

# I. EXECUTIVE SUMMARY

In February of 2014, Missoula County requested proposals from consultants for the inventorying the County's industrial lands and evaluating the adequacy of those lands for future industrial development needs. Professional Consultants, Inc. (PCI), was chosen to undertake this Study, and at the end of April, 2014, entered a contract with the County to do so.

PCI was fortunate to team up with Dr. Larry Swanson, of the O'Connor Center for the Rocky Mountain West, to assess how well Missoula County's industrial land base can meet anticipated demand for the next two decades. We followed two parallel efforts to lay the groundwork for our analysis. While Dr. Swanson analyzed employment trends, demographics and social economics, PCI gathered data from existing public and private utilities, City and County public works departments, Montana Department of Transportation and Montana Rail Link to provide baseline infrastructure information.

Over the months of research and data gathering, PCI and Dr. Swanson met with the County departments and stakeholders (BREDD and MEP) to present progress findings and analysis to date in the process. As the data was being collected, we created a series of matrices that analyzed general readiness of the sites to accommodate the anticipated range of demand for those sites.

Dr. Swanson's research covered the following topics:

- A. Area population trends, components of growth and change, area population aging over time and projected future shifts in the age composition of the area population, relating these trends to change occurring in peer cities and counties in the western U.S. similar in population size to Missoula County.
- B. Labor force growth and trends, pre- and post-recession, and recent and projected patterns in labor force growth and jobs growth by industry and occupation in Missoula County.
- C. Area economic growth and restructuring including shifts in the area economy measured by sector-level growth and change in employment and labor earnings; pre- and post-recession, creating context for understanding area trends by comparing these to economic trends among western peers.
- D. Trends in the changing structure and industrial make-up of the Missoula area economy, focusing upon sectors most tied to industrial lands in the county, relating and comparing key trends and features of the Missoula County economy to those of peer areas in the larger region and western U.S.

- E. Expectations and projections regarding future growth in the area economy and its key sectors including those that may require industrial lands as location sites.
- F. Peer areas in the state and region experiencing higher levels of manufacturing and other industrial development than Missoula County and their recent manufacturing and industrial trends.
- G. Review of recent and past “target industry” studies for Missoula County and the goals and strategies they imply and their implications for industrial lands adequacy and planning in the county.

That research led to some basic findings about Missoula County’s economy:

**Changing economy – changing “drivers” of growth** It is important to note that the drivers of growth in the Missoula economy are no longer the “basic industries” of the past, such as wood and paper products and other areas of manufacturing. If these industries still drove growth like some economists purport, then their massive declines over the last 30 and more years would have led to a much smaller area economy than now. In the ‘80s under a much simpler economy, manufacturing losses in Missoula County did directly translate into a depressed area economy overall. However, this hasn’t largely been the case since then as other areas in the economy have grown into greater prominence.

**Growing segments of the Missoula economy** The Missoula area economy has now become one largely centered around three major segments – health care services and all other sub-sectors tied to health care provision; retail and wholesale trade and everything that this entails including leisure and hospitality services, and arts, entertainment, and recreation services; and, thirdly, professional, technical, and business services, which combines all professional and technical services, administrative services, financial and insurance services, and real estate services.

## MAPPING

While Dr. Swanson was conducting his research, PCI staff was working with Community and Planning Services (CAPS) to map the areas to be inventoried. We initially identified all the lands within Missoula City and County which were either zoned for industrial use, taxed as industrial by the Department of Revenue, or were designated through one of the Growth Policies as industrial lands. Thanks to the expertise of Nate Rogers, Senior GIS Specialist with CAPS, we were able to create a map that interfaced with a wealth of land use and ownership data from local and state sources. This digital, interactive map is described later in this report under *The Interactive Map*.

## BUILDING “BLOCKS” OF INDUSTRIAL LAND

In order to enable comparative readiness of industrial sites for development, one of the initial steps was to identify “blocks” of land that hold similar characteristics of land use as well as transportation and infrastructure access. Taking the lands that are designated through zoning or comprehensive plan as industrial and then breaking them into contiguous identifiable units enabled an evaluation of those units under each of the transportation and infrastructure systems. These “blocks” varied in size from a few acres to upwards of 40 acres.

While the goal of creating blocks was to simplify and to some extent generalize the findings, nevertheless, the mapping project enabled identification of zoning, ownership and other site characteristics down to the level of the individual parcel.

