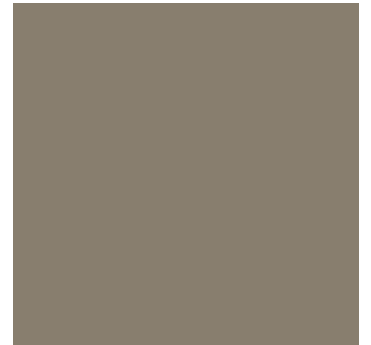




LOCKWOOD TARGETED ECONOMIC DEVELOPMENT DISTRICT

Comprehensive Development Plan



October 2016

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1. INTRODUCTION

Overview

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

The purpose of the Lockwood TEDD is to provide planned industrial space in order to attract and retain industrial and manufacturing businesses in Yellowstone County. In accordance with MCA 7-15-4279, the Lockwood TEDD will host a diversified tenant base of multiple, independent tenants. This Comprehensive Development Plan lays the framework to guide the development of the TEDD. The *Lockwood TEDD Strategic Plan* contains information regarding market analysis, targeted industries, development and implementation strategies.

Purpose

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

According to MCA 7-15-4279(3)(b), secondary value-adding industry means “a business that produces secondary value-added products or commodities or a business or organization that is engaged in technology based operations within Montana that, through the employment of knowledge or labor, adds value to a product, process, or export service resulting in the creation of new wealth.” These industries will be the primary targeted industries within the Lockwood TEDD.

The *Yellowstone County Industrial Park Feasibility Study*, completed in 2014, noted that demand for industrial space is strong and will continue to grow through 2030. It is expected to outpace supply, particularly for space associated with value-added commodities. The study also noted that realtors, developers and business owners interviewed for the study, felt that Yellowstone County had missed opportunities for business development because space with infrastructure in place was not readily available.

In response to the needs of the community and recommendations of the *Feasibility Study*, BSEDA has undertaken the task of identifying a site for planned industrial space that can accommodate the demand for industrial space. In an effort to develop a strategy for funding of needed infrastructure improvements, the area is designated as the Lockwood TEDD, with the intent to use tax increment financing as one option for such funding.

Lockwood Community

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

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

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

LOCKWOOD EMPLOYMENT BY INDUSTRY

Source: American Community Survey, 2014

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

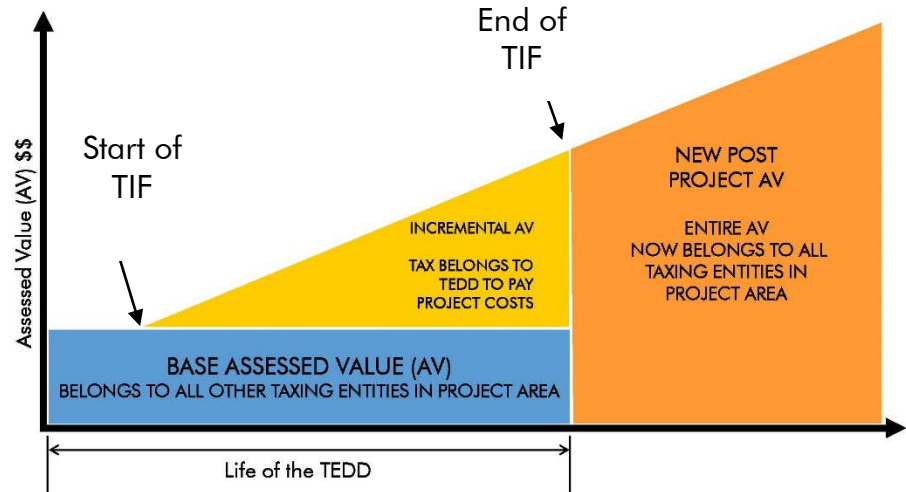
Tax Increment Financing

Yellowstone County intends to use tax increment financing within the Lockwood TEDD, which encompasses an area of approximately 570 acres. For the purposes of measuring any incremental value, the base year is 2016, with values as of, January 1, 2016.

Tax increment financing (TIF) is a public financing method that promotes economic development by allowing cities and counties to use new property tax revenues from investment in the TEDD to

invest in public infrastructure. In 2013, the Montana Legislature authorized the use of TIF within targeted economic development districts.

