

ONE BIG SKY CENTER

CONCEPT DEVELOPMENT PLAN
DECEMBER 2017

TABLE OF CONTENTS

SECTION 1: CONCEPT PLAN STRATEGY, VISION & PURPOSE

SECTION 2: MARKET ANALYSIS

SECTION 3: URBAN DEVELOPMENT TRENDS

SECTION 4: PRELIMINARY MASTER PLAN, LAND USE & PLANNING ISSUES

SECTION 5: FINANCE PLAN

SECTION 6: SUMMARY & NEXT STEPS

DISCLAIMER

This Concept Development Plan (the “Plan”) is presented for the sole purpose of providing a summary of the economic development and business strategies and related conceptual planning for a potential public-private partnership (the “Project”) (as hereinafter defined) in the City of Billings, Montana.

This Plan contains summary information from detailed analysis and due diligence materials that have been completed by Landmark Development (“Landmark”) and other third parties deemed to be reliable. The information included herein contains various assumptions and estimates of the anticipated operating results for the Project, which have been derived from the analyses completed to date. No warranties or representations are made by Landmark, its owners, officers, employees, affiliates, assignees, consultants or any other third parties as to the accuracy or completeness of the information included herein, which necessarily involves known and unknown risks, uncertainties and other factors that may influence the Project.

All program areas and other data are preliminary estimates and are approximate. Accordingly, actual results may vary materially from the projected results included in this Plan. Parties reviewing this document should make their own investigations, projections and conclusions independent of the materials contained herein.

This Plan speaks only as the date hereof. Landmark shall have no obligation to update or revise any information to reflect any change in expectations or results, or any change in events.

1.0 – VISION, STRATEGY & PURPOSE





Billings, Montana
Source: Billings Gazette

1.1 THE CONCEPT DEVELOPMENT PLAN FOR ONE BIG SKY CENTER

This Concept Development Plan (the “Plan”) for ONE Big Sky Center sets forth an overall framework of an economic development strategy for the City of Billings, Montana. The Plan highlights the major considerations and factors involved in originating a public-private partnership (P3) for ONE Big Sky Center (the “Project”) and to provide a basis for discussions between the City of Billings and the private interests guiding the Project.

The Plan is not intended to be a definitive building plan at this stage, rather it evaluates a range of issues, including: market data, urban development and design trends, master planning concepts, land use considerations, financial modeling, public funding considerations, legal, political and governance issues, for the purpose of beginning detailed discussions with the City of Billings about how best to leverage both public and private capital investment over the next 10 to 15 years. The fundamental objective of the Project is to drive a dynamic transformation of Billings’ urban core to meet the demands of tomorrow’s employers, residents and community interests.

In the next 20 years, Billings will manage its growth by encouraging development within and adjacent to the existing City limits, but preference will be given to areas where City Infrastructure exists or can be extended within a fiscally constrained budget and with consideration given to increased tax revenue from development. The City will prosper with strong neighborhoods with their own unique character that are clean, safe, and provide a choice of housing and transportation options.

City of Billings Growth Policy Statement
Source: 2016 City of Billings Growth Policy

1.2 A STRATEGY FOR THE CITY, REGION & STATE

This is the first phase of exploration of a unique public-private partnership to create jobs, build a stronger regional economy, and catalyze meaningful economic development and visitation for the City of Billings and the entire State of Montana.

Billings is commonly referred to as a regional economic hub with a trade area of over a half million people. Billings benefits from a broad geographic trade area (500,000 square mile retail trade area covering four states) with a diverse economy (healthcare, energy, agriculture, tourism, natural resources). But, as with any community on the move, Billings faces challenges such as: public safety; air service; workforce (low unemployment; skills gap, housing, aging population); being an urban area in a rural state/region; taxing structure equality; lack of (or aging) facilities (event space, attractions, sports, and infrastructure).

Today, Billings is uniquely positioned to capitalize on private investment being contemplated with ONE Big Sky Center – and potentially far greater investment that can be drawn from other public, quasi-public and private interests in the region to help address these challenges. With the guidance of this Concept Development Plan, and future development planning efforts, the City of Billings and State of Montana are poised to achieve significant growth in the fiscal & economic base of the region.

1.3 VISION, RELATED GOALS & SPECIFIC OBJECTIVES

The purpose of this Concept Development Plan is to set a strategic vision and guide key decisions for the City of Billings and related private interests involved with ONE Big Sky Center. The Concept Development Plan is centered on a public-private partnership model that drives transformative economic development for Downtown Billings, the City of Billings, Yellowstone County, and beyond, allowing Southeastern Montana to become a stronger destination and fiscal contributor to the State of Montana and the region.

Vision is integral to the success of any large-scale development plan and its ability to sustain itself over generations. Working with the City of Billings it will be important to establish clear and definitive objectives for ONE Big Sky Center. Some of the fundamental objectives that will be important to the future success of ONE Big Sky Center, include:

- Centered on a transformative vision for Billings
- Capable of achieving a destination draw – meaning new visitation – from a regional and national base
- Planned around a proven “anchoring” strategy
- Built on a sustainable business model with a sound fiscal / economic strategy
- Leverage important industry trends that will significantly impact economic development for the next generation
- A proper allocation of risks and rewards for public-private partners
- Urban design character that is authentic to the City of Billings and the State of Montana

GOAL #1: Create new jobs and an engaged and inspired workforce

- New jobs drive not only the local, but also the regional and statewide, economies, creating meaningful economic and fiscal impacts.
- It is critical for Billings’s competitive status in the Mountain Region to attract and retain highly-skilled professionals, industry workforce and support staff.
- Health care is already the largest private employer in the City and is uniquely positioned to be a catalyst to create a workforce development plan that supports the entire region, not only in health care, but multiple industry segments.
- Support a range of housing options and more mixed-use development in the downtown core
- Support the build out of programmatic elements that meet current and anticipated market demand and meet the needs of the next generation of workers (with uses including retail, housing, arts/entertainment, etc.)

GOAL #2: Provide meaningful economic and fiscal impacts to the City, County and State

- Estimating the economic and fiscal impacts of the ONE Big Sky Center will be critical to the efforts to secure the public and private investment required.
- In particular, new construction and permanent jobs (direct, indirect and induced) from the Project mean increased tax base at all levels of government and will be a strong selling point for State and local elected officials.
- This increased tax base and more robust regional economy have a compounding effect – attracting more private investment, which makes public investment in the ONE Big Sky Center vision an easy decision for Montana elected officials.
- With shared public-private investment, ONE Big Sky Center can become reality, allowing other Billings and regional businesses to benefit, and the entire State economy will be impacted, leveraging private spending and realizing an impressive rate of return to the public sector.
- Build a comprehensive plan to grow tax base for the City, the County and the State
- Realize a return on public investment at a significant ratio

1.3.1 BILLINGS – WHERE MONTANA DOES BUSINESS... CENTERED ON AN ECONOMIC DEVELOPMENT HUB (GOALS #1 & #2)

“Create a regional hub for economic activity and growth”

ONE Big Sky Center can unlock an unprecedented amount of economic and fiscal impact – supporting the local, regional and State economies – in a way that the traditional agricultural, energy and industries of this area no longer can. The proposed investment in the City – by private businesses and institutions, and the public sectors – has the potential to create and retain jobs, develop the local and regional workforce, grow the tax base, and create new business opportunities throughout Southeastern Montana.

Estimating the economic and fiscal impacts of ONE Big Sky Center will be critical in the efforts to secure the necessary public and private investment under the Project program outlined in this Plan. The physical building programs outlined for ONE Big Sky Center can strengthen the urban core of Billings and position the City and its industries – inclusive of health care, tourism and higher education – as the economic hub of the region, providing benefits that radiate far beyond the Billings City limits. It will become important to accurately calculate and measure the potential positive net impacts on the City of Billings and the State of Montana over a 10- to 15-year time period. Preliminary fiscal and economic impact estimates are included in Section 5.0 of this Concept Development Plan. This analysis will help stakeholders and political leaders see the tangible financial benefits (i.e., return on public investment) that may be realized if the ONE Big Sky Center vision is adopted and implemented.

A comprehensive set of plans to place ONE Big Sky Center and Billings at the epicenter of economic development and regional growth strategies will be a shining example of a public-private partnership that can fund needed investments in public infrastructure and civic amenities and leverage meaningful private development.

GOAL #3: Increase Visitation for the City, Region and State

- Create a public-private partnership to achieve significant ground in year-round visitation, with facilities and programming that support tourism on a 365 day-a-year basis
- Build a comprehensive plan with the public sector and other private partners that will:
 - increase visitation that has stagnated at about approximately 2 million visitors per year
 - increase average total visitation dollars spent
 - increase average stays
 - ensure reinvestment of tourism spending back into the economy to support future growth
- Establish Billings as one of the Mountain Region’s dominant destination cities for meetings, conventions and related activities by building and investing in Montana’s only true regional convention facility

1.3.2 TOURISM AS A DRIVER OF THE DESTINATION (GOAL #3)

“Position Billings as one of the Mountain Regions most vibrant tourism destinations and livable cities”

Billings has the opportunity to capitalize on its natural beauty and continue to position itself as Montana’s place for business. Tourism is now a major component of Billing’s economy, bringing approximately 2 million visitors to the City each year. However, tourism has remained largely flat and visitation is very seasonal. Billings will remain a third-tier regional meeting destination due to its size, economic growth prospects, limited air service and location unless it can implement a strategy to “punch above its weight class.” There exists in Billings an opportunity to attract far greater regional and national conventions and events, including those centered on youth and adult amateur sports, outdoor recreation and health / wellness opportunities, with the investment in a new class of meeting and convention facilities not available in the City or elsewhere in Montana.

The ONE Big Sky Center vision builds on Billing’s strength as a tourist destination and aims to enable Billings to better compete for regional / national visitation and tourism dollars.

- GOAL #4: Create a “Lifestyle” City Centered on Health / Wellness / Recreation**
- The re-urbanization of America is changing our economy and increasing competition between regions to attract the businesses, jobs and workers that will increase “prosperity” and create other social and economic advantages. Cities and communities that are focused on implementing programs and services to improve individual and population health and productivity, to make their community a more desirable place to live and work, and to reduce the cost of doing business are laying the groundwork for transformation, and redefining what it means to be smarter
 - Create a development strategy that capitalizes on planning and design trends toward re-urbanization and more healthy built and natural environments, which the City of Billings can uniquely offer
 - Create an inviting and connected public realm with **ONE** Big Sky Center at its core
 - Develop a series of memorable urban experiences and programmatic offerings that appeal to all of Billings’ residents and visitors
 - Overall, the objective of “wellness” has replaced merely treating the sick. Cities across America are looking for innovative ways to drive their economies with a focus and concentrated effort toward wellness as a theme for their communities
 - Healthier populations in “well economies” reduce rising and unsustainable health care costs, allowing public entities to allocate more resources to infrastructure, education, and community programs and allowing health care providers to invest more in health and wellness strategies.
 - Wellness-centered and eco-tourism industries are burgeoning, and Billings’ unique natural beauty and location, along with a strategic downtown development plan, will provide a means to capitalize on a wellness economy grounded in both the built and natural environments.

