Lockwood TEDD Strategic Plan

APRIL 2017

BIG SKY ECONOMIC DEVELOPMENT

EDA • EDC  CREATING MONTANA BUSINESS OPPORTUNITIES

SANDERSON STEWART
# TABLE OF CONTENTS

## INTRODUCTION
- Plan Purpose .................................................................................................................... 1
- Project Area .......................................................................................................................... 2
- Goals and Objectives .......................................................................................................... 4
- Plan Framework ................................................................................................................... 5

## MARKET ANALYSIS
- Introduction ............................................................................................................................... 7
- Summary of Findings ................................................................................................................ 8
- Billings Market Context ........................................................................................................ 9
- Population and Households ................................................................................................. 11
- Economic Trends and Conditions ....................................................................................... 12
- Targeted Industries ............................................................................................................... 15
- Target Opportunities .......................................................................................................... 17
- Market Conditions .............................................................................................................. 19
- Industrial Development Forecast ........................................................................................ 29
- Lockwood Site Absorption Estimates ................................................................................. 31
- Development Implementation ............................................................................................... 32
- TEDI Financing Capacity ..................................................................................................... 35

## SITE ANALYSIS
- Land Use and Development Patterns ................................................................................. 39
- Transportation and Access ................................................................................................. 41
- Infrastructure ..................................................................................................................... 42

## DEVELOPMENT STRATEGY
- Development Priorities ....................................................................................................... 45
- Trailhead Commerce Park Trail Connection ........................................................................ 46
- Trail Connection Work Plan ............................................................................................... 56
- Development Scenario ....................................................................................................... 58

## IMPLEMENTATION
- Program Administration .................................................................................................... 60
- Pre-Development Activities ............................................................................................... 61
- Phase 1 Capital Investments .............................................................................................. 65
- Phase 2 Capital Investments .............................................................................................. 67

## APPENDIX B PUBLIC PROCESS
- A. Capital Plan and Five Year Work Plan ............................................................................ 70
- B. Public Meeting Summaries ......................................................................................... 70
- C. Comprehensive Development Plan ............................................................................... 70
- D. Adopting Ordinance .................................................................................................... 70

## APPENDICES
- A. Capital Plan and Five Year Work Plan
- B. Public Meeting Summaries
- C. Comprehensive Development Plan
- D. Adopting Ordinance
LIST OF FIGURES

Figure 1  Lockwood TEDD location within Yellowstone County ................................................................. 3
Figure 2  Billings and Yellowstone County, Montana ............................................................................. 10
Figure 3  Interstate 90 Corridor .......................................................................................................... 10
Figure 4  Job Concentration by Industry Sector, Yellowstone County, 2015 .............................................. 13
Figure 5  Total Jobs Vs. Unemployment Rate, 2000-2015 ..................................................................... 14
Figure 6  Gabel Road Area ................................................................................................................ 22
Figure 7  Zoo Drive Area ................................................................................................................... 23
Figure 8  BN Industrial Subdivision ...................................................................................................... 24
Figure 9  Lockwood Road Area ........................................................................................................... 25
Figure 10 Proposed Development Area ................................................................................................ 33
Figure 11 Tax Increment Financing Illustration ...................................................................................... 34
Figure 12 Land Use .......................................................................................................................... 40
Figure 13 Billings Bypass Alignment. Source: Montana Department of Transportation ............................... 46
Figure 14: Trail Connection Context Map ............................................................................................ 48
Figure 15: Preferred Trail Alignment .................................................................................................... 51
Figure 16: Trail Alignment Easement Areas .......................................................................................... 54
Figure 17: Johnson Lane Existing Public Easements ............................................................................... 55
Figure 18: Trailhead Commerce Park Concept Map.............................................................................. 59

LIST OF TABLES

Table 1  Population and Household Trends, 2000-2015 ................................................................ 11
Table 2  Employment Trends by NAICS Sector, Yellowstone County, 2000-2015 ............................... 12
Table 3  Targeted Industry Employment (2010) and Industrial Location Potential ................................ 16
Table 4  Existing Industrial Inventory, Yellowstone County, 2015 ........................................................ 19
Table 5  Industrial Development Trends, Yellowstone County, 2000-2015 ........................................ 20
Table 6  Major Industrial and Business Park Areas, 2015 ................................................................ 21
Table 7  Industrial Development, Pre-2000 and 2000-2015 ........................................................... 26
Table 8  Industrial Development by Type, Pre-2000 and 2000-2015 ................................................ 27
Table 9  Major Tenants, 2000-2015 ............................................................................................ 28
Table 10 Industrial Space and Job Trends, 2000-2015 ........................................................................ 29
Table 11 Projected Industrial Space Demand, 2015-2035 ................................................................... 30
Table 12 Lockwood TEDD Capture Scenarios, 2015-2035 .............................................................. 31
Table 13 Potential TEDD Site Absorption, Phase 1 ........................................................................... 32
Table 14 Tax Increment Accrual, 15-Year Absorption Schedule ......................................................... 35
Table 15 Bonding Capacity Estimate, 15-Year Absorption Schedule ................................................ 37
Table 16 Off-site Infrastructure Improvement Costs ............................................................................. 38
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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 Interstate 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.
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

The Lockwood Growth Policy was adopted by the Yellowstone County Board of County Commissioners on May 17, 2016, and is intended to reflect the public values within Lockwood. The document should be considered when land use applications and infrastructure investment proposals are presented. In creating the growth policy, the community contemplated the development of the Lockwood TEDD. Of the 11 growth guidelines identified in the document, one is included which specifically addresses the development of the TEDD as a tool for economic development.

While the City of Billings recently updated the City elements of the Yellowstone County and City of Billings 2008 Growth Policy Update, the elements related to the unincorporated portions of the County are still applicable within that document.

Other plans that were reviewed and used in developing the strategies and recommendations outlined here include the Lockwood Community Plan, Industrial Park Feasibility Study, Lockwood TEDD Study Area Statement of Infrastructure Deficiency, and the Industry Cluster Analysis and Marketing Plan.

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

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 a 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 through a development agreement. 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 Interstate 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 floodplain. Overall, land ownership consists of several large land owners that have facilitated 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 city with a population over 100,000. It is located along the Interstate 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 Billings, 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>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tot. #</td>
<td>Ann. #</td>
<td>Ann. %</td>
<td></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 1,091 1.1%</td>
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<tr>
<td>Lockwood</td>
<td>4,306</td>
<td>6,797</td>
<td>7,098</td>
<td>2,792 186 3.4%</td>
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<tr>
<td>Laurel</td>
<td>6,257</td>
<td>6,718</td>
<td>6,998</td>
<td>741 49 0.7%</td>
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<tr>
<td>Remainder of County</td>
<td>26,180</td>
<td>30,287</td>
<td>32,683</td>
<td>6,503 434 1.5%</td>
</tr>
<tr>
<td>Total</td>
<td>129,352</td>
<td>147,972</td>
<td>155,754</td>
<td>26,402 1,760 1.2%</td>
</tr>
<tr>
<td>Households</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billings</td>
<td>38,537</td>
<td>43,945</td>
<td>46,433</td>
<td>7,896 526 1.3%</td>
</tr>
<tr>
<td>Lockwood</td>
<td>1,599</td>
<td>2,566</td>
<td>2,715</td>
<td>1,116 74 3.6%</td>
</tr>
<tr>
<td>Laurel</td>
<td>2,533</td>
<td>2,790</td>
<td>2,946</td>
<td>413 28 1.0%</td>
</tr>
<tr>
<td>Remainder of County</td>
<td>9,415</td>
<td>11,371</td>
<td>12,421</td>
<td>3,006 200 1.9%</td>
</tr>
<tr>
<td>Total</td>
<td>52,084</td>
<td>60,672</td>
<td>64,515</td>
<td>12,431 829 1.4%</td>
</tr>
</tbody>
</table>

Source: US Census; ESRI; Economic & Planning Systems
H:\153074-Billings Lockwood TEDD Economic and Financial Analysis\Data\[153074-Pop HH.xlsx]Table

