



BILLINGS EXPOSITION GATEWAY CONCEPT PLAN

ACKNOWLEDGMENTS

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OVERALL OBJECTIVES

Enhance Opportunities

Development that creates a distinctive gateway.

Individual Initiative

Improve properties and enhance businesses.

Fair Treatment

All property owners should be able to participate in development.

PLANNING PRINCIPLES

1. Manage storm water.
2. Provide lodging, dining and visitor attractions.
3. Connect to MetraPark.
4. Create high visibility.
5. Expression of businesses.
6. Phased redevelopment.
7. Create infrastructure over time.

SECTION 1 INTRODUCTION

Beginning in July 2012, Big Sky Economic Development Authority (BSEDA) collaborated with property owners and civic leaders in Billings to develop a concept plan for the Exposition Gateway. This planning effort aligns with the recommendation set forth in the East Billings Urban Renewal District Master Plan (July 2009) to develop a “mini master plan” for the Exposition Gateway. The Exposition Gateway planning area addresses properties both within and adjacent to the eastern-most edge of the East Billings Urban Renewal District. These properties straddle City and County boundaries. There are 8 properties, (8 owners) located within the City of Billings and 42 properties, (26 owners) located outside of the City within Yellowstone County.

The Exposition Gateway Steering Committee, property owners and a team of consulting architects, engineers, economists and planners studied the area’s issues and opportunities. The consultant team completed a market assessment (see Appendix A) and conducted a number of in-depth interviews with property owners and representatives of public agencies (see Appendix C). The Exposition Gateway Steering Committee participated in and guided the planning process. Property owner workshops were held on October 16, 2012 and December 5, 2012. The consultant team presented the draft concept plan at a public meeting held on February 20, 2013.

This concept plan is the result of an extensive and inclusive effort. It presents a number of recommendations and implementation actions that can be used to guide future development toward the long-term vision of a stronger, more dynamic and diverse economy within the Exposition Gateway.

EXISTING CONTEXT

Early on in the planning process, the consultant team and Exposition Gateway Steering Committee identified the study area's opportunities and attributes (Figures 1-1, 1-2, 1-3) and issues and constraints (p.4, Figures 1-4, 1-5, 1-6) to address through this planning effort.

Opportunities and Attributes

- The study area is situated within a prominent location in the region, in close proximity to surrounding natural recreation areas, MetraPark event center, and downtown Billings.
- The confluence of transportation corridors offers visibility and access to the greater metropolitan area.
- The shift in the street grid presents a potential opportunity for landmark structures and landscapes.
- Many current property owners are willing, interested and organized to be involved with the changing area.
- Some of the larger property ownerships may help enable near-term development.
- There is evidence of recent private investment in blocks to the west.
- Additional modification of Bench Boulevard, Exposition Drive, and 6th intersection could help address existing traffic patterns to complement the recently completed Bench Boulevard improvement project by Yellowstone County.
- Expansion of the Downtown transit service (circulator) and eventual reuse of rail corridor could help improve access to and from the area.
- Current related projects addressing the Hospitality Corridor, MetraPark, Heritage Trail system, Museum of the Yellowstone, conference center, etc can establish symbiotic relationships in the area by identifying common goals and partnership opportunities.
- Prior planning efforts such as the Downtown Framework Plan and EBURD Master Plan define the goals of the area in its larger context.
- There are multiple potential grant opportunities for innovative infill projects.
- There is a potential for public private partnerships for redevelopment.
- The area may have access to redevelopment tools such as: CDBG, EB-5, New Markets Tax credits, and non-profit bonds. Additionally, parcels within the city may have access to TIFD funds.



FIGURE 1-1 PROXIMITY TO REGIONAL ENTERTAINMENT AND EVENT CENTER



FIGURE 1-2 UNIQUELY SITUATED BETWEEN THE RIMS NATURAL AREAS AND THE YELLOWSTONE RIVER

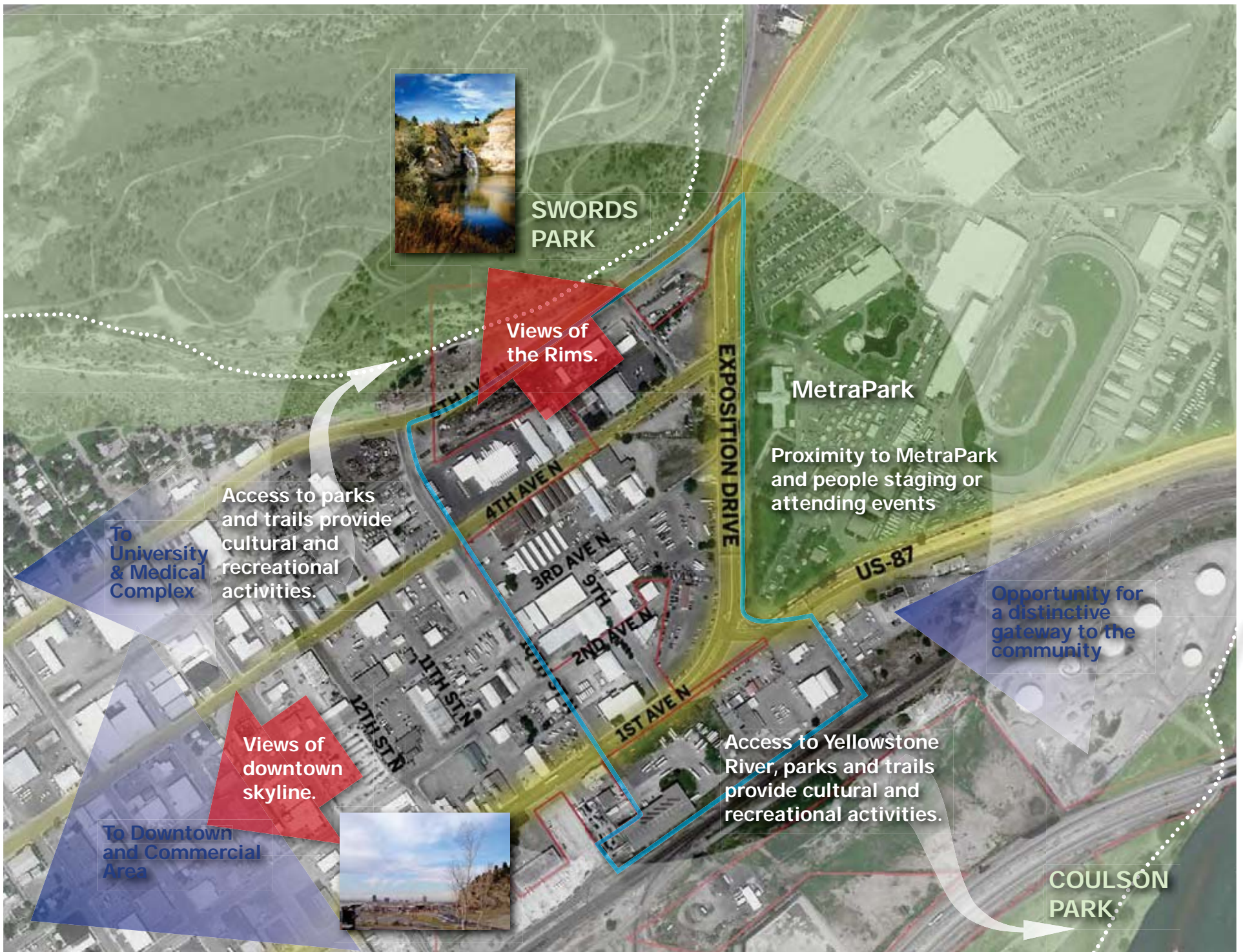


FIGURE 1-3 OPPORTUNITIES AND ATTRIBUTES



FIGURE 1-4 LACK OF CONNECTION TO METRAPARK WITH MULTI-MODAL ACCESS OR COMPLEMENTARY DEVELOPMENT



FIGURE 1-5 EXISTING NARROW AND INCOMPLETE SIDEWALKS

Issues and Constraints

- The study area lacks a strong physical, multi-modal connection to MetraPark.
- Existing streetscapes consisting of narrow sidewalks, traffic volume and vehicle speeds make walking seem unpleasant, if not unsafe.
- Major intersections of Exposition Drive with 6th Avenue North and 1st Avenue North have very high traffic volumes and lack appropriate multi-modal accommodation.
- The Gateway lacks a sense of place. The area is dominated by storage lots and industrial uses.
- There are existing stormwater issues in the area that lead to periodic flooding.
- There are several groups of smaller parcels with different owners that can make a coordinated redevelopment effort more challenging.
- The lack of services within the area discourages some desired uses.
- Uncertainty about potential to achieve needed rents for various uses and building types discourages redevelopment.
- Concerns of property owners regarding rising taxes if development occurs.
- There are some identified zoning issues, such as non-conforming situations, that discourage redevelopment activities.
- County parcels do not have the ability to use TIF or urban renewal techniques (unless annexed into the City).
- There have been challenges to ensuring cooperation from utility servicing agencies, including the lack of on-going maintenance for street and stormwater facilities.
- As this area is governed by multiple jurisdictions, there is an existing challenge to maintain coordination between agencies.

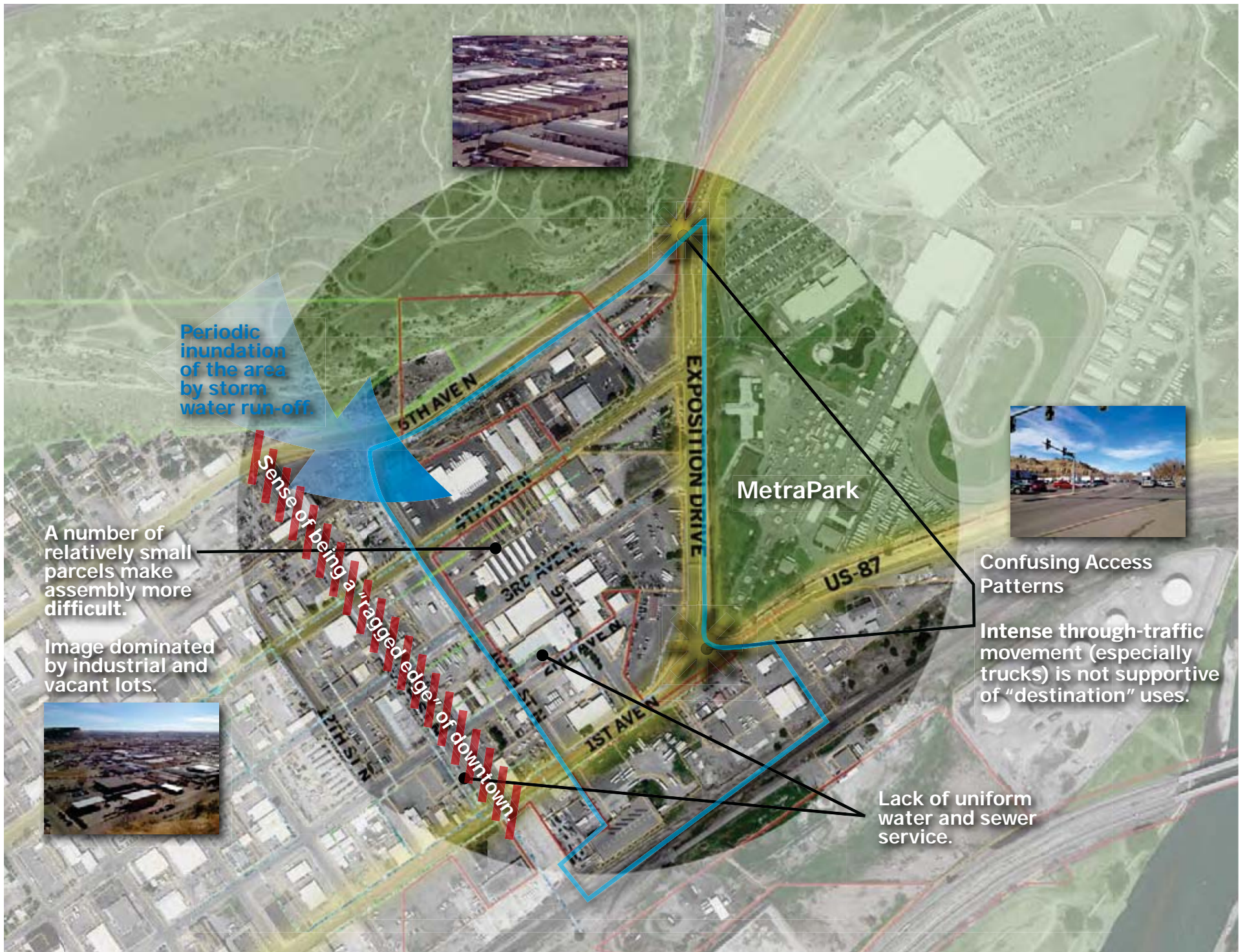


FIGURE 1-6 ISSUES AND CONSTRAINTS

SECTION 2 FRAMEWORK: PLAN ELEMENTS

Stormwater Management

According to the City of Billings stormwater maps, stormwater inlets and piping exist throughout the Exposition Gateway Area. Much of this infrastructure was installed decades ago and is no longer adequate. The City is using cameras to investigate the conditions of the stormwater pipes. During site visits, the consultant team verified the location of the drain inlets at all intersections in the study area. The inlets were found to be silted in or the rim elevations were not in alignment with a flow line, both horizontally and vertically. The result is that during large storm events, the water is slow to drain, backs up onto the streets, and sometimes appears to reverse flow into the storm drain system and on to private property. Flooding damages buildings, equipment and materials and decreases property values significantly. This is further exacerbated by differing regulations across the Gateway's multiple jurisdictions. The parcels in the study area that fall within the City jurisdiction are regulated by the City and their MS4 permit standards. Investigations by the consultant team determined that there are currently no requirements in place to address stormwater for the parcels in the study area located outside of the City boundary. It does appear that the City is taking action to address stormwater management issues further to the west, (*"Ambitious drainage project aims to stop east-end Billings flooding"* Billings Gazette Feb 13, 2013)