## EVALUATION

Each block was rated according to the strength of its access to transportation and infrastructure. A higher rating corresponded to a site where the infrastructure is already in place and functioning to the benefit of potential industrial uses. A lower rating corresponded to a site where there physical or economic limitations mean the infrastructure is not available to future industrial uses of that land.

The *Matrix Analysis* of this report analyzes the data relative to the strengths and weaknesses of each block for the anticipated array of industrial uses.

## INFRASTRUCTURE INVENTORY

There are certain items in the inventory that are more essential to certain types of industry. For instance, rail line access may be critical to an industry that depends on the delivery of bulk raw materials. On the other hand, advanced telecommunication links may prove to be the decisive aspect for some high tech industry. This means that the evaluation points for each of the inventoried types of infrastructure are weighted according to the demands of various industrial uses.

Here is how the evaluation was applied to each category of the inventory:

- A. Transportation Accessibility
  - 1. Roadways: The highest rating was given to blocks of sites that were readily accessible to Interstate 90 or Highway 93. The rating decreased with distance from those highways and with impediments such as creek or river crossings.

2. Railroads: The highest rating was given to blocks with immediate access to rail spurs. This rating decreased quickly for sites without such access, since the cost of extending railway lines will exceed the comparative cost of building roadways.
- B. Utility Infrastructure
1. Telecommunications: Blocks of sites with access to fiber optic lines and broadband communication were given the highest ratings. As the strength of those connections decreased, the rating likewise dropped.
  2. Electricity and natural gas: Sites with the strongest level of service received highest ratings.
  3. Water and sewer: Those blocks of sites with current municipal service received highest ratings. The next highest were locations where main extensions are feasible. Lower ratings applied to sites where municipal services were not available and on-site water and sewer would be difficult to obtain.
- C. Regulatory and Environmental Opportunities and Impediments
1. Zoning: Most of the inventoried sites have appropriate industrial zoning designations, but some are unzoned, or they have industrial zoning that poses unnecessary regulatory limitations.
  2. Floodplain: Some sites have limitations for construction, drainage design or wastewater treatment because they lie in or near a floodplain.
  3. Environmental: Some sites included unsuitable or unstable soils, or environmental contamination due to prior uses on the site. While our assessment did not perform environmental studies, we flagged those sites which were identified by others as having environmental limitations.

## MATRIX APPLYING AND ANALYZING THE FINDINGS

We believe that the data collected and applied through the matrices will enable the County and stakeholders to see where their applied efforts will have the greatest impact on improving the attractiveness of Missoula County's industrial land base to potential businesses.

## FROM "DECISION READY" TO "INDUSTRIAL RESERVE"

By analyzing the range of properties in the Matrix, it becomes clear that some properties would be classified as "Decision Ready" such as those in the Missoula Development Park and at the other extreme of the spectrum would be classified as "Industrial Reserve" such as those lands southwest of the airport, which is entirely lacking in transportation, water, sewer, and power infrastructure. In between those two extremes are properties that may have reasonable transportation access, but require capital improvements such as extension of sewer or water.

## ACCOMMODATING OUR ECONOMIC GROWTH SECTORS

According to the Economic and Trend Analysis prepared by Dr. Swanson, and projections from the Montana Department of Labor and Industry, the sectors producing the most new jobs between 2001 and 2012 have been non-industrial uses such as Health Care Services, Accommodations & Food Services, and Retail Trade, Professional Scientific, and Technical Services. Manufacturing appears to be producing fewer jobs over time according to both projections. While it appears there is still demand for lands that can accommodate industrial uses, the demand is not as great as that for non-manufacturing uses. If special zoning districts are excluded, the County has over 3,750 acres of industrially zoned land in contrast to over 800 acres of industrially zoned land in the City. Therefore the County has more land with a limited number of uses which are trending low in job creation while the City has less industrially zoned land with a broad range of uses possible, accommodating those which are trending higher in job creation.

The space and bulk requirements vary between the County and the City as well. In the County there is no minimum lot size and there is a 25' front yard and 15' rear and side yard setback. The maximum building height permitted is 45'. In the City there is 5,000 s.f. minimum lot size and no front, rear, or side yard setbacks unless the lot abuts a residential zoning district. The maximum building height varies from 40' to 125' and is typically 50' in the M1 zone and 125' in the M2 zone.

There is no land in the City which is unzoned with a land use designation of Industrial; however in the County there are lands that are unzoned and have a land use designation of Light or Heavy Industry.