1.3.3 LEVERAGE CORE INDUSTRIES AS THE CATALYST FOR EVOLVING AN URBAN LIFESTYLE THEME FOR BILLINGS (GOAL #4)

“Capitalize on the regional draw to Billings from a broad geographic region by leveraging health care, tourism and other industries proven to drive growth to the local economy in the next generation”

This strategy will require leveraging Billings’ core industries that have proven to generate meaningful pull and visitation to the local economy from a regional base. Industries such as health care, tourism, retail, dining & entertainment are well positioned for growth in Billings. Importantly, Billings has a unique opportunity to position itself around a “lifestyle” theme that is authentic to the region and a dominant factor in workforce recruitment for future generations

1.4 UNDERSTANDING THE CONCEPT DEVELOPMENT PLAN

With proper planning, execution and implementation, ONE Big Sky Center, the City of Billings, and the State of Montana can leverage shared public-private capital investment to drive a major transformation of downtown Billings for the next generation. This Concept Development Plan outlines a vision for this type of economic development strategy based on an approach and structure that has been proven in comparable markets across America. Importantly, ONE Big Sky Center is being planned as an economic development strategy for Billings and the region – not a single project planned in the core of the city – with a deliberate focus on building a platform to attract major private investment over a 10 to 15 year timeframe.

This Concept Development Plan maps out the path for ONE Big Sky Center to become the catalyst to transform Billings urban landscape and drive the local economic base for the future. A pivotal theme in this economic development strategy is to position Billings as a desired city for businesses to locate and grow their workforce for the next generation by offering the type of urban experience that will be demanded by tomorrow's employees.

The physical center of ONE Big Sky Center is at the core of downtown Billings (See Figure 1.1) where a concentrated mix of uses can occur to support and complement economic development, job growth and visitation and improve the "lifestyle" of everyone who lives, works, and visits the area.

The ONE Big Sky Center Development District is centered on a place-based development collaborative among the public and private sectors, with both public and private capital investment. Although **ONE** Big Sky Center will be anchored in the heart of downtown Billings, its impacts will reach far beyond the confines of the ONE Big Sky Center Development District to the greater region, particularly benefiting the rural population in the regional market area, and providing positive health / wellness impacts and economic / fiscal impacts that benefit the entire State of Montana.

DISTRICT DEVELOPMENT PLAN

ONE Big Sky Center is a civic “destination” district which functions as the catalyst of a larger, mixed-use, multi-anchor development centered around civic and community amenities in the heart of downtown Billings. This destination concept relies on anchoring institutions, like health care, tourism, education and the financial sector, along with other private business partners whose capital investment and community stewardship can be leveraged against public investment to support broad economic development goals and contributing to the economic health of the city and the region.

The ONE Big Sky Center Development Plan combines a dual-district “anchor” concept in the form of (1) a mixed-use Health & Wellness Sub-District to the north of the core of downtown, and (2) the civic Lifestyle Sub-District surrounding a new Entertainment & Convention Center on a to-be-determined site west of North Broadway. This double-anchored district strategy will link the east and the west development areas with public infrastructure improvements and catalyze additional “infill” private development between the Health & Wellness Sub-District and the Lifestyle Sub-District, maximizing economic and fiscal impacts for the City, the region and the State. (See Figure 1.1).

Health & Wellness District

The “health & wellness sub-district” – envisioned as the medical campus of the future – where the strength and growth of Billings regional health care providers can anchor a health- and wellness-focused mixed-use village connecting facilities at the Billings Clinic and St. Vincent to the core of downtown. This Health & Wellness Sub-district concept is focused on bridging the planning, design and operations of state-of-the-art health care facilities with their surrounding environs, with a focus on integrating these facilities into the fabric of the community and creating a vibrant urban atmosphere that supports workforce recruitment for Billings Clinic and St Vincent in the future.

Lifestyle District

The vision for the Lifestyle Sub-district includes a dynamic civic destination with a newly constructed entertainment and convention center west of North Broadway as the focal point of a larger mixed-use, multi-anchor development around cultural and community amenities in the heart of Billings urban core. The Lifestyle Sub-district will entail an exciting, master planned design and distinctive architecture that integrates both public and private uses into a thriving urban environment that brings activation to strengthen Billings as a community that attracts people to live-work-play on a consistent 365 day-a-year basis.

2.0 – MARKET ANALYSIS



2.1 INTRODUCTION TO MARKET ANALYSIS

With the investment planned for ONE Big Sky Center, and other investment by private interests, Billings has an exceptional opportunity to create a unique urban Development District. This opportunity will build upon Billings’ natural environment and evolving industry strengths, realize its unique geographical opportunities, address its economic disadvantages, and capitalize on important demographic and market trends.

Based upon an initial market analysis of Billings and the southeastern region of Montana, this Section 2.0 evaluates historic and projected demographic and labor trends, and identifies key economic indicators that will serve as the basis for future research. This work will also inform physical master planning efforts, conceptual design, financial modeling and other business planning.

This Section focuses on key challenges Billings faces in its ability to create a thriving, growing new economy; attract new business and industry; support existing institutional anchors, such as Billings Clinic and St. Vincent Hospital; and provide a healthy, vibrant urban environment to appeal to the next-generation workforce, which is replacing retiring Baby Boomers.

This Market Analysis is based on information available as of December 2017 and is subject to change due to market conditions or other factors. A more detailed demand analysis and certain market feasibility studies are warranted to adequately forecast specific long term programmatic needs.

| POPULATION CHANGE | | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|--------------------|-----------------|
| | 2000 | 2010 | 2017 | 2022 | % Change 2017-2022 | Annual % Change |
| UNITED STATES | 281,421,906 | 308,745,538 | 327,514,334 | 341,323,594 | 0.83% | 0.82% |
| MONTANA | 902,195 | 989,415 | 1,059,459 | 1,110,984 | 0.95% | 0.95% |
| BEARTOOTH RC&D | 163,387 | 183,683 | 200,140 | 211,951 | 0.94% | 0.94% |
| BILLINGS MSA | 139,946 | 158,934 | 174,681 | 185,994 | 1.26% | 1.31% |
| YELLOWSTONE COUNTY | 129,352 | 147,972 | 163,372 | 174,395 | 1.31% | 1.37% |
| CITY OF BILLINGS | 92,550 | 104,103 | 116,030 | 121,978 | 1.18% | 1.39% |
| 30 MIN DRIVE | 129,684 | 148,417 | 163,911 | 174,911 | 1.31% | 1.38% |
| 60 MIN DRIVE | 152,877 | 173,104 | 189,547 | 201,285 | 1.21% | 1.26% |
| 90 MIN DRIVE | 168,100 | 188,033 | 204,346 | 216,036 | 1.12% | 1.15% |
| CITY POP. AS % OF COUNTY | 71.5% | 70.4% | 70.4% | 69.9% | | |

Figure 2.3.1 – Population Change with Drive Time
Source: ESRI Business Analyst

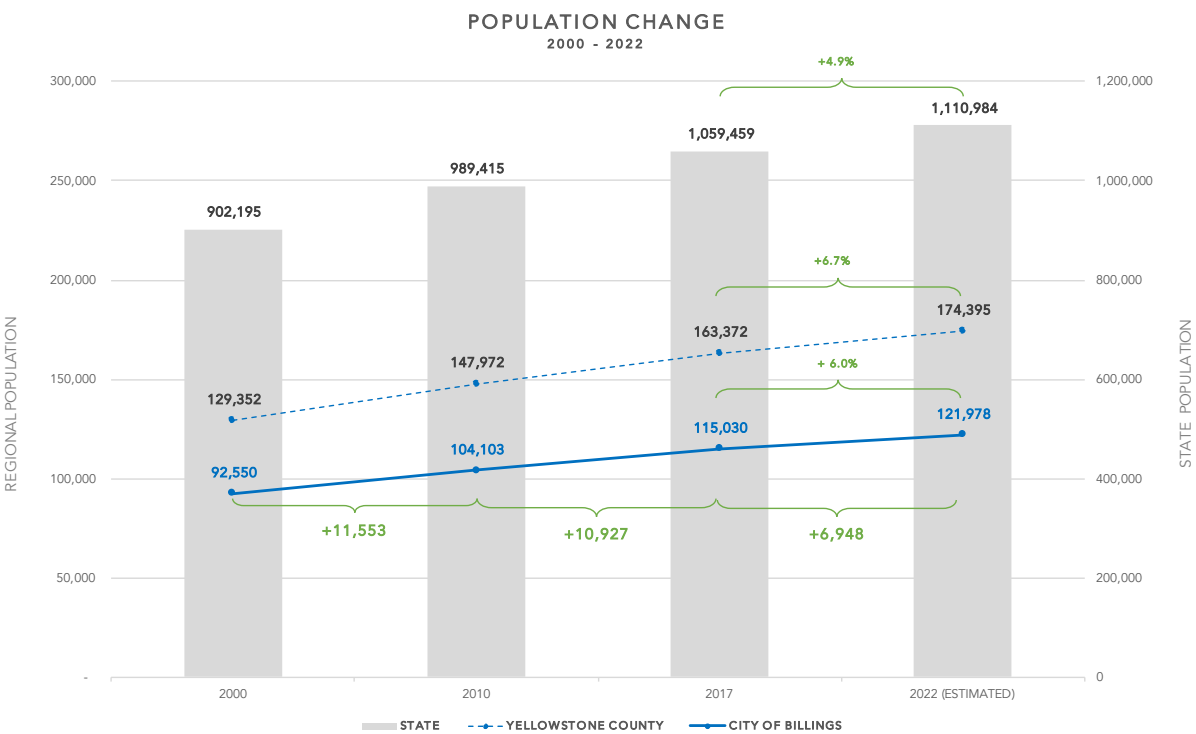


Figure 2.3.2 – Population Change
Source: ESRI Business Analyst

2.2 MACRO ECONOMIC & DEMOGRAPHIC SUMMARY

MARKET DEFINITION

The City of Billings is located in Yellowstone County in South Central Montana. With a 2017 population of 115,030, it is the largest city in the State of Montana and accounts for approximately 70% of Yellowstone County’s population. The population of Billings has experienced modest growth over the past several years. The 1% growth achieved almost every year indicates that Billings’ population is on an upward trend, which should continue if the city continues to diversify its economy.