Table 1  Population and Household Trends, 2000-2015
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>
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<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>199</td>
<td>297</td>
<td>98</td>
</tr>
<tr>
<td>Mining, Quarrying, and Oil and Gas Extraction</td>
<td>236</td>
<td>318</td>
<td>182</td>
</tr>
<tr>
<td>Utilities</td>
<td>318</td>
<td>291*</td>
<td>-27</td>
</tr>
<tr>
<td>Construction</td>
<td>3,394</td>
<td>5,274*</td>
<td>1,880</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3,288</td>
<td>3,513</td>
<td>226</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>5,051</td>
<td>5,512</td>
<td>461</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>9,034</td>
<td>10,939</td>
<td>1,905</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>3,349</td>
<td>3,602</td>
<td>254</td>
</tr>
<tr>
<td>Information</td>
<td>1,143</td>
<td>1,314</td>
<td>171</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>2,485</td>
<td>2,864*</td>
<td>379</td>
</tr>
<tr>
<td>Real Estate and Rental and Leasing</td>
<td>909</td>
<td>1,036</td>
<td>127</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>3,127</td>
<td>4,855*</td>
<td>1,728</td>
</tr>
<tr>
<td>Management of Companies and Enterprises</td>
<td>326</td>
<td>614</td>
<td>287</td>
</tr>
<tr>
<td>Admin., Support, Waste Mng., and Rem. Srvc.s.</td>
<td>4,513</td>
<td>3,305*</td>
<td>-1,207</td>
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<tr>
<td>Educational Services</td>
<td>3,549</td>
<td>4,111</td>
<td>562</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>8,720</td>
<td>12,850</td>
<td>4,130</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>1,235</td>
<td>1,853</td>
<td>617</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>6,567</td>
<td>8,952</td>
<td>2,385</td>
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<tr>
<td>Other Services, except Public Administration</td>
<td>2,925</td>
<td>3,427</td>
<td>502</td>
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<tr>
<td>Public Administration</td>
<td>3,487</td>
<td>3,739</td>
<td>253</td>
</tr>
<tr>
<td>Unclassified</td>
<td>0</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Total Jobs</td>
<td>64,702</td>
<td>79,818</td>
<td>15,116</td>
</tr>
</tbody>
</table>

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

Source: Bureau of Labor Statistics; Economic & Planning Systems

H:\153074-Lockwood TEDD Economic and Financial Analysis\Data\153074-Employment-02-29-2016.xlsm\T-FC-EMP SUM (2)
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 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.

Source: BLS, Economic & Planning Systems

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

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

Source: Bureau of Labor Statistics; Economic & Planning Systems

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 4) 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 inquires 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 Interstates 90 and 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.

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

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.
### Table 5: Industrial Development Trends, Yellowstone County, 2000-2015

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<tr>
<td>Manufacturing</td>
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<td>186,491</td>
<td>224,714</td>
<td>190,284</td>
<td>233,555</td>
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<td>89,703</td>
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<td>195,779</td>
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</tr>
<tr>
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<td>6,629</td>
<td>7,775</td>
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<td>8,399</td>
<td>8,691</td>
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Source: Yellowstone County; Economic & Planning Systems

H:\153074 Lockwood TEDD Economic and Financial Analysis Data\153074-Commercial Property Yellowstone.xlsx Comp by Year
Lockwood TEDD Strategic Plan

MARKET ANALYSIS

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 Interstate 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.

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

Source: Yellowstone County; Economic & Planning Systems

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Table 6  Major Industrial and Business Park Areas, 2015

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 Interstate 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 Figure 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/Interstate 90 Corridor located between the Yellowstone River and Interstate 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.
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/Interstate 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.

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

Source: Yellowstone County; Economic & Planning Systems

H:\153074-Lockwood TEDD Economic and Financial Analysis\Data\153074-Commercial Property Yellowstone.xlsx\Area_Sum

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/Interstate 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.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zoo Drive/Exit 443</td>
<td>215,206</td>
<td>429,217</td>
<td>28,614</td>
<td>644,423</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>---</td>
<td>35,140</td>
<td>2,343</td>
<td>35,140</td>
</tr>
<tr>
<td>Distribution</td>
<td>50,400</td>
<td>116,501</td>
<td>7,767</td>
<td>166,901</td>
</tr>
<tr>
<td>Flex</td>
<td>37,972</td>
<td>72,000</td>
<td>4,800</td>
<td>109,972</td>
</tr>
<tr>
<td>Terminal</td>
<td>---</td>
<td>13,040</td>
<td>869</td>
<td>13,040</td>
</tr>
<tr>
<td>Warehouse</td>
<td>126,834</td>
<td>192,536</td>
<td>12,836</td>
<td>319,370</td>
</tr>
<tr>
<td>Total</td>
<td>819,586</td>
<td>493,347</td>
<td>26,288</td>
<td>1,213,906</td>
</tr>
</tbody>
</table>

| Gabel Road                |                  |                          |      |       |
| 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                 | 508,544          | 276,903                  | 18,460 | 785,447 |
| Total                     | 826,839          | 406,597                  | 27,106 | 1,233,436 |

| Lockwood Road/I-90 Corridor |                  |                          |      |       |
| 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                 | 508,544          | 276,903                  | 18,460 | 785,447 |
| Total                     | 826,839          | 406,597                  | 27,106 | 1,233,436 |

Source: Yellowstone County; Economic & Planning Systems

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 (Table 9). 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.

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

Source: Yellowstone County; Economic & Planning Systems

H:\153074-Lockwood TEDD Economic and Financial Analysis\Data\[153074-Large Industrial.xlsx]Table (2)

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 (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.

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

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

Table 10  Industrial Space and Job Trends, 2000-2015
Lockwood TEDD Strategic Plan

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 (Table 11). 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.

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

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

Table 11 Projected Industrial Space Demand, 2015-2035

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

Table 12 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.

### Table 12 Lockwood TEDD Capture Scenarios, 2015-2035

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New Demand (Sq. Ft.)</td>
<td></td>
<td>1,302,807</td>
<td>1,253,815</td>
<td>1,273,459</td>
<td>1,325,610</td>
<td>5,155,690</td>
</tr>
<tr>
<td>Building Sq. Ft.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>257,785</td>
</tr>
<tr>
<td>25% Capture</td>
<td>325,702</td>
<td>313,454</td>
<td>318,365</td>
<td>331,402</td>
<td>1,288,923</td>
<td>64,446</td>
</tr>
<tr>
<td>50% Capture</td>
<td>651,403</td>
<td>626,907</td>
<td>636,729</td>
<td>662,805</td>
<td>2,577,845</td>
<td>128,892</td>
</tr>
<tr>
<td>Site Ac. (Net)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25% Capture</td>
<td>0.15 FAR</td>
<td>50</td>
<td>48</td>
<td>49</td>
<td>51</td>
<td>197</td>
</tr>
<tr>
<td>50% Capture</td>
<td>0.15 FAR</td>
<td>100</td>
<td>96</td>
<td>97</td>
<td>101</td>
<td>395</td>
</tr>
<tr>
<td>Site Ac. (Gross)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25% Capture</td>
<td>+30%</td>
<td>65</td>
<td>62</td>
<td>63</td>
<td>66</td>
<td>256</td>
</tr>
<tr>
<td>50% Capture</td>
<td>+30%</td>
<td>130</td>
<td>125</td>
<td>127</td>
<td>132</td>
<td>513</td>
</tr>
</tbody>
</table>

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\Capture (2)
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.

<table>
<thead>
<tr>
<th>Capture Rate</th>
<th>Capture (Gross Ac.)</th>
<th>Untapped Potential</th>
<th>Annual Absorption</th>
<th>15-Year Phase I</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% Capture</td>
<td>13 ac./year</td>
<td>25%</td>
<td>16 ac./year</td>
<td>240 ac.</td>
</tr>
<tr>
<td>50% Capture</td>
<td>26 ac./year</td>
<td>25%</td>
<td>31 ac./year</td>
<td>465 ac.</td>
</tr>
</tbody>
</table>

Source: Economic & Planning Systems
H:\153074-Billings Lockwood TEDD Economic and Financial Analysis\Models[153074-Employment Forecast-09-14-2015.xlsm]CaptureSum

Table 13  Potential TEDD Site Absorption, Phase 1

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 (Figure 10). The development and financial projections below assume 240-acre as a first phase of the TEDD.
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).

![Tax Increment Financing Illustration](Figure 11)
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.

Table 14 Tax Increment Accrual, 15-Year Absorption Schedule

<table>
<thead>
<tr>
<th>Absorption</th>
<th>Factor</th>
<th>Year 1</th>
<th>Year 5</th>
<th>Year 10</th>
<th>Year 15</th>
<th>Total</th>
<th>Annual Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absorption - Acres (net)</td>
<td>200.0 ac.</td>
<td>13.3</td>
<td>13.3</td>
<td>13.3</td>
<td>13.3</td>
<td>200.0</td>
<td>13.3</td>
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<td>Building Sq. Ft.</td>
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<td>87,120</td>
<td>87,120</td>
<td>87,120</td>
<td>1,306,800</td>
<td>87,120</td>
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<td>Market Value</td>
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<td>$7,840,800</td>
<td>$39,204,000</td>
<td>$78,406,000</td>
<td>$117,612,000</td>
<td>$117,612,000</td>
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<tr>
<td>Plus Personal Property Tax</td>
<td>25.0%</td>
<td>$1,960,200</td>
<td>$9,801,000</td>
<td>$19,602,000</td>
<td>$29,403,000</td>
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<td></td>
<td>$9,801,000</td>
<td>$49,005,000</td>
<td>$98,010,000</td>
<td>$147,015,000</td>
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<tr>
<td>Assessed Value</td>
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<td>$926,195</td>
<td>$1,852,389</td>
<td>$2,778,584</td>
<td>$11,926,570</td>
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<tr>
<td>TEDD Tax Increment</td>
<td>536.54 mills</td>
<td>$99,388</td>
<td>$496,940</td>
<td>$993,881</td>
<td>$1,490,821</td>
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Source: Economic & Planning Systems
H:\153074-Billings Lockwood TEDD Economic and Financial Analysis\Models\153074-Property Tax 09-14-2016\tab\15 yr Absorption

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.
If debt is issued, Montana’s legislation allows revenue collection beyond the 15-year life of the TEDD. Therefore, it is possible for the collection period to range from 30 years if issued in Year 1 to 45 years if issued in Year 15. To the best of our knowledge, no investment banks have issued bonds on TEDD district revenues in Montana to date. The first bonds 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.