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



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

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

2. SITE ANALYSIS

Site Description

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

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

The Montana Department of Transportation is currently in the planning and design phase for the Billings Bypass project. This project will provide a 5-mile long, two lane limited access roadway connection across the Yellowstone River between Interstate 90 and Old Highway 312. There are several roadway improvements within Lockwood that are associated with this project. The Interstate 90 interchange at Johnson Lane will be reconstructed to accommodate the new bypass. Alternative alignments are still under consideration. Additionally, a new intersection with the bypass and

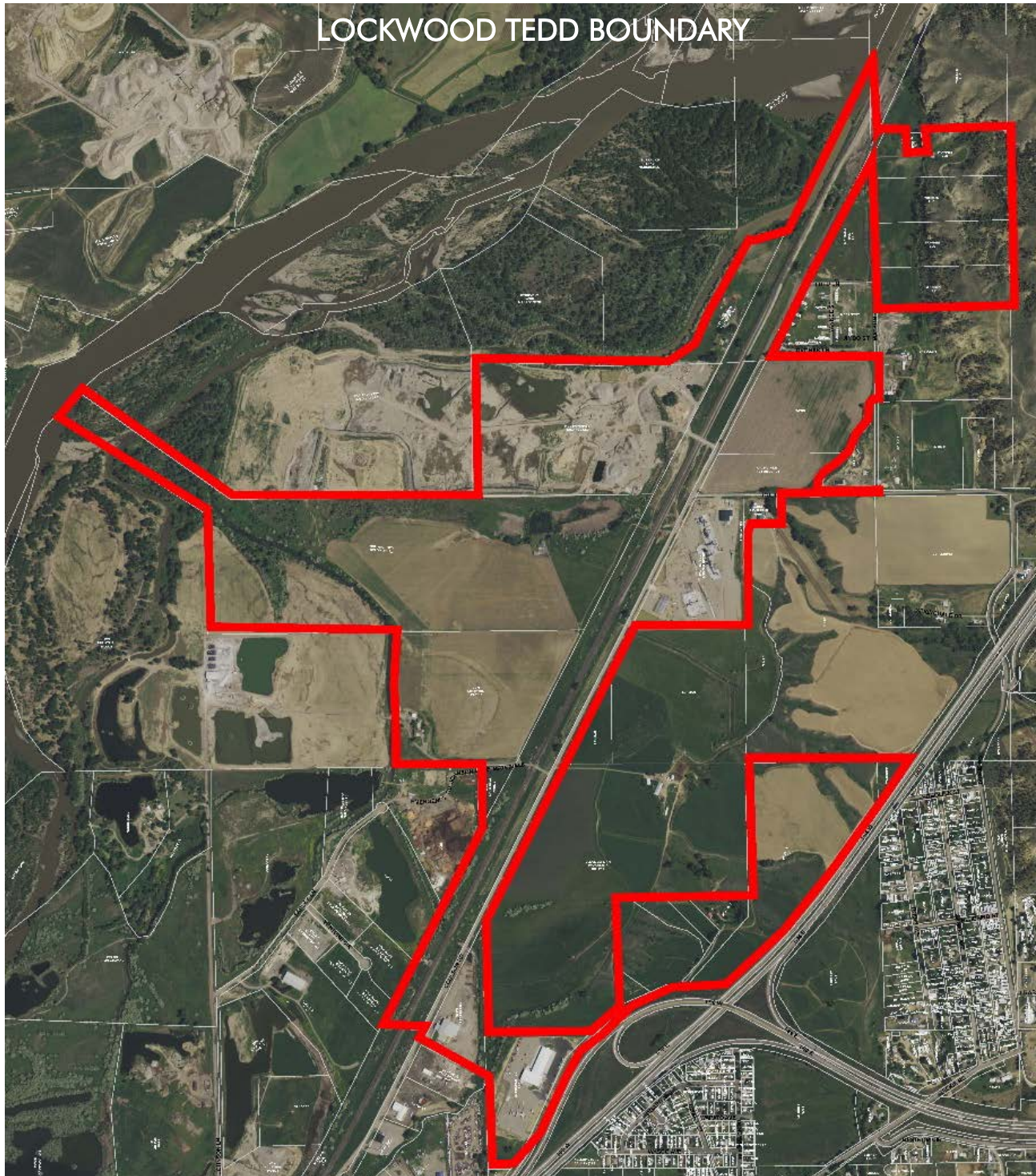


Figure 1: Lockwood TEDD Boundary

Coulson Road will be constructed, which will create direct access to the southern portion of the Lockwood TEDD. An additional access point to the bypass from the TEDD area will be considered as design of the bypass progresses.