Before any major redevelopment of the Exposition Gateway Area can occur, this essential infrastructure issue needs to be addressed. This will likely require a combination of maintenance, repair and replacement. In the absence of formal regulations for the majority of the study area,

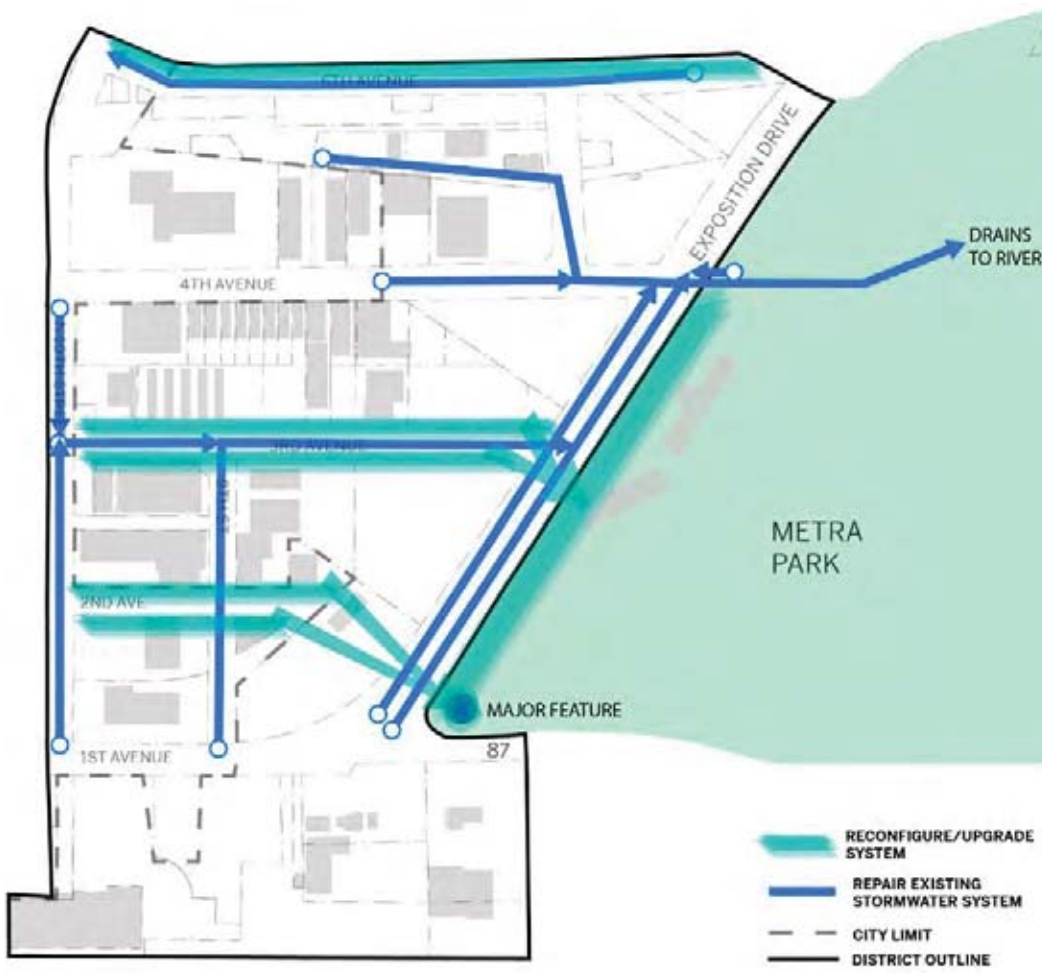


FIGURE 2-1 STORMWATER SYSTEM CONCEPT DIAGRAM



FIGURE 2-2 EXAMPLES OF EXISTING STORMWATER DRAINAGE FACILITIES

the consultant team looks to existing standards within the City Public Works Department, County Public Works Department, Montana State Department of Transportation, and State Department of Environmental Quality for guidance on what makes sense to address the deficiencies.

The City of Billings stormwater regulations state that Comprehensive Drainage Plan (CDP) sites must implement low impact development practices that infiltrate, evapotranspire, or capture for reuse the first half-inch of rainfall from their site's runoff from a 24hr-storm event. (pg 1-2 of City of Billings Stormwater Management Manual). The County does not have any additional stormwater permits or requirements. The result is that current stormwater pipes are sized to capture street drainage only, but are being inundated with runoff from private lots and street runoff from outside of the project study area.

These stormwater deficiencies: reinforce suboptimal land and transportation uses; detract from an otherwise robust and well-traveled corridor; and prevent the accrual of advantages that proximity to the MetraPark presents.



FIGURE 2-3 LANDSCAPED SWALE FOR SURFACE RUNOFF



FIGURE 2-4 MID-STREET RAIN GARDEN

Developing an interlocal agreement among City, County and State partners to maintain, retrofit and upgrade the stormwater system may be an effective tool to overcome these deficiencies.

Montana state law requires property owners to collect, slowly release and filter stormwater created by their own development. Treatments can occur through surface treatment basins, rain gardens, underground storage facilities, green roof technologies, or some combination. Ideally any surface method should create an amenity that can enhance the area's appeal. There are numerous proven methods by which stormwater may be handled in a visually attractive manner. They need not be fenced off ponds. By the same token, streets and sidewalks can also incorporate these methods in a manner that enhances the public realm. We have included photographic illustrations that demonstrate examples used both in Billings and elsewhere. A combination of these solutions will resolve the current deficiencies and add immeasurably to the collective value of the area.



FIGURE 2-5 EBURD SEWER AND WATER PIPING



FIGURE 2-6 EXPOSITION GATEWAY AREA AFTER AN EXTREME STORM EVENT- BILLINGS GAZETTE JUNE 20, 2010 (L MAYER)

Water and Sanitary Sewer Utilities

As discussed in the EBURD Master Plan and indicated on Figure 2-5 of this plan, almost all of the study area is serviced by water and sanitary sewer to some degree. Unfortunately, many of these facilities are decades old, run across jurisdictional boundaries and are severely undersized for the type of development activities that are being planned for the area. Many of the properties within the project boundary were developed prior to being in the City of Billings municipal boundaries and did not receive ample design consideration for other potential construction in the area. In fact there are several significant parcels that still remain under County jurisdiction. Water and sanitary sewer services have typically been provided to these parcels under loose agreements between the City and the County in regards to operation and maintenance.

With this type of history, water main lines are typically found to be undersized because they were only designed to provide domestic services to small warehouse type facilities. A systematic program of replacing the old system with new larger diameter mains should be reviewed. It should be pointed out that there are some larger water supply mains that cross the EBURD Master Plan district, but extension and looping of local mains of sufficient size to provide both domestic and fire flow requirements will be required.

As with the water, sanitary sewer collection mains extend into the area to varying degrees. Some of these lines are again quite old but appear to be functional at this time. If new surface improvements are being completed, the entirety of the subsurface installations, including sanitary sewer should be reviewed and replaced as needed. As noted on the exhibit, the entire study area is not covered by sanitary sewer collection lines. Some of the older parcels that still remain in the City and County may be on septic tanks and drainfields at this time. Each proposed project will need to be evaluated on its own or as part of a collective upgrade and replacement program.

The operation, maintenance, upgrade or extension of either of these utilities will of course be greatly eased by bringing the county parcels into the jurisdictional boundaries of the City of Billings. By doing this, it will allow for increased access to available funding sources and mechanisms to complete needed improvements as new projects become realities and also provide for a uniform operation and maintenance program conducted under the auspices of a single entity.



FIGURE 2-7 STREETScape CHARACTER CONCEPT DIAGRAM

Street Improvements

All cities throughout history have developed with different types of streets. Some serve principally as conveyances for vehicles. They are busy, noisy, fast-moving and at times congested. Other streets serve purposes such as allowing people to have access to a variety of goods and services while on foot. These often contain street cafes, shops that spill out with their merchandise, brightly lighted showcase windows, street trees, special lighting and a host of other attributes that make for a pleasant experience. These streets do not exclude vehicles, but include measures to tame the traffic – slow it down and make it one of many uses of the street, all sharing the space. In contrast, other streets that are quiet, serene and green can serve as havens for privacy, movement by foot, and places where people live. Too often cities have made the mistake of having streets that are one-size-fits-all, in which no use is well-accommodated and everything is difficult, whether by vehicle or on foot.

The Exposition Gateway Area would benefit from a more nuanced and artful approach to its streets. Just as the EBURD plan described different functions of streets, this area would be more attractive for development if it were to contain streets that have different performance characteristics. Even so, no street should be relegated to being the ugly sacrificial lamb; all streets can be both handsome and functional.

The streets passing through and surrounding the area can be assigned different purposes and enhanced in different ways.



FIGURE 2-8 MAJOR ARTERIAL: ACCOMMODATE PARKING



FIGURE 2-9 MAJOR ARTERIAL: MULTI-MODAL ACCESS

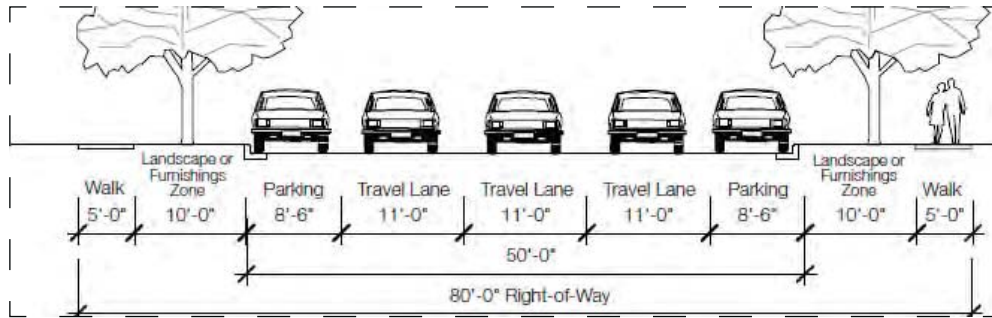


FIGURE 2-10 SECTION FROM EBURD CODE FOR 1ST, 4TH AND 6TH AVENUES



FIGURE 2-11 URBAN BOULEVARD: LANDSCAPED MEDIAN



FIGURE 2-12 URBAN BOULEVARD: PEDESTRIAN ENVIRONMENT

1st 4th and 6th Avenues: Continue as Major Arterials

This plan recommends some streets within the area to continue serving their current functions for through traffic, 1st, 4th and 6th Avenues North fall into that category. They are identified in the EBURD Plan as “Boulevards” and the proposed cross section would be appropriate continuing into the Exposition Gateway Area. While they might be enhanced with streetscape improvements, their essential purpose and operational characteristics would remain unchanged. They serve very important purposes in connecting traffic between the Heights and downtown and would continue to provide for the movement of trucks that serve businesses in downtown and the EBURD.

Key Intersections

Sanderson Stewart’s 6th Avenue North Bench Traffic Report (2012) provided an analysis of the intersections at 6th Avenue North and Exposition Drive and at First Avenue North and Exposition Drive. A number of different configurations were examined, including grade separations, different geometries, and roundabouts. The analysis concluded that none of these modifications were warranted in the short term at 6th and Exposition, particularly given that planning is proceeding for two large transportation projects in the area that would relieve traffic at this intersection. However, the report did suggest that a roundabout could work in the future at 1st Avenue North and Exposition Drive. This element is recommended in this concept plan.

Exposition Drive: Transform into an Urban Boulevard

The segment of Exposition Drive between 1st and 6th Avenues North has the potential of becoming a unique boulevard with qualities associated with a parkway. Already, the east side is heavily planted with mature trees and lawn area that lines the edge of MetraPark. Currently, this green corridor is cut off from public use because of a tall fence topped with barbed wire. This fence could be moved 20-30 feet to the east, and will still provide security and admissions control during ticketed events. The resulting wide corridor can then allow for a meandering, multi-purpose trail. The trail would allow people walking and using bicycles to connect from the Exposition Gateway Area to the Yellowstone River or the Rims with only one major street crossing.

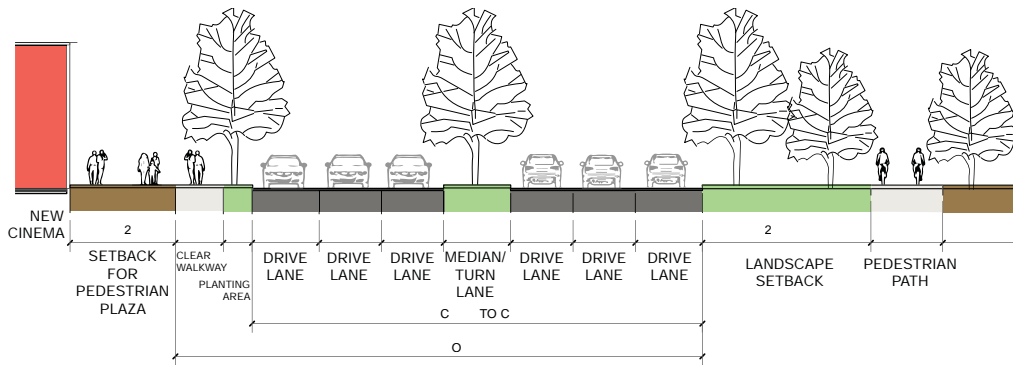


FIGURE 2-13 POSSIBLE URBAN BOULEVARD STREET SECTION FOR EXPOSITION DRIVE/MAIN STREET

Additionally, the median in the middle of Exposition Drive could be rebuilt to incorporate substantial planting so that a complete boulevard treatment can be created. Given the speeds involved in that corridor, there is sufficient room to install trees within the median, as well as understory. The design of the boulevard could reflect a “Gateway” treatment, with special signage, artwork, and lighting.