**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.

---

### Table 15: Bonding Capacity Estimate, 15-Year Absorption Schedule

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<tr>
<th>Description</th>
<th>Factors</th>
<th>Year 5</th>
<th>Year 10</th>
<th>Year 15</th>
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<td>6.50%</td>
<td>6.50%</td>
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<td>Estimated Net Revenue Available for Debt Service</td>
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<td>Annual Property Tax</td>
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<td>$3,560,000</td>
<td>$7,150,000</td>
<td>$10,710,000</td>
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Source: Economic & Planning Systems

H:\153074-Billings Lockwood TEDD Economic and Financial Analysis\Models\[153074-Property Tax 09-14-2016.xlsx]Bonds
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.

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.
In identifying strategies for development of the Lockwood TEDD, this Plan recognizes a number of criteria – opportunities and constraints that influence the development potential of the area. These criteria 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, a 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.

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 Interstate 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 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 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 is 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.
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 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 Billings Bikeway + Trails Master Plan Update, the latest update to the original Heritage Trail Plan, is the roadmap to create off-street trails in greater Billings. However, 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 principal 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.

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 4: Analysis of potential trail routes
Figure 15: Preferred Trail Alignment

Note: Exhibit is diagramatic in nature and shows proposed corridors, not actual alignments.

MAP LEGEND
- Heritage Trail
- Riparian Trail
- Neighborhood Trail
- Ring Route
- Unimproved Primitive Trail
- Park or Open Space
- Preferred Trail Alignment
- Alternate Trail Alignment
- Potential Trail Head/Trail Ending
- Critical Connection Points

STUDY AREA
- Lockwood TEDD
- Study Area
- Proposed Bypass
- John H. Denny Neighborhood Park

Figure 15: Preferred Trail Alignment
Concept Alignment
The preferred pedestrian trail alignment would occur along the west side of the Johnson Lane corridor from the Interstate 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. Additionally, this alignment creates collaborative design opportunities with the future Bypass at the Interstate 90 interchange and the bridge crossing over the Yellowstone River. Such design collaboration would allow for proper pedestrian safety in those areas.

Key Design Considerations
Johnson Lane is located within multiple public road easements. For a trail to be built and available to the public, additional easements or right-of-way will need to be acquired from private land owners. Figure 16 shows the preferred alignment and the seven adjacent properties. Property owners may donate or sell an easement to a group, land trust, charitable or governmental entity for the purposes of allowing a public trail without having to subdivide the land or lose ownership or control of the land. Specific trail and site conditions will determine the specific easement area needed. For purposes of planning, it is assumed that at 30-foot wide trail easement could accommodate a 10-foot trail, with area for landscaping, benches, and other site amenities, as well as provide for maintenance as needed. Figure 17 shows the width of existing public access easements.

To accommodate users from a larger geographic region, a trailhead and parking lot off Johnson Lane could be constructed to 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 Billings Bikeway + Trails Master Plan and the Lockwood Non-Motorized Transportation Plan.
Planning Level Cost Estimates

To plan implementation of the route identified, it is important to consider the associated construction costs of such projects. Planning level cost estimates require numerous assumptions about the details of construction and associated requirements. The estimate and assumptions are based on experience with similar projects.

- Construction costs include site preparation, capital improvements, and construction overhead such as mobilization, insurance, erosion control and any traffic control that may be required.
- Contingency, Survey, Design and Admin Costs are calculated as a percentage of total project construction cost.
  - Contingency, to account for variations in the level of accuracy of the estimate – 20%
  - Survey for topography and easements – 5%
  - Design and Construction Administration – 15%

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The cost does not include the purchase of easements or right-of-way, as those costs are unknown.
Figure 16: Trail Alignment Easement Areas
Figure 17: Johnson Lane Existing Public Easements
Trail Connection Work Plan

To complete the desired trail connection and coordinate with the timing of the construction of the Billings Bypass, the following steps will need to be undertaken. A suggested timeline follows.

A. Site Survey - Base Maps and Information
Detailed CAD base maps with ROW/property lines, topography (contour lines and/or spot elevations) and features such as roads, trees, buildings and fences must be prepared by a land surveyor or civil engineer covering the improvements and adjacent areas. The pertinent codes, policies, adjacent plans, utilities, and other background information must be analyzed to prepare specific design parameters for the project.

B. Project Agreements - Right-of-Way Acquisition/Permission
Easements or acquisition of property for the improvements will need to be secured, at least tentatively, before significant study or design work can begin, and typically must be finalized before preliminary design (when the feasible/desired alignment is defined) or at least before preparation of construction documents.

C. Funding
The funding of the project will likely be met with a variety of sources. There are several federal and state programs to help communities fund bicycle and pedestrian facilities. These programs are described in Chapter 5, Implementation. Private funding, including capital campaigns, donations, foundation and company grants, partnerships, and fundraising events can be used to meet project costs. Because most federal and state programs require a local match for funding, identifying those local sources should be a top priority.

D. Design
More detailed plans will need to be developed, with multiple disciplines participating depending on the scope of improvements. Preliminary design plans would have relatively accurate locations, dimensions, materials and features, to allow a correspondingly detailed preliminary cost estimate, but they would not have all the information required for bidding and constructing the project. The preliminary plans would be the basis for environmental documents and public and agency review of the project.

The preliminary plan drawings and descriptions will then be developed into detailed construction plans, specifications, and estimate that can be used to obtain permits that require such detail, and for bidding by contractors.

E. Bidding and Contracting
Contract bid documents for the project must be prepared, and the project must be advertised for public bid. The bids must be analyzed, and the sponsoring agency will award a construction contract to the lowest responsible bidder.
F. Construction
In addition to the work of the contractor, construction of a public project entails responsible agency and/or consultant staff to oversee the contractor and administer the project, including any grant-imposed procedures or paperwork.

G. Management and Maintenance
Upon completion of construction, management and maintenance protocols of the trails should be in place. These protocols may vary depending upon the owner and operator of the trail asset. Key elements of trail management include operations and routine maintenance such as, trash and debris removal, weed and dust control; trail sweeping, sign replacement, landscaping maintenance, and other scheduled maintenance such as crack and pothole repair. An effective plan should include the following areas:

1) Maintenance: Routine and Remedial  
2) User Safety and Risk Management  
3) Programming and Events  
4) Resource Stewardship and Enhancement  
5) Marketing and Promotion  
6) Oversight and Coordination

Schedule
The trail design and construction should be coordinated with the design and construction of the Billings Bypass. The schedule for Bypass at the Johnson Lane interchange has been roughly identified within the next five years, but not specifically determined. To help with the coordination, the below schedule recommends coordination in terms of project progress, rather than specific dates. As the timeline for the Bypass becomes more certain, milestone dates should be used.
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 concept map is located on the next page.

- 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 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.

Figure 18: Trailhead Commerce Park Concept Map
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 1st to June 30th). 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 Billing 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 opportunities and utilize available tools.

**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 infrastructure will need to occur before there is TIF available to pay for it, 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.
- 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:**

- 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.

- 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 percent of the landowners 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.
Note: this table illustrates how Lockwood TEDD projects could be implemented over time. Funding of projects will be contingent 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.

Note: this table illustrates how Lockwood TEDD projects could be implemented over time. Funding of projects will be contingent 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.
## Five Year Work Plan

### Lockwood TEDD PROGRAM ACTIVITIES

<table>
<thead>
<tr>
<th>Activity Description</th>
<th>Coordinating Agency</th>
<th>Activity Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program administration organization</td>
<td>BSED BOCC</td>
<td>Coordination Approval</td>
</tr>
<tr>
<td>Create the Advisory Board, including organizational documents</td>
<td>BSED BOCC</td>
<td>Coordination Approval</td>
</tr>
<tr>
<td>Develop a Master plan for the TEDD Area</td>
<td>Advisory Board BOCC</td>
<td>Coordination Approval</td>
</tr>
<tr>
<td>Coordinate with MDT regarding Billings Bypass Alignment</td>
<td>Advisory Board</td>
<td>Coordination</td>
</tr>
<tr>
<td>Develop the Marketing and recruitment plan</td>
<td>Advisory Board BOCC</td>
<td>Coordination Approval</td>
</tr>
<tr>
<td>Identify gap funding sources</td>
<td>Advisory Board</td>
<td>Coordination</td>
</tr>
<tr>
<td>Develop a property owner organization</td>
<td>Property Owners</td>
<td>Coordination Approval</td>
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<tr>
<td>Design and construct Phase 1 water/ sewer extensions</td>
<td>Property Owners/LWSD/Advisory Board</td>
<td>Coordination Approval</td>
</tr>
<tr>
<td>Design and construct Coulson Road improvements</td>
<td>Property Owners/Advisory Board</td>
<td>Coordination Approval</td>
</tr>
<tr>
<td>Design and Construct the Trail Connection</td>
<td>Property Owners/TrailNet</td>
<td>Coordination Approval</td>
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</table>
Appendix B Public Process

Big Sky Economic Development appointed a Steering Committee to assist in the development of the Comprehensive Development Plan and the TEDD Strategic Plan. The Committee began work in October 2015 and met over the course of a year as the plan developed. Additionally, a separate group was convened to identify issues and concept alignments related to the trail connection. Below is a schedule of the Steering Committee meetings, as well as public meetings that were part of the process. Descriptions and minutes from the public meetings are included following the table.