Legal Description

The legal description of the Lockwood TEDD is as follows:

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

Beginning at the northeast corner of Tract 4A2, Certificate of Survey No. 1225; thence southerly along the east boundary line of Certificate of Survey No. 1225 to the southeast corner of Tract 3B, Certificate of Survey No. 1225; thence westerly to the centerline of the Watson Road right of way; thence northerly along the centerline of the Watson Road right of way to a point which is the intersection of the Watson Road right of way and the east boundary line of Tract 3A, Certificate of Survey No. 2807; thence southwesterly along the east boundary line of Tract 3A to the northwest corner of Tract 1, Certificate of Survey No. 3540; thence easterly along the north boundary line of Tract 1 to the northeast corner of Tract 1; thence southerly, westerly and southwesterly along the east boundary lines of Certificate of Survey No. 3540 to the southeast corner of Tract 2, Certificate of Survey No. 3540; thence easterly along the south boundary line of Tract 1, Certificate of Survey No. 3092 to the southeast corner of Tract 1; thence southerly to the northeast corner of Certificate of Survey No. 632; thence westerly along the north boundary line of Certificate of Survey No. 632 to the northwest corner of Certificate of Survey No. 632; thence southerly along the east boundary line of Tract 1, Certificate of Survey No. 2009; thence westerly along the south boundary line of Tract 1 to the northeast corner of the Lockwood Irrigation District Parcel lying west of ditch between Certificate of Survey No. 632 and Certificate of Survey No. 2009; thence southwesterly to the intersection of Lockwood Irrigation District Parcel and Tract 2, Certificate of Survey No. 2009; thence westerly along the south boundary line of Tract 2 to the southwest corner of Tract 2; thence westerly to a point which is the intersection of the south boundary line of Tract 2 and the centerline of the Coulson Road right of way; thence southeasterly along the centerline of the Coulson Road right of way to a point which is the intersection of the Coulson Road right of way and the east boundary line of Lot 1, Block 1, Great Plains Subdivision; thence southerly to the northwest corner of Tract 1, Certificate of Survey No. 3376; thence northeasterly to the southwest corner of Lot 5, Seiffert Industrial Subdivision; thence northerly along the west boundary line of Seiffert Industrial Subdivision to the northwest corner of Lot 4, Seiffert Industrial Subdivision; thence easterly along the north boundary line of Seiffert Industrial Subdivision to the northeast corner of Lot 1, Seiffert Industrial Subdivision; thence northerly to the northwest corner of Tract 1, Certificate of Survey No. 1734; thence easterly to the northeast corner of Tract 1, Certificate of Survey No. 1734; thence southwesterly to the southeast corner of Tract 1, Certificate of Survey No. 1734; thence westerly to the southwest corner of Tract 1, Certificate of Survey No. 1734; thence westerly to a point which is the intersection of the south line of Tract 1, Certificate of Survey No. 1734 and the centerline of the North Frontage Road right of way; thence southwesterly along the centerline of the North Frontage Road right of way to a point which is the intersection of the North Frontage Road right of way and the south boundary line of Tract 1, Certificate of Survey No. 3376; thence westerly to the southwest

corner of Tract 1; thence northerly along the west boundary line of Tract 1 to the southeast corner of Lot 1, Block 1, Great Plains Subdivision; thence northwesterly to the southwest corner of Lot 1; thence northeasterly to a point which is the intersection of the west boundary line of Lot 1 and the south boundary line of Section 18; thence westerly along south boundary line of Section 18 to a point which is the intersection of the south boundary line of Section 18 and the east boundary line of Lot 2C, Johnson Lane Materials Subdivision; thence northeasterly to the southeast corner of Lot 5, Johnson Lane Materials Subdivision; thence northerly to the northeast corner of Lot 5; thence westerly to the southwest corner of Lot 1, Block 1, Weaver Flats Subdivision; thence north to the northwest corner of Lot 1; thence westerly to the southwest corner of Tract 2, Certificate of Survey No. 3477; thence northerly to the northeast corner of Lot 2, Block 1, Weaver Flats Subdivision; thence northeasterly to the northwest corner of Lot 2; thence northwesterly to the northwest corner of Lot 2; thence northeasterly to the northeast corner of Tract 1, Certificate of Survey No. 3477; thence southeasterly to the southwest corner of Tract 1; thence easterly to the southeast corner of Tract 1; thence northerly to the southwest corner of Government Lot 9; thence easterly to the southwest corner of Tract 1B, Certificate of Survey No. 2807; thence northeasterly to the northwest corner of Tract 1B; thence northeasterly to the northeast corner of Tract 1B; thence northeasterly along the east boundary line of Tract 1A, Certificate of Survey No. 2807 to the southwest corner of the tract of land described as survey overlap of Certificate of Survey No. 1225 and Certificate of Survey No. 2868; thence southerly to a point which is the intersection of the west line of the tract of land described as survey overlap of Certificate of Survey No. 1225 and the west right of way line of the Montana Rail Link right of way; thence northeasterly to the southwest corner of Tract 5, Certificate of Survey No. 1225; thence easterly to the northwest corner of Tract 4A1, Certificate of Survey No. 1225; thence southerly to the southwest corner of Tract 4A1; thence easterly to the southeast corner of Tract 4A1; thence northerly to the northeast corner of Tract 4A1; thence easterly to the Point of Beginning; parcels containing 570.83 acres, more or less, subject to any existing easements and/or rights of way, whether of record or apparent on the ground.