As development occurs on the west side, the edge along Exposition Drive should include trees, planting and other features to extend and complement the boulevard. Since it is unlikely that the frontage along the State route will allow curb cuts, this edge can be relatively continuous planting. Site and building design guidelines should be adopted, as a new part of the EBURD code, to ensure a consistent combination of elements.



FIGURE 2-14 PEDESTRIAN PASSAGE ON VACATED STREET



FIGURE 2-15 PEDESTRIAN SPINE THROUGH SHOPPING AREA

North 9th Street and 2nd Avenue North East o North 1 th Street North: Candidates or Potential Street Vacation

These short street segments do not currently connect with the larger grid network and are appropriately cut off from Exposition Drive. Vacating them to adjacent property owners could allow for more flexibility in consolidation of parcels and potential redevelopment.

However, this may need to be a longer term action as there are still functioning businesses that need access by trucks for deliveries and cars by customers. Until and unless those businesses choose to relocate, public right-of-way will be needed. It might be possible to partially vacate sides or segments of these streets. Finally, there is the issue that these rights-of-way include utilities. These would need to be reconfigured and the cost of that might need to be figured into the cost of vacation. Typically, in a vacation process, adjacent property owners purchase the vacated land at fair market value from the government entity that owns it.



FIGURE 2-16 PEDESTRIAN ORIENTED LINKING STREET

Vacated right of way could still allow for some amenities to increase the positive image of the district, such as landscaped storm water ponds, connecting pathways, and vehicular access to parking. There are many examples of linear, park-like settings in former streets where limited access is allowed.

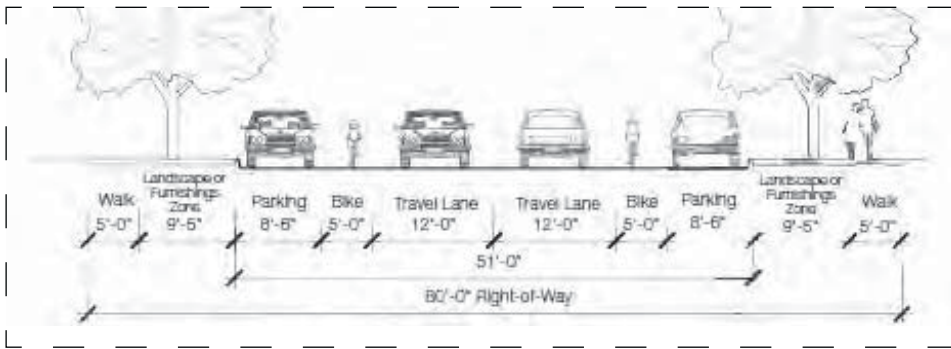


FIGURE 2-17 SECTION FROM EBURD CODE FOR 10TH STREET NORTH

North 1st Street

The EBURD plan suggested that 2nd Avenue North be the main spine through that area, connecting the various subdistricts within it together and to the downtown core. This makes sense except where it reaches the Exposition Gateway Area, and 2nd Avenue North reaches a dead end. Prior concepts for the area have shown 2nd turning northward and intersecting with 4th Avenue North. However, that would divide properties and consume land otherwise already aggregated and ideal for larger scale development.

The consultant team recommends using North 10th Street as a connecting street between 2nd Avenue North and the Gateway Area. It already connects all cross streets. 10th could be designed to include on-street parking and bike lanes and offer goods and services that could be available to both the EBURD to the west and the Gateway to the east. Its intersection with 3rd Avenue North which leads to new destinations and eventually MetraPark, would be marked with public spaces surrounded by cafes and seating, creating a gateway to the Exposition Gateway Area.



FIGURE 2-18 ARTFUL ROUNDABOUT



FIGURE 2-19 MAJOR INTERSECTION ROUNDABOUT

1st Avenue North and Exposition Drive: Grand Roundabout

Identified as a future project in the Sanderson Stewart analysis of transportation improvements, this could assume a much more important role than merely sorting out traffic movements. By using space at the south end of MetraPark which is rarely used for programmed events, the size of the roundabout could be much larger and grander in design than typically seen in more restricted locations. There are many examples throughout Europe of roundabouts with multiple lanes and large diameters that can accommodate semi-trailer trucks. Slip ramps can help in ensuring smooth right-turn movements.

Such a roundabout could also serve as a landmark, marking the presence of MetraPark, adding a dramatic gateway feature into downtown Billings and signifying the redevelopment of the Exposition Gateway Area. The design of the roundabout could include a number of bold features. These could include trees, seasonal planting, unusual lighting such as LEDs that change in color by season or by temperature, a unique sign, large scale artwork reflecting the culture of the community, or even a unique fountain that might make use of local stone. All of these elements have been seen in other major urban roundabouts.

The design of this roundabout could be the subject of a competition – one that invites collaboration of designers, artists, and the community. It could be a lively new entrance to downtown Billings and the EBURD.



FIGURE 2-20 EXAMPLE OF PEDESTRIAN OVER CROSSING

Pedestrian Overcrossing

One of the major problems of the Exposition Gateway Area is that it is severed from any good pedestrian connection with MetraPark by the multi-lane highway. This creates a visual and functional chasm – somewhat like a river. But in this case, the effect is not just geographic; it is economic, because the activities of MetraPark cannot be easily captured in the Exposition Gateway Area. Anecdotal evidence indicates that many people – event organizers, performers and the public – would like to stay nearby and enjoy other attractions, but few choices are available in close proximity, virtually none within walking distance. People engaged in events often prefer to have accommodations close at hand.

Sometimes this connection between events venues, off-site services, and amenities can be made through improving intersections on-grade so that pedestrian movement is enhanced. Given the presence of the heavily traveled State route, this option has a few challenges in introducing potential conflict with traffic flow. One possible solution would be to introduce an on-grade HAWK signal (High-intensity Activated crosswalk) at 3rd or 4th Avenue North. This would allow cyclists and pedestrians to cross only when the signal was activated. It could potentially be the most economical solution, but would need some further investigation to understand how the timing of the pedestrian and bicycle crossing would be coordinated with the traffic flow along Exposition Drive and the intersections at Exposition Drive and 6th Avenue North and Exposition Drive and 1st Avenue North. Also, the timing may need to be adjusted during major events at MetraPark.



FIGURE 2-21 EXAMPLE OF A HAWK (HIGH-INTENSITY ACTIVATED CROSSWALK). PHOTO FROM ACHDIDAHO.ORG

Another option is a pedestrian underpass. This has been done in locations with some success, although some people do not feel comfortable walking through a tunnel, especially if it is long, which this would need to be. Underpasses can be made to feel safer using lighting, higher ceilings, and design elements that make for a natural sequence of movement. A public crossing must provide for disabled movement under the ADA statutes. Often, this means long approaches with ramps. The presence of a large underground gas pipeline that is part of a regional system may prevent this option from being economical, but it has not been studied.

An overpass option has the least impactful to current vehicular traffic patterns and safest for bike and pedestrian users. Of course, any overpass must allow for necessary clearance for vehicles traveling below it. This clearance is easy to determine because elsewhere along this corridor, there are already signal arms and sign bridges that have limited clearance. Such clearance is likely in the range of 18 to 22 feet – typically found in most pedestrian overcrossings.



FIGURE 2-22 EXAMPLES OF A PEDESTRIAN OVERCROSSING TO A BUILDING

In hundreds of communities, pedestrian overpasses have been installed where there are 6-7 lanes of high volume traffic, including trucks, as is the case here. However, the success of these overpasses varies widely, despite initial capital costs that can range from \$2 million to \$10 million, depending on the design. The lower end of the range buys only a simple steel truss with corkscrew-type or switchback-type ramps at each end. The upper end buys a custom design that might serve as a bold symbol of a district or development area. (See Figures 2-2.)

There are several related issues associated with the design of pedestrian overcrossings. The least costly type of bridge has ramps at each end. These not only look out of place in an urban context, but they discourage use by people on foot as they require walking long distances to even approach the actual crossing point. Stairs can be installed, but ramps still need to be provided to meet ADA standards. This results in redundant expenses.

Some overcrossings have elevators at each end instead of ramps. Typically, elevators have high initial costs along with ongoing maintenance and repair costs. Free-standing, unmonitored elevators are often exposed to harsh weather, vandalism and other misuses. Moreover, pedestrians intuitively tend to take the shortest route possible and may find going up, across, and down inconvenient.

Pedestrian overcrossings are most successful and cost effective when they can be incorporated into adjacent buildings where vertical circulation is already necessary. That way, maintenance and observation is built-in and the movement seems more natural. Costs can be shared and the structure becomes part of the imagery of the flanking buildings. Sometimes these structures can be dramatic extensions of the development on each side. Elsewhere in this document, the consultants have suggested uses that could bracket both sides of Exposition Drive. The team has also suggested a zone between 3rd Avenue and 4th Avenue North where an overcrossing could make sense. A wholly new pedestrian only entry to MetraPark could be provided at the east end of the crossing. Regardless of any suggestions here, a pedestrian overcrossing would need to be further analyzed with regard to location, structural form, security, cost, and on-going maintenance.



FIGURE 2-23 SPECIAL STREETSCAPE AMENITIES



Signature Street: 3rd Avenue North

3rd Avenue North should be completely re-purposed as a special kind of street that serves as the central spine for the Exposition Gateway Area. It would be narrowed to one lane each direction, with bicycle lanes and parallel parking on each side. As is currently the case today, the intersection with Exposition Drive should be right turn in/right turn out. The sidewalks should be expanded in width and fitted with trees and rain gardens. Walking surfaces should be treated with distinctive, textured paving. Additionally, special pedestrian-scale lighting should be installed.

3rd Avenue North would serve as a quiet, landscaped promenade, linking the EBURD with MetraPark. Depending on the nature of redevelopment, the eastern end could have branches that connect between buildings and lead to other destinations to the north and south. 3rd might also incorporate unusual lighting such as catenary lighting overhead, to give it a “festival street” ambiance. (See images 2-23 that depict this idea.)

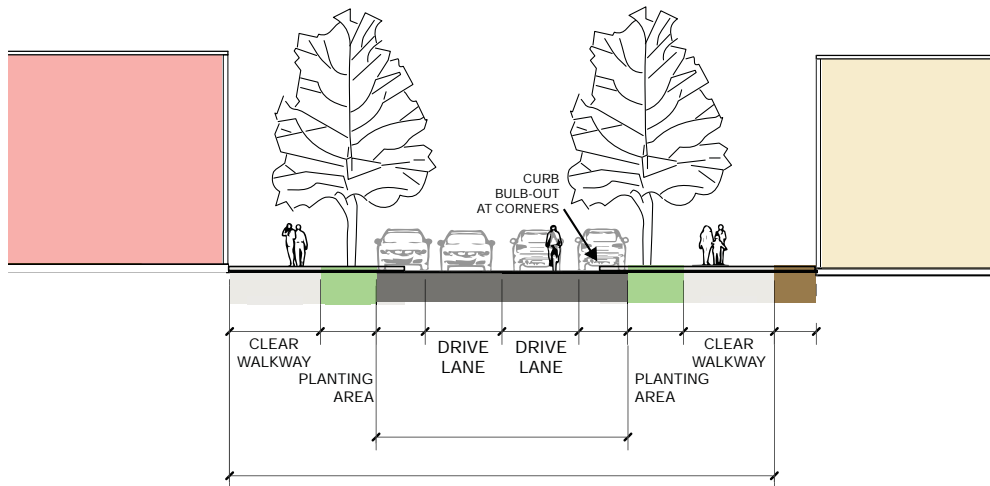


FIGURE 2-24 SIGNATURE STREET SECTION FOR 3RD AVENUE



FIGURE 2-25 POSSIBLE FREEWAY CONNECTION

Future Connection: Exposition Main to I-9

A connection between the intersection of Exposition Drive and First Avenue North with Interstate 90 has been considered in the past, since the distance between those two points is no more than 1500 feet. This connection would require constructing a grade-separated crossing so as to not disrupt mainline rail movement and it would also require purchasing right-of-way through private property. It would not require purchasing buildings and portions of the connection might allow for cross circulation between the property segments if some of the roadway were to be elevated.

An interchange with the interstate could be a partial one, allowing for west-bound I-90 access to and from the Exposition Gateway Area. Therefore, the Coulson Park area to the south along the river would not be affected. The major benefit of this interchange would be to allow through traffic, particularly trucks, not destined for downtown to avoid streets in the EBURD and downtown. Some of the traffic originating in the Heights could also access I-90 more directly. Although the volumes would remain the same on Exposition Drive (until a Bypass is built), the through traffic would decrease in the EBURD, allowing it to achieve its objectives for mixed use, residential development and walkability. This then could potentially allow portions of 4th and 6th Avenues North to be retrofitted with diagonal on-street parking, which would help support local businesses.