DRIVE TIME ANALYSIS

The following analysis assesses the demographics of the potential drive-in market surrounding Billings. To supplement the local market demographics, ESRI data was used to analyze demographics of populations within drive times of 30, 60, and 90 minutes of downtown Billings.

2.3 DEMOGRAPHICS

POPULATION CHANGE 2000-2017

Population growth in Billings and Yellowstone County was more rapid than average population growth in the United States during this period. Billings and Yellowstone County has gained 22,840 and 34,020 persons in population respectively, with the majority of the increase occurring in the City of Billings.

POPULATION PROJECTIONS 2017-2022

The population of the City of Billings is expected to continue to grow over the next 5 years by an additional 6.0%, while the state of Montana is also expected to experience growth, but at a slightly slower pace. (Figure 2.3.2)

The drive-time region, by comparison, (Figure 2.3.1) will also continue to experience growth at a slightly higher rate than the City of Billings – but at about the same pace as Yellowstone County and the Billing MSA.

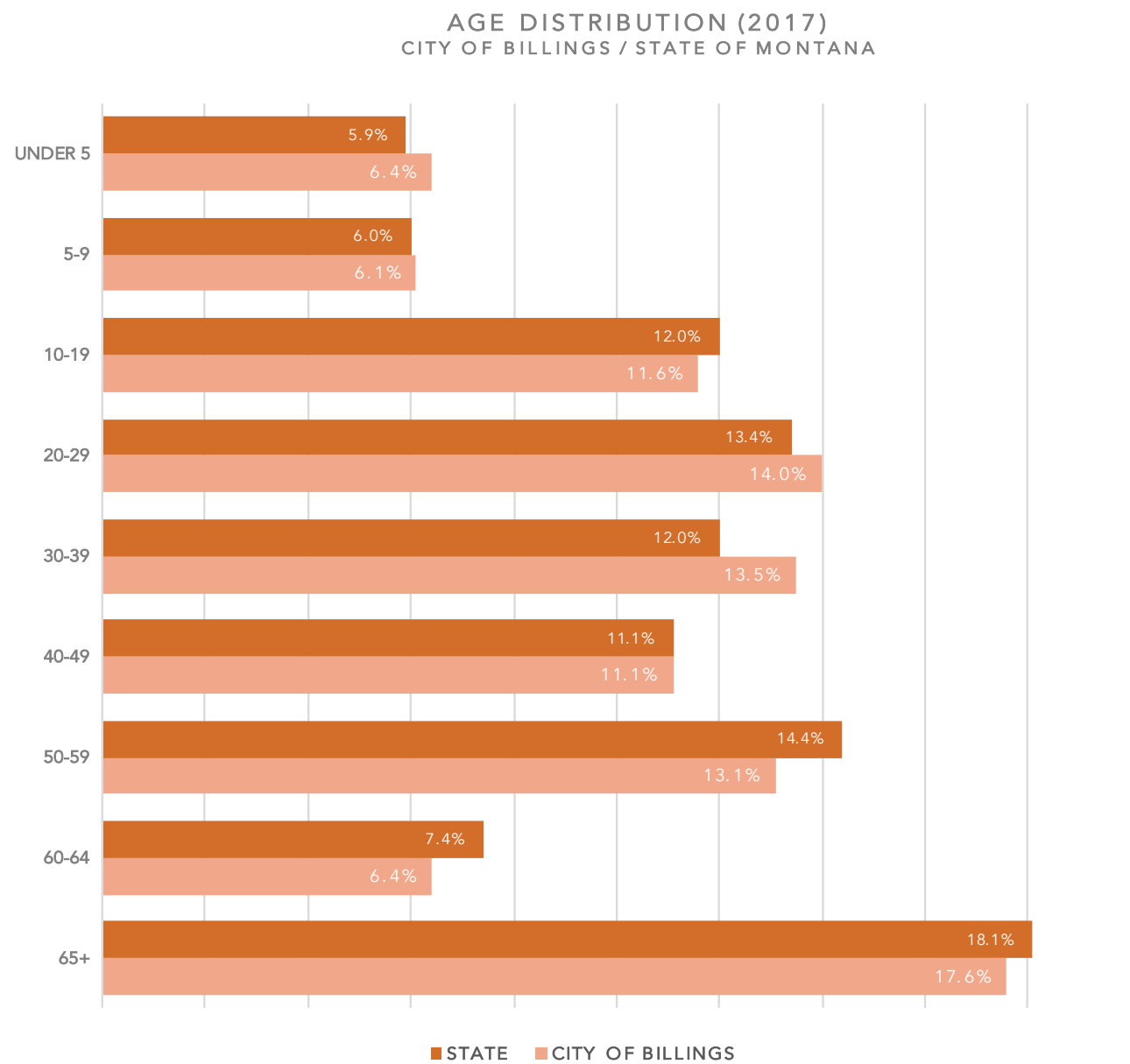


Figure 2.3.3 – Age Distribution
Source: ESRI Business Analyst

MARKET DEFINITION

The male-to-female population ratio in the City of Billings is approximately 1:1, with 48.3% of the population being male, and the other 51.7% being female. Billings has a higher percentage of male-to-female population, but the State of Montana reports 50.3% of males and 49.7% females.

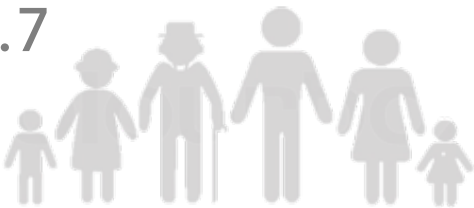
Billings has a similar age distribution to the State of Montana as a whole. Since 2000, the number of people aged 55 years and older – including the Baby Boom generation, born between 1946 and 1964 – has increased from 27% of the population in 2010 to 30.9% of the population in 2017. With the 55 to 64-year-old demographic continuing to expand as it retires out of the labor force, Billings will experience a significant effect on its economy and labor force.

The City of Billings will need to find new ways to attract young, educated professionals who want to live and work in the Billings area when the current work force retires. The “Baby Boomer” generation is generally working to a more advanced age than previous generations, which is likely to create new challenges in the labor market. Among these challenges will be a large number of high-skill jobs that must be filled by a younger and less experienced workforce. Some key statistics are summarized below:

- 37% of the workforce in the City of Billings is over the age of 50
- Industry focus groups reported the most difficult positions to fill are senior level, experienced workers.
- In comparing the projected growth of occupations for the next 10 years, 22 out of 23 occupation categories (96%) will have larger replacement openings (from retiring workers) than growth openings (new positions).

MEDIAN AGE 2017

38.7



PEOPLE
115,030
TOTAL POPULATION
2017



48.3%
MALE



51.7%
FEMALE

TOTAL HOUSEHOLDS

Between 2000 and 2017 the total number of households in the City of Billings increased by 9,503 units. During that 17-year period, the Yellowstone County grew at by 14,232 units. Approximately 72% of Yellowstone County’s households are in the City of Billings. (Figure 2.3.4)

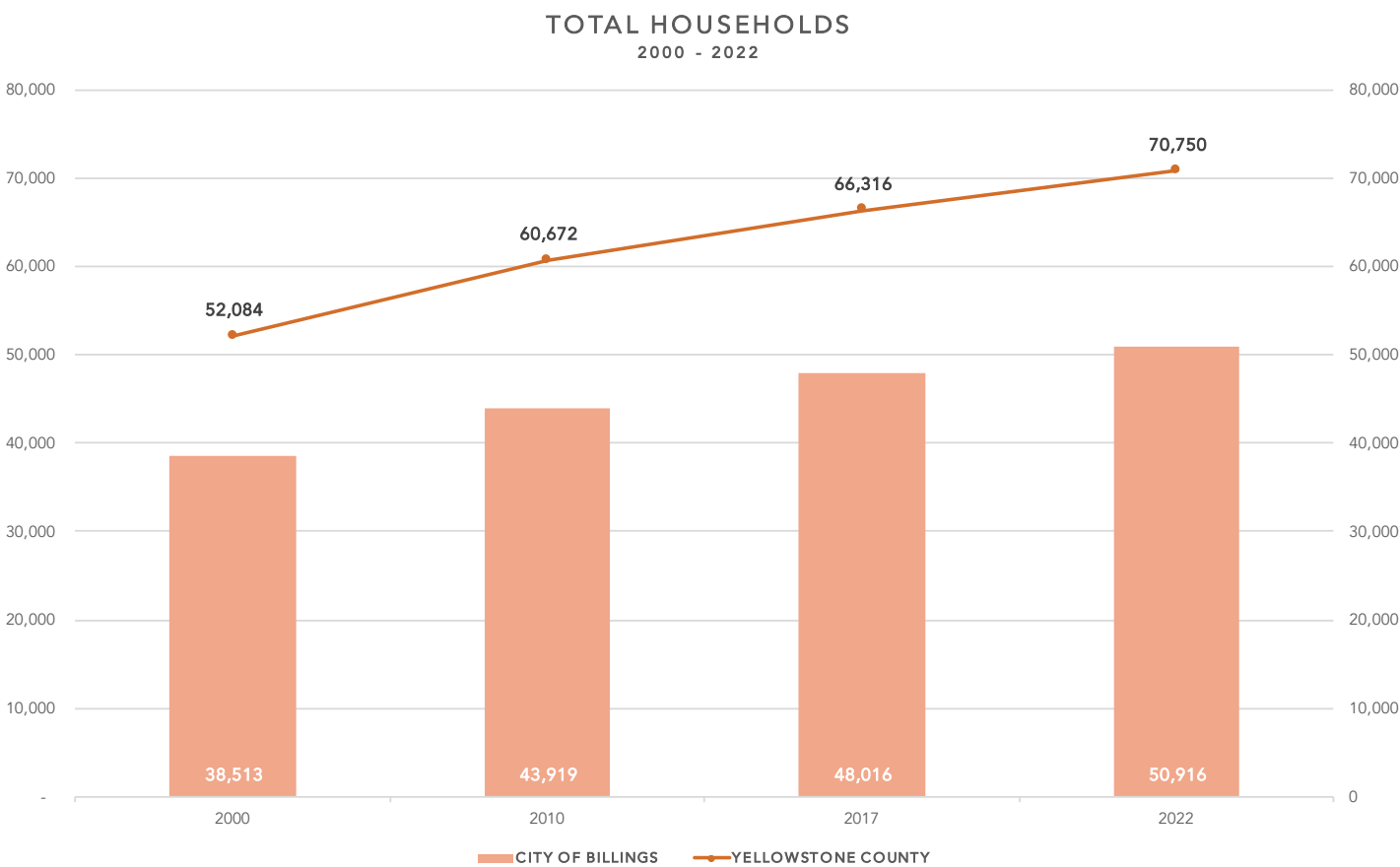


Figure 2.3.4 – Total Households
Source: ESRI Business Analyst

INCOME

The estimated median household income in Billings was \$52,033 in 2017, higher than the \$49,589 average for the State of Montana, but lower than the national median household income of \$56,124. However, Billings’ median household income has grown at a slower rate than the state and nation. Approximately 50 percent of households in Billings earn a median income of \$50,000 or more. Figure 2.3.5 depicts household income distribution for the City of Billings.