Parcels

Land owners and property descriptions are listed below.

Owner Last Name	Legal Description	Geocode	Tax ID	Property Address	Mailing Address	City State ZIP	Zoning
BKPN Properties LLC	GREAT PLAINS SUBD, S19, T01 N, R27 E, BK 1, Lot 1	03103419101160000	C11082	1655 Coulson Rd	1655 Coulson Rd	Billings, MT 59101	Heavy Industrial
G2 Properties LLC	S20, T01 N, R27 E, C.O.S. 3376, PARCEL 1	03103420211040000	D06449	3255 N Frontage Rd	455 Highway 195, Suite A	Georgetown, TX 78633	Controlled Industrial
JDW Industrial Park 2 LLC	S17, T01 N, R27 E, C.O.S. 2009, PARCEL 1	03103417101200000	D06407	2150 Coulson Rd E	PO Box 22745	Billings, MT 59104	Heavy Industrial
JDW Industrial Park 2 LLC	WEAVER FLATS SUB (14), S17, T01 N, R27 E, BK 1, Lot 1	03103417201010000	D06415	3306 Coulson Rd	PO Box 22745	Billings, MT 59104	Heavy Industrial

JDW Industrial Park 2 LLC	S17, T01 N, R27 E, FRACTION NWSW LYING N & W OF RR	03103417360010000	D06415A	Coulson Rd	PO Box 22745	Billings, MT 59104	Heavy Industrial
Lockwood Irrigation District	S17, T01 N, R27 E, PORTION OF SWNWNWNE LYING WEST OF DITCH BETWEEN COS 632 2ND	03103417201100000	D13115	Coulson Rd	PO Box 3292	Billings, MT 59103	Heavy Industrial
MCL Properties LLC	S08, T01 N, R27 E, S2SW WEST OF RAILROAD	03103408301010000	D06329	3530 Coulson Rd	6513 Trade Center Ave	Billings, MT 59101	Heavy Industrial
MCL Properties LLC	S08, T01 N, R27 E, C.O.S. 2807, PARCEL 1B	03103408101010000	D06331	3553 Coulson Rd	6513 Trade Center Ave	Billings, MT 59101	Heavy Industrial
MCL Properties LLC	S18, T01 N, R27 E, C.O.S. 3477, PARCEL 2	03103418101010000	D06416	Coulson Rd	6513 Trade Center Ave	Billings, MT 59101	Heavy Industrial
Montana Rail Link	S19, T01 N, R27 E	03103419350010000	D13145J	Coulson Rd	PO Box 16624	Missoula, MT 59808	Rail ROW
Pacific Hide And Fur Depot	S08, T01 N, R27 E, C.O.S. 3540, PARCEL 2	03103408320010000	D06329B	Coulson Rd	PO Box 1549	Great Falls, MT 59403	Heavy Industrial
Pacific Hide And Fur Depot	S17, T01 N, R27 E, C.O.S. 2009, PARCEL 2	03103417201040000	D06408	3385 Coulson Rd	PO Box 1549	Great Falls, MT 59403	Heavy Industrial
Seiffert Trust	S17, T01 N, R27 E, C.O.S. 1734, PARCEL 1, AMND	03103417418150000	D06413	N Frontage Rd	PO Box 31181	Billings, MT 59107	Controlled Industrial
Terry L. Seiffert	S17, T01 N, R27 E, C.O.S. 1734, PARCEL 2, AMND	03103417301100000	D06414	3333 N Frontage Rd	PO Box 31181	Billings, MT 59107	Controlled Industrial
Roger and Peggy Webb	S08, T01 N, R27 E, C.O.S. 3540, PARCEL 1	03103408401010000	D06329A	Coulson Rd	1132 Ginger Way	Billings, MT 59105	Heavy Industrial
Town And Country Supply Association	S08, T01 N, R27 E, C.O.S. 1225, PARCEL 3A	03103408403110000	D06336	Watson Rd	PO Box 367	Laurel, MT 59044	Heavy Industrial
Town And Country Supply Association	S08, T01 N, R27 E, 1225, PARCEL 3B	03103408403090000	D06337	Watson Rd	PO Box 367	Laurel, MT 59044	Heavy Industrial
Town And Country Supply Association	S08, T01 N, R27 E, C.O.S. 1225, PARCEL 4A2, AMD TR 4A	03103408403170000	D06338	Watson Rd	PO Box 367	Laurel, MT 59044	Heavy Industrial