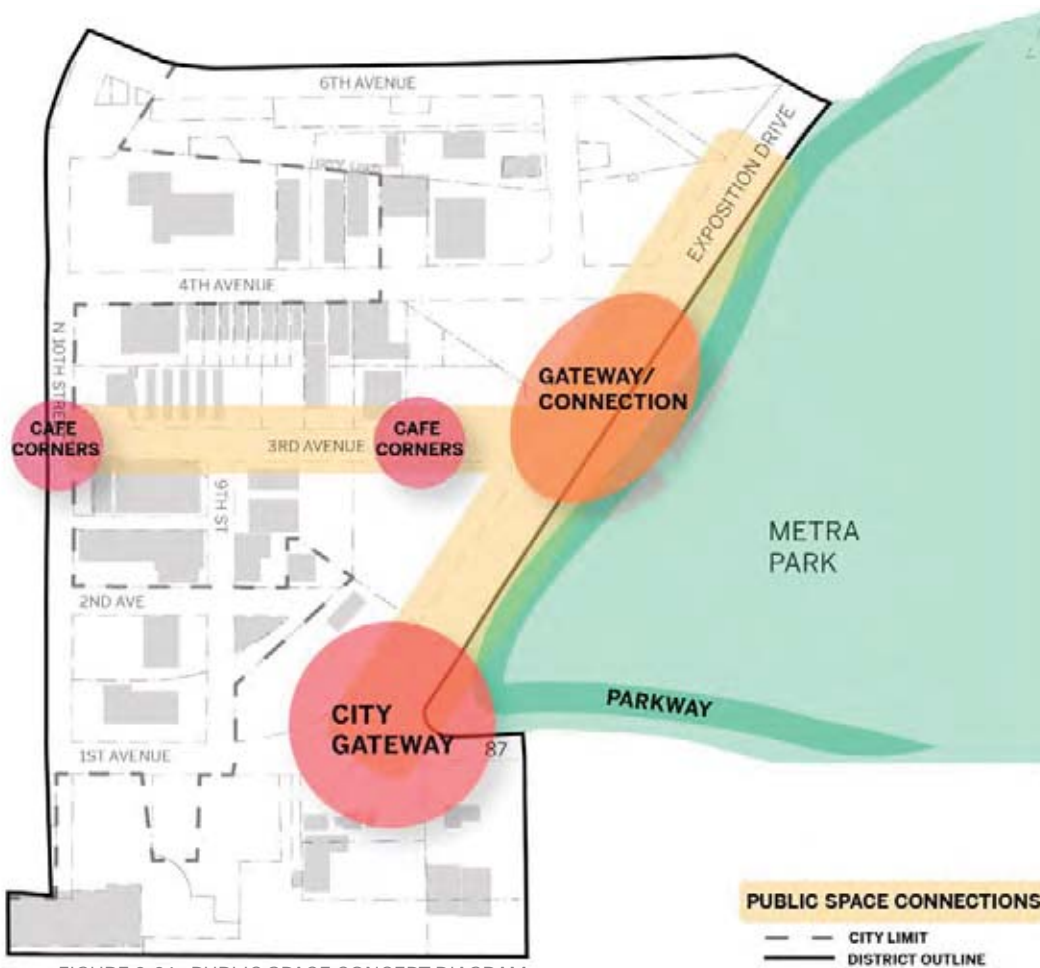


FIGURE 2-26 PUBLIC SPACE CONCEPT DIAGRAM

Public Spaces and Landmarks

3rd Avenue Corridor

A re-design of the 3rd Avenue North corridor could be the focus of many dynamic elements to create a “heart” for the Exposition Gateway Area. As previously described, the street itself can serve as a linear signature feature, with distinctive lighting and landscape design elements. There could be various forms of artwork that could reflect the history, geography and cultures found in the area. Adjacent development could include plazas, forecourts, gardens and sitting areas that help make this a desirable destination for local residents and visitors alike. It can also create a dramatic landmark element, which in this case is suggested to be a pedestrian overcrossing. In a sense, the 3rd Avenue corridor would be a linear focal point. It could be closed for festivals and celebrations. It could link the CBD and MetraPark with a continuous public space that enhances commercial and cultural activity.

First and Exposition Drive Gateway

This location has been indicated above as a place for a future roundabout. It will likely take some time to develop funding for this project. In the meantime it would still be possible to add a dramatic new element that can signal a new identity for the area.

The current sign for MetraPark is showing its age. This could be replaced with a much grander statement about the Park that involves using natural rock walls (echoing the nearby Rims), falling water, storm water retention and infiltration, lighting and artwork, along with signage that announces the place. Many public facilities with the regional significance of MetraPark have gateway markers that befit them. The entire south end of MetraPark could be redesigned to better use the mature stand of trees and gateway feature. This area could also incorporate the multi-use trail leading to the river, as described previously.



FIGURE 2-27 SPECIAL SIGNAGE WITHIN A ROUNDABOUT

A roundabout in this location will require an analysis of operational characteristics, footprint, lane configuration, diameter, and cost-effectiveness. But even before that work is done, a slip lane could be added next to the MetraPark property to make that turn smoother for longer vehicles. This lane could be retained in a future roundabout configuration. The combination of improvements that address freight mobility, circulation, non-motorized vehicles and low-impact development can make an ideal project for attracting grants.

Exposition Drive Parkway Corridor

This corridor has been described as an Urban Boulevard previously. But it is worth repeating that both the east and west sides of the street can reinforce this effect over time. The fence line on the MetraPark side can be moved back to provide a greenbelt containing the existing trees, a new sinuous multi-use trail, lighting and additional landscaping. The fence itself could be a new design, perhaps combining a low masonry wall topped by decorative metalwork. Inserts could display bold cut-out patterns of the wide range of activities within the park, from sports to animal shows to live music. The wall/fence could celebrate the edge of the park and frame the boulevard with elements of local flavor.



FIGURE 2-28 EXAMPLES OF LANDSCAPED PARKWAYS



The western edge of MetraPark contains two structures. One is an older exhibit barn that clearly has historic value. Preserving and restoring it could give it a new life and role as a piece of Billings' heritage. The other is a much more nondescript structure now used for storage. This building could be replaced with a new use that creates a pedestrian entrance to the park, adds a sense of drama, helps frame the boulevard and connects to a pedestrian overcrossing.

The west side of Exposition Drive should contain development that echoes MetraPark's role in agriculture, arts, sports and entertainment. Building facades could be dramatically lit and have generous amounts of glass. Lobbies and vertical circulation elements could display people, movement and activity inside. At one or more points, vertical tower forms could mark entrances or end points. If a hotel locates there, it might incorporate a rooftop restaurant or observation deck.

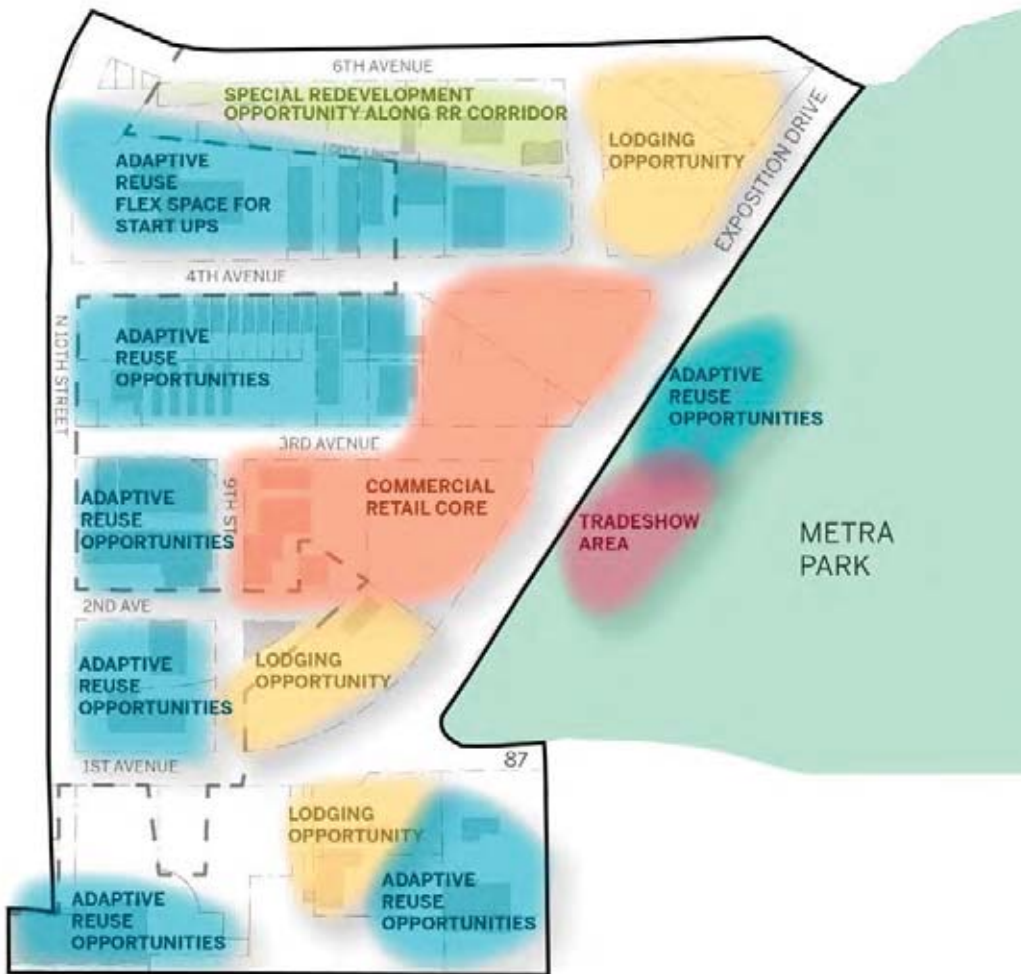


FIGURE 2-29 LAND USE CONCEPT DIAGRAM

Land Development Concept

The recommendations described above have been translated into a development concept. The recommendations have been combined with a range of uses that have been identified as desired and likely to make sense economically for the area. These include the following:

- Hotels
- Cinema Complex
- Restaurants
- Destination Retail Stores
- Start-up Businesses, some of which could involve fabrication
- Shared and Structured Parking

The introduction of new businesses does not assume the wholesale displacement of existing businesses. Rather the area could evolve into a rich mixture of the light industrial uses that are present today with infill of new uses. It is already evident that some current businesses, especially ones that involve heavy use of larger trucks, are seeking better locations with more space and easier access and maneuvering. Over time, as with other similar areas around the country, it is expected that the predominant types of businesses will change as owners reconsider business models, choose different locations, or sell properties to other parties. This could occur over decades. In the meantime, very interesting things could be done to older existing structures to adapt them to new uses. The combination of new and old, industrial and commercial would make for an interesting and dynamic identity for the area.

Over a longer time frame, it might eventually be the case that some people will choose to live there, within infill residential buildings. This phenomenon has been seen in other cities including Bozeman, Spokane, Seattle, Portland, Salt Lake City, Denver and Oakland. The initial wave of residents often is made up of artists, fabricators, and crafts people who have a higher tolerance for an “edgy” neighborhood.



FIGURE 2-30 EXAMPLES OF HOTEL DEVELOPMENT



FIGURE 2-31 CINEMA AND RESTAURANT COMPLEX



FIGURE 2-32 SMALL-SCALE RESTAURANTS

otels

This illustrative plan indicates several places for hotels. None of these are necessarily meant to be fixed or unchangeable. Indeed, there may well be a number of good sites. However, hotels do generally require exposure to highways or arterial streets. They gain great benefit from being close to venues like MetraPark. And they often require sufficient land for large parking lots, at least until land values rise enough to make a garage feasible. This, of course, can change over time, with a parking lot eventually converted to a structure, which then allows more development, whether a new wing of the hotel or another use. The plan anticipates hotels in locations where it seemed logical in the marketplace to see the first ones built. There could be more over time.

Cinema Complex

The easterly portion of the city is not currently served by any movie theaters. Yet, the area’s household income and population size could support a small complex of movie theaters. There are a number of models for this around the country. Some depart from the conventional multiplex in that the seating capacities of the individual auditoriums are smaller and food is available. There are some theaters that include other forms of entertainment, such a live music on certain nights. Often, contemporary theaters offer multiple choices, even serving beer and wine with a lounge-like atmosphere. This is also a use that might start out with a large surface parking lot that would be converted to a garage over time.

This type of building is often designed to recapture the formerly popular, dramatic impact of seeing movies on the big screen. Theaters are stacked in multiple floors, there is a large, high-ceilinged lobby surrounded by glass, and a marquee that is big, bold and brightly lit. The “theatricality” of movie theaters has come back, as many people have tired of seeing great films on small screens. And seeing movies is as much about the social experience as about film-watching.

Restaurants

A wide range of restaurants could be located in this area, from national brands to local, home-grown enterprises. Some could be found with hotels or with the cinema complex, while others could be freestanding. It is also possible that some could be located within older industrial structures that have been retrofitted. One cautionary note is that larger restaurants have high demand for parking. This consumes large areas of land which might otherwise be available for buildings. Some national brands insist upon a model that has them situated in the middle of a parking lot. This is a very

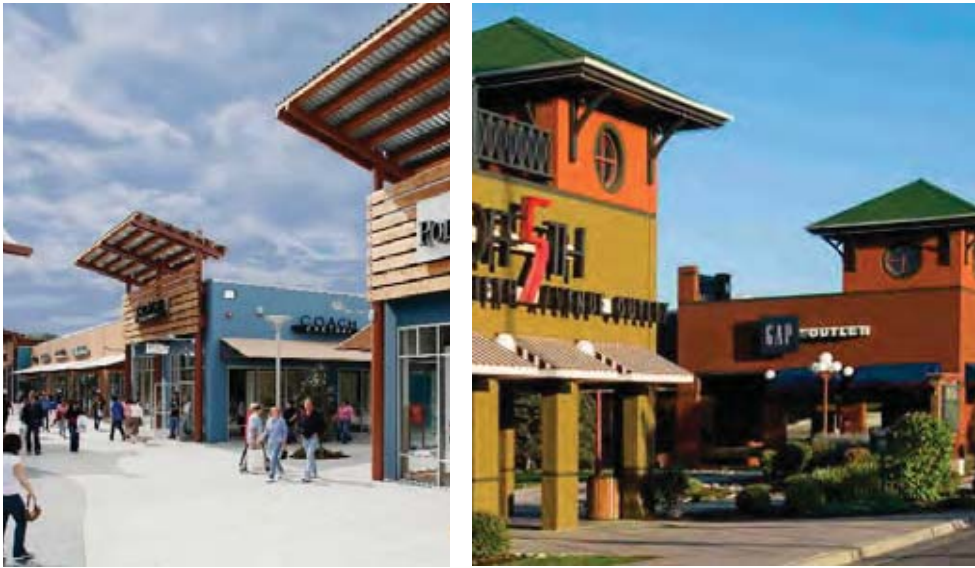


FIGURE 2-33 EXAMPLES OF DESTINATION RETAIL



FIGURE 2-34 EXAMPLES OF ADAPTIVE REUSE FOR RETAIL, COMMERCIAL AND MANUFACTURING USES

suburban pattern that usually does not work well in an urban setting. One good solution is to locate them on properties where parking can be shared with other uses. The ideal situation is to have customers park once, then walk to multiple destinations. Most land use regulations today reflect the efficiency gained by shared parking facilities. At some point it might be feasible to consider a shared-use parking structure for the area. These are now being built in other cities, sometime using TIF and/or SID funds or a “fee-in-lieu-of” method that removes parking obligations from individual developments.

