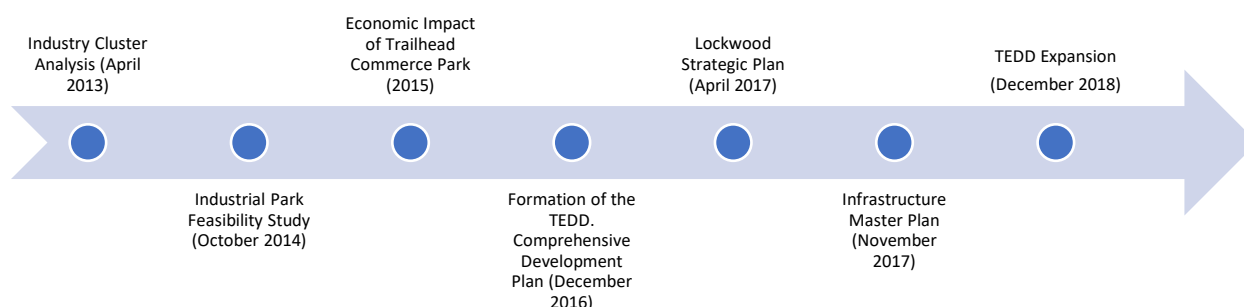


LOCKWOOD TARGETED ECONOMIC DEVELOPMENT DISTRICT

KEY BACKGROUND DOCUMENTS



TIMELINE:

- 2013 Industry Cluster Analysis – to assess regional economic conditions, analyze which industries should be targeted for recruitment to the area, and develop a marketing plan for Yellowstone County.
- 2014 Industrial Park Feasibility Study – to determine the feasibility of an industrial park in Yellowstone County, analyze its potential impact, study possible locations, and suggest types of industries for recruitment.
- 2015 Economic Impact of Trailhead Commerce Park – a study conducted by the University of Montana’s Bureau of Business and Economic Research into the possible economic impact of the Trailhead Commerce Park, a proposed industrial park that was to be located in what is now a portion of the Lockwood TEDD.
- 2016 Comprehensive Development Plan – the formation document of the Lockwood TEDD. The Yellowstone County Board of County Commissioners adopted this document and established the Lockwood TEDD through Resolution 16-140, passed December 27, 2016. This established a base year of 2016 and incorporated about 570 acres of land into the TEDD.
- 2017 Lockwood Strategic Plan (April) – to provide a path for further developing a competitive advantage for the Lockwood TEDD and Yellowstone County over other locations for business and professional employment. City/County Planning was represented on Steering Committee.
- Infrastructure Master Plan (November) – to document the infrastructure needs of the Lockwood TEDD and address those needs while optimizing the potential of the area for development. City/County Planning was represented on Steering Committee.
- 2018 TEDD Expansion – The Comprehensive Development Plan was amended and approximately 630 acres of additional land was added to the Targeted Economic Development District based on the request of property owners
- 2019 Short-Term Strategic Plan – KJ Engineering was retained to analyze priority infrastructure needs in the Lockwood TEDD and provide preliminary costs estimates.

Our Common Purpose: Development of Ready-To-Go Industrial Space Lockwood Targeted Economic Development District

Location, Location, Location:

Our common purpose is to develop planned, ready-to-go industrial space in Yellowstone County. The Billings area has long been the commercial center of Montana and the region by virtue of its strong and diverse economy, its talented and determined workforce, and its strategic location midway between Minneapolis, Denver, Seattle, and Calgary. Despite this heritage, Billings lacks a dedicated, segregated, and designed area to accommodate the development of heavy industry. In recent years, Billings has lost opportunities to site this type of industrial user due to this deficit. Since 2013, Big Sky Economic Development (BSED), Yellowstone County, and City/County Planning has been working to meet this critical need. That effort has focused on an undeveloped area of Lockwood since it was identified as the best location in the Industrial Park Feasibility Study in 2014. This location was chosen because it has several characteristics crucial to the type of industrial development we envision:

- 1) Access to the railroad.
- 2) Convenient access to the interstate system.
- 3) Room to accommodate growth of operations.
- 4) A geography that contains and buffers these industrial uses.
- 5) Landowners willing to devote their property to these uses.

Building the Foundation:

A Targeted Economic Development District (TEDD) was formed in 2016 and expanded in 2018 to allow the use of Tax Increment Financing (TIF) to address infrastructural deficiencies in the area. Throughout this effort, BSED has partnered with Yellowstone County, the service districts of Lockwood, the Lockwood community, and the City of Billings.