<table>
<thead>
<tr>
<th>Date</th>
<th>Meeting</th>
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<tbody>
<tr>
<td>October 30, 2015</td>
<td>Steering Committee Meeting</td>
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<tr>
<td>February 18, 2016</td>
<td>Steering Committee Meeting</td>
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<tr>
<td>March 23, 2016</td>
<td>Steering Committee Meeting</td>
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<tr>
<td>March 23, 2016</td>
<td>Public Meeting @ Lockwood Middle School</td>
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<tr>
<td>May 6, 2016</td>
<td>Steering Committee Meeting</td>
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<tr>
<td>May 12, 2016</td>
<td>Public Meeting @ Lockwood Middle School</td>
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<tr>
<td>June 1, 2016</td>
<td>Steering Committee Meeting</td>
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<tr>
<td>June 23, 2016</td>
<td>Trail Stakeholder Group</td>
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<td>July 14, 2016</td>
<td>Trail Stakeholder Group</td>
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<td>August 17, 2016</td>
<td>Steering Committee Meeting</td>
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<td>August 17, 2016</td>
<td>Trail Corridor Property Owners Meeting</td>
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<tr>
<td>September 29, 2016</td>
<td>Steering Committee Meeting</td>
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<tr>
<td>October 3, 2016</td>
<td>Public Meeting @ Lockwood Middle School</td>
</tr>
<tr>
<td>October 12, 2016</td>
<td>Planning Board Presentation and Discussion</td>
</tr>
<tr>
<td>October 25, 2016</td>
<td>City/County Planning Board Public Hearing</td>
</tr>
<tr>
<td>November 7, 2016</td>
<td>Board of County Commissioners Public Hearing</td>
</tr>
<tr>
<td>November 22, 2016</td>
<td>Board of County Commissioners Public Hearing</td>
</tr>
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Public Information Meeting #1, Lockwood Middle School, March 23, 2016
Dianne Lehm, Big Sky Economic Development (BSED), welcomed everyone and introduced the project team, including staff from BSED, the consultants for the project, and members of the project steering committee. She stated that the meeting is intended to provide an overview of the project and allows for the public to ask questions and provide comments.

Steve Arveschoug, Big Sky Economic Development (BSED), provided an overview of the project and why this is important to the community. He discussed the worked completed in Phase 1, which included an evaluation of the Study Area and resulted in the adoption of the Resolution of Necessity and Statement of Infrastructure Deficiency.

He stated that the need to create planned industrial space within Yellowstone County is one of the key factors in this process. Creating ready-to-go industrial space will allow the County to complete for industry looking to relocate to Billings, as well as support existing businesses looking to expand their operations.

Lauren Waterton, Sanderson Stewart, provided an overview of targeted economic development districts (TEDD). The intent of the enabling legislation is to support value-adding economic development activities and secondary value adding industries. A TEDD allows local governments to use tax increment financing to develop infrastructure that supports value added industries.

For the TEDD to be created, a comprehensive development plan must be adopted by the Yellowstone County Board of County Commissioners. To prepare that plan, work will be done in the areas of market analysis, zoning, infrastructure analysis, TIF assessment, and administration.

The meeting was opened for questions and comments.

Q: How this would affect the Lockwood Schools and the money they receive from property taxes?
A: Creation of the TEDD does not affect the amount of property tax money the school district currently receives from properties within the study area. Future taxes, based on the increase in value after development of a property, are used by the TEDD to pay for the infrastructure needed for that development. Without the TEDD and the construction of infrastructure, it is likely that any development in this area will be minimal at best. After the TEDD sunsets, all property taxes generated by the development of the TEDD are distributed to the taxing entities, including the school district, based on then-current mill levies for the area.

Public Information Meeting #2, Lockwood Middle School, May 12, 2016
Steve Arveschoug, Big Sky Economic Development (BSED), welcomed everyone and introduced the project team, including staff from BSED, the consultants for the project, and members of the project steering committee.

Lauren Waterton, Sanderson Stewart, provided an overview of project, a description of the targeted economic development districts and work completed to date.

Brian Duffany, Economic & Planning Systems, provided an overview of their market analysis. He described their preliminary findings regarding the demand for industrial space within Yellowstone County. He noted the need for up 800 acres of industrial land use within the next 20 years. This will occur throughout the County, but the Lockwood TEDD can capture a portion of that demand.

Based on potential amount of industrial development that can occur, Lauren Waterton described three potential boundary scenarios. These boundaries are also based on initial property owner interest. She also
discussed different funding opportunities within the TEDD, including private funding and tax increment financing for development of infrastructure.

Robin Rude, Montana Department of Revenue, described how taxes are calculated within at TEDD. Property value is based on use, not on property zoning. If the use stays the same, the value is calculated the same way. Tax bills within the TEDD will have a line item for the TEDD, but it will not be an additional cost. The tax increment is determined on the value of the district as a whole, not on an individual property basis.

The meeting was then divided into groups for conversations related to industrial space needs and market, property owner questions, zoning, and infrastructure needs.

Public Information Meeting #3, Lockwood Middle School, October 3, 2016
Dianne Lehm, Big Sky Economic Development (BSED), welcomed everyone and introduced the project team, including staff from BSED, the consultants for the project, and members of the project steering committee.

Lauren Waterton, Sanderson Stewart, provided an overview of the project and why this is important to the community. She discussed the worked completed in the previous phases, as well as the work completed to prepare the comprehensive development plan.

The purpose of the meeting was to review the comprehensive development plan. Lauren provided an overview of the plan elements, and how those elements relate to the requirements for the TEDD to be established.

Q: Can you explain how tax increment financing works?

A: Tax increment financing (TIF) captures the new tax revenues created by new development within the district. When the district is created, the base value is set, or “frozen” at the amount existing. After this date, any new tax revenue generated as a result of increase in values due to new development would be directed to the TEDD to pay for infrastructure and other eligible expenses.

City/County Planning Board, Presentation and Discussion, October 12, 2016.
Lauren Waterton, Sanderson Stewart, provided an overview of the comprehensive development plan for the Lockwood TEDD. Board member Reed thanked BSED staff for their community outreach efforts and public involvement with this TEDD process. Dianne Lehm said informational packets were sent to all property owners early in the process, and meetings were held with the individual property owners in the district along with adjoining property owners. Board member Saldivar asked about the longevity of the TEDD. Dianne Lehm explained the District is established for a 15-year term but may be extended for the life of the project with bonding. Discussion followed on the TIFF District created for the Transtech Development and Steve Arveschoug explained the differences between using a TIF for a business park development versus a rail industrial park. He said it takes time to develop synergy, and infrastructure has to be planned in order to seize opportunities for developments. This district is a tool to help property owners hone infrastructure and zoning means to develop their property. Board member Reed stated planning is the biggest selling point. Mr. Arveschoug some of the contributing factors for choosing this location is the willingness of landowners, proximity to rail, the interstate, and the river. He noted that the target industries for this district is broader than industrial uses. President Tunnicliff asked for an overview of the mitigation to protect wildlife habitat and the river and it was given by Wyeth Friday who noted the master planning of the layout for this area. President Tunnicliff requested sensitivity to the environmental impacts. Lauren Waterton said the property owners are aware of this need and she spoke to the need to provide a pedestrian corridor that is safe and the contemplation for a trail corridor to connect to Dover Road. She said they are looking at the values that are
important to the Lockwood Community. Board member Goodrich expressed concern with the potential for conflicts between pedestrians and industry. The need was noted to address the pedestrian safety issues along the Bypass if there is no pedestrian corridor. Wyeth Friday commented on the possibility of having industry and pedestrian corridors together such as the trail located near the water treatment plant. Lauren Waterton said the timing of the design of the Bypass project is an opportunity to identify a plan as a part of the design of the interchange. Board member Reed stated he is in favor of the TEDD and he would like to work to perpetuate this district.

City County Planning Board, Public Hearing, October 25, 2016
Dianne Lehm introduced this agenda item. Lockwood TEDD comprehensive Development Plan. Michael Sanderson, Sanderson Stewart opened with a PowerPoint presentation. Per request of Board member Bass, Michael Sanderson explained how the district’s boundaries are defined: requirements for a contiguous area; identification of willing landowners; parcel by parcel evaluation; and economic analysis of the absorption rate of industrial properties within the lifespan of the TEDD.