Destination Retailing

There are a number of larger parcels situated throughout this area that could lend themselves to special retailing. An example might be a small outlet mall carrying national brands. Another could be a sporting goods company. There are some that even like adapting an older building to their use. There are also models in which a public market like atmosphere is created in older industrial buildings where small vendors and start-up retailers can get a foothold in the market. Many people enjoy and value the opportunity to have access to small local merchants such as artist, artisans, jewelry makers, hat makers, and so on. Older buildings can easily lend themselves to a loft-like ambiance filled with smaller businesses that do not require much space. In contrast to seasonal street fairs, this gives these enterprises exposure to customers, even during periods of inclement weather. There is enough room in the Exposition Gateway Area to accommodate a variety of retail types in both new and re-used facilities.

Start-up Businesses

The number of older industrial buildings in the area could attract smaller, newer businesses that need raw, less expensive space for creating new products. These businesses initially need open, flexible space that can be adapted to widely varying combinations of fabrication, research, marketing, distribution and management. They often use one location and then expand into adjacent space or new space. These kinds of businesses have been fueling significant job growth within cities for the past ten years, even with the recession. Billings already has seen a number of these types of businesses get started and flourish, even within the EBURD. The Exposition Gateway Area has an inventory of buildings that could serve this purpose. In a sense, it’s the New Economy, re-purposing structures used by the previous industrial economy. There is even a current



FIGURE 2-35 EXAMPLES OF PARKING STRUCTURES

phenomenon in some cities of a larger, older structure being redesigned to hold a number of smaller businesses that can share meeting spaces, lounge areas, and business services. Often, these can go into very minimal, raw space, as that is part of their creative, entrepreneurial image.

Shared and Structure Parking

As part of the EBURD zoning updates, a new parking overlay was adopted that establishes lower parking ratio and allows properties within the City to utilize onstreet as part of their overall parking count. Adopting this parking overlay will help to promote more dense, walkable development within the Exposition Gateway Area. However, over time, as development begins to infill into the area, the existing ample onstreet parking may begin to feel scarce. In order to accommodate the variety of proposed uses into a more successful urban pattern in the Exposition Gateway Area, it may be advantageous for the City and the County to explore the additional effective ways to accommodate parking. Placing the parking burden on each individual development is expensive and usually produces an environment that falls short of community and customer expectations. By finding appropriate ways and sites for shared surface parking initially, and when economically viable, structured parking, will help create a more lively, welcoming and robust mixed-use environment and one that will provide a greater public return on investment from jobs to taxes.

E ffect on Property Values

It is expected that all of these actions by public and private entities will, over time, result in an increase in property values. This is considered desirable since it will help fund improvements to infrastructure, streets and public spaces. The suggested improvements may not benefit all property owners to the same degree. Ideally, a mechanism should be employed to grant tax relief to small properties that are not ideal for redevelopment. Each property owner will need to evaluate the costs and benefit of participation in this redevelopment initiative to determine what makes sense for them: redevelopment, sales, or status quo.



FIGURE 2-36 ILLUSTRATIVE DEVELOPMENT PLAN

The Exposition Gateway Area straddles the City and the County boundaries. It is an area that could hold a very diverse and dynamic combination of uses, activities, spaces, and streets. It has the potential to energize and anchor the east end of the EBURD and strengthen the highly valued MetraPark complex. Both the City and the County have a stake in the future of the area. Through strategic public investments, creative marketing and the use of a variety of development tools, this area could be a lively, evolving, and a unique community and regional destination.



FIGURE 3-1 FIRST EXPOSITION GATEWAY AREA PROPERTY OWNER WORKSHOP



SECTION IMPLEMENTATION

Implementing the recommendations in this plan will require cooperation among a number of individuals, organizations and government agencies. No one party will be able to achieve all the goals for the Exposition Gateway Area alone; collaboration and coordination will be necessary.

The action items listed in this section indicate that the property owners, working within the structure of the BIRD organization, will take the lead but other agencies and organizations will be involved in the effort at various points in time.

Level o Landowner Support

A balloting process was conducted by the BIRD of all of the landowners in the study area. Landowners were contacted at least 5 times and many attended two public meetings. The results of balloting were: 21 landowners in favor of the plan; 3 landowners oppose the plan; 10 landowners did not respond. Of the Nonresponse landowners two are the BNSF railroad and Rail Link. They have been in on the planning process and it is anticipated that the agencies will review the final plan and voice their support. Several of the other nonresponsive landowners just say they want to wait. This is a tremendous positive response to such a massive project.

The following steps are roughly in order with respect to what needs to occur first to what requires a longer planning horizon. However, the first ten (A-J) are essential.

Appendix A includes a more detailed description of a number of specific implementation tools.



FIGURE 3-2 EXAMPLES OF STORM DRAINAGE IMPROVEMENTS

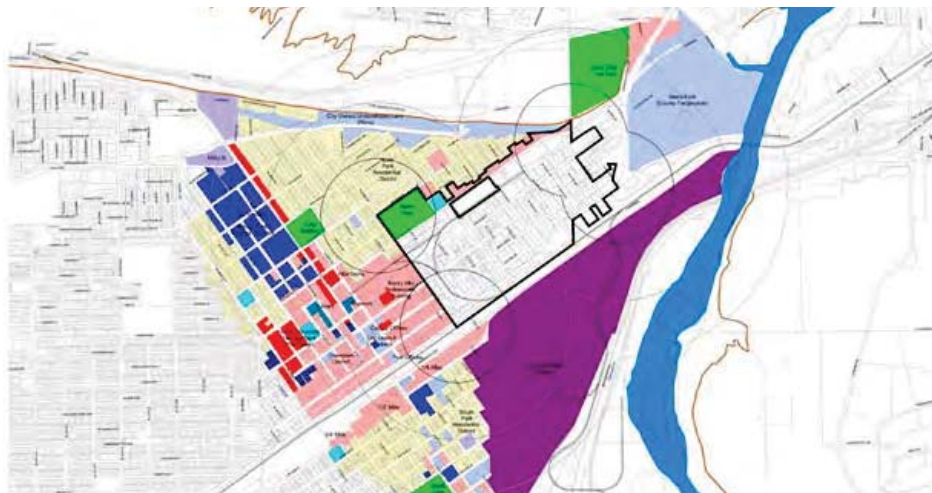


FIGURE 3-3 HOUSING STUDY FOR EAST BILLINGS TIF DISTRICT FROM EBURD MASTER PLAN



FIGURE 3-4 EXAMPLE OF URBAN BOULEVARD IMPROVEMENT

A County Commissioners Adoption of the Plan

The plan should be presented to individual commissioners and discussed, then brought to a vote for formal adoption.

B City Council Adoption of the Plan

The plan should be presented to individual city councilors and discussed, then brought to a vote for formal adoption.

C City of Billings Commence Engineering of Infrastructure to Upgrade Repair Utilities Streets

The Public Works Department of the City of Billings should begin engineering, planning for the infrastructure (utilities, streets, sidewalks, curb and gutter) to be built in the Gateway area. Costs and time lines for the construction and long term maintenance should be developed in coordination with the BIRD, Yellowstone County, and the Montana Department of Transportation.

D BIRD is the organization that represents the Area

Encourage property owners to join the BIRD, which would drive the implementation program, working with various governmental agencies and jurisdictions.

E BSEDA and BIRD develop a Marketing Prospectus for the Area

The BIRD & BSEDA should assemble an illustrated prospectus for the purpose of marketing the area. This should include information on properties, ownerships, land values, incentives and other market information of interest to developers and businesses.

F Urban Renewal District and TIFD Inclusion

Once all parcels of the Expo Gateway Study Area are assimilated into the City, they will then be included into the East Billings Urban Renewal District (EBURD) and in to the TIFD District.

G Develop a EBURD Code designation for this Area

Develop an EBURD zoning designation within the EBURD Code for this area to suit the specific area needs, including hospitality uses. Then adopt the EBURD Zoning Code and Parking Overlay for this area.

Reconstruct Exposition Drive into an Urban Boulevard

The BIRD working with the City, the County and MDT drive the reconstruction of the segment of Exposition Drive between 1st Avenue and 6th Avenue into an urban boulevard. This would include: 1) new lighting, a planted median,



FIGURE 3-5 EXAMPLE OF UNIQUE GATEWAY WATER FEATURE

and trees along the edges; 2) a multi-modal trail along the east edge; 3) relocating the MetraPark fence 30 feet to the east to allow for the trail to meander and; 4) swales to collect and filter run-off, artwork, and wayfinding signage. This would require several steps: a preliminary “pre-design study” to determine the general physical elements and the costs, finding funding sources, applying for the funds, designing the corridor, and providing plans and specifications. This is, as with most similar projects, a multi-year effort.

I Develop a New Gateway Feature at MetraPark

The BIRD working with the County, MetraPark Board, BSEDA and Chamber of Commerce create a new entry gateway feature, northeast of the intersection of 1st Avenue and Exposition Drive. This should include a new sign, landscaping, major water feature and artwork that reflect the region. This project should also include moving the southern fence line to the north to allow for a continuous bike path from the river to this intersection.

Pedestrian Crossing to MetraPark

The BIRD working with the City, the County and MDT construct a pedestrian undercrossing or overcrossing of Exposition Drive. This would require several steps: a preliminary “pre-design study” to determine the location, type and length, costs, finding funding sources, applying for the funds, designing the crossing, and providing plans and specifications.

K Connection to I-90

The BIRD and MDT working with the various governmental entities conduct a feasibility study of a new connection to I-90 that allows through traffic, especially truck traffic, to relieve traffic that is forced thru downtown Billings. This would also enhance transportation commerce as it shortens the time to the interstate from points north. The interchange should be an “on ramp only” to avoid impacting the riverfront park and reduce the costs of construction.



FIGURE 3-6 EXAMPLE OF ROUNDABOUT CONNECTION TO THE INTERSTATE















FIGURE 3-7 EXAMPLE OF EXHIBITION CENTER WITH BRIDGING ELEMENT

L Exhibition Center

The BIRD working with the County and MetraPark Board commission a study of a possible exhibition center along the west edge of MetraPark that can tie into a pedestrian crossing and create a additional entrance to the grounds. This could be combined with a project to restore the old, historic building. The exhibition center would emphasize high quality, large, flat-floor, column-free space that could be tied to nearby hotels as a destination and offer another revenue stream for MetraPark. The study would examine market demand, size, function, capital costs and operating costs, and income. The exhibition center should a distinctive, civic building that extends the character of the Rimrock Auto Arena.

IMPLEMENTATION PROGRAM -TIME FRAME

PROPERTY OWNERS			SHORT-TERM -3 YEARS	LONG-TERM 3- YEARS
	COORDINATING AGENCIES	ROLE		
A County Commissioners Adoption the Plan	County/BIRD	APPROVAL		
B City Council Adoption of the Plan	City/BIRD	APPROVAL		
C City of Billings Commence Engineering of Infrastructure to Upgrade & Repair Utilities & Streets	City/County/BSEDA/MDT	APPROVAL/ COORDINATION		
D BIRD is the organization that represents the Area	BIRD/Property Owners	COORDINATION		
E BSEDA and BIRD develop a Marketing Prospectus for the Area	City/ BSEDA/BIRD	COORDINATION		
F Urban Renewal District and TIFD Inclusion	City	SUPPORT		
G Develop a EBURD Code designation for this Area	City	APPROVAL		
Reconstruct Exposition Drive into an Urban Boulevard	City/MDT	APPROVAL		
I Develop a New Gateway Feature at MetraPark	County/ MetraPark board	COORDINATION		
Pedestrian Crossing to MetraPark	City/County/ MDT	COORDINATION		
K Connection to I-90	City/County/ MDT	APPROVAL		
L Exhibition Center	County/ MetraPark board	APPROVAL		

 POLICY

 CAPITAL
IMPROVEMENTS

 MARKETING
AND PROMOTION

REFERENCES

2008 Yellowstone County City of Billings Growth Policy

<http://ci.billings.mt.us/DocumentView.aspx?DID=4281>

Infill Development Policy

Adopted by City Council on December 12, 2011

<http://www.ci.billings.mt.us/DocumentCenter/Home/View/20851>

Billings Area Bikeway Trail Master Plan

Adopted by the Policy Coordinating Committee on August 9, 2011

<http://ci.billings.mt.us/DocumentCenter/Home/View/6750>

This Plan includes:

- Existing Bikeway and Trail Network map (Page 45)
- Proposed Bikeway and Trail Network map (Page 57)

EBURD Parking Overlay District

Adopted by City Council on April 12, 2010

<http://www.ci.billings.mt.us/DocumentCenter/View/21341>

EBURD Code

Adopted by City Council on September 10, 2012

http://agenda.ci.billings.mt.us/docs/2012/CC/20120910_89/1979_EBURD%20Code%20Adopted.pdf

Billings Urban Area Transportation Improvement Program TIP

Amendment III, January 2012

<http://www.ci.billings.mt.us/DocumentCenter/View/20979>

City of Billings Downtown Framework

1997

<http://mt-billings.civicplus.com/DocumentCenter/Home/View/1509>

East Billings Urban Renewal District Master Plan

July 2009

<http://ci.billings.mt.us/DocumentView.aspx?DID=4825>

Billings Chamber Convention Visitors Bureau Comprehensive Tourism Research and Strategic Plan

February 2010

- <http://www.visitbillings.com/staging/files/4e93313031203.pdf>

Billings Executive Conference Center Study

March 2011

6th Avenue N Bench Corridor Study Presentation

(Sanderson Stewart Traffic Study), December 2012

<http://www.ci.billings.mt.us/DocumentCenter/View/21575>

APPENDIX A- FINANCIAL ANALYSIS MEMORANDUM

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DATE: April 8, 2013 ECO Project #:20960
TO: Sara Hudson, Big Sky Economic Development and LMN Architects
FROM: Anne Fifield and Abe Farkas
SUBJECT: FINANCIAL ANALYSIS TEXT FOR BILLINGS REPORT

This memorandum provides text that describes the financial feasibility analysis for the five different building type concepts. We have written the text with the expectation that LMN Architects will be able to insert this text as appropriate into the final report. This memorandum has two sections:

- **Financial Feasibility and Financing** describes the pro forma analyses and the proposed financing plans. The text includes introductory text and five parts—one for each conceptual building type.
- **Development Schedule and Bonding Capacity** describes the order and schedule to implement the conceptual types. It also discusses some issue the estimated amount of bonding capacity generated by increment revenue from the conceptual development.