Figure 2.3.6 depicts per capita income compared to median household income for Billings, Montana and the United States. Billings’ PCPI (Per Capita Personal Income) of \$30,925 in 2017 was higher than state and national PCPI. However, personal income for the county is expected to increase at the same rate as the State, and more quickly than the nation. This trend reflects a slight increase in wages for Billings

Despite per capital incomes being higher in Billings, as compared to the state and nation, the City performs higher than the state and lower than the nation when looking at median household income. This is indicative of higher household incomes for the City overall – as can be seen in the income distribution chart in Figure 2.3.5.

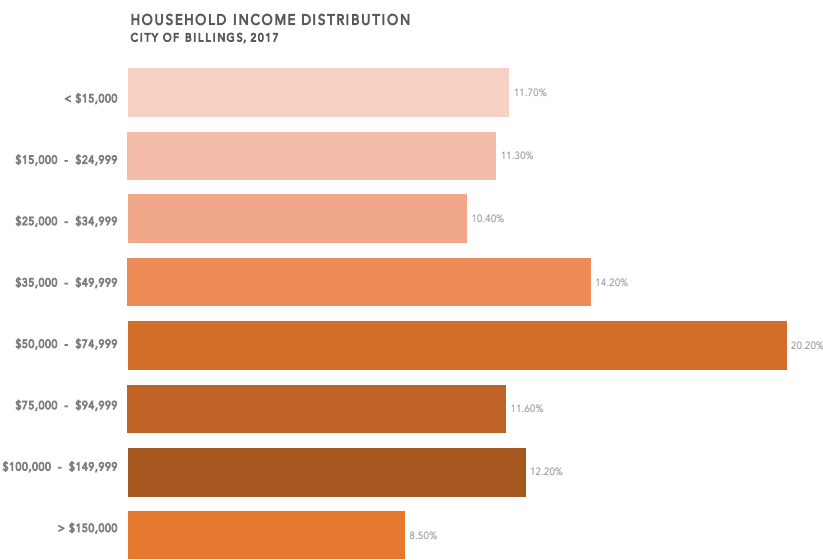


Figure 2.3.5 – Household Income Distribution
Source: ESRI Business Analyst

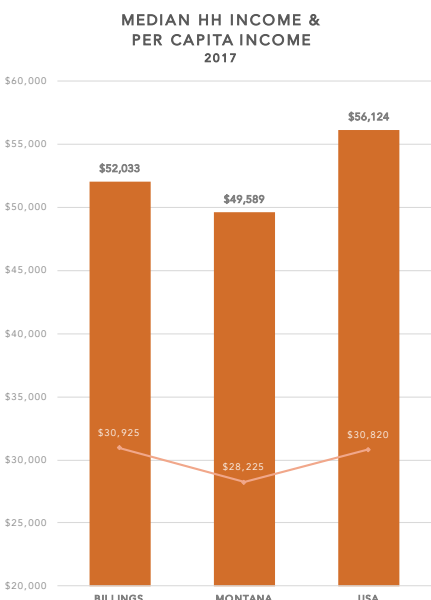


Figure 2.3.6 – Median and Per Capita Income
Source: ESRI Business Analyst

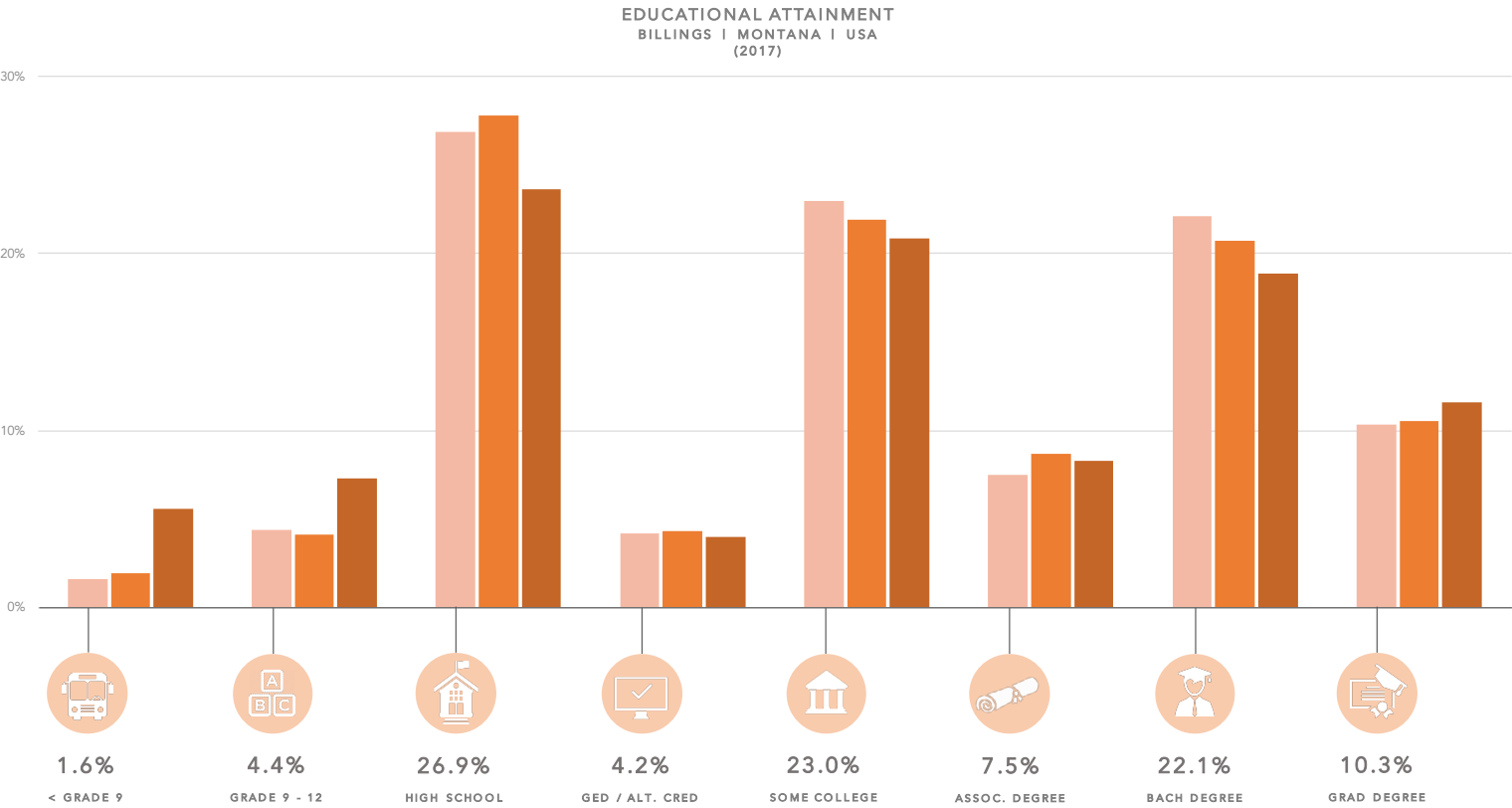


Figure 2.3.7 – Educational Attainment
Source: ESRI Business Analyst

EDUCATIONAL ATTAINMENT

Educational attainment in Billings is above state levels for high school graduation and post-secondary education. These trends bode well for students being able to access higher-paid technical jobs that are in demand and have implications for both the residents of Billings, but also for potential and existing employers who will consider the available workforce in their investment decisions.

With 39.9% of the population having a college degree, the region and the state are on par with educational attainment, where an equal percentage of adults have an associate, bachelor’s, or advanced degree. Home to several colleges and universities, the Region also has a equal percentage of people with some college but no degree and Associate’s degrees as the State of Montana average.

Yellowstone County and the City of Billings have 2 universities, a 2-year college and the only career and technical education center in the state.

Montana State University – Billings (MSU-B) has two campuses, one in downtown Billings and the other on the west end of the City. MSU-B enrolls approximately 4,400 students.

Rocky Mountain College is a private four-year college that currently enrolls about 1,000 students.

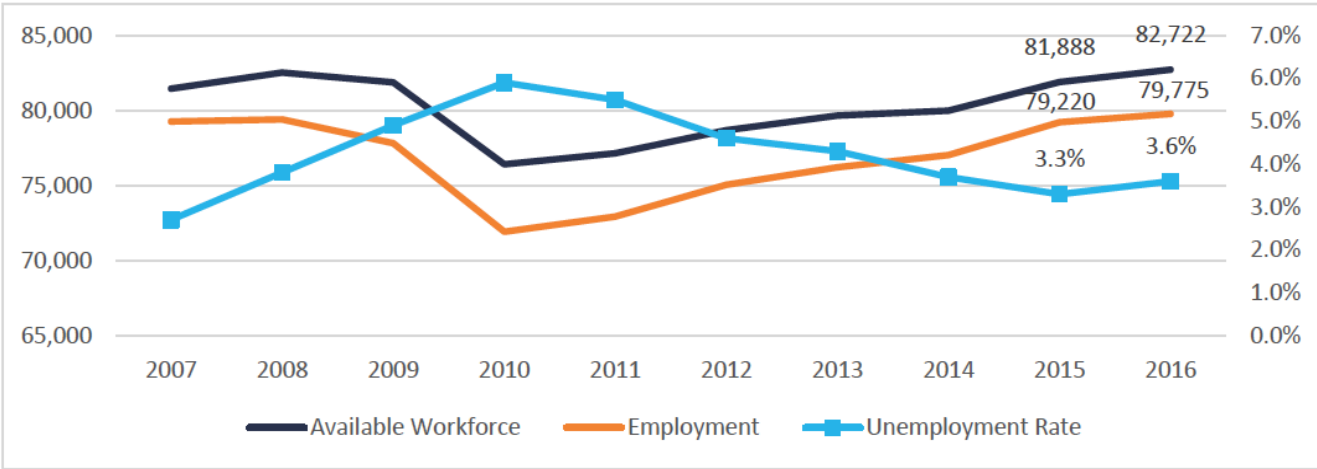


Figure 2.4.1 – Yellowstone County Employment Rates
Source: BillingsWorks Workforce Council State of the Workforce 2017

| EMPLOYER | # OF EMPLOYEES |
|--------------------------------------|----------------|
| Billings Clinic Healthcare System | 3,000+ |
| St. Vincent Health System | 2,000+ |
| Wal-Mart Stores, Inc. | 1,000+ |
| Avitus Group | 1,000+ |
| First Interstate Bank | 500-999 |
| St. Johns Lutheran Ministries | 500-999 |
| Wells Fargo | 500-999 |
| Albertsons Food & Drugs | 500-999 |
| Employee Benefit Management Services | 250-499 |
| CHS, Inc. | 250-499 |
| Advanced Employment Services | 250-499 |
| Conoco Phillips | 250-499 |
| Costco | 250-499 |
| ExxonMobil | 250-499 |
| McDonalds | 250-499 |
| Sysco Food Service | 250-499 |
| Yellowstone Boys and Girls Ranch | 250-499 |

Figure 2.4.2 – Top Employers in Yellowstone County
Source: Think Billings, Montana (thinkbillings.com), HVS

2.4 ECONOMY

A healthy and diversified economy provides not only employment and disposable income for a market’s residents, but it also helps to insulate an area from economic downturns. Markets that have historically relied on one sector, such as manufacturing, have often had difficulty recovering from market shifts to other sectors, which leads to an overall loss of local income and employment. This situation will often lead to declining population trends as residents move to other areas with better opportunities.