Town And Country Supply Association	S08, T01 N, R27 E, C.O.S. 1225, PARCEL 4B, AMND	03103408403140000	D06339	Watson Rd	PO Box 367	Laurel, MT 59044	Heavy Industrial
Michael Stanhope	PINE HILL SUB, S17, T01N, R27 E, BLOCK 1, LOTS 12-15	03-1034-17-4-18-01-0000	C04920	Bobolink Rd	PO Box 819	Choteau, MT 59422	Agricultural

Compliance with Growth Policy

As required by 7-15-4279 MCA, the TEDD must be zoned in accordance with the area growth policy. The Lockwood Growth Policy was adopted by the Yellowstone County Commission on May 17, 2016. In creating the growth policy, the Lockwood community contemplated the development of the Lockwood TEDD. Of the 11 growth guidelines identified in the document, one specifically addresses the TEDD:

A Targeted Economic Development District (TEDD) may be used to foster secondary, value adding economic development. Properties within the general area of the TEDD may be initially zoned as agriculture with the intent to rezone to an industrial zoning district when and if the TEDD is implemented.

--Lockwood Growth Policy, 2016

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

Additionally, the 2016 Billings and Yellowstone County Growth Policy has several policy statements and growth guidelines that relate to creating economic development. These include:

- A diversity of available jobs can ensure a strong Billings' economy
 - Successful businesses that provide local jobs benefit the community
 - Community investments that attract and retain a strong, skilled and diverse workforce also attracts businesses
 - Retaining and supporting existing businesses helps sustain a healthy economy
 - Strategically placed industrial parks will encourage a more diverse city economy, and will better help manage effluent and emission from industrial processes
- City of Billings/Yellowstone County Growth Policy, 2016*