Financial Feasibility and Financing

ECONorthwest developed preliminary pro forma models for five different proposed development types in the study area: adaptive reuse, hotel, outlet retail, cinema, and a parking structure. The pro forma models compare estimated construction and development costs with potential rents to determine the financial feasibility of each development type. ECONorthwest also identified a package of potential financing tools for each development type. This section describes the assumptions and conclusions used in the pro forma models for each of the five development types. Please refer to the pro forma spreadsheets in Appendix B for the full set of data.

Adaptive reuse

The Expo Gateway area includes a variety of older industrial buildings. The team did not identify a particular building to adaptively reuse, but instead developed a pro forma for a generic 4,000 square foot (SF) building. We assumed the space would be evenly split between retail space and a restaurant.

Development Costs and Operating Revenues

To estimate construction costs, ECONorthwest interviewed commercial contractors in the Billings area. The pro forma model assumed that construction will cost \$80 per SF for the retail space and \$100 for the restaurant space and that both uses will include \$15 per SF for tenant improvements. Total hard costs will equal \$417,000. Total development costs include the cost of land (\$7 per SF), the existing building (\$25 per SF), developer fees (5%), soft costs (10%) and a 5% contingency. Total development costs will be \$642,000.

To calculate the net operating income (NOI) and the expected market value, ECONorthwest assumed both rents and operating costs increase 3% per year. We assumed that operating expenses, including lease commissions, equal 15% of gross revenue. Operating expenses are low because the rent is triple net. The pro forma assumed the capitalization rate is 8.0%. It used the following rents and vacancy rates.

- The annual **retail** rents are \$14 per SF (\$1.17 per month) triple net. We assume that vacancy will be 0%, as the structure will be built to suit.
- The annual **restaurant** rents are \$15 per SF (\$1.25 per month) triple net. We assumed that vacancy will be 0%, as the structure will be built to suit.

The pro forma estimated that the adaptive reuse structure would have a positive net operating (NOI) in its first year of operation.

Development Financing and Resources

ECONorthwest identified a packet of financing tools for the adaptive reuse prototype. To finance the development, we identified the sources described in Table 1.

Table 1. Adaptive Reuse Concept Development Financing and Resources

Source	Amount	% of Total Costs	Explanation
Bank Loan	\$370,000	58%	A loan from a private bank, at 6% over 20 years.
Loan from TIF funds	\$150,000	23%	This assumes that the current urban renewal area would be extended to cover the Expo area or that a new urban renewal area would have been created. In either case the amount of TIF is relatively small. The loan will be at 1% for 15 years.
Private equity	\$122,500	19%	The pro forma calculates the payment the private equity investors would receive in Year 10. Their payment (secured through a refinancing or sale) is the value of the building minus the remaining debt. The internal rate of return for the equity is 17%.

The reconstruction of an existing building would increase its value and associated property tax revenue. ECONorthwest estimated that the value of the structure would increase by about \$500,000—the value brought generated by the building’s rehabilitation and tenants. We estimated that the increased value would generate about \$8,000 per year in tax increment for an urban renewal district.¹ The tax revenue actually generated by such a development will vary based on costs, quality of the construction, and assessed values.

¹ Based on the assumption that every \$1,000,000 in new taxable value generates about \$16,000 in annual tax increment revenue. Actual amounts vary based on mill levies affecting individual properties. This is a preliminary and rough estimate. Actual revenue will depend on the application of current Urban Renewal laws and rules in Montana. We recommend a more precise estimate of tax increment revenue be calculated as part of a tax increment district plan whether the City or the County administers it.

Hotel

The conceptual development plan includes a hotel. In the pro forma, we modeled a 180-room hotel with 500 gross SF per room. The gross SF figure includes the lobby, halls, conference space, and a restaurant. The net SF for the room will be between 225 and 350 SF. We assumed the gross SF for the entire structure will be 90,000 and it will be a wood-frame structure with three or four floors. The hotel will include a 2,500 SF restaurant.

Development Costs and Operating Revenues

The development costs include land, hotel construction costs, hotel furniture, fixtures and equipment (FF&E), and restaurant tenant improvement costs. To estimate construction costs, ECONorthwest interviewed a company that had recently constructed a hotel and was familiar with typical hotel costs. The pro forma incorporated the following assumptions:

- Estimated land cost \$7 per SF. The total site is 2.0 acres, yielding total land costs of \$610,000.
- The hotel's hard costs for construction is estimated at \$152 per SF and FF&E is projected at \$15,000 per room, yielding total costs of \$16.4 million.
- The restaurant's construction costs were accounted for in the hotel's construction costs. The tenant improvements are assumed to be \$40 per SF, for a total of \$100,000.
- The total development costs include developer fees (5%), soft costs (20%) and a 5% contingency.

We estimate that total hard costs will be \$16.5 million and total development costs will be \$21.3 million.

To calculate the net operating income (NOI) we applied occupancy and room rates estimated to be appropriate for the Billings market, based on data from Smith Travel. We assumed the average room rate is \$118 and it will increase 3% per year. We assume occupancy is 64% in Year 1 and increases incrementally to 72% by Year 5, the year we assumed it will stabilize. We assumed that the cost of operating the hotel equals 67% of gross revenues, based on a pro forma provided to ECONorthwest from a hotel operator. The pro forma assumed the restaurant use in the hotel pays \$15 per SF (triple net), generating \$37,500 in rent. The model estimated that the hotel structure will have a positive net operating (NOI) in its first year of operation.

The pro forma assumed the capitalization rate is 8.0%.

Development Financing and Resources

ECONorthwest identified a packet of financing tools for the hotel prototype, including private equity, a private bank loan, and financing from the federal EB-5 program. For more information about the EB-5 program, please refer to Appendix A.

The EB-5 financing is a 5-year low-cost equity injection that we assumed would be refinanced with a private bank loan. The amount of available financing from EB-5 depends on the number

of jobs the development will generate. The EB-5 program requires that at least 10 jobs be created for every \$500,000 invested. To be conservative, our formula is based on creating 12 jobs for every \$500,000 of EB-5 funding. For projects located within a targeted employment area (TEA) EB-5 allows the calculation to include indirect jobs associated with hard construction costs as well as longer term operating jobs, direct and indirect. We realize that Billings as a whole has a relatively low unemployment rate. TEAs can be created by identifying a qualifying census tract within a reasonable distance from the project and then asking the Governor's office to certify that the larger area (which includes the higher unemployment census tract) qualifies as a TEA. ECONorthwest's analysis assumes that it is feasible to establish a TEA in this area.

To estimate the available financing from EB-5 investors, ECONorthwest estimated the number of jobs the hotel would generate using an input-output analysis with the IMPLAN model.²

- For the construction phase, the input-output analysis estimated that commercial construction generates 8 indirect jobs for every \$1 million in construction costs. Based on our estimated hard costs of \$16.5 million, the construction of the hotel will generate 132 jobs.
- For the operations phase, ECONorthwest used input-output analysis to estimate that the hotel will create 91 jobs.

Combined, the construction and operations phases will generate 223 jobs, making it possible that the EB-5 program could bring \$9.3 million to the project. ECONorthwest opted to use less than what is allowed because 1) EB-5 investors would be more likely to select this project if other partners provided a greater share of the overall financing and 2) the return for the private equity is favorable.

Table 2 summarizes the sources that could be used to finance the hotel development.

² IMPLAN is an input-out model used to track dollars, starting with the initial project being studied, as they ripple through an economy from one employment sector to the next. The model estimates the number of jobs, income, and economic output that can be traced to the initial project. The model estimates direct impacts, which are those directly generated by the project. It also calculates indirect impacts, which are the jobs and income earned by workers in industries supplying the project.

Table 2. Hotel Concept Development Financing and Resources

Source	Amount	% of Total Costs	Explanation
EB-5	\$5.0 million	23%	An EB-5 low-cost equity amount is based on a calculation that indirect hard cost construction jobs for the project will generate 132 jobs and the operating the hotel will generate 288 jobs. The pro forma then conservatively assigns 12 jobs to every \$500,000 from EB5 investors. The loan will be at 3% for 5 years. It is paid off in Year 5 with a second bank loan.
Bank Loan	\$14.2 million	67%	A loan from a private bank, at 6% over 20 years.
Private equity	\$2.1 million	10%	The pro forma calculates the payment the private equity investors would receive in Year 10. Their payment (secured through a refinancing or sale) is the value of the building minus the remaining debt. The internal rate of return for the equity is 32%.
2nd Bank Loan	\$5.8 million	na	A loan from a private bank to pay off the EB-5 loan. It starts in Year 6. The pro forma assumes the loan is at 6.5% over 30 years.

Assuming the new hotel would be in the City, it would increase the City's tax base and associated property tax revenue. ECONorthwest estimated that the value of the site would increase by about \$20.7 million—the value of the new construction. We estimated that the increased value would generate about \$330,000 per year in tax increment for an urban renewal district.³ The tax revenue actually generated by such a development will vary based on costs, quality of the construction, and assessed values.

Outlet Retail

The conceptual development plan includes 200,000 gross SF of retail space, with the expectation that the retail space would accommodate an outlet mall.

Development Costs and Operating Revenues

To estimate construction costs, ECONorthwest interviewed commercial contractors in the Billings area. The development costs include land, construction, and a tenant improvement allowance. The pro forma incorporated the following assumptions:

- The land is estimated to cost \$7 per SF. The total site is 4.1 acres, yielding total land costs of \$1.25 million.
- The hard costs for construction was estimated to be \$100 per gross SF and the tenant improvement allowance will be \$40 per leasable SF, yielding total hard costs of \$26.8 million.

³ Based on the assumption that every \$1,000,000 in new taxable value generates about \$16,000 in annual tax increment revenue. Actual amounts vary based on mill levies affecting individual properties. This is a preliminary and rough estimate. Actual revenue will depend on the application of current Urban Renewal laws and rules in Montana. We recommend a more precise estimate of tax increment revenue be calculated as part of a tax increment district plan whether the City or the County administers it.

- The total development costs include developer fees (5%), soft costs (15%) and a 5% contingency.

We estimated that total hard costs will be \$26.8 million and total development costs will be \$36.5 million.

To calculate the NOI and the expected market value, ECONorthwest assumed that both rents and operating costs increase 3% per year. We assumed that operating expenses, including lease commissions, equal 15% of gross revenue. Operating expenses are low because the rent is triple net. The pro forma assumed the capitalization rate is 8.0%. It assumed that annual rents will be \$17 per SF (triple net) and the vacancy rate will be 20% in Year 1, 10% in Year 2, and 5% in Year 3 and into the future.

The pro forma estimated that the outlet retail structure would have a positive NOI in its first year of operation.

Development Financing and Resources

ECONorthwest identified a packet of financing tools for the outlet retail concept. The EB-5 financing is a 5-year low-cost equity injection that we assumed would be refinanced with a private bank loan. The amount of available financing from EB-5 depends on the number of jobs the development will generate. For reasons stated above we assume that at least 12 jobs be created for every \$500,000 invested. We again assume that this development would be in a TEA, which allows the EB-5 calculation to include indirect jobs associated with hard construction costs.

To estimate the available financing from EB-5 investors, ECONorthwest estimated the number of indirect jobs the construction would generate using an input-output analysis with the IMPLAN model. The input-output analysis estimated that commercial construction generates 8 indirect jobs for every \$1 million in construction costs. Based on our estimated hard costs of \$26.8 million, the construction of the outlet retail space will generate 214 jobs, making it possible that the EB-5 program could bring \$8.9 million to the project. ECONorthwest opted to use the full amount available because 1) even with the substantial private investment the private equity return was still on the cusp of acceptability in the market and 2) the EB-5 funds as a portion of the total project is relatively low, under 25%.

Table 3 summarizes the sources that could be used to finance the outlet retail development.

Table 3. Outlet Retail Concept Development Financing and Resources

Source	Amount	% of Total Costs	Explanation
EB-5	\$8.9 million	24%	An EB-5 low-cost equity injection amount is based on a calculation that indirect hard cost construction jobs for the project would generate 214 jobs. The pro forma then conservatively assigns 12 jobs to every \$500,000 from EB5 investors. The loan will be at 3% for 5 years. It is paid off in Year 5 with a second bank loan.
Bank Loan	\$20.0 million	55%	A loan from a private bank, at 6% over 30 years.
Private equity	\$7.6 million	21%	The pro forma calculates the payment the private equity investors would receive in Year 10. Their payment (secured through a refinancing or sale) is the value of the building minus the remaining debt. The internal rate of return for the equity is 16%.
2nd Bank Loan	\$10.4 million	na	A loan from a private bank to pay off the EB-5 loan. It starts in Year 6. The pro forma assumes the loan is at 6.0% over 25 years.