Billings’ employment profile suggests a reasonably diversified employment base with a wide range of industry sectors. Strong healthcare, energy, and agriculture services indicate potential for generating convention and other group demand.

LABOR FORCE

From 2015 to 2016 available workforce, employment, and the unemployment rate all increased. The increase in the unemployment rate occurred because the available workforce grew at a more rapid pace than employment. More workers are looking for work, which may be an indication of the economic strength of the region.

With a projected job growth of approximately 15,000 in Yellowstone County in the next five years, 5,000 due to economic growth and 9,600 due to worker replacement, it is imperative to focus on strategies to grow the workforce and address issues impacting employment.

MAJOR EMPLOYERS

The largest employment sector in Yellowstone County is Health Care and Social Assistance, employing 13,571 workers. The next - largest sectors in the region are Retail Trade and Accommodation, and Food Services. High location quotients (LQs) indicate sectors in which a region has high concentrations of employment as compared to the national average. The sectors with the largest LQs in the region are Wholesale Trade, Mining, Quarrying, and Oil and Gas Extraction, and Arts, Entertainment, and Recreation (1.36). (See Figure 2.4.2)

Total Workers for Yellowstone County, Montana by Industry

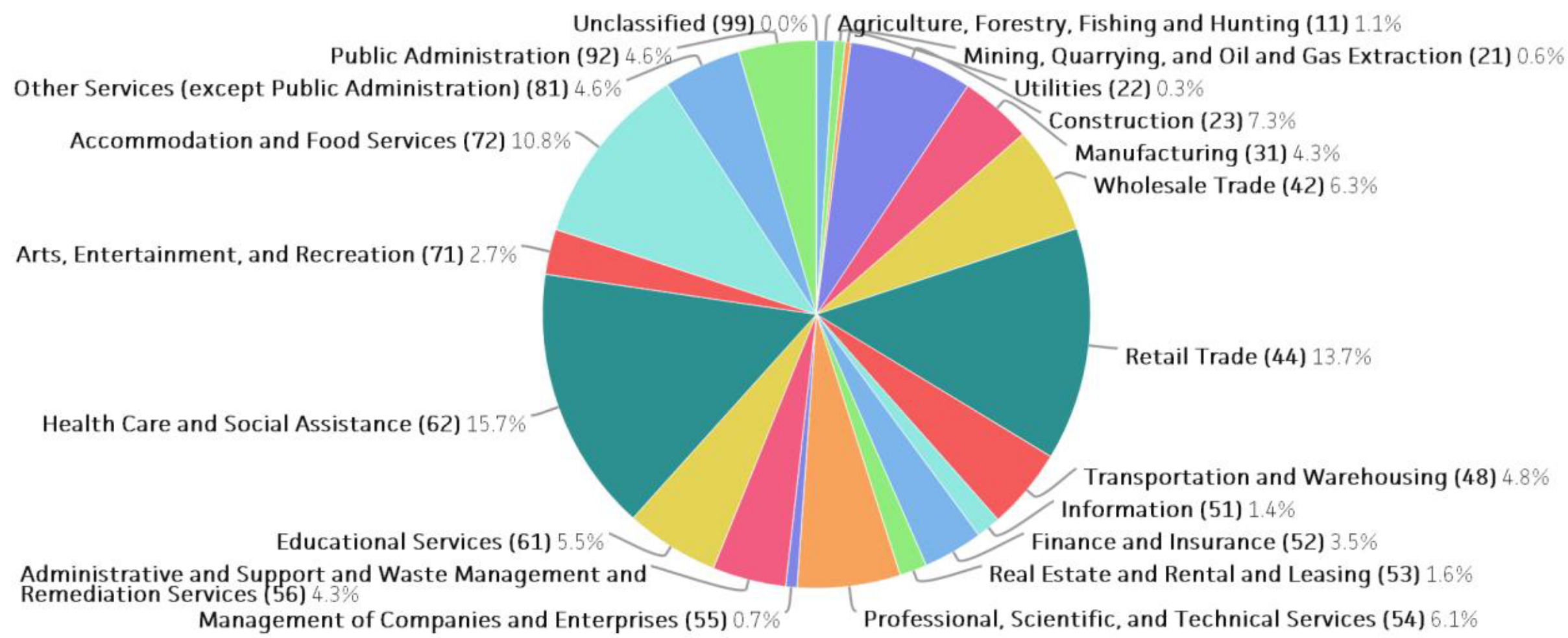


Figure 2.4.3 – Total Workers for Yellowstone County, Montana by Industry
Source: Think Billings Montana Economic Overview, Yellowstone County Montana

| TOP INDUSTRIES |
|--------------------------------------|
| Energy |
| Healthcare |
| Regional Corporations |
| Data Centers |
| Manufacturing |
| Warehouse Transportation & Logistics |

Figure 2.4.4 – Top Industries in Yellowstone County
Source: Think Billings, Montana (thinkbillings.com)

EMPLOYMENT SUMMARY

Over the next 10 years, employment in Yellowstone County, Montana is projected to expand. The fastest growing sector in the region is expected to be Health Care and Social Assistance with a +1.8% year-over-year rate of growth. The strongest sector by number of jobs over this period is expected to be Health Care and Social Assistance.

MAJOR INDUSTRIES

Energy

With shale formations, coal reserves, oil fields, and wind farm facilities, Billings is ideal for upstream and mid-stream oil and gas companies as well as other energy development.

Healthcare & Health Supply Chain

Billings is home to two state-of-the-art hospitals, Billings Clinic, and St. Vincent Healthcare. Billings Clinic, a member of the Mayo Clinic Health Network, and St. Vincent Healthcare were recently awarded by Healthgrades™ for excellence in patient safety. These hospitals are among the largest employers in the community and make Billings a favorable market for healthcare and health supply chain companies.

Regional Headquarters & Back Office Operations

Low labor costs and low effective tax rates makes Billings an ideal location for this industry sector. Between 2003 and 2010, Billings experienced an 8.4% compound annual growth rate in regional managing offices. Corporations like Wells Fargo and GE Capital have had great success with back office operations, and companies like KOA, Avitus Group and Tire-Rama have headquarters in Billings.

Data Centers & IT Services

Billings offers a very safe and reliable geographic location for storing and housing data. Located on a major fiber optic route that runs from Minneapolis to Seattle, Montana’s Internet speeds are as fast as (or faster) than anywhere in the nation. The investment put into fiber allows the State of Montana to embrace next generation technology and to enable significant growth in the technology sector.

Manufacturing

With extremely competitive natural gas prices and access to a population of over 10 million within a one-day drive, Billings is a favorable location for manufacturing value-added food products, machinery and equipment, chemicals, plastics, and guns. These industries are supported by Billings' access to raw materials and skilled workforce.

Warehousing Transportation & Logistics

Located a day's drive from Denver, Calgary, Salt Lake City, and Spokane, Billings is well positioned as a warehousing and distribution hub. This industry continues to grow with FedEx Ground completing a 146,000 sq. ft., \$38 million dollar facility and local companies expanding like Gardner Distributing who is moving from a 60,000 sq. ft. facility to an 110,000 sq. ft. facility. Billings is also home to a number of specialty trucking and logistics companies.

| NAME OF VENUE | LOCATION | TOTAL FUNCTION SPACE (SQUARE FEET) |
|--|-----------------|------------------------------------|
| MONTANA CONVENTION CENTERS | | |
| Bozeman Convention Center | Bozeman, MT | 27,000 |
| Great Falls Civic Center | Great Falls, MT | 23,938 |
| Montana State University Strand Union Building | Bozeman, MT | 17,858 |
| University of Montana University Center | Missoula, MT | 17,670 |
| Helena Civic Center | Helena, MT | 10,730 |
| REGIONAL CONVENTION CENTERS | | |
| Bismark Convention Center | Bismark, ND | 95,911 |
| Fargodome | Fargo, ND | 94,902 |
| Rushmore Plaza Civic Center | Rapid City, SD | 87,026 |
| Sioux Falls Convention Center | Sioux Falls, SD | 56,372 |
| Boise Centre | Boise, ID | 33,460 |
| Yakima Convention Center | Yakima, WA | 29,908 |
| Wenatchee Convention Center | Wenatchee, WA | 24,852 |
| COMPETITIVE HOTELS | | |
| Little America Hotel & Resort | Cheyenne, WY | 25,989 |
| Best Western Plus Heritage Inn | Great Falls, MT | 18,308 |
| Parkway Plaza Hotel & Convention Center | Casper, WY | 17,209 |
| Hilton Garden Inn Missoula | Missoula, MT | 15,581 |
| Red Lion Colonial Hotel | Helena, MT | 13,536 |
| Hilton Garden Inn Kalispell | Kalispell, MT | 10,046 |
| Fairmont Hot Springs Resort | Butte, MT | 8,614 |
| Holiday Inn Bozeman | Bozeman, MT | 6,398 |

Figure 2.5.1 – Comparable Venues
Source: HVS Proposed Convention / Conference Center Feasibility Study

2.5 CONVENTION CENTER COMPARABLE MARKET

Billings will need to reinvest in convention facilities to remain competitive with other state and regional venues. Billings competes primarily in a limited regional and drive-in market due to geographic location and limited air access. Existing venues in Billings face functional obsolescence and new facilities in competitive destinations will take market share. Many regional destinations already offer superior facilities and the cities of Bozeman and Missoula are currently planning or are building new convention or conference facilities.