It is interesting to note how prior attempts at industrial park development have had mixed results. For instance the Reserve Street Industrial Center which is in the City, is located southeast of the intersection of Broadway and Reserve has some industrial uses such as Northern Energy and Pacific Recycling, but is dominated by retail such as Costco and Lowe's; this area also has the Enterprise Commercial (EC) overlay used to temper "big box" development. This was intended to have two rail sidings, however only one was constructed. In contrast the Missoula Industrial Park, which is in the County by the Wye is dominated by transportation and warehousing types of businesses this subdivision was intended to have a rail siding, but it was never constructed. A hybrid example would be the Missoula Development Park which has a mix of manufacturing, transportation and warehousing, and commercial uses. The Development Park also has a special zoning district that creates transitions between uses and housing development to the east. Interestingly, the most vacant lots in the industrial park are in the area zoned for Technology which has 12 vacant lots; there is also one vacant lot in the Community Commercial district and 5 lots in the Light Industrial district.

As the County and City Growth Policy is modified over time, it may behoove the County to explore the possibility of converting some areas of industrial zoned land to commercial use, so that a property owner could rezone to accommodate a commercial use without a Comprehensive Plan Amendment. Also, if the County were to broaden the potential allowed uses on industrially zoned land by modifying the Zoning Resolution, that too would require support from the Growth Policy.

Concentrated areas of industrial use in the City and County of Missoula:

- North Reserve near the intersection with West Broadway which has a siding north and south of the main line
- The Wye (intersection of Interstate 90 and Highway 93) which has access to rail, but does not have any active sidings
- Bonner Mill Site which has an MRL siding north of the main line
- Seeley Lake which does not have access to rail
- Lolo
- Frenchtown Mill Site which has a major BNSF siding

#### INFRASTRUCTURE NEEDS FOR USES CREATING THE MOST JOB GROWTH ON INDUSTRIAL LANDS

These would be jobs such as Health Care; Accommodations and Food Services; Retail Trade; Professional, Scientific, and Technical Services

- Easy access to the highway and airport
- Easy access to water, sewer, power, gas, and high speed communications
- Convenient access to services

#### INFRASTRUCTURE NEEDS FOR MANUFACTURING, SHIPPING AND WAREHOUSING ON INDUSTRIAL LANDS

These would be jobs such as durable goods manufacturing like trailer manufacturing, or construction materials manufacturing and non-durable goods manufacturing such as food products or beverages; wholesale trade, trucking and warehousing.

- Easy access to highway and potentially a rail spur or siding depending on the product
- Easy access to water, sewer, power, gas, and communications
- Depending on the particular use, high volume water and sewer flows, three-phase power, high pressure gas, and high speed communications may be needed.

## FINDINGS

Our findings were consolidated into those related to 1) **demographic trends**, 2) **zoning**, 3) **infrastructure**, and 4) **the land absorption rate**.

### Findings related to demographic trends

- According to the Economic and Trend Analysis prepared by the O'Connor Center for the Rocky Mountain West, and projections from the Montana Department of Labor and Industry, the sectors producing the most new jobs between 2001 and 2012 have been non-industrial uses such as Health Care Services, Accommodations & Food Services, and Retail Trade, Professional Scientific, and Technical Services. Please refer to the spreadsheet at the end of this section labelled **Comparative Target Sector Analyses** to see how these projections relate to other target industry projections.
- Today manufacturing generates about one-third the labor earnings it once generated at its peak in 1979. Manufacturing's share of total labor earnings in the county has shrunk from almost 18% in 1977 to only about 3% in 2012.

### Findings related to zoning

- There are 3,773.53 acres of County land with industrial zoning and 812.91 acres of City land with industrial zoning. This excludes unzoned lands and special districts.
- There are two County industrial zoning districts; C-11 (Light Industry), and C-12 (Heavy Industry). The City of Missoula has three industrial zoning districts; two are similar to the County districts, M1 (Limited Industrial) and M2 (Heavy Industrial), in addition the City has a M1R (Limited Industrial-Residential).
- The County's use of "Euclidian" zoning has less flexibility and requires that only permitted industrial uses are possible on the property. The City's use of "Pyramidal" zoning allows many less intensive uses to be accommodated in industrial zones.
- As a result of this difference in style of zoning it appears that there is more opportunity in the City to develop industrial zoned lands with non-

manufacturing uses that are in sectors of the economy that are creating the most new jobs.