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

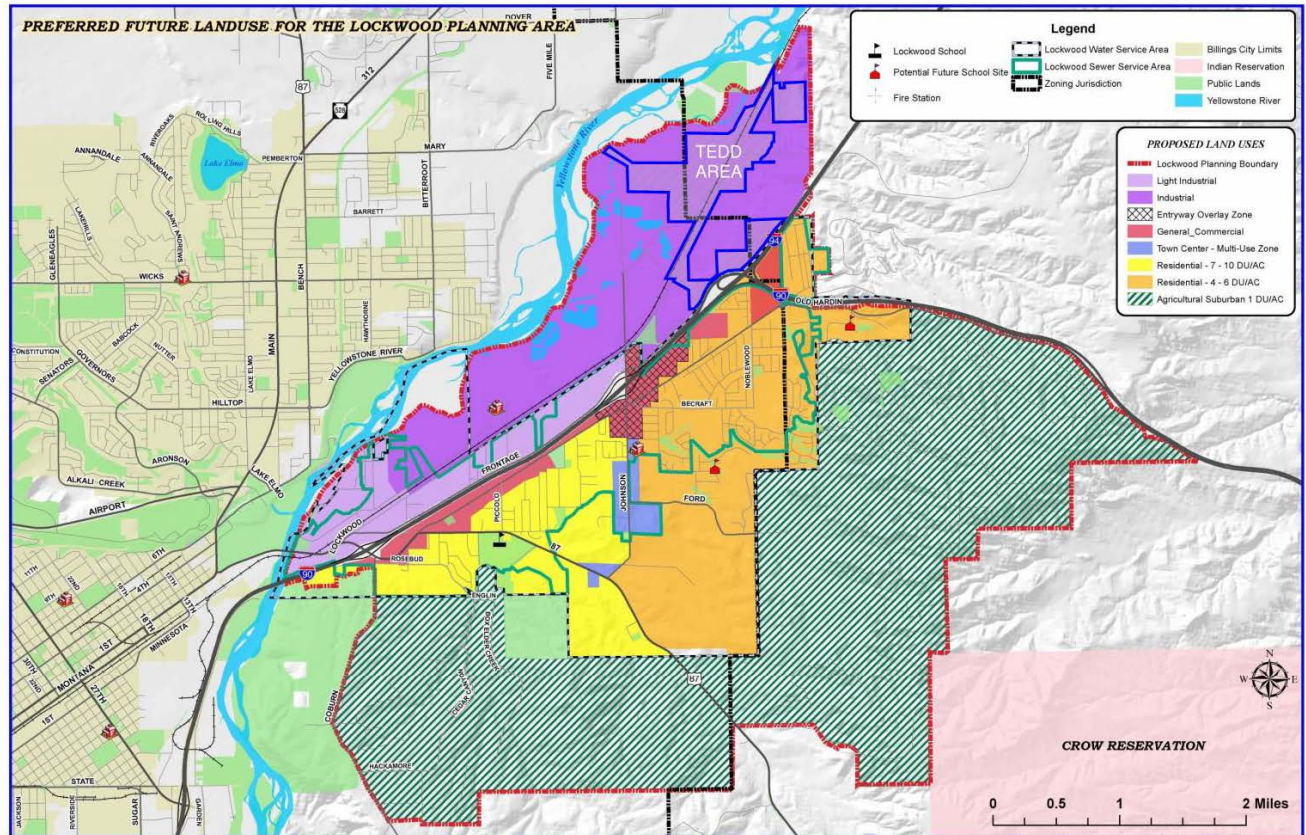


Figure 2: Lockwood Growth Policy Future Land Use Map

Compliance with Zoning

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

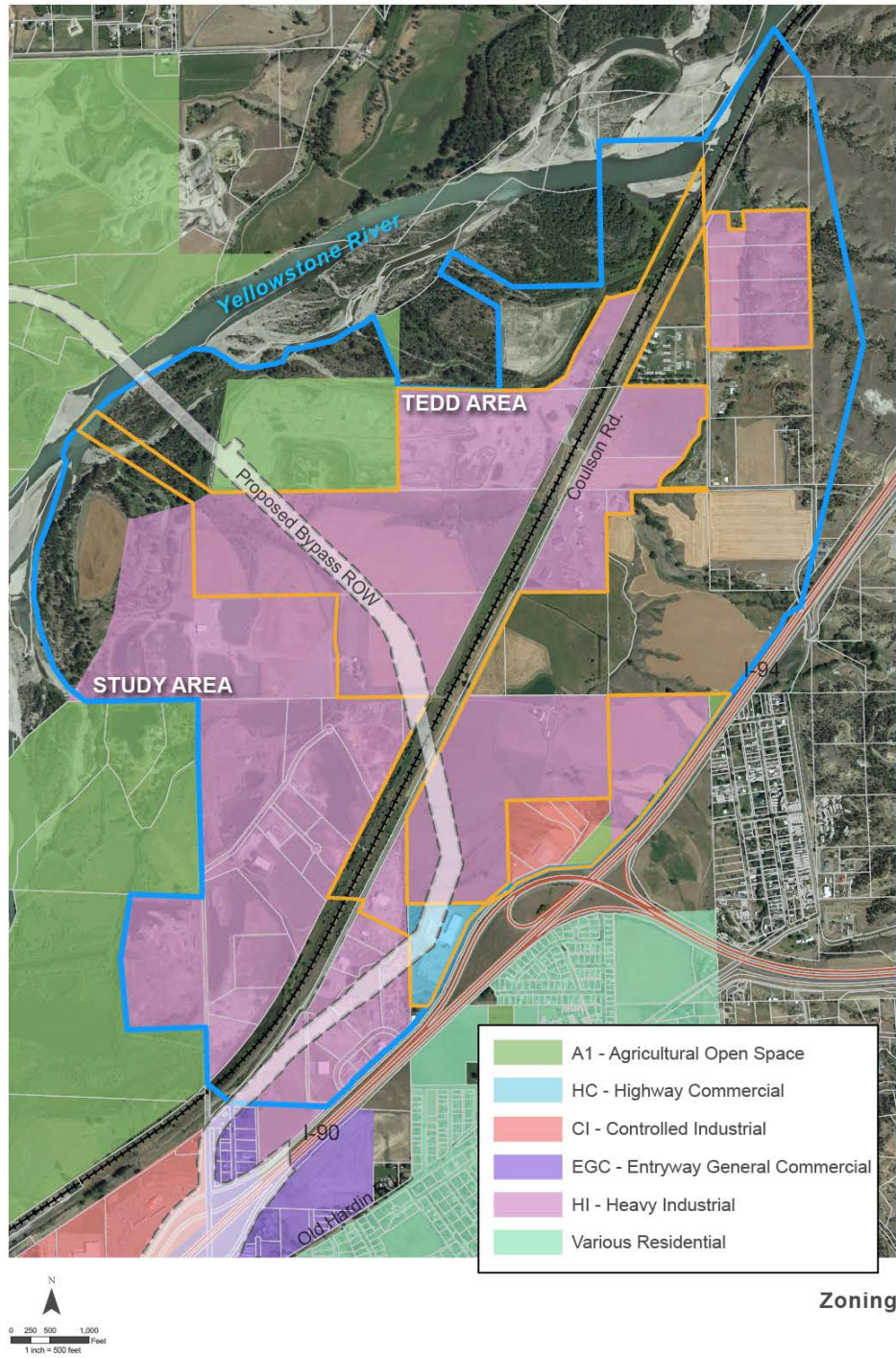


Figure 3: Area Zoning

3. GOALS OF THE LOCKWOOD TEDD

The goals of Yellowstone County in creating the Lockwood TEDD are as follows:

- Support the expansion of existing industry, and the recruitment of new industry, within Yellowstone County by facilitating the provision and development of planned, ready-to-go industrial space.
- Provide a locally-driven funding tool that can be used to partner with private industry and developers to fund the construction and maintenance of key infrastructure investments that are needed to foster the growth of value-added industry.
- Foster economic and employment opportunities within Yellowstone County and the Lockwood community through the development of secondary value-adding industries.
- Create a planned industrial area in Lockwood that attracts industry and leads to additional private investment in the Lockwood area.
- Implement a development plan centered around the growth of industrial businesses, while supporting non-motorized transportation facilities with the Billings Bypass.