- Billings’ meeting venues are older and outdated and fail to provide meetings planners and attendees with the modern amenities and services they expect.
- A planned facility in Bozeman and other potential regional development threatens Billings’ current position in the market. New facilities would attract event planners away from Billings, eroding its share of the market.
- The development of a Billings Convention Center (“BCC”) would allow the city to maintain and potentially grow its current meeting and convention demand in the face of strengthening competition from other markets in the Mountain States region.

A proposed convention center for Billings would help generate economic impact by attracting new visitors and importing their spending or new income into the local economy. Public investment in the project would increase attracting visitors that would not otherwise come to Billings. An adjacent hotel development, would bring private investment and enhance the viability of the proposed convention center. Theater co-location could also provide benefits and attract new sources of funding. Importantly, this venue must be positioned to compete outside of Montana for conventions, trade shows, exhibitions and other events that Billings and Montana cannot host today – meaning this facility must be sized and designed unlike any facility in the State of Montana to attract a new class of bookings, visitation and spending.

Source: HVS Proposed Convention / Conference Center Feasibility Study

| | TOTAL | PHASE 1 | PHASE 2 |
|---------------------------------|--------------|------------|------------|
| HOTEL | 500 KEYS | 200 KEYS | 300 KEYS |
| RETAIL / DINING / ENTERTAINMENT | 325,000 SF | 100,000 SF | 225,000 SF |
| COMMERCIAL OFFICE | 500,000 SF | 150,000 SF | 350,000 SF |
| BIOSCIENCE | 175,000 SF | 50,000 SF | 125,000 SF |
| HEALTHCARE | 850,000 SF | 250,000 SF | 600,000 SF |
| RESIDENTIAL | 1,000 DU | 200 DU | 800 DU |
| SENIOR HOUSING | 350 DU | 100 DU | 250 DU |
| MIXED-USE / INFILL DEVELOPMENT | 350,000 SF | 100,000 SF | 250,000 SF |
| CONVENTION CENTER | 100,000 SF | 100,000 SF | |
| CIVIC | 20,000 SF | 20,000 SF | |
| PARKING STRUCTURE | 1,709 Stalls | 933 Stalls | 776 Stalls |

Figure 2.6.1 – Phase 1 and Phase 2 Development Program Summary

2.6 MARKET FORECAST

Based on our preliminary market analysis, the City of Billings has the potential to support a diverse program in the ONE Big Sky Center Development Districts of the magnitude as described in Figure 2.6.1.

While these forecasts are preliminary and based primarily on macro-level demand analysis, the demographic strength, economic base, industry growth metrics combined with the regional trade area of Billings indicate that growth patterns will support a robust development program over a 15 to 20 year planning horizon. Urban development patterns as described in Section 3.0 show strong measurables indicating the importance of planning for this type of growth in Billings urban core.

It will be important to complete more thorough micro-level demand analysis during subsequent phases of planning to determine the specific programmatic potential for the City of Billings. This should include certain forecasting techniques along with primary market analysis geared toward specific market segments such as retail and residential

3.0 – URBAN DEVELOPMENT TRENDS



3.1 CONTEMPORARY URBAN DEVELOPMENT & DESIGN TRENDS

In undertaking any urban development plan, it is important to articulate a clear vision for new and redeveloped spaces and all relevant environments, including: the **physical environment** (location and geography); the **social environment** (the existing fabric and history of the area), and the **economic environment** (including socio-economic, local economy, etc.).

It is equally important to consider contemporary urban development and design trends, which should guide investments in capital projects that will last for decades. Decisions to invest multi-millions of dollars in public infrastructure and buildings to support private business and industry and civic goals should be informed by decisions about where people are choosing to live, work, play and visit. The trends most relevant to the **ONE** Big Sky Center development in Billings, include: (1) the **re-urbanization** of our American cities; (2) planning and building in broader **development districts**, versus with a narrow view to a single building or single parcel of land; as it relates to the built environment and establishment of mixed-use developments, particularly those developments built around a health care institutional anchor and/or civic attractions such as a sports venue or convention center. Each of these trends is described below, and then followed by a discussion of how they can be translated into the **ONE** Big Sky Center Development District concepts for Billings.

3.1.1 RE-URBANIZATION

For almost a century, there was a flight from the cities to the suburbs. But most recently, urban population growth has outpaced the rate of suburban growth. This trend toward re-urbanization from coast to coast, and including the Mountain States, has required a new vision for the planning and use of our city spaces, geared largely toward dynamic mixed-use developments with proximity to transit options and a myriad recreational opportunities.

We have also seen a long-standing, multi-generational pattern of young adults preferring more expensive urban areas over lower-cost rural ones because the lifestyles and opportunities in such places make the extra burden of cost worth it. America's largest metropolitan areas – those with five million or more residents – have grown the fastest, increasing on average by double-digit percentage rates between 2000 and 2010.

According to experts in urban growth and population dynamics, we are now seeing a shift toward Millennials, retiring baby boomers, and the “creative class”

(those who want to be near arts and cultural amenities) becoming more conscious of the extremely high cost of urban living in America's biggest cities, and finding value in small to mid-size cities, like Billings, that can offer a modern, urban lifestyle at lower costs – and which possess some distinct advantages of their own.

For example, as Millennials are becoming an integral part of the workforce, they are looking to reduce time and expenses spent on commuting and transportation that are common to both suburban living and living in very large metropolitan cities. In fact, many are opting to forgo the large, single-family detached homes where they grew up to live close to work, transit and other amenities. To the extent that smaller communities can offer a mixed-use environment with walkable streets and desirable recreational activities, they will have a distinct advantage over larger cities where costs will always be prohibitive to much of the population. With its sweeping views of the mountains, access to parks and world-class recreational amenities, trails and open space – and with a little more thoughtful planning and development of mixed-use housing, residential, commercial and retail options – Billings is certain to capitalize on the re-urbanization trend in a way that would be difficult for many American cities.

By all accounts, small towns have been the losers, with young people flocking to larger urban centers. But all is not lost for the communities like Billings. In a regional view of economic development, a regional hub city such as Billings can serve to stimulate the area-wide economy and provide benefits beyond the urban core. This regional economic development structure is well established in Billings – recognizing Billings is already known where Montana does business – and becomes the underpinning of the fiscal and economic growth plan that will define **ONE** Big Sky Center as the catalyst to the region's future.

Cities – large and small – are engines of economic growth and cultural development and are responsible for disproportionately higher rates of economic growth when compared with rural areas: with just over 50% of total world population, cities generate more than 80% of global GDP. Without economic growth and opportunity – i.e., good jobs and affordable housing – the most beautiful city in the world can't attract permanent residents. Today, more than ever, cities the size of Billings with special, natural amenities and a strong public-private commitment to invest and reinvest, will have the opportunity to reinvent themselves and offer countless benefits to their business, residents and visitors. However, building Billings' economy for the future and attracting the next generation of Millennial workers will require thoughtful planning and infrastructure development supportive of private investment will be crucial to maintaining a quality of life that sustains and supports business and drives specialized industries such as health care and tourism.



SMART CITY

Another positive indicator for a buildup of Billings’s urban core as part of a successful economic development strategy is national retailers’ trend toward focusing on underserved urban areas. For many years, “big box” retailers and large grocery chains have built their businesses in the suburbs. But now, after seeing suburban saturation and sales growth flatten, they are focused on smaller store formats in urban areas. Billings offers a unique opportunity to attract scaled-down versions of some of the most prominent retail names alongside its many unique boutique and specialty retail and outdoor outfitters. It also has minimally-developed land available in one of the most desirable tourism and recreational areas in America, in the foothills of the Beartooth Mountains, to accommodate large-format, “destination”-type retail.

3.1.2 DEVELOPMENT DISTRICTS

Another important trend in urban planning and design is “district” development. We all want smarter cities, and one way to achieve smart, efficient growth is to identify, within a particular geographic area, what development goals and objectives should be met. This is the next step beyond typical land use and zoning regulations.

A development district may specify uses (a housing district), encourage certain types of behaviors (a transit-oriented development), create incentives for co-location of businesses (an innovation or technology district), provide an enhanced level of public services for businesses or residents (a special services district), or provide a financing mechanism for public infrastructure (a special taxing district). District development can help communities tackle key challenges such as reducing traffic congestion, fighting crime, fostering economic growth, providing parking, and improving the delivery of municipal services and infrastructure.

For district development to be successful, it has to essentially become a microcosm of the larger area of which it is a part. The benefit of experimenting within such “development districts” is that new ideas and innovation and strategies can be explored at a manageable scale. Cities use the district concept for implementation and accountability but, ultimately, the benefits are expected to flow into the broader community and provide public benefit beyond the boundaries of any geographic area.

Our vision for **ONE** Big Sky Center is to evolve the planning from a single project focus to a broader economic development platform centered on the theory of development districts. The urban planning, concept design and market analysis completed to date suggest that the vision for **ONE** Big Sky Center should evolve to encompass two core development districts in downtown Billings: (1) a Lifestyle District centered on important civic assets than define the character of Billings to include a

new Entertainment & Convention Center, and (2) a Health & Wellness District bridging Billings two regional health care institutions to the fabric of downtown.

3.1.2.1 LIFESTYLE DISTRICT; A WALKABLE CITY WITH TOURISM AT ITS CORE
For those who desire a truly urban lifestyle experience, a vibrant downtown is essential. They want a City with strong linkages to the places they want to visit – the mountain and trails, grocery stores, national and boutique retailers, parks and trails. They want to live where they work, and play where they live. Billing’s already compact downtown and walkable footprint make these strong connections possible with a limited amount of urban redesign.

The Lifestyle District of **ONE** Big Sky Center contemplates the development of a new large-scale Entertainment & Convention Center as the anchor to the central business district. This important civic investment is a critical component to drive the type of year-round visitation that will bring a vibrancy and character to Billing’s downtown that is important to build and sustain the complimentary uses that residents and businesses will demand. Nearly every major urban initiative in America has been fostered by core civic or cultural institutions that begin the transformation of our urban landscape. Billing’s best opportunity to trigger this type of urban redevelopment will evolve from the core infrastructure investment in a new Entertainment and Convention Center that draws new visitation from the Mountain States and beyond.

As discussed above, transportation preferences among younger generations differ from those of past generations. Young adults are driving less and show a clear preference for options to bike, walk, and take transit. Young professionals are increasingly basing their decisions on where to live and work based upon their preference toward urban living, unlinked from the necessity for a car. Cities with excellent transit, walking, and biking infrastructure are at a distinct advantage in attracting young talent. Surprisingly, even cold weather climates are attractive to outdoor commuters ... for example, the cities of Madison and Minneapolis are consistently among the best biking cities in the country, including rankings as the #2 and #3 bicycling commuting cities, respectively, by the U.S. Census Bureau (2015).

There are several principles that should guide **ONE** Big Sky Center’s urban planning and improvements, creating dynamic public spaces and, by extension, leading to additional private investment and a more vibrant City and regional economy.