- Conversely, as a result of this difference in style of zoning it appears that there is less opportunity in the County to develop industrial zoned lands with non-manufacturing uses that are in sectors of the economy that are creating the most new jobs.

### **Findings related to infrastructure**

- By analyzing the range of properties in the Matrix, it becomes clear that some properties would be classified as “Decision Ready” such as those in the Missoula Development Park and at the other extreme of the spectrum would be classified as “Industrial Reserve” such as those lands southwest of the airport, which is entirely lacking in transportation, water, sewer, and power infrastructure. In between those two extremes are properties that may have reasonable transportation access, but require capital improvements such as extension of sewer or water.
- The blocks that appear to be the most “Decision Ready” appear to be the Missoula Development Park (Block 16); The Bonner Mill Site (Blocks 67 & 68); the portion of the Frenchtown Mill Site that is relatively free of environmental liabilities (Block 72); and areas along the Wye that are adjacent to the Hwy. 12 corridor (Blocks 3,4,6,8-12).

### **Findings related to absorption rate**

- As of March 20, 2015 there were 27 listings with an average market time of 859 days (2.35 years). In order to calculate the absorption rate we took the sales rate of 0.277 (5/18) and multiply it by 27 resulting in an absorption rate of 7.5 years if the number of listings remain consistent.
- There are also 18 lots in the Missoula Development Park which are not included in this list. If one were to include those as well there would be 45 listings. If the absorption rate recalculated to use 45 listings it would be 12.5 years.
- The area in the Industrial Lands Assessment includes 8,446.58 acres consisting of 1,189 parcels. If we isolate the blocks that are greater than 50% vacant the area is 2,912.75 acres consisting of 207 lots.

- Based on the abundance of industrial lands and a relatively low absorption rate, it appears that recent sales of industrial lands are those that are close to the interstate, relatively close to the airport, and have a full range of utilities available include sewer, water, power, and broadband access.
- There are 3,773.53 acres of County land with industrial zoning and 812.91 acres of City land with industrial zoning. This excludes unzoned lands and special districts.
- If the 2,912.75 acres consisting of 207 lots greater than 50% vacant were to be developed at the current sales rate it would take over 57 years to absorb.

## **CONCLUSIONS**

- Based on current absorption rates as described in the Industrial Lands Absorption Analysis, Missoula has enough industrial land to last 50 years.
- Currently, the businesses that are projected to create the most jobs are not permitted in much of the County land currently zoned industrial.
- Bonner and Frenchtown Mill are the two areas most Decision Ready for large scale heavy industrial uses.
- Scott Street West is the most Decision Ready for light industrial (mixed) use.
- The Wye area has potential for increased light industrial use, but needs water and road improvements to be fully Decision Ready.
- Lolo has three areas designated as light industrial but two of them are outside of the Lolo Water and Sewer District and the site that is in the district is next to Lolo School which makes these areas less Decision Ready than other County industrial lands.
- Seeley Lake has a timber mill and could accommodate more heavy industrial uses but needs a municipal sewer system to be fully Decision Ready. The Seeley Lake Sewer District is active in analyzing need and researching the most feasible approach. Missoula County Public Works is actively working with the sewer district in planning and obtaining funding.

- Clinton has two areas with land use designations of light and heavy industrial. However, the absence of access to sewer and water makes these sites less Decision Ready than other County industrial lands.
- The cost and timeline of extending infrastructure, if warranted, is going to be dependent on the demonstrated need for extending that infrastructure, and also dependent on funding sources to pay for the projects. There are sufficient industrial sites available that do not need significant infrastructure improvement.
- The lack of municipal sewer in the Bonner industrial areas has not deterred development although municipal sewer to the area may simplify development for Heavy Industrial uses while also solving the water quality problems in Bonner and West Riverside. Missoula County Public Works has received grant funding to begin a feasibility study.

## **RECOMMENDATIONS**

- Before extending infrastructure, locate new industrial uses on existing industrial zoned and designated lands which have the necessary infrastructure in place and are identified as Decision Ready in the Matrix Analysis for the most efficient utilization of County industrial lands and infrastructure. The existing industrial areas that are Decision Ready or close to Decision Ready without significant infrastructure improvements provide sufficient sites for industrial development in Missoula County.
- Deliver an Open Access Broadband business plan and operations strategy that will increase competition and reduce rates with the goal to deliver improved and affordable high speed/high capacity broadband for the benefit of economic development in the region. This is currently in process.
- Consider other potential sites that may be good locations for rail/truck transloader facilities, such as the Northside MRL property lying to the east of Bitterroot Lumber, or a number of sites near the Wye.
- Certain types of industry thrive better when they are located in proximity to other related businesses. Consider applying the clustering model to the Technology zoned area of the Missoula Development Park where 12 vacant lots existing next to Direct TV.

