasible to annex Lockwood. Chris noted the difference between annexing an existing community such as Lockwood versus building out a new industrial area.

Steve noted that Billings is the largest city in a 400-mile radius and the commercial center of Montana and the region, but we don't have a key facility to maintain that distinction – a

planned, ready-to-go industrial area. If we are at loggerhead, we will need to find another solution. Chris stated that he is trying to work in the best interests of the entire community.

Annual Work Plan: The Annual Work Plan has been revised to reflect the Strategic Plan under development by KLJ Engineering and to update the budget numbers with estimated tax increment numbers for FY2020. The Board has been provided with copies to review at the July meeting and in an email prior to this meeting. Woody asked the Board if there were any revisions needed to the Work Plan. None were offered. We will take the Work Plan to the Commissioners' August 22, 2019 Discussion meeting for their review in preparation to their approval at a regular meeting.

5. New Business

None

6. Public Comment

None.

7. Adjourn

Meeting adjourned at 3:46.

Next Meeting: September 18, 2019 – 2:30 – 3:30 – Yellowstone Conference
Room, Granite Tower