Look to long-term, public goals and a vision for sustainable access: The best solutions for urban development put long-term public goals, such as economic development, above short-term financial considerations. Planning and design should adhere to the notion that the downtown is an inherently public asset and provide access, but also foster broad economic and fiscal benefits that can sustain and build upon these assets for generations.

Create multiple dynamic destinations within downtown: The focus on destinations, rather than simply “open space” or parks along the streets of a city, gives residents, businesses, community organizations and other stakeholders the opportunity to define the uses and activities they want to see, and this can better drive visitation. This also creates diverse, layered activity, ensuring that no single use will predominate.

Connect the development districts: Each of the development districts should be incorporated into a vision for the downtown as a whole. This requires continuity and a walkable, pedestrian experience. A walkable downtown with a wide variety of activity along its primary streets will successfully connect destinations, allowing each to strengthen the others. Creating these connections should include mixing uses (such as housing, parks, entertainment and retail) and mixing partners (such as public and private institutions and existing business owners). In Helsinki, Finland, the “Esplanade” is a public promenade that leads from the heart of the city to the waterfront on a tree-lined path that opens up to sweeping, unobstructed views of the harbor.

Make new development compatible with the City’s history: New developments can be tailored to meet the community’s history and shared goals and expectations for the future. The City and concerned citizens can be reassured that the urban footprint is too valuable to allow private development to dictate all the terms of growth and change. But private development is essential to the future of a healthy downtown in Billings. Properly planned and executed, the new built environment can be compatible with the rich history and tradition of downtown Billings.

Encourage activity day and night: Great urban districts include a variety of places that are full of people, day and night. They are the sites of restaurants, shops, businesses, urban residential housing, festivals, markets, fireworks displays, concerts and other high-energy gatherings. Residential development needs to target the young, urban constituencies that appreciate 18-hour activity and help it flourish.

Use parks to connect destinations, not as the only destinations: Urban parks and green space cannot be the sole focus of a redeveloped urban core. Passive open spaces put a damper on the inherent vibrancy of urban environments. Places like Vancouver have relied too heavily on these green space strategies, which do not provide the mix of uses necessary to draw people for different reasons at different times, including different seasons. The very best downtowns use parks as “connective tissue,” linking major destinations together.

Ensure the built environment engages the public space: Any building in the downtown should add to the connectivity and activity of the public spaces that surround it. The goal is to create an ideal combination of commercial and public uses. Larger, taller structures should have private activity on the ground floor with pedestrian-friendly uses that engage passersby.

Support multiple modes of transportation: Downtowns are dramatically enhanced when they can be accessed by means other than private vehicles. In cities around the world, visitors and residents now access our downtowns by multiple modes of transportation. Walking and biking are becoming an increasingly important part of the transportation mix, and the best cities are rapidly advancing new modes of transit. Of course, cars and parking options are still important, especially in colder months and in support of business uses for local residents.

Integrate seasonal activities: To be successful, the rain and snow and cold cannot prohibit urban development, especially in a northern city like Billings. Many urban places across the country and around the world are known for their cold winds and gray skies. Urban programming must take rainy-day and winter activities into account, and amenities must provide shelter from inclement weather. Downtowns that thrive in year-round conditions – even the most extreme conditions – will reap the benefits of greater economic activity and higher attendance at civic facilities. In rainy and windy Brighton, England, the seafront is a constant source of activity.

Make stand-alone, iconic buildings serve multiple functions: According to urban planning experts, an iconic structure – such as an entertainment or convention center - can be a boon to an urban development district, so long as it acts as a multi-use destination. In Stockholm, the busiest building on the waterfront is often the City Hall. Surrounded by a plaza, park, and courtyards, the building shares the waterfront with a major pier where boats provide public tours. This institutional facility is more than a one-dimensional icon, but also a good neighbor with a strong sense of place. Iconic buildings built as part of any ONE Big Sky Center Development District should strive to achieve the same flexibility and public-spirited presence.

Don't forget management and operations: Strong ongoing management and fiscal discipline is essential to maintain and sustain diverse variety activities and events throughout the year and for multiple generations. Urban lifestyle initiatives can look to a variety of models for sustainable budgeting and operations, including a "Business Improvement District." Certainly multiple variations of public - private partnerships can be forged between businesses and civic organizations and the broader community, region and even State. Ultimately, the benefits will be proven by the significant positive economic and fiscal impacts resulting from successful development of Billing's urban core.

3.1.2.2 HEALTH & WELLNESS DISTRICT; HEALTH CARE AS AN ANCHOR

The field of urban planning grew out of concerns for public health and welfare as cities industrialized in the early 20th century, creating unsanitary conditions around factories and throughout neighborhoods. The focus of the design of the built environment was the health of a community defined in terms of the environment, economy, and equity, which led to a segregation of uses – and ultimately sprawl, with the proliferation of automobiles and highways. Policies have changed in recent years, with a focus on re-urbanization, as described above, and a return to more traditional neighborhoods with a mix of uses. These modern, mixed-use neighborhoods are designed for pedestrian and transit options in more compact areas – with a new view toward positive socio-economic impacts in the community at large.

Healthy, walkable cities are reflective of the transportation preferences among younger generations – young adults are driving less and show a clear preference for options to bike, walk, and take transit. The Millennial generation is the first generation in decades that drives less than their parents and the number of young people with a driver's license is declining. According to the Federal Highway Administration, the share of 14- to 34-year-olds without a driver's license is increasing dramatically. Mobile technologies have changed how this generation connects with their peers, how and where they choose to live, how they work, and consequently how they travel. Reliance on technology is increasing at an unprecedented pace and provides an opportunity to expand the availability and use of public transit and other shared mobility options like car share, bike share, and on-demand transportation services. Health care institutions are ideally positioned to anchor and catalyze urban cores, building healthy, walkable cities that can have both positive economic and fiscal impacts and broader socioeconomic impacts.

It has become accepted in the planning and architectural communities that the built environment can have a positive effect on health outcomes. Study after study has proven the benefits of providing natural light and views to nature, configuring spaces to prevent falls, etc. But as discussed above, urban planners are now starting to focus more on how buildings can be configured in urban areas to create more walkable, livable (i.e., healthy) and vibrant communities. These buildings and their tenants bring the anchoring investments in health and wellness facilities that can drive a community economic development strategy. Today, health care institutions are embracing urban re-vitalization as a fundamental focus on their efforts to recruit and retain the best and brightest minds that will comprise their workforce for the next generation.

The largest and dominant employers in downtown Billings are the Billings Clinic and St. Vincent Healthcare. Our vision for **ONE** Big Sky Center is to leverage the presence of these institutions and their regional draw to Billings to transform the northern end of downtown into a “Health & Wellness District” – defining the medical campus of the future. A Health & Wellness District is an evolving concept of a “place” where investments are targeted to improve population health and the patient experience, improve access and efficiency of care to a regional population, and create a dynamic environment for medical professionals to live, work and play.

The term “health” is used, as opposed to “medical,” because the traditional medical campus is associated with the treatment of sick patients. The term “district” is used, instead of “campus,” because campuses tend to be thought of as separate from the community. **ONE** Big Sky Center’s Health & Wellness District would be designed to be fully integrated into the community. Conventional health care facility planning, with hulking towers and fronts doors facing parking lots and ramps and not the community, are at odds with today’s recognized healthy community design standards grounded in small block sizes, pedestrian-friendly streetscapes, active ground floors, and open green spaces.

3.2 TRANSLATING THESE TRENDS FOR BILLINGS

Each of these trends can be translated into the physical development and public-private investment plans that can help achieve the **ONE** Big Sky Center vision. This requires an investment in the core of the community to strengthen Billings, not only for its own account, but for the regional economy and to drive fiscal and economic impact. It requires better leveraging Billing’s greatest asset – the natural environment – and driving visitation well beyond current levels of tourism and regional economic draw. It means creating a “front door” to all of Billing’s existing civic amenities and anchoring institutions, and providing a new anchoring attraction with a new Entertainment & Convention Center. And it will result in stronger connections between downtown destinations and a more walkable, urban lifestyle city that will be attractive to both residents and visitors.

4.0 – PRELIMINARY MASTER PLAN, LAND USES & PLANNING ISSUES





Original Proposed Conceptual Rendering

4.1 CONCEPT MASTER PLAN ... CHALLENGES & OPPORTUNITIES

This Concept Master Plan for ONE Big Sky Center resulted from a preliminary study of available resources related to existing facilities, anticipated demands, and market data for the City of Billings and the greater Southeastern Montana region. It identifies key issues for planning and design and highlights the importance of institutions (public and private) working together in partnership, and is guided by the vision, goals and objectives of the ONE Big Sky Center Development Districts.

This Section 4.0 provides information on broad, conceptual ideas, not specific block-by-block development plans, which may be undertaken in a future phases of development planning. These ideas form the basis of concepts illustrating how a district development strategy can strengthen Billings as a destination city and strengthen the economic climate – using health care and tourism as catalysts to anchor the transformation of Billings into the next generation.

The success of a major economic development plan for Billings will be dependent on the institutions and civic / cultural attractions that anchor this transformation. As the largest employment sector in Billings, health care is a major driver of economic activity and urban development. It has the power to influence non-clinical factors that impact health and overall quality-of-life for patients, visitors, residents and businesses in the region. Tourism is a complimentary industry that is poised for considerable growth with the proper investment in civic assets that can elevate Billings to become a dominant player in the meeting, convention and entertainment sectors. This balance of existing and emerging industries is an ideal compliment of growth opportunities to frame a master plan for ONE Big Sky Center.