President Tunnicliff commended the efforts to protect the Yellowstone River. President Tunnicliff opened the public hearing at 7:00 p.m. and asked if there is anyone wishing to speak in favor of the Lockwood TEDD Comprehensive Plan.

Mr. Freivalds asked if there is a setback from the TEDD area to allow for reasonable retail growth. He stressed the need for retail services along the TEDD. Board member Reed noted the TEDD is zoned industrial but per the Lockwood Growth Policy, commercial uses may be allowed in this area. Wyeth Friday clarified and read aloud the statement below from the Lockwood Growth Policy, Chapter 2, “Growth Policy Statement and Guidelines.” Commercial retail and services may be considered appropriate in areas designated for industrial land uses along principal and minor arterials in addition to areas designated for commercial land uses.

President Tunnicliff asked if anyone else would like to speak in favor or against the Lockwood TEDD Comprehensive Plan. There was none. President Tunnicliff closed the Public Hearing at 7:10 p.m. and called for a motion.

Board member Reed made a motion and Board member Bass seconded the motion to forward a recommendation of approval of the Lockwood Targeted Economic Development District, (TEDD), Comprehensive Development Plan as presented.

Board members discussed the limitations and expectations for the TEDD Board. Michael Sanderson pointed out the next phase includes administration and will be adopted in the next phase of the plan. At this point the determination is whether the Comprehensive Development Plan is in compliance with the Lockwood Growth Policy. The rest of these answers have yet to be determined. President Tunnicliff thanked the BSEDA staff and Sanderson Stewart for their professional presentation. The motion carried with Board members Klugman and Goodridge abstaining due to conflict of interest.

Yellowstone County Board of County Commissioners, Public Hearing, November 7, 2016
Official Minutes - Planning Board Recommendation to Board of County Commissioners for Comprehensive Development Plan – Lockwood TEDD. Mr. Wyeth Friday, Planning Manager stated that the Planning Board is forwarding a recommendation of approval to the Commissioners for the creation of the TEDD.

Ordinance 16119 Establishing the Lockwood Targeted Economic Development District (TEDD) Creating the Lockwood TEDD, and adopting the Lockwood TEDD Plan with a Tax Increment Financing Program Pursuant
to Title 7, Chapter 15, Part 42 and 42 of the Montana Code Annotated – 1st Reading of the Ordinance, 2nd Reading is Scheduled for Tuesday November 22, 2016 @ 9:30 a.m. in Room 403A. Mr. Dan Schwarz, Deputy County Attorney stated this is the first reading of the ordinance. Commissioner Ostlund asked if there was any objection to waiving the reading of the proposed ordinance.

Hearing no opposition, the meeting proceeded. Mr. Steve Arveschoug, Executive Director stated this project has been in the works for months. Mr. Arveschoug stated that if this TEDD is created it will put Yellowstone County in a stronger position for attracting businesses. This plan would put Yellowstone County in a position to have a plan ready for incoming businesses. Ms. Lauren Waterton, Sanderson Stewart presented the Lockwood TEDD Strategic Plan.

Commissioner Ostlund opened the Public Hearing. Six people spoke in favor the creation of the TEDD. Hearing no other comments Commissioner Ostlund closed the Public Hearing. Commissioner Driscoll made a MOTION to approve the 1st reading of ordinance 16119, Commissioner Ostlund seconded. Commissioner Reno stated that wanted written comments from the affected property owners that they are ok with the creation of the TEDD. Commissioner Reno also asked what the impact of the creation of the TEDD would have on the Road Department and making the Courthouse bigger. Passed on a 2-1 vote. Commissioner Reno voted no.

Yellowstone County Board of County Commissioners, Public Hearing, November 22, 2016

Official Minutes - Ordinance 16119 Establishing the Lockwood Targeted Economic Development District (TEDD) Creating the Lockwood TEDD, and Adopting the Lockwood TEDD Plan with a Tax Increment Financing Program Pursuant to Title 7, Chapter 15, Part 42 and 43 of the Montana Code Annotated – 2nd Reading.

Mr. Dan Schwarz, Chief Deputy County Attorney stated that there have been some minor changes to the ordinance. In Section 2 (b) a sentence was added and the legal description was incorrect so that has been corrected. Commissioner Ostlund asked if there was any objection to waiving the reading of the proposed ordinance. Hearing no opposition, the meeting proceeded.

Commissioner Ostlund opened the Public Hearing. Ms. Dianne Lehm, Director of Community Development gave some support letters to the Commissioners to add to the record. Ms. Lauren Waterton, Sanderson Stewart, gave a brief overview of the TEDD. Five people spoke in favor of the TEDD. One person spoke in opposition of the TEDD. Hearing no other comments Commissioner Ostlund closed the Public Hearing.

Commissioner Driscoll stated that BSED has done a great job on this project. Commissioner Driscoll stated that she had some concerns regarding the time limit of the TEDD. Commissioner Driscoll made a MOTION to create the TEDD, but the TEDD gets 50% of the increment and 50% of the increment gets returned to the taxable jurisdiction, Commissioner Reno seconded. Commissioner Reno asked for a friendly amendment to ask for a sunset maximum length. Commissioner Ostlund asked that counsel weigh in on this.

Mr. Dan Schwarz, Chief Deputy County Attorney stated that the bonding requirements would allow that extension and you could probably do a sunset. If you do a sunset that is shorter than the maximum time allowed by the code, it might hamper the bonding ability. Mr. Schwarz stated that he can put an amendment in the ordinance that would have a limitation and a sunset provision. Commissioner Driscoll does not want to amend her motion. Commissioner Ostlund noted that Commissioner Driscoll’s motion was up to 50% would be refunded after the bond is satisfied. Commissioner Driscoll said, “yes”. Commissioner Reno stated that you can use or abuse TIF’s and also stated you can’t stop growth in Lockwood. Passed Unanimous.
LOCKWOOD TARGETED ECONOMIC DEVELOPMENT DISTRICT
Comprehensive Development Plan

October 2016

PREPARED FOR:
Big Sky Economic Development

FOR PRESENTATION TO:
Yellowstone County Board of County Commissioners

PROJECT FUNDED BY:
Montana Department of Commerce
Big Sky Trust Fund
Community Development Block Grant
Pacific Steel and Recycling
MCL Holdings
Weave Management
Big Sky Economic Development
## TABLE OF CONTENTS

1. **INTRODUCTION** ................................................................................................................................. 77  
   Overview .......................................................................................................................... 77  
   Purpose ......................................................................................................................... 77  
   Lockwood Community .................................................................................................. 78  
   Tax Increment Financing .............................................................................................. 78  
2. **SITE ANALYSIS** ............................................................................................................................... 79  
   Site Description ............................................................................................................. 79  
   Legal Description ........................................................................................................ 81  
   Parcels .......................................................................................................................... 81  
   Compliance with Growth Policy ................................................................................... 85  
   Compliance with Zoning ............................................................................................... 87  
3. **GOALS OF THE LOCKWOOD TEDD** .............................................................................................. 88  
4. **INFRASTRUCTURE ANALYSIS** ..................................................................................................... 88  
5. **TARGETED ECONOMIC DEVELOPMENT ACTIVITIES** ............................................................... 90  
   Targeted Industries ....................................................................................................... 90  
   Capital Improvements Plan .......................................................................................... 92  
   Recruitment .................................................................................................................. 92  
   Financing ........................................................................................................................ 92  
6. **PROGRAM ADMINISTRATION** ...................................................................................................... 94  
   TEDD Program Criteria ................................................................................................. 95  
7. **PLAN AMENDMENTS** .................................................................................................................... 95
1. **INTRODUCTION**

**Overview**

Yellowstone County, in conjunction with the Big Sky Economic Development (BSED), is seeking to enhance and expand economic activities through the development of planned, ready-to-go industrial space that supports secondary, value adding industries. This effort would be enriched through the creation of a Targeted Economic Development District (TEDD) on 570 acres of land in the Lockwood area. Yellowstone County intends to use tax increment financing as part of its overall strategy to provide infrastructure in support of value-adding industry.

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. This Comprehensive Development Plan has been prepared in accordance with Montana Code Annotated, Title 7, Chapter 14, Parts 42 and 43. In accordance with MCA 7-15-4279, the Lockwood TEDD will host a diversified tenant base of multiple, independent tenants. This Comprehensive Development Plan lays the framework to guide the development of the TEDD. The *Lockwood TEDD Strategic Plan* contains information regarding market analysis, targeted industries, development and implementation strategies.

**Purpose**

When creating the state statutes for the provision for a TEDD, the Montana Legislature noted that the lack of infrastructure is an impediment to development of value-adding economic development and that local governments often times lack the financial resources to expand infrastructure that would serve such development. In response to those two issues, the legislature authorized the creation of districts that would support value adding industries and determined that tax increment financing can be used to pay for needed infrastructure.

According to MCA 7-15-4279(3)(b) of the, 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.” These industries will be the primary targeted industries within the Lockwood TEDD.

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 with infrastructure in place was not readily available.