4. INFRASTRUCTURE ANALYSIS

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

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

April 21, 2015, the Yellowstone County Board of County Commissioners adopted the Resolution of Necessity declaring an infrastructure deficient area known as the Lockwood Concept Area. The following infrastructure deficient conditions in the Lockwood Concept Study Area were identified:

- **Water System:** a public water system is not available in the area, and will require expansion of the Lockwood Water and Sewer District, main extensions, and increased filtering capacity.

The Lockwood Water and Sewer District serves the community of Lockwood. However, the service area does not include the Lockwood TEDD area. The closest water service line is located at the intersection of Johnson Lane and the North Frontage Road. New service lines, modifications to the treatment facility and potentially new water rights as demand increases will be necessary to service the Lockwood TEDD area. Preliminary estimates indicate that water service to the Lockwood TEDD, not include treatment facility upgrades or water rights acquisition, will likely be over \$4,000,000.

- **Sewer System:** a public sewer system is not available in the area. Main extensions, upgrades of existing a lift station and expansion of the Lockwood Water and Sewer District may be required. Renegotiation of the agreement with the City of Billings for additional treatment capacity would be required in conjunction with District expansion.

The Lockwood Water and Sewer District transmits wastewater from Lockwood to the City of Billings’ treatment plant. This agreement between the District and the City limits the amount that can be transmitted to the plant. Expansion of the District to include the Lockwood TEDD area would require installation of new service lines, upgrades to an existing lift station at Johnson Lane and potentially an additional lift station within the TEDD area. Preliminary cost estimates for the sewer main extensions and lift station improvements will likely be over \$5,000,000.

- **Transportation:** both on- and off-site transportation upgrades, including rights-of-way, will be required for traffic circulation, safety and access. Rail trans-loading facilities and multi-modal opportunities are not available.

Roads to and within the TEDD area will require improvement to the minimum standards for a Commercial Collector road, as specified by Yellowstone County Subdivision Regulations. Specifically, Coulson Road will initially provide primary access to the TEDD area and will need to be improved to a County standard road. Road improvements to service the TEDD area will like be over \$4,000,000.

Montana Department of Transportation (MDT) is currently working on design plans for the Billings Bypass, a project that will connect Interstate 90 at Johnson Lane with Highway 312, north of Billings. The proposed bypass will cross the Yellowstone River adjacent to the Lockwood TEDD. The final design will have to consider access points to serve the area and the future industrial development. Such access points will need to be funded in conjunction with MDT.

Non-motorized transportation has been identified as a key issue in Lockwood. There are no sidewalks or multi-use trails within the Lockwood TEDD area. Providing multi-modal access in conjunction with the Billings Bypass – particularly with the bridge over the Yellowstone – has been identified as an important element in the development of a plan for the Lockwood TEDD.

- **Utilities:** electric and gas service for ordinary industrial users is available with right-of-way and line expansions. Heavy load industrial users would require supply, transmission line and substation expansions and redundancy.

Electric power is provided by Yellowstone Valley Electric Company. As noted in the Statement of Infrastructure Deficiency, service for future industrial users would require substantial upgrades to the transmission lines within the Lockwood TEDD area. Industrial

users typically have high electrical demands. Additional transmission lines to create redundancy and possibly a new substation would be required to adequately serve the area with new industrial users. Costs for additional transmission lines, not including a new substation are approximately \$400,000.

Natural gas is available in the vicinity. However, main lines would need to be extended to serve the Lockwood TEDD area.

- **Broadband Connectivity:** the area has limited access to broadband service and upgrades would probably require a new line from downtown Billings. Critical information infrastructure would have to incorporate redundancy to assure reliable service.

Broadband service would need to be extended from Johnson Lane to serve the Lockwood TEDD area.

- **General improvements:** additional infrastructure and public service deficiencies will be identified over time. As the TEDD area is developed, improvements and provisions for lighting, storm water drainage systems, and emergency services will need to be addressed.

5. TARGETED ECONOMIC DEVELOPMENT ACTIVITIES

Targeted Industries

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

"secondary value-added products or commodities" means products or commodities that are manufactured, processed, produced, or created by changing the form of raw materials or intermediate products into more valuable products or commodities that are capable of being sold or traded in interstate commerce.

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

"secondary value-adding industry" means a business that produces secondary value-added products or commodities or a business or organization that is engaged in technology-based operations within Montana that, through the employment of knowledge or labor, adds value to a product, process, or export service resulting in the creation of new wealth.