Assuming the new outlet retail development is in the City, it would increase the City’s tax base and associated property tax revenue. ECONorthwest estimated that the value of the site would increase by about \$35.2 million—the value of the new construction. We estimated that the increased value would generate about \$560,000 per year in tax increment for an urban renewal district.⁴ The tax revenue actually generated by such a development will vary based on costs, quality of the construction, and assessed values.

Cinema

The conceptual development plan includes a movie theater. The movie theater concept here includes non-traditional seating with food service. A number of cities have embraced these facilities which can offer arts films as well as first-run movies—which many do after they have been out for a few days to keep their costs down. The Living Room Theater (in Portland, Oregon and Boca Raton, Florida) is a recent example (http://pdx.livingroomtheaters.com/theater_tour.html).

ECONorthwest researched the operating costs and revenue of movie theaters. The research indicated that traditional theaters have a wide range of operations expenditures, depending on the types of movies they show and their ability to sell and mark up concessions. Movie theaters make the majority of their profits from concessions, not ticket sales.

A theater’s rent expense is sometimes a set percent of gross ticket sales and sometimes based on a dollar per SF rate. While rents can be based on gross revenues or a combination of a base rent and gross revenues, ECONorthwest relied on a \$14.50 per SF rate in the pro forma model

⁴ Based on the assumption that every \$1,000,000 in new taxable value generates about \$16,000 in annual tax increment revenue. Actual amounts vary based on mill levies affecting individual properties. This is a preliminary and rough estimate. Actual revenue will depend on the application of current Urban Renewal laws and rules in Montana. We recommend a more precise estimate of tax increment revenue be calculated as part of a tax increment district plan whether the City or the County administers it.

because it was an efficient way to test this product at an early stage. That is a reasonable rate for retail space in Billings, and at the low end for new space.

Development Costs and Operating Revenues

To estimate construction costs, ECONorthwest interviewed commercial contractors in the Billings area. The development costs include land, construction, and tenant improvement allowance. The pro forma incorporated the following assumptions:

- The land will cost \$7 per SF. The total site is 2.5 acres, yielding total land costs of \$760,000.
- The hard costs for construction will be \$127 per gross SF and the tenant improvements will cost \$40 per leasable SF, yielding total costs of \$6.7 million.
- The total development costs include developer fees (5%), soft costs (15%) and a 5% contingency.

We estimated that total hard costs will be \$6.7 million and total development costs will be \$9.2 million.

To calculate the NOI and the expected market value, both rents and operating costs are assumed to increase 3% per year. We assumed that operating expenses equal 15% of gross revenue. The pro forma assumes the capitalization rate is 8.0%. It assumed that annual rents will be \$14.50 per SF (triple net) and the vacancy rate will be 0%.

The pro forma estimated that the cinema concept would have a positive NOI in its first year of operation.

Development Financing and Resources

ECONorthwest identified a packet of financing tools for the cinema concept. In this case, we propose using New Market Tax Credits (NMTC), which the City has already used in the EBURD area. NMTC program enables very low interest rate financing to be injected into a project as a loan or equity for a required seven years. The project must be in a NMTC-qualified census tract. For a more detailed description of the NMTC program, please refer to Appendix A.

Table 4 summarizes the sources that could be used to finance the cinema concept.

Table 4. Cinema Concept Development Financing and Resources

Source	Amount	% of Total Costs	Explanation
NMTC	\$2.1 million	23%	Federal tax credit program available for a portion of the development. The project pays 1.0% on the value of the credits for the first seven years.
Bank Loan	\$6.0 million	65%	A loan from a private bank, at 6% over 30 years.
Private equity	\$1.1 million	12%	The pro forma calculates the payment the private equity investors would receive in Year 10. Their payment (secured through a refinancing or sale) is the value of the building minus the remaining debt. The internal rate of return for the equity is 19%.

A new cinema development would increase the City’s tax base and associated property tax revenue. ECONorthwest estimated that the value of the site would increase by about \$8.4 million—the value of the new construction. We estimated that the increased value would generate about \$130,000 per year in tax increment for an urban renewal district.⁵ The tax revenue actually generated by such a development will vary based on costs, quality of the construction, and assessed values.

Parking Structure

The conceptual development plan includes 230-space public parking garage. ECONorthwest estimated that it will be 86,250 gross SF, and at four stories will require 0.54 acres. The parking structure would replace some of the area’s surface parking.

Development Costs and Operating Revenues

To estimate construction costs, ECONorthwest interviewed a commercial contractor in the Billings area. The development costs include land and construction. The pro forma incorporated the following assumptions:

- The land will cost \$7 per SF. The total site is 0.54 acres, yielding total land costs of \$163,000.
- The hard costs for construction will be \$56 per gross SF, yielding total costs of \$4.8 million.
- The total development costs include developer fees (5%), soft costs (10%) and a 5% contingency.

We estimated that total hard costs will be \$4.8 million and total development costs will be \$5.9 million.

⁵ Based on the assumption that every \$1,000,000 in new taxable value generates about \$16,000 in annual tax increment revenue. Actual amounts vary based on mill levies affecting individual properties. This is a preliminary and rough estimate. Actual revenue will depend on the application of current Urban Renewal laws and rules in Montana. We recommend a more precise estimate of tax increment revenue be calculated as part of a tax increment district plan.

ECONorthwest assumed that the parking structure will not charge fees—it will offer unpaid parking. Therefore, the NOI is \$0 throughout the period modeled in the pro forma. It is possible, as other cities have experienced, that over time the garage may become a pay-to-park facility. This evolution would more likely take place when/if paid on street parking became a reality.

Development Financing and Resources

Because ECONorthwest assumed that parking structure will operate with zero revenues, it must be entirely funded by the public sector unless an agreement is struck with developers of the retail center and hotel to help with ongoing costs, as the garage primarily benefits them. If developers opted to participate in the financing it could be done through establishment of a special improvement district (SID) that could be a complement to TIF. To be conservative in this case, we assume the parking structure would be financed with bonds supported by TIF revenue generated from the other four development concepts.

We estimate that the four developments will yield a little over \$6 million in bonding capacity, enough to cover our estimated cost of a 230-space parking structure. If more TIF is generated then the garage size can be increased.

ECONorthwest estimated the bonding capacity created by each development concept and calculated the total bonding capacity available to finance the parking structure. We provide the figures in the section titled Development Schedule and Bonding Capacity.

Summary of Financial Feasibility

The pro forma analyses for the five proposed uses show that all uses but the parking structure have net positive revenue beginning in the first year of operations. Actual profitability of any of these uses will vary with current construction cost, achievable rents, and financing terms.

The first four uses—adaptive reuse, hotel, outlet retail, and a cinema are all financed primarily with funds from the private sector. They all include a mix of private equity and a conventional loan financed by a bank. The financial feasibility analyses shown in the pro formas also show a mix of quasi-public funding, including EB-5 or New Market Tax Credits. The conceptual development plans show how those four uses could be used to generate enough tax increment revenue to fully fund the construction of a parking garage. Because the parking garage would be publicly owned and serving multiple blocks, and because these kinds of garages have been funded with TIF in many communities, ECONorthwest believes that using TIF for this facility is viable.

Table 5 shows the portion of each financing tool we applied to this preliminary financing plan for the conceptual development. The total private investment in the area, based on the assumptions shown in this conceptual development plan, will actually depend on the size of any actual development, the quality of the development, current market conditions in the local market for each use, and other factors that affect private investors' appetite for investing in these uses at this location.

Table 5. Portion of Financing Tool Applied to Each Use in the Conceptual Development Plan

	Bank Loan	Private Equity	TIF Loan	EB-5	NMTC
Adaptive Re-use	58%	19%	23%	0%	0%
Hotel	67%	10%	0%	23%	0%
Outlet Retail	55%	21%	0%	24%	0%
Movie Theater	65%	12%	0%	0%	23%
Parking Structure	0%	0%	100%	0%	0%

Estimated Employment

ECONorthwest conducted an input-output analysis using the IMPLAN model to estimate the number of jobs in Yellowstone County associated with implementing the conceptual development plan.⁶ The actual number of jobs that will be generated by developing the area will vary, depending on the value of the construction, the types of businesses that locate in the area, and the size of those businesses. This estimate is preliminary by necessity, based on the conceptual plan.

For this project, ECONorthwest estimated the number of jobs for two distinct phases: construction and operations. Construction impacts are temporary in nature and occur as construction spending unfolds. Operating impacts will continue annually as long as the use in the structure continues to operate. Jobs include both full- and part-time employment.

We estimated two different types of jobs. The **direct jobs** comprise those held by contractors and workers building the structure (direct construction impacts), and the number of employees working at the structure (direct operating impacts). The **secondary jobs** include those associated with the ripple effects of the direct jobs.⁷ The secondary jobs include two general types of impacts.

- **Supply-chain impacts.** In order to operate, the structure will purchase a range of goods and services including raw materials, spare parts and equipment, repair services, electricity, water and sewer, etc. This spending generates the first round of secondary impacts. Suppliers and vendors to the structure will also have to purchase additional goods and services. This spending leads to additional rounds of indirect impacts.
- **Consumption-driven impacts.** The direct and supply-chain increases in employment and income enhance the overall purchasing power in the economy, thereby inducing further consumption- and investment- driven stimulus. Workers at the proposed development,

⁶ IMPLAN is an input-out model used to track dollars, starting with the initial project being studied, as they ripple through an economy from one employment sector to the next. The model estimates the number of jobs, income, and economic output that can be traced to the initial project. The model estimates direct impacts, which are those directly generated by the project. It also calculates indirect impacts, which are the jobs and income earned by workers in industries supplying the project.

⁷ Secondary jobs include those defined as ‘indirect’ and ‘induced’. Indirect are the supply-chain impacts, and induced are the consumption-driven impacts. We combine them into ‘secondary’ impacts in the text for simplicity.

for example, will use their income to purchase groceries. Workers at businesses who supply the structure will do the same.

For this analysis, ECONorthwest did not measure potential counterfactual scenarios that consider how scarce resources would be allocated if the conceptual development plan is not implemented, or how the development could potentially divert spending away from other Yellowstone County businesses.

Table 6 shows the estimated number of jobs the input-output model generated with the construction and operation of the conceptual development plan.

Table 6. Estimated Number of Jobs Generated by Implementing the Conceptual Development Plan

Period/Development Type	Direct	Secondary
Construction	441.4	519.3
Operations		
Retail	1.6	0.5
Restaurant	3.8	1.1
Hotel	61.6	29.6
Outlet Retail	160.5	43
Cinema	32.1	16.2

Development Schedule and Bonding Capacity

This section describes a possible development schedule for the five development concepts. This schedule should be interpreted as a guide. We have identified a possible order that the City could work to develop the different concepts. The actual year of implementation should vary, based on market conditions and developer interest.

We recommend the City work to implement the adaptive reuse concept first. The City should address a range of items before attempting to bring about the other conceptual developments. We recommend the City work with existing property owners to resolve these issues. These items include:

- Zoning.
- Consider if these properties should be brought into the City. If they are part of the City, they will have access to important development assistance tools.
- Consider whether the area should become a new urban renewal district or appended onto an existing urban renewal district if partner entities elect to bring their land into the City. It is possible the existing district may not have sufficient time remaining to bring about this concept plan or it may already have existing obligations it is trying to meet.

- Should the City wish to use EB5 resources it will need to secure a TEA designation for the area from the state that would then register this with the United States Customs and Immigration Service (USCIS).
- Identify the significant infrastructure improvements (such as stormwater) that should be made and how they will be funded.

We crafted the development program so that the first four uses will generate increment revenue that can be used to finance the parking structure. We used conservative assumptions regarding the debt coverage ratio and the interest rate to provide an approximation of the bonding capacity the four conceptual developments could generate. Actual increment revenue and bonding capacity will vary.

To estimate the bonding capacity generated by the first four uses, we identified the incremental increase in taxable value from all the contributing taxing jurisdictions generated by each use, the associated tax increment revenue, and the bonding capacity generated by that increased tax revenue.

- To estimate the incremental increase in the taxable value, we assumed the taxable value equals the cost of replacement (the construction cost) minus existing value (land and existing structure).
- To estimate the tax increment value, we assumed that every \$1,000,000 in new taxable value generates about \$16,000 in annual tax increment revenue. This is, by necessity, a rough estimate. Actual amounts vary based on mill levies affecting individual properties, whether properties are in the City, or the County, should the latter create an urban renewal area (if it gains the legal ability to do so). Given the preliminary nature of this conceptual plan, future planning will need to calculate more precise increment estimates.
- To estimate bonding capacity, we assumed that the agency could bond \$6 for every \$1 in tax increment revenue. This is, by necessity, a rough estimate. Actual bonding capacity will depend on the use, tax revenue, timing, and other factors dictated by the bond market. Factors that affect the bond market fluctuate, and the terms of any bond vary with national and global financial markets.

Table 7 shows the estimated incremental increase in value and the potential tax increment revenue. It is important to note that actual values and tax revenue will vary based on the individual locations of the development, the size of the development, the method used by the Assessor to estimate taxable value, timing of development, and application of urban renewal tools in Montana. These figures are preliminary estimates, based on hypothetical financial pro forma models.

Table 7. Estimated Potential Value and Tax Increment Revenue

Development	Potential New Value	Potential TIF Revenue
Adaptive Re-use	\$502,500	\$8,000
Hotel	\$20,720,800	\$332,000
Outlet Retail	\$35,242,000	\$564,000
Movie Theater	\$8,400,100	\$134,000
TOTAL	\$64,865,400	\$1,038,000

Source: ECONorthwest.