In response to the needs of the community and recommendations of the *Feasibility Study*, BSEDA has undertaken the task of identifying a site for planned industrial space that can accommodate the demand for industrial space. 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 as one option for such funding.
Lockwood Community

Lockwood is an unincorporated community, located directly east of the City of Billings. The population of Lockwood, as reported in the American Community Survey in 2014 as the Lockwood Census Designated Place, is 6,943. This includes the area of the proposed TEDD. Between 2000 and 2014, Lockwood saw a 61.2-percent increase in population, outpacing the growth in the rest of Yellowstone County, which grew by approximately 17-percent.

The American Community Survey also reported that approximately 55-percent of all workers who live in Lockwood travel to work between 15 to 24 minutes, with the mean travel time of 20 minutes. This pattern suggests that Lockwood residents travel to Billings and other parts of Yellowstone County for work. Increasing job opportunities within the Lockwood TEDD would allow a greater percentage of Lockwood residents the opportunity for employment within their community.

Employment of Lockwood residents is spread over multiple industries throughout Yellowstone County. As shown below, “education, health care & social assistance” sector employs the most people, followed by the “retail trade” sector. Manufacturing, transportation, warehousing and utilities, the primary targeted industries of the Lockwood TEDD, make up approximately 15-percent of current employment.

<table>
<thead>
<tr>
<th>LOCKWOOD EMPLOYMENT BY INDUSTRY</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Civilian employed population &gt; 16 years</strong></td>
<td>3,771</td>
<td></td>
</tr>
<tr>
<td>Ag, forestry, fishing &amp; hunting, mining</td>
<td>199</td>
<td>5.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>363</td>
<td>9.6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>268</td>
<td>7.1%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>184</td>
<td>4.9%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>659</td>
<td>17.5%</td>
</tr>
<tr>
<td>Transportation, warehousing, and utilities</td>
<td>292</td>
<td>7.7%</td>
</tr>
<tr>
<td>Information</td>
<td>30</td>
<td>0.8%</td>
</tr>
<tr>
<td>Finance and insurance, and real estate</td>
<td>222</td>
<td>5.9%</td>
</tr>
<tr>
<td>Prof, scientific, mgmt., admin, &amp; waste mgmt.</td>
<td>231</td>
<td>6.1%</td>
</tr>
<tr>
<td>Education, health care, &amp; social assistance</td>
<td>677</td>
<td>18.0%</td>
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<tr>
<td>Arts, entertain., rec., accommodation, &amp; food</td>
<td>321</td>
<td>8.5%</td>
</tr>
<tr>
<td>Other services, except public administration</td>
<td>237</td>
<td>6.3%</td>
</tr>
<tr>
<td>Public administration</td>
<td>88</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

Tax Increment Financing

Yellowstone County intends to use tax increment financing within the Lockwood TEDD, which encompasses an area of approximately 570 acres. For the purposes of measuring any incremental value, the base year is 2016, with values as of, January 1, 2016.
Tax increment financing (TIF) is a public financing method that promotes economic development by allowing cities and counties to use new property tax revenues from investment in the TEDD to invest in public infrastructure. In 2013, the Montana Legislature authorized the use of TIF within targeted economic development districts.

TIF uses future increases in property values to pay for improvements within the district, thus improving and enhancing the district. This allows taxes from the district to be invested in the infrastructure that supports the business development and investment in that area.

Taxes that are derived from the base assessed value within the TEDD continue to be distributed to those taxing entities that levy mills within the district. TIF can be used to support these taxing entities through the funding of infrastructure that is required to connect to services that are located outside of the district. For example, it will be necessary to install water and sewer mains outside of the district boundary that will connect to the Lockwood Water and Sewer District system and enable service to be provided to the district.

Additionally, TIF generated within the district can help fund public services and facilities in proportion to services they provide within the district.

2. SITE ANALYSIS

Site Description

The Lockwood TEDD is located in an area of primarily agricultural use with some industrial sites. The area is approximately 570 acres and is located north of Interstate 90 and 94 and south of the Yellowstone River. The BNSF railroad bisects the area and has a rail spur with access to the Pacific Recycling facility, located within the TEDD boundary.

Access to the area is provided by local roads, including Johnson Lane, Coulson Road and the Frontage Road. The Interstate 90 interchange at Johnson Lane connects the TEDD to the greater transportation network.
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 Interstate 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

Figure 1: Lockwood TEDD Boundary
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.

Legal Description

The legal description of the Lockwood TEDD is as follows:

A tract of land situated in Sections 7, 8, 17, 18, 19 and 20, Township 1 North, Range 27 East, P.M.M., Yellowstone County, Montana; more particularly described as follows:

Beginning at the northeast corner of Tract 4A2, Certificate of Survey No. 1225; thence southerly along the east boundary line of Certificate of Survey No. 1225 to the southeast corner of Tract 3B, Certificate of Survey No. 1225; thence westerly to the centerline of the Watson Road right of way; thence northerly along the centerline of the Watson Road right of way to a point which is the intersection of the centerline of Watson Road right of way and the northern most corner of Tract 3A, Certificate of Survey No. 2807; thence southwesterly along the west boundary line of Tract 3A and Tract 3B, Certificate of Survey No. 2807, to the northwest corner of Tract 1, Certificate of Survey No. 3540; thence easterly along the north boundary line of Tract 1 to the northeast corner of Tract 1, Certificate of Survey No. 3540; thence southerly, westerly and southwesterly along the east boundary lines of Certificate of Survey No. 3540 to the southeast corner of Tract 2, Certificate of Survey No. 3540; thence easterly along the south boundary line of Tract 1, Certificate of Survey No. 3092 to the southeast corner of Tract 1, Certificate of Survey No. 3092; thence southerly to the southeast corner of Tract 1, Certificate of Survey No. 632; thence westerly along the north boundary line of Certificate of Survey No. 632 to the northwest corner of Certificate of Survey No. 632; thence southerly along the west boundary line of Tract 1, Certificate of Survey No. 2009; thence westerly along the south boundary line of Tract 1 to the northeast corner of the Lockwood Irrigation District Parcel lying east of ditch between Certificate of Survey No. 632 and Certificate of Survey No. 2009; thence southwesterly to the intersection of Lockwood Irrigation District Parcel and Tract 2, Certificate of Survey No. 2009; thence south along the east boundary line of Tract 2 to the southeast corner of Tract 2; thence westerly to a point which is the intersection of the south boundary line of Tract 2 and the centerline of the Coulson Road right of way; thence southwesterly along the centerline of the Coulson Road right of way to a point which is the intersection of the Coulson Road right of way and the east boundary line of Lot 1, Block 1, Great Plains Subdivision; thence southerly to the northwest corner of Tract 1, Certificate of Survey No. 3376; thence easterly to the northeast corner of Tract 1, Certificate of Survey No. 3376; thence northeasterly to the southwest corner of Lot 5, Seiffert Industrial Subdivision; thence northerly along the west boundary line of Seiffert Industrial Subdivision to the northwest corner of Lot 4, Seiffert Industrial Subdivision; thence easterly along the north boundary line of Seiffert Industrial Subdivision to the northeast corner of Lot 1, Seiffert Industrial Subdivision; thence northerly to the northwest corner of Tract 1, Certificate of Survey No. 1734; thence easterly to the northeast corner of Tract 1, Certificate of Survey No. 1734; continuing east along the north boundary line of Pine Hill Sub until it intersects with the west boundary of the interstate right-of-way; thence southwesterly along the west boundary line of the interstate right-of-way to the southeast corner of Tract 1, Certificate of Survey No. 1734; thence westerly to the southwest corner of Tract 1, Certificate of Survey No. 1734; thence southwesterly along the west boundary line of the interstate right-of-way to the southwest corner of Seiffert Industrial Subdivision; thence north along the west line of Seiffert Industrial Subdivision to its intersection with the centerline of North Frontage Road; thence southwesterly along the centerline of the North Frontage Road right of way to a point which is the intersection of the North Frontage Road right of way and the extension of the south boundary line of Tract
1, Certificate of Survey No. 3376; thence westerly along the south boundary line to the southwest corner of Tract 1, Certificate of Survey No. 3376; thence northerly along the west boundary line of Tract 1, Certificate of Survey No. 3376 to the southeast corner of Lot 1, Block 1, Great Plains Subdivision; thence northwesterly to the southwest corner of Lot 1, Block 1, Great Plains Subdivision; thence northeasterly to a point which is the intersection of the west boundary line of Lot 1, Block 1, Great Plains Subdivision and the south boundary line of Section 18; thence westerly along south boundary line of Section 18 to a point which is the intersection of the south boundary line of Section 18 and the east boundary line of Lot 2C, Johnson Lane Materials Subdivision; thence northeasterly to the southeast corner of Lot 5, Johnson Lane Materials Subdivision; thence northerly to the northeast corner of Lot 5, Johnson Lane Materials Subdivision; thence westerly to the southwest corner of Lot 1, Block 1, Weaver Flats Subdivision; thence north along the west boundary of Lot 1, Block 1, Weaver Flats Subdivision to the northwest corner of Lot 1, Block 1, Weaver Flats Subdivision; thence westerly to the southwest corner of Tract 2, Certificate of Survey No. 3477; thence northerly to the northeast corner of Lot 2, Block 1, Weaver Flats Subdivision; thence northwesterly to the northwest corner of Lot 2, Block 1, Weaver Flats Subdivision; thence northerly to the northwest corner of Tract 2, Certificate of Survey No. 3477; thence southeasterly to the southeast corner of Tract 1, Certificate of Survey No. 3477; thence northerly to the southwest corner of Government Lot 9; thence easterly to the southwest corner of Tract 1B, Certificate of Survey No. 2807; thence northeasterly to the northwest corner of Tract 1B; thence northeasterly to the northeast corner of Tract 1B; thence northeasterly along the east boundary line of Tract 1A, Certificate of Survey No. 2807 to the southeast corner of the tract of land described as survey overlap of Certificate of Survey No. 1225 and Certificate of Survey No. 2868; thence southerly to a point which is the intersection of the west line of the tract of land described as survey overlap of Certificate of Survey No. 1225 and Certificate of Survey No. 2868 and the east right of way line of the Montana Rail Link right of way; thence northeasterly to the southwest corner of Tract 5, Certificate of Survey No. 1225; thence easterly to the northwest corner of Tract 4A1, Certificate of Survey No. 1225; thence southerly to the southwest corner of Tract 4A1; thence easterly to the southeast corner of Tract 4A1; thence northerly to the northeast corner of Tract 4A1; thence easterly to the Point of Beginning; parcels containing 570.83 acres, more or less, subject to any existing easements and/or rights of way, whether of record or apparent on the ground.
## Parcels