Targeted Industry Study completed in 2011 identified the industries that should be prioritized for recruitment and retention in the Yellowstone County region. The following industry sectors

identified in that study that are produce secondary value-added products or are a value-adding industry, and therefore appropriate for the Lockwood TEDD are as follows:

Upstream and Midstream Oil and Gas	oil and gas exploration and production field services pipeline companies refineries petroleum marketing companies
Health Care Services and Supply Chain	laboratories medical supply wholesaling and distribution medical equipment manufacturing
Manufacturing	value added food products machinery and equipment chemicals, and guns
Warehousing and Distribution	distribution hubs to serve the region shipping and logistics companies distribution and warehousing

Capital Improvements Plan

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

Recruitment

Once the Lockwood TEDD is established, efforts to recruit secondary, value-adding industries will be necessary. A recruitment work plan will be developed in partnership with Yellowstone County, Big Sky Economic Development, business and property owners, developers and industry representatives. These key partners will work to implement the goals of this plan by identifying opportunities to expand local businesses and to assist with new business formation. BSED has a number of small business assistance programs available throughout the County. Meeting with industry representatives and commercial real estate brokers on a regular basis to understand current prospects and to represent the opportunities within the Lockwood TEDD should also be developed.

Financing

The infrastructure improvements needed to support the recruitment and expansion of value-adding industries in the Lockwood TEDD will require a variety of available financing mechanisms.

Construction of public infrastructure may be financed using proceeds from tax increment financing, private developer payments, and/or grant and loan programs.

Tax Increment Financing

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

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

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

- Annual Tax Increment Appropriations – Smaller projects may be financed by annual tax increment receipts by appropriation. Funds would be determined each year based on the amount of the annual increment minus prior commitments, including debt service administrative costs.
- Revolving Loan Funds – The Montana statutes allow for loan programs that use TIF funds. Such funds may be loaned for the construction of private infrastructure or other activities in support of the goals of the TIF district. As principal and interest payments are made, the funds may be loaned again.
- Conventional Financing – Yellowstone County may borrow funds from commercial lending institutions in order to finance public infrastructure improvements. Annual tax increment revenues will pay principal and interest on the loan. A conventional loan agreement will not, however, extend the authorized 15-year time period for a TEDD.
- Developer Reimbursement Agreements – Because the initial investment for the improvements and extensions of public improvements will likely be funded by private entities, Yellowstone County could enter into reimbursement agreements with private

entities for eligible expenses. Such expenses would include public utility and road improvements that serve the TEDD District to support value adding industries.

Federal and State Grants

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

Potential sources include the following:

- Treasure State Endowment Program (TSEP) is a state funded program to assist local governments finance capital improvements to sewer and water facilities. Grants can be requested up to \$500,000 and a match from the local government is usually required. The match may be in the form of another grant.
- The Montana Intercap Program (INTERCAP) is a loan program to assist with costs associated with infrastructure, and the acquisition and installation of equipment or personal and real property.
- Community Development Block Grant (CDBG) is a federally funded program to that provided assistance to communities for things such as public facilities, economic development and planning grants.
- Transportation Alternatives Program (TA Program) is a federal program to assist local government develop transportation alternatives, including on- and off-road pedestrian and bicycle facilities, infrastructure projects that improves access to public transportations, recreational trail improvements, and safe routes to school projects.
- The Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant program is a federal program that funds the building and repairing of critical pieces of road, rail, transit and port facilities.

Unused Tax Increment

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

6. PROGRAM ADMINISTRATION

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

Each annual work plan will include the following elements:

- Anticipated increment revenue
- Financing strategies anticipated, including:
 - Tax increment
 - Debt financing
 - Additional funding sources
- Project priorities and associated costs
- Administrative budget, including staff and consulting services
- The Yellowstone County Board of Commissioners will review the work plan and determine whether any changes are necessary before setting the budget. Once the budget is set, the TEDD Advisory Board, in conjunction with the County, will be responsible for:
- Developing financing strategies
- Working with the County, property owners, and developers to identify public infrastructure projects for the future
- Reviewing proposed infrastructure development projects for the future
- Following all local government procurement rules with respect to:
 - Preparing bid and proposal requests
 - Reviewing proposals from engineers, contractors, and other vendors
 - Making recommendations to the BOCC regarding contractor selection
- Monitoring projects
- Conducting market analysis, engineering studies, and project feasibility analyses

TEDD Program Criteria

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

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

7. PLAN AMENDMENTS

While this plan provides flexibility to accommodate different approaches and variances in development, changes may be necessary. Amendments to this plan, including changes to the District boundary, may be made by resolution by the Yellowstone County Board of County Commissioners.