Table 8 shows the potential proposed year of completion for the five conceptual development types, the estimated bonding capacity for the first four types, and the cumulative bonding capacity that could be used to finance the parking structure. The table shows that we estimate the four conceptual types could generate just over \$6 million in bonding capacity if they are all located in the City.

Table 8. Conceptual Development Program

Development	Year Completed	Bonding Capacity (\$millions)	Cumulative Bonding Capacity (\$millions)
Adaptive Re-use	2015	\$0.05	\$0.05
Hotel	2016	\$1.99	\$2.04
Outlet Retail	2017	\$3.38	\$5.42
Movie Theater	2019	\$0.81	\$6.23
Parking Structure	2019		
		\$6.23	\$13.74

Source: ECONorthwest.

APPENDIX B- PROFORMA DEVELOPMENT TYPES

Adaptive Re-Use

= input

Development Inputs and Costs

Gross SF	4,000	
Gross SF-Retail	2,000	
Gross SF-Restaurant	2,000	
Efficiency Ratio	95%	
Leasable SF-Retail	1,900	
Leasable SF-Restaurant	1,900	
FAR	0.70	
Estimated Acres	0.13	
Land Cost per SF	\$7	
Total Land Cost	\$40,000	
Building cost/sf	\$25	
Total Building Cost	\$100,000	
Total Property Cost	\$140,000	
Construction Cost/ GSF-Retail	\$80	<<ECO estimate
Construction Cost/ GSF-Restaurant	\$100	
Tenant Improvement/LSF-Retail	\$15	
Tenant Improvement/LSF-Restaurant	\$15	
Developer fee (% of construction)	5%	
Soft costs (% of construction)	10%	
Contingency (% of soft & hard costs)	5%	
Total Hard Costs	\$417,000	
Developer fee	\$20,850	
Soft Costs	\$41,700	
Contingency	\$22,935	
Total Construction Costs	\$502,485	
Total Development Costs	\$642,485	

Operating Costs and Revenues

		Notes
Annual Rent-Retail	\$14	<<NNN
Annual Rent-Restaurant	\$15	<<NNN
Annual rent increase	3%	
Vacancy, Yr 1	0%	<<built to suit
Vacancy, Yr 2	0%	<<built to suit
Vacancy, Yr 3 and stabilization	0%	<<built to suit
Leasing Commission	5%	
Management/operations (% of revenue)	10%	
Capitalization Rate	8%	

Capital Resources Summary

		% of Total Dev't Costs
Bank Loan	\$370,000	58%
TIF Loan	\$150,000	23%
Private Equity	\$122,485	19%
Total	\$642,485	100%

Assumptions about Capital Resources

Bank Loan	
interest rate	6.00%
Term	20
Principle	\$370,000
Annual Pmt	\$32,258
TIF Loan	
interest rate	1.00%
Term	15
Principle	\$150,000
Annual Pmt	\$10,819

Financial Measures

	Year 1	Year 3	Year 10
Net Operating Income (NOI)	\$45,733	\$48,518	\$59,671
Value at 0.08 cap rate	\$571,663	\$606,477	\$745,890
DCR (=NOI / Total Debt Service)	1.1	1.1	1.4
LTV ((Bank loan) / Value)	0.6	0.6	0.3
IRR in 10 years, 0.08 cap rate			17%

TIF Revenue Estimate

Estimated Annual Increment	\$8,039.76	<<based on construction cost
Estimated Bonding Capacity	\$48,239	

Hotel = input

Development Inputs and Costs

Gross SF	90,000	<<includes lobby, halls, conference, restaurant.
Gross SF per Room	500	<<Rooms range from 225-350 net SF
Number of Rooms	180	
Hard Costs per SF	\$152.00	<<From Jerry Jones
Furniture, Fixtures & Equipment (F,F & E)	\$30.00	<<includes lobby, halls, conference
Hard Costs per Room	\$76,000	
FF&E per Room	\$15,000	<<from other hotel project data
Restaurant		
SF	2,500	
TI per SF	\$40	
Land		
Acres	2.0	
FAR	1.03	
Land Cost per SF	\$7.00	
Total land cost	\$609,840	
Developer fee (% of construction)	5%	
Soft costs (% of construction)	20%	
Contingency (% of soft & hard costs)	5%	
Total Hard Costs	\$13,680,000	
Total FF&E	\$2,700,000	
Restaurant TIs (2,500 SF)	\$100,000	
Developer fee	\$684,000	
Soft Costs	\$2,736,000	
Contingency	\$820,800	
Total Construction Costs	\$16,480,000	
Total Development Costs	\$21,330,640	

Operating Costs and Revenues

Average Room Rate Sold	\$118
Room Nights Available	65,700
Occupancy, Yr 1	64%
Occupancy, Yr 2	66%
Occupancy, Yr 3	68%
Occupancy, Yr 4	70%
Occupancy, Yr 5 and stabilization	72%
Annual room/rent rate increase	3%
Hotel Operations (% of revenue)	67%
Restaurant Rent (NNN) per foot	\$15
Restaurant Rent	\$37,500
Capitalization Rate	8.0% <<from Dick Zeir

Capital Resources (see below for terms)

% of Total Dev't Costs

EB5	\$5,000,000	23%	\$ in Year 0
Conventional Bank Loan	\$14,197,576	67%	\$ in Year 0
Private Equity	\$2,133,064	10%	\$ in Year 0
2nd Bank Loan	\$5,796,370	na	<<payback EB5
Total	\$21,330,640	100%	

Financial Measures

	Year 1	Year 3	Year 10
Net Operating Income (NOI)	\$1,549,741	\$1,746,107	\$2,272,922
Value at 0.08 cap rate	\$19,371,761	\$21,826,334	\$28,411,523
DCR (=NOI / Total Debt Service)	1.3	1.4	1.3
LTV ((Bank loan) / Value)	0.7	0.6	0.5
IRR in 10 years, 0.08 cap rate			32%

TIF Revenue Estimate

Estimated Annual Increment	\$331,533	<<based on construction costs
Estimated Bonding Capacity	\$1,989,197	

\$20,720,800

Assumptions about Financing Tools

EB5		
8 Jobs/\$1million cost	131.8	<<jobs created from total hard costs
1.6 jobs per room	288	<<jobs created from total operations
Total jobs	419.8	
\$500k/12 jobs created	35.0	
Potential Loan	\$17,493,333	
interest rate	3.0%	
Term	5	
Actual Loan	\$5,000,000	
Payment	\$5,796,370	<<Paid with 2nd bank loan
Conventional Bank Loan		
interest rate	6.0%	
Term	20	
Loan Amount	\$14,197,576	
Annual Pmt	\$1,237,809	
2nd Bank Loan		
interest rate	6.5%	
Term	20	
Loan Amount	\$5,796,370	
Annual Pmt	\$526,058	

Outlet Retail = input

Development Inputs and Costs

		Notes
Gross SF	200,000	~3,750/store, this is ~50 stores
Efficiency Ratio	85%	
Leasable SF	170,000	
FAR	1.12	2 stories
Estimated Acres	4.10	<<Trucking site.
Construction Cost per GSF	\$100	<<from Jerry Jones Construction in Billings
Tenant Improvement per LSF	\$40	<<from Jerry Jones Construction in Billings
Land Cost per SF	\$7	
Developer fee (% of construction)	5%	
Soft costs (% of construction)	15%	
Contingency (% of soft & hard costs)	10%	
Site acquisition	\$1,250,172	
Total Hard Costs	\$26,800,000	
Developer fee	\$1,340,000	
Soft Costs	\$4,020,000	
Contingency	\$3,082,000	
Total Construction Costs	\$35,242,000	
Total Development Costs	\$36,492,172	

Financial Measures

	Year 1	Year 3	Year 10
Net Operating Income (NOI)	\$1,832,260	\$2,394,547	\$188,540
Value at 0.08 cap rate	\$22,903,250	\$29,931,835	\$36,812,381
DCR (=NOI / Total Debt Service)	1.3	1.6	1.3
LTV ((Bank loan) / Value)	0.6	0.4	0.30
IRR in 10 years, 0.08 cap rate			16%

TIF Revenue Estimate

Estimated Annual Increment	\$563,872	<<based on construction costs
Estimated Bonding Capacity	\$3,383,232	

Operating Costs and Revenues

		Notes
Retail Rent-Annual (NNN)	\$17	<< High end for Billings
Annual rent increase	3%	
Vacancy, Yr 1	20%	
Vacancy, Yr 2	10%	
Vacancy, Yr 3 and stabilization	5%	
Leasing Commission	5%	
Management/operations (% of reve	10%	
Capitalization Rate	8%	

Capital Resources Summary

		% of Total Dev't Costs	
Private Equity	\$7,558,839	21%	\$ in Year 0
Bank Loan	\$20,000,000	55%	\$ in Year 0
EB-5	\$8,933,333	24%	\$ in Year 0
2nd Bank Loan	\$10,356,182		<<payback EB5
Total	\$36,492,172	100%	

Assumptions about Capital Resources

Bank Loan			
interest rate	6.00%		
Term	30		
Principle	\$20,000,000		
Annual Pmt	\$1,452,978		
EB 5			
8 Jobs/\$1million cost	214.4	<<jobs created from total hard costs.	
\$500k/12 jobs created	17.9		
Potential Loan	\$8,933,333		
interest rate	3.0%		
Term	5		
Payment at Year 5	\$10,356,182	<<Paid with 2nd bank loan	
2nd Bank Loan			
		<<pays off EB 5	
Principle	\$10,356,182		
interest rate	6.0%		
Term	25		
Annual Pmt	\$810,130		

Movie Theater

= input

Development Inputs and Costs

		Notes
Gross SF	40,000	8 to 10 screens, based on ULI examples
Efficiency Ratio	100%	
Leasable SF	40,000	
FAR	0.37	
Estimated Acres	2.50	<<1-story
Construction Cost per GSF	\$127	<<from Jerry Jones Construction in Billings
Tenant Improvement per LSF	\$40	<<for food prep areas
Land Cost per SF	\$7	
Developer fee (% of construction)	5%	
Soft costs (% of construction)	15%	
Contingency (% of soft & hard costs)	5%	
Site acquisition	\$762,300	
Total Hard Costs	\$6,680,000	
Developer fee	\$334,000	
Soft Costs	\$1,002,000	
Contingency	\$384,100	
Total Construction Costs	\$8,400,100	
Total Development Costs	\$9,162,400	

Operating Costs and Revenues

		Notes
Rent-Annual	\$14.50	<<estimate based on local rents
Annual rent increase	3%	
Vacancy, Yr 1	0%	
Vacancy, Yr 2	0%	
Vacancy, Yr 3 and stabilization	0%	
Leasing Commission	0%	
Management/operations (% of reve	15%	
Capitalization Rate	8%	

Capital Resources Summary

		% of Total Dev't Costs
Private Equity	\$1,100,860	12%
Bank Loan	\$6,000,000	65%
NMTC	\$2,061,540	23%
Total	\$9,162,400	100%

Assumptions about Capital Resources

Bank Loan		
interest rate	6.00%	
Term	30	
Principle	\$6,000,000	
Annual Pmt	\$435,893	
NMTC		
Eligible Basis	\$9,162,400	<<Total development costs
Percent	22.5%	
Interest rate	1.00%	
Term	7	
Credit	\$2,061,540	
Interest Payment	\$20,615	

Financial Measures

	Year 1	Year 3	Year 10
Net Operating Income (NOI)	\$481,400	\$510,717	\$628,118
Value at 0.08 cap rate	\$6,017,500	\$6,383,966	\$7,851,473
DCR (=NOI / Total Debt Service)	1.1	1.1	1.4
LTV ([Bank loan] / Value)	0.7	0.6	0.4
IRR in 10 years, 0.08 cap rate			19%

TIF Revenue Estimate

Estimated Annual Increment	\$134,402	<<based on construction cost
Estimated Bonding Capacity	\$806,410	

Parking Structure

[Green Box] = input

Development Inputs and Costs

		Notes
Gross SF	86,250	
Number of spaces	230	
SF per space	375	
Building footprint	21,563	4 stories
FAR	3.70	
Estimated Acres	0.54	
Construction Cost per GSF	\$56	<<from Jerry Jones Construction in Billings
Land Cost per SF	\$7	
Developer fee (% of construction)	5%	
Soft costs (% of construction)	10%	add land size, 3 floors
Contingency (% of soft & hard costs)	5%	
Site acquisition	\$163,176	
Total Hard Costs	\$4,830,000	
Developer fee	\$241,500	
Soft Costs	\$483,000	
Contingency	\$265,650	
Total Construction Costs	\$5,820,150	
Total Development Costs	\$5,983,326	

Financial Measures

	Year 1	Year 3	Year 10
Net Operating Income (NOI)	\$0	\$0	\$0
Value at 0.08 cap rate	\$0	\$0	\$0
DCR (=NOI / Total Debt Service)	NA	NA	NA
LTV ([Bank loan] / Value)	NA	NA	NA
IRR in 10 years, 0.08 cap rate			NA

Operating Costs and Revenues

	Notes
Hourly Rate	\$0
Hours per Day	18
Daily Space Hrs	4,140
Daily Revenue	\$0
Annual Revenue	\$0
Vacancy Rate	40%
Operations	10%
Rate Increase	3%
Cap Rate	8%
Capitalization Rate	8%

Capital Resources Summary

		% of Total Dev't Costs	
TIF	\$5,983,326	100%	<<based on bonding capacity in 2018
Total	\$5,983,326	100%	

Development Schedule

Year	Development	TIF Bonding Capacity	Cumulative TIF Bonding
2			
2		2	2
2			2
2	O	2 2	2
2			2
2	T		22
2			
2 2			

Year	Development	TIF Bonding Capacity	Cumulative TIF Bonding Capacity
2			
2			
2			2
2	O		2
2			2
2	T		2
2			
2 2			