The Lockwood TEDD industrial development has the potential to be a transformative addition to our region's economic arsenal. It promises substantial economic impact – adding thousands of new, quality careers; thousands of new residents/homebuyers/customers; and income growth measuring in the hundreds of millions.¹

The solutions we need to find in order to properly complete this development include:

- 1) Construction of an adequate road network within the TEDD to connect the businesses to the Bypass and the Interstate.
- 2) Construction of rail sidings and/or spurs for those businesses needing rail freight service.
- 3) Mitigation of floodplain issues, particularly on the east side along the Yellowstone River.
- 4) Water infrastructure and capacity.
- 5) Wastewater infrastructure and treatment.
- 6) Marketing and recruitment of industrial businesses, particularly a catalyst project to help spur the overall development.

Our Lockwood/Billings Partnership:

Our discussions with the City have focused on extending the sewer district boundary under the current Wastewater Service Agreement between Lockwood Water and Sewer District (LWSD) and the City of Billings so we can proceed with the planning and development of needed infrastructure.

Lockwood Water and Sewer District (LWSD) has partnered with the City of Billings since 2008. Under the Wastewater Service Agreement, LWSD is responsible for the construction, operation, and maintenance of the infrastructure needed to collect wastewater within the sewer district and transport it to the City of Billings Wastewater Treatment facility. The City of Billings accepts the delivered wastewater and treats it so it can be returned to the Yellowstone River. Under the agreement, the City of Billings accepts no responsibility for the collection and transportation infrastructure. For this service, LWSD pays the City of Billings:

- 1) a usage fee based on the volume of Lockwood wastewater treated at the City's facility,
- 2) a 6% surcharge on top of this usage fee,
- 3) system development fees per new connection, and
- 4) a reserve capacity fee to maintain additional capacity at the treatment plant for future needs of the Lockwood area. (LWSD usage is currently at less than 10% of the reserve capacity it has been paying for under the agreement.)

The Lockwood TEDD area is located just outside the current boundary of the LWSD sewer service area. The Wastewater Service Agreement allows LWSD to expand the boundary of the service area with the City's permission. Lockwood Water and Sewer District is now asking for the City's agreement to expand the boundary of the sewer service area to include the TEDD study area. The necessity of this boundary expansion has been known since the onset of this project. Big Sky Economic Development, working on behalf of Yellowstone County in the development of the Lockwood TEDD, brought this matter before City Council in January 2015 and has been in communication with City Administration, Public Works, and Planning since that time.

It is understood that City rules say that properties seeking City services should be required to annex or provide "Waivers of the right to protest future annexation." It is also understood that exceptions can and have been made when circumstances warrant. Two excellent examples of partnership between the City and industrial property outside of City limits are the ExxonMobil and Phillips 66 refineries.

Granted, the argument "that's the way you've done it in the past" is not sufficient to guide decisions in the present. Each solution should be chosen on its own merits. We believe the current situation is best handled with an exception to this City rule. LWSD, in its effort to service the Lockwood TEDD area, is seeking to expand its use of a City resource – the treatment of additional wastewater by the City wastewater facility, but still well below the reserve capacity it has been paying for since the inception of the Agreementⁱⁱ. The Lockwood TEDD is not seeking full municipal services from Billings. Those other services – law enforcement, fire protection, public works – are currently handled by service districts or the County. Based on the unique characteristics of the area and the concerns noted above, we feel that, logistically, this is the best way to service the TEDD area in the future.

The Wastewater Service Agreement between Lockwood Water and Sewer District (LWSD) and the City of Billings has been beneficial to both parties and has created a strong partnership between Lockwood and Billings. The LWSD, Lockwood TEDD Advisory Board, Yellowstone County, Big Sky Economic Development, and area property owners hope that this Council will encourage this partnership to grow and prosper by allowing LWSD to expand their sewer district to serve the TEDD area.

ⁱ In 2015, the University of Montana’s Bureau of Business and Economic Research conducted an impact analysis of Trailhead Commerce Park, a proposed industrial development in a portion of the area that has since become the Lockwood TEDD. That analysis estimated that such a development would create the following net increases after fifteen years:

- Total employment 3,655
- Annual Personal Income \$255.7 Million
- Annual Economic Output \$862 Million
- Population Increase 4,352

The potential benefits of the Lockwood TEDD are significant and will reach well beyond the community of Lockwood to Billings, Yellowstone County, and the entire region.

ⁱⁱ LWSD is only using a small fraction of the reserve capacity it has been paying for since the inception of the agreement. The addition of the Lockwood TEDD industrial area, based on projected usage as outlined in the Infrastructure Master Plan, would still leave substantial reserves.

- Reserve Capacity Limit under the Agreement 2.19 MGD
- Current Lockwood Wastewater Flow (2018) .21 MGD (10% of reserve capacity)
- Add’l Projected Wastewater Flow of TEDD .20 MGD (9% of reserve capacity)