- Consider developing criteria for site certification. This would allow Missoula County to assess industrial site readiness. It also reduces risk for potential developers. Missoula could be the first community in the state of Montana to establish such a program.
- Missoula County should consider some form of pyramidal zoning to allow more variety of uses in light industrial zoned land.
- The City of Missoula should consider limiting pyramidal zoning to create buffers from heavy industrial zoning when it is adjacent to commercial zoning.

## **FUTURE ANALYSIS AND RESEARCH**

While our research provided an overall assessment of how Missoula’s land inventory is prepared for near future industrial development, it was also able to point to a number of opportunities for further analysis. There are many participants already engaged in the endeavor to attract good, solid industries to our valley that will employ a willing workforce. So any future analysis should be able to work with these groups and agencies to follow-up on important leads. Here are a few of the possibilities:

1. **Broadband Availability** – Missoula is unique in Montana and has a competitive market with multiple Internet Service Provider (ISP) options. The Missoula Community recognizes the importance of fiber as basic infrastructure to do business. In August of 2014 Missoula completed a Next Generation Broadband Feasibility study that was funded by the City, County, and Montana Department of Commerce. Missoula has put together a Broadband Taskforce of ISP’s, public and private sector representatives to help guide developing a Master Plan for an Open Access Network, more “broadband friendly” public policy, greater sharing of broadband records and information, and education of the community regarding what broadband services are available. This effort to incorporate information in the Industrials Lands Map is part of that effort.

An Open Access Broadband Master Plan is currently in progress, the outcome of this work is to deliver a business plan and operations strategy that will increase competition and reduce rates with the goal to deliver improved and affordable high speed/high capacity broadband for the benefit of economic development in the region.

2. **Zoning** – We have done a brief analysis of the difference between industrial zoning in City contrasted with County industrial zones. We

believe there should be research into ways that the County's industrial zones could be modified or amended to provide for a simpler transition to a broader array of commercial uses on industrial zoned lands, where the need is identified.

3. **Transloader Facilities** – Missoula's rail service provides an important opportunity for efficient delivery of large shipments of raw materials and export of large shipments of finished product. However, there are a limited number of sites with direct access to rail spurs (see Map). Transloader facilities can fill this gap by enabling the transfer of freight between rail and truck or pipeline, thus broadening the area of freight delivery. Missoula has some existing transloader locations and recently the Bonner Transfer and Storage Company announced it was going to occupy the largest warehouse at the Millsite. There are other potential sites that may be good locations for rail/truck transloader facilities, such as the northside MRL property lying to the east of Bitterroot Lumber, or a number of sites near the Wye.
4. **Clustering of Interdependent Businesses** – Certain types of industry thrive better when they are located in proximity to other businesses that offer such things as support services such as copying or food service. The environment of a Montec or business incubator can be instrumental in getting new industry off the ground. Even beyond the start-up stage, there are advantages to locating close to businesses that can share technology, transportation or other services. Perhaps it would be possible to determine whether the clustering model could be applied to the Technology zoned area of the Missoula Development Park where 12 vacant lots existing next to Direct TV.
5. **Industrial Site Readiness & Certification** – There are examples in other states in the region such as Oregon and Washington that have developed criteria for site certification. This allows communities to assess industrial site readiness. It also reduces risk for potential developers. Missoula could be the first community in the state of Montana to establish such a program. A program such as this would narrow the amount of land that meets certification status, but would add value to potential users by identifying the land that is most suited for industrial operations.

### ADDITIONAL RESEARCH

Because there are a few sites potentially suitable for large manufacturers (Bonner, Frenchtown, and near the Wye) there is a limited need for extension of infrastructure. Bonner may benefit from extension of public sewer, but the

comparative cost and resultant impact on existing industrial uses indicate the need for a cautious approach. The Wye could benefit from extension of public water, but again a cautious approach should be taken.

Based on the conclusion that Missoula County has sufficient industrial sites with adequate infrastructure, no significant infrastructure improvements are recommended.