Land owners and property descriptions are listed below.

<table>
<thead>
<tr>
<th>Owner Last Name</th>
<th>Legal Description</th>
<th>Geocode</th>
<th>Tax ID</th>
<th>Property Address</th>
<th>Mailing Address</th>
<th>City State</th>
<th>Zoning</th>
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<td>BKPN Properties LLC</td>
<td>GREAT PLAINS SUBD, S19, T01 N, R27 E, BK 1, Lot 1</td>
<td>03103419101160000</td>
<td>C11082</td>
<td>1655 Coulson Rd</td>
<td>1655 Coulson Rd</td>
<td>Billings, MT 59101</td>
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<td>G2 Properties LLC</td>
<td>S20, T01 N, R27 E, C.O.S. 3376, PARCEL 1</td>
<td>03103420211040000</td>
<td>D06449</td>
<td>3255 N Frontage Rd</td>
<td>455 Highway 195, Suite A</td>
<td>Georgetown, TX 78633</td>
<td>Controlled Industrial</td>
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<td>JDW Industrial Park 2 LLC</td>
<td>S17, T01 N, R27 E, C.O.S. 2009, PARCEL 1</td>
<td>03103417101200000</td>
<td>D06407</td>
<td>2150 Coulson Rd E</td>
<td>PO Box 22745</td>
<td>Billings, MT 59104</td>
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<td>03103417201010000</td>
<td>D06415</td>
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<td>Lockwood Irrigation District</td>
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<td>D13115</td>
<td>Coulson Rd</td>
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<td>D06329</td>
<td>3530 Coulson Rd</td>
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<td>Name</td>
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<td>PO Box</td>
<td>City, State</td>
<td>ZIP Code</td>
<td>Use</td>
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<td>N Frontage Rd, PO Box 31181</td>
<td>Billings, MT</td>
<td>Controlled Industrial</td>
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<td>Terry L. Seiffert</td>
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<td>D06414</td>
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<td>Roger and Peggy Webb</td>
<td>S08, T01 N, R27 E, C.O.S. 3540, PARCEL 1</td>
<td>03103408401010000</td>
<td>D06329A</td>
<td>Coulson Rd, 1132 Ginger Way, PO Box 31181</td>
<td>Billings, MT</td>
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<td>Town And Country Supply Association</td>
<td>S08, T01 N, R27 E, C.O.S. 1225, PARCEL 3A</td>
<td>03103408403110000</td>
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<td>Watson Rd, PO Box 367</td>
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<td>Town And Country Supply Association</td>
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<td>Watson Rd, PO Box 367</td>
<td>Laurel, MT</td>
<td>Heavy Industrial</td>
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<td>Michael Stanhope</td>
<td>PINE HILL SUB, S17, T01N, R27 E, BLOCK 1, LOTS 12-15</td>
<td>03-1034-17-4-18-01-0000</td>
<td>C04920</td>
<td>Bobolink Rd, PO Box 819</td>
<td>Choteau, MT</td>
<td>Agricultural</td>
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</table>
Compliance with Growth Policy

As required by MCA 7-15-4279, the TEDD must be zoned in accordance with the area growth policy. The Lockwood TEDD is located within the Lockwood Planning Boundary. The Lockwood Growth Policy was adopted by the Yellowstone County Commission on May 17, 2016 and is intended to reflect public values within Lockwood. The document should be considered when land use applications and infrastructure investment proposals are presented.

In creating the growth policy, the Lockwood community contemplated the development of the Lockwood TEDD. Of the 11 growth guidelines identified in the document, one specifically addresses the TEDD:

> In accordance with the Lockwood Growth Policy, the properties within the Lockwood TEDD are zoned Agricultural, Controlled Industrial, or Heavy Industrial.

The Lockwood Growth Policy noted two previous planning documents, from which specific goals are still applicable to the Lockwood community. These documents are the Lockwood Community Plan (2006) and the Yellowstone County & City of Billings Growth Policy (2008). The City of Billings Growth Policy (2016) updates the City elements of the 2008 Growth Policy, therefore elements related to the unincorporated portions of the County are still applicable.

Goals from the 2006 Lockwood Community Plan that apply to the Lockwood TEDD, include the following:

> Infrastructure: Continue to research and support the improvement and INSTALLATION of community infrastructure that will better serve Lockwood.

---Lockwood Community Plan, 2006

---Lockwood Growth Policy, 2016
Goals from the 2008 Yellowstone County Growth Policy that apply to the Lockwood TEDD include the following:

**Economic Development:** Coordinated economic development efforts that target business recruitment, retention, and expansion.

---Yellowstone County & City of Billings Growth Policy, 2008

Supporting a diversified economy that includes industrial development and manufacturing is important to the economy of Yellowstone County. Planning for industrial development can pave the way for business development and expansion and provide predictability for business and property owners.
Compliance with Zoning

The area of the Lockwood TEDD is zoned Heavy Industrial, Controlled Industrial and Agricultural. Based on the Guideline Statement in the Lockwood Growth Policy, this area is zoned in accordance with the growth policy.

*Figure 3: Area Zoning*
3. 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.

4. INFRASTRUCTURE ANALYSIS

In order for a local government to create a TEDD, a Resolution of Necessity must be adopted. According to MCA 7-15-4280, this resolution must find that:

1. One or more infrastructure-deficient areas existing in the local government; and
2. The infrastructure improvements of the area are necessary for the welfare of the residents of the local government.

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 Targeted Economic Development District Study Area. The following infrastructure deficient conditions 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 $4,000,000.
- **Sewer System**: a public sewer system is not available in the area. Main extensions, upgrades of an existing lift station and expansion of the Lockwood Water and Sewer District may be required. Renegotiation of the agreement with the City of Billings for additional treatment capacity would be required in conjunction with District expansion.

  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 $5,000,000.

- **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.

  Roads to and within the TEDD area will require improvement to the minimum standards for a Commercial Collector road, as specified by 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 likely be over $4,000,000.

  Montana Department of Transportation (MDT) 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 TEDD. The final design will have to consider access points to serve the area and the future industrial development. Such access points will need to be funded in conjunction with MDT.

  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 in conjunction with the Billings 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. Costs for additional transmission lines, not including a new substation are approximately $400,000.
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 be required. 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.

5. **TARGETED ECONOMIC DEVELOPMENT ACTIVITIES**

**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:
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
Capital Improvements Plan

A capital improvements plan to identify the specific infrastructure needs for the development of the Lockwood TEDD will be required. This will include infrastructure improvements, costs associated with the improvements and timing of the improvements. Infrastructure design and development could include water and sewer service main extensions, treatment plant upgrades, road improvements, utilities, multi-modal transportation, and communication infrastructure such as cell towers and broadband fiber.

Recruitment

Once the Lockwood TEDD is established, efforts to recruit secondary, value-adding industries will be necessary. A recruitment work plan will be developed and implemented in partnership with the Lockwood TEDD Advisory Board, BSED, business and property owners, developers and industry representatives. These key partners will work to implement the goals of this plan by identifying opportunities to expand local businesses and to assist with new business formation. Meeting with industry representatives and commercial real estate brokers on a regular basis to understand current prospects and to represent the opportunities within the Lockwood TEDD should also be developed. BSED will use other local and state business incentive tools to recruit industry.

Financing

The infrastructure improvements needed to support the recruitment and expansion of value-adding industries in the Lockwood TEDD will require a variety of available financing mechanisms. Construction of public infrastructure may be financed using proceeds from tax increment financing, private developer payments, and/or grant and loan programs.

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 in order 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 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.
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.”

6. 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:
  - Tax increment
  - Debt financing
- 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
- Following all local government procurement rules with respect to:
  - Preparing bid and proposal requests
  - Reviewing proposals from engineers, contractors, and other vendors
  - Making recommendations to the BOCC regarding contractor selection
- Monitoring projects
- 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:
  - Be located within the Lockwood TEDD area, or
  - 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).

7. **PLAN AMENDMENTS**

While this plan provides flexibility to accommodate different approaches and variances in development, changes may be necessary. Amendments to this plan, including changes to the District boundary, may be made by resolution by the Yellowstone County Board of County Commissioners.
ORDINANCE No. 16-119
AN ORDINANCE ESTABLISHING THE LOCKWOOD TARGETED ECONOMIC DEVELOPMENT DISTRICT (TEDD), CREATING THE LOCKWOOD TEDD, AND ADOPTING THE LOCKWOOD TEDD PLAN WITH A TAX INCREMENT FINANCING PROGRAM PURSUANT TO TITLE 7, CHAPTER 15, PART 42 AND 43 OF THE MONTANA CODE ANNOTATED

WHEREAS, in Yellowstone County there is an unincorporated area of urban development commonly referred to as "Lockwood."

WHEREAS, a portion of Lockwood is zoned either Industrial or Agricultural Open.

WHEREAS, in accordance with MCA§ 7-15-4210, on April 21, 2015, the Yellowstone County Board of Commissioners passed Resolution No. 15-22 (Resolution of Necessity), declaring the Lockwood TEDD described below as "infrastructure deficient" as described in MCA§ 7-15-4279.

WHEREAS, Resolution 15-22 generally established boundaries of the Lockwood TEDD, as described in the following attached Exhibits "A" and "B" and determined the existence of infrastructure deficiencies in the area.

WHEREAS, on October 25, 2016, the Yellowstone County Board of Commissioners passed Resolution No. 16-118, a Resolution of Intent to Establish the Lockwood TEDD, creating the Lockwood TEDD and Adopting the Lockwood TEDD Plan with a Tax Increment Financing Program Pursuant to Title 7, Chapter 15, Part 42 and 43 of the Montana Code Annotated.

WHEREAS, Yellowstone County is interested in fostering redevelopment, growth and retention of secondary, value adding industries as part of the County's overall goal to promote, stimulate, develop and advance the general welfare, commerce, economic development and prosperity of the citizens of Yellowstone County and the State of Montana. Therefore, pursuant to MCA§ 7-15-4212, Yellowstone County caused a Comprehensive Development Plan to be prepared.

WHEREAS, Yellowstone County is interested in using Tax Increment Financing as authorized in MCA§§ 7-15-4282 through 7-15-4294, to help fund the supportive public infrastructure needed for the development of secondary, value-adding industries in the Lockwood TEDD area.

WHEREAS, pursuant to§ 7-15-4279, a local government may by ordinance and following a public hearing authorize the creation of a TEDD in support of value-adding economic development.

WHEREAS, the TEDD Plan for the Lockwood targeted area, including tax incentive provision, has been prepared to guide the industrial development program and public infrastructure projects in the infrastructure deficient area established by Resolution No. 16-118.

NOW, BE IT ORDAINED THE YELLOWSTONE COUNTY COMMISSION AS FOLLOWS:

SECTION 1: The Lockwood TEDD encompasses an area of primarily agricultural use with some industrial sites. The area is approximately 570 acres and is located north of Interstate 90 and 94 and south of the Yellowstone River. The BNSF railroad bisects the area and has a rail spur with access to the Pacific Recycling facility, located within the TEDD boundary.

SECTION 2: The legal description and map of the TEDD are attached as Exhibits "A" and "B."
a. The property to be included in the District consists of a continuous area with an accurately described boundary.

b. The TEDD includes about 20 separately described parcels, more than large enough to afford maximum opportunity, consistent with the sound needs of Yellowstone County as a whole, for the rehabilitation or redevelopment. The TEDD is therefore large enough to host a diversified base of multiple independent tenants.

c. The TEDD is not comprised of any property included within an existing Tax Increment Financing District.

SECTION 3: The area was zoned in accordance with the Lockwood Growth Policy as provided for in MCA § 7-15-4279.

SECTION 4: A plan for the Lockwood TEDD was prepared according to the Montana Code Annotated and is attached as Exhibit “C.”

SECTION 5: The Lockwood TEDD plan was submitted to the Yellowstone County Planning Board for review, and on October 25, 2016, the Planning Board executed a resolution that found the Lockwood TEDD Plan to be in conformity with the Lockwood Growth Policy and found that the TEDD was zoned for uses in accordance with the growth policy.

SECTION 6: Definitions. The following terms wherever used or referred to in this Ordinance shall have the following meanings:

1. “Act” means Title 7, Chapter 15, Parts 42 and 43 of the Montana Code Annotated.

2. “Actual taxable value” means the taxable value of taxable property at any time, as calculated from the assessment roll last equalized.

3. “Base taxable value” means the actual value of all taxable property within an urban renewal area prior to the effective date of a tax increment financing provision. This value may be adjusted as provided in MCA §§ 7-15-4287 or 7-15-4293.

4. “Incremental taxable value” means the amount, if any, by which the actual taxable value at any time exceeds the base taxable value of all property within a TEDD.

5. “Tax increment” means the collections realized from extending the tax levies, expressed in mills, of all taxing bodies which the TEDD area or a part thereof is located, against the incremental taxable value.


7. “Taxes” means all taxes levied by a taxing body against property on an ad valorem basis.

8. “Targeted Economic Development District” means a defined area that supports value-adding economic development and may utilize tax increment financing.

9. “Targeted economic development project” means a project undertaken within or for a TEDD that consists of any or all of the activities authorized by MCA § 7-15-4288.
SECTION 7: It is the desire of the Yellowstone County Board of Commissioners to exercise, within the defined area, the powers conferred by Title 7, Chapter 15, Parts 42 and 43 of the Montana Code Annotated.

SECTION 8: A notice of the public hearing in substantially the form presented in, and attached hereto as Exhibit “D,” was published on October 28, 2016 and November 4, 2016. A notice of the public hearing was mailed by certified mail to all property owners in the District based on a list of the geocodes for all real property, the assessor codes for all personal property, and a description of all centrally assessed property located within the TEDD at the time of its creation.

SECTION 9: The Lockwood TEDD is hereby established.

SECTION 10: The Lockwood TEDD Plan, attached as Exhibit “C,” is hereby adopted.

SECTION 11: For the purpose of calculating the incremental taxable value for each year of the life of the District, the base taxable value shall be calculated as the taxable value of all real and personal property within the District as of January 1, 2017.

SECTION 12: Yellowstone County is hereby authorized to segregate, as received, the tax increment derived in the TEDD, and use and deposit such increment into the TEDD fund for use as authorized the Montana Code Annotated and as authorized herein or by the Board of County Commissioners from time to time.

SECTION 13: The tax increments received from the TEDD may be used to directly pay costs of approved targeted economic development projects, or to pay debt service on bonds issued to finance targeted economic development projects as defined in the Montana Code Annotated as may from time to time be approved by the Board of County Commissioners. The Board of County Commissioners hereby authorizes the use of tax increment in the TEDD to be used to pay debt service on internal and bank financed loans issued to finance all or a portion of the costs of eligible improvements in compliance with the Montana Code Annotated and subject to any limitations imposed by the Montana Constitution.

SECTION 14: The tax increment financing provision of the TEDD will terminate in accordance with the Montana Code Annotated. After termination of the tax increment financing provision, all taxes shall continue to be levied upon the actual taxable valuation of the taxable property within the TEDD, but shall be paid into funds of the taxing bodies levying taxes within the TEDD.

SECTION 15: The creation of a targeted economic development project or program or the approval of a targeted economic development project or program does not affect, abrogate or supersede any rules, ordinances, or regulations of Yellowstone County relating to zoning, land use regulations or other applicable state, local or federal laws or regulations.

SECTION 16: All parts of ordinances and resolutions in conflict with the subject matter or this ordinance are hereby repealed.

SECTION 17: Should any part of this ordinance be found to be illegal or unenforceable by a Court of Competent Jurisdiction, the remaining portions that are not illegal or unenforceable shall remain in full force and effect.
SECTION 18: This Ordinance shall be in full force and effect thirty days after final passage and adoption by the Yellowstone County Board of Commissioners.

SECTION 19: Pursuant to MCA § 7-15-4291, the Board of County Commissioners agrees that it may distribute up to 50% of the increment in any year to the affected taxing bodies, subject to retaining amounts necessary to service any bonding requirements of the District.

Passed first reading this 7th day of November, 2016.

John Ostlund, Chairperson

James E. Reno, Commissioner

Robyn Driscoll, Commissioner

ATTEST:

Jeff Martin, Clerk & Recorder

PASSED as amended second reading this 22nd day of November, 2016.

John Ostlund, Chairperson

James E. Reno, Commissioner

Robyn Driscoll, Commissioner

ATTEST:

Jeff Martin, Clerk & Recorder