4.1.1 THE CHALLENGES

Billings’s health care economy is concentrated in a mass of medical facilities constructed in traditional “campus” environments. Detached from the core of downtown and not integrated with the main downtown business and retail corridor, both the Billings Clinic and St. Vincent campuses lack the mixed-use amenities demanded by employees, patients and visitors. Health care facilities and hospitals today are being better integrated with educational institutions, destination shopping, dining, parks, and dynamic urban, lifestyle neighborhoods. Health care campuses of the future will be woven together with the urban fabric of their cities and anchors to drive new and positive economic development.

| NAME OF VENUE | LOCATION | TOTAL FUNCTION SPACE (SQUARE FEET) |
|--|-----------------|------------------------------------|
| MONTANA CONVENTION CENTERS | | |
| Bozeman Convention Center | Bozeman, MT | 27,000 |
| Great Falls Civic Center | Great Falls, MT | 23,938 |
| Montana State University Strand Union Building | Bozeman, MT | 17,858 |
| University of Montana University Center | Missoula, MT | 17,670 |
| Helena Civic Center | Helena, MT | 10,730 |
| REGIONAL CONVENTION CENTERS | | |
| Bismark Convention Center | Bismark, ND | 95,911 |
| Fargodome | Fargo, ND | 94,902 |
| Rushmore Plaza Civic Center | Rapid City, SD | 87,026 |
| Sioux Falls Convention Center | Sioux Falls, SD | 56,372 |
| Boise Centre | Boise, ID | 33,460 |
| Yakima Convention Center | Yakima, WA | 29,908 |
| Wenatchee Convention Center | Wenatchee, WA | 24,852 |
| COMPETITIVE HOTELS | | |
| Little America Hotel & Resort | Cheyenne, WY | 25,989 |
| Best Western Plus Heritage Inn | Great Falls, MT | 18,308 |
| Parkway Plaza Hotel & Convention Center | Casper, WY | 17,209 |
| Hilton Garden Inn Missoula | Missoula, MT | 15,581 |
| Red Lion Colonial Hotel | Helena, MT | 13,536 |
| Hilton Garden Inn Kalispell | Kalispell, MT | 10,046 |
| Fairmont Hot Springs Resort | Butte, MT | 8,614 |
| Holiday Inn Bozeman | Bozeman, MT | 6,398 |

Figure 4.1.1 – Comparable Venues
Source: HVS Proposed Convention / Conference Center Feasibility Study

While the medical campuses in Billings are currently lacking the civic connections / amenities to downtown, the City lacks a major destination attraction that can drive meaningful visitation to the urban core on a year-round basis. The importance of building a new Entertainment & Convention Center in downtown Billings is critical to establish a greater draw to the City of the region and beyond. The State of Montana does not have a single entertainment and convention venue that allows it to compete with other regional facilities that dominate this market. The Market & Feasibility Study completed by HVS underscore the need and importance of a new convention facility in downtown Billings. Figure 4.1.1 highlights the competitive set of facilities in Montana and the Mountain States region which underscores the opportunity for Billings to establish itself as an even stronger draw for regional tourism.

Today, the City of Billings faces additional challenges related to “place” that make urban development, workforce recruitment and driving visitation even more challenging:

- Uncoordinated development
- Underutilized or underdeveloped civic amenities
- Inefficient transportation network
- Lack of a comprehensive plan and strategy to drive economic development in the City

4.1.2 THE OPPORTUNITIES

A “district” oriented development can address the challenges outlined above, and provide unique benefits supportive of the ONE Big Sky Center vision, goals and objectives. Creating shared opportunities such as an enhanced health care economy, new jobs for the region, and increased visitation and tourism.

By planning a “district” rather than an isolated project, the City of Billings can create a more connected, cohesive community that supports health and wellness and its aspirational aims and business plans. The ONE Big Sky Center combined Development Districts will enable coordination of land use and transportation investment decisions and propose an inviting and connected public realm with safe streets and paths for pedestrian activity. A district configuration provides the infrastructure for businesses and institutions to leverage their unique capabilities and achieve results that are greater than the sum of their parts.

The development concepts presented here envision state-of-the-art health care facilities woven together with a new urban fabric for Billings that reflect the changing health care delivery paradigm, drive a stronger and more dynamic health care

| PROGRAM SUMMARY | | |
|-------------------|------------------------|--------|
| DESCRIPTION | PROGRAM | |
| HOTEL | 200 | Keys |
| RETAIL | 50,000 | S.F. |
| COMMERCIAL OFFICE | 150,000 | S.F. |
| RESIDENTIAL | 100 | Units |
| CONVENTION CENTER | 100,000 | S.F. |
| CIVIC | 20,000 | S.F. |
| PARKING STRUCTURE | 650 | Stalls |
| TOTAL | 550,000 - 600,000 S.F. | |

Figure 4.2.1 – ONE Big Sky Center Program Summary (Phase 1A)

economy in Billings and the region, and anchor a true destination city that drives innovation in health and wellness.

In addition, **ONE** Big Sky Center provides a platform to transform the tourism local economy to become a far more important segment of the region’s economic base. It is the combination of community anchors that will trigger the type of urban re-birth that will drive employers, residents and tourists to locate and visit Billings at a considerably increased pace versus current trends.

4.2 PRELIMINARY CONCEPTS: A & B

The Concept Master Plan contemplates two potential Development Districts that become the anchoring elements of **ONE** Big Sky Center as further outlined below.

CONCEPT A: Is a civic “lifestyle district” in which a larger, mixed-use, multi-anchor development centered around civic and community amenities designed to drive visitation including a new Entertainment & Convention Center. This destination concept relies on private business partners whose capital investment and community stewardship can be leveraged against public investment to support broad economic development goals and provide significant fiscal impacts.

CONCEPT B: Is an integrated “health & wellness district” – the medical campus of the future – where the core facilities of Billings Clinic and St. Vincent serves as the main anchor of a health- and wellness-focused mixed-use village creating a bridge between these facilities and the heart of downtown Billings. This Health & Wellness District is focused on planning, design and operations of health facilities and their surrounding environs by integrating facilities (consistent with integrated health care) into the community and improving population health to the overall region.

4.2.1 PRELIMINARY DEVELOPMENT PROGRAM TABLES

The development program for **ONE** Big Sky Center is included in this Section 4.0. Concept and design narratives presented in the following pages are based on these illustrative programmatic options, which will serve as a starting point for more detailed planning efforts as part of the next phase of the planning process, including specific program criteria and requirements for the applicable sites, baseline financial modeling, and definitive legal structure and agreements for the Project. Build out of the program is anticipated in two primary phases over approximately 10 to 15 years. Projected programming for both Development Districts - for Phase 1 and Phase 2 - are included in Figure 4.2.2.

| | PHASE 1A | PHASE 1 | PHASE 2 | TOTAL |
|---------------------------------|------------|------------|------------|--------------|
| HOTEL | 200 KEYS | 200 KEYS | 300 KEYS | 500 KEYS |
| RETAIL / DINING / ENTERTAINMENT | 50,000 SF | 100,000 SF | 225,000 SF | 325,000 SF |
| COMMERCIAL OFFICE | 150,000 SF | 150,000 SF | 350,000 SF | 500,000 SF |
| BIOSCIENCE | | 50,000 SF | 125,000 SF | 175,000 SF |
| HEALTHCARE | | 250,000 SF | 600,000 SF | 850,000 SF |
| RESIDENTIAL | 100 DU | 200 DU | 800 DU | 1,000 DU |
| SENIOR HOUSING | | 100 DU | 250 DU | 350 DU |
| MIXED-USE / INFILL DEVELOPMENT | | 100,000 SF | 250,000 SF | 350,000 SF |
| CONVENTION CENTER | 100,000 SF | 100,000 SF | | 100,000 SF |
| CIVIC | 20,000 SF | 20,000 SF | | 20,000 SF |
| PARKING STRUCTURE | 650 Stalls | 933 Stalls | 776 Stalls | 1,709 Stalls |

Figure 4.2.2 – Phase 1 & Phase 2 Development Program Summary

4.3 MASTER PLAN & CONCEPT NARRATIVES

ONE Big Sky Center is envisioned as a series of mixed-use development programs, each of which is well-positioned to capitalize on its strategic location – either in the heart of the civic core of Billings adjacent and amidst new and evolving destination attractions, or directly adjacent to the existing medical centers in downtown Billings. These options can be pursued jointly, as well – as non-contiguous Development Districts linked by public infrastructure improvements to support complementary, ancillary development in each location.

4.3.1 CONCEPTUAL NARRATIVES

Globally and in the United States, there has been a great shift to re-urbanization with an emphasis on integrated live, work and play lifestyles. The urban regeneration and renewal of historic city cores is not only happening in large, established cities, but also in smaller communities like Branson, Missouri; Allentown, Pennsylvania; Traverse City, Michigan; and Roanoke, Virginia, which have been able to revive their downtowns to attract residents and visitors and draw upon their distinctive community character and assets. The Conceptual Master Plan Narrative for ONE Big Sky Center is focused on creating a mixed-use development that aligns with an urban lifestyle, but in a scale and density that is appropriate for downtown Billings, and conscious of the City’s historic fabric and ties to nature and outdoor activities.

ONE Big Sky Center will be a catalyst for development that will transform downtown Billings, particularly with the dual-anchored strategy centered on health care and tourism, with the maximum ability to drive increased tax base and make the case for public investment, which can be leveraged to attract significant additional private investment. Described in more detail below are the two development programs under consideration for ONE Big Sky Center.

4.3.1.1 MASTER PLAN CONCEPT A – LIFESTYLE DISTRICT

An exciting, master-planned design and distinctive architecture could integrate a number of programmatic uses within the Lifestyle District, including:

Upscale Full Service or Limited Service Hotel: Targeted toward patients, tourists, academic guests, and business and other travelers, this hospitality offering would include a combination of well-appointed rooms / suites and amenities to appeal to a dynamic customer base, enhance the experience in the civic core and satisfy demand requirements, particularly in the group, leisure and transient markets. It is anticipated that a new hotel would be attached to the Entertainment & Convention Center, contributing to a more attractive and marketable convention destination.

Residential Offerings: Residential units varying in size and number of bedrooms with high-end amenity packages should be considered. Residential supply in this area should be designed for flexible lifestyles and offer dynamic floor plans and attractive amenities to satisfy the next generation of residents and set the standard for contemporary urban living in Billings, with dramatic views of the City’s natural beauty and the mountains to the west.

Urban Retail & Entertainment: The vision for ONE Big Sky Center has the potential to bring millions of new visitors to downtown driving growth in retail demand from guests, employees and residents combined.

Unique Dining: Unique dining outlets targeted toward patients, tourists, other visitors and residents, as well as employees of the Development Districts and surrounding downtown area, should cater to the urban lifestyle and create a 24-7 district.

Connected Office: Modern, connected office configurations can redefine the relationship between work and play, designed to promote an innovative, collaborative environment with proximity to daylight and open space, and conveniently connected to both downtown Development Districts.

State-of-the-Art Entertainment, Convention, Conference Center and Meeting Space: The anchor to the Lifestyle District is a new Entertainment & Convention Center with the capacity and program suitable to attract mid to large-scale regional and national events to Billings.

Additional Civic Amenities and Public Connections: The vision for ONE Big Sky Center includes a new civic spaces and other cultural amenities for visitors and the community, including a public ice skating rink that orients to its surroundings and further enlivens the Lifestyle District. A series of public spaces, pedestrian walkways and landscape improvements are envisioned throughout this civic destination, enhancing connections from the Entertainment & Convention Center throughout all commercial areas of downtown. The interior and exterior walks and parks will be lined with commercial, public, retail and restaurant uses that will encourage public and pedestrian activity.



Billings Clinic



St. Vincent Healthcare

4.3.1.2 MASTER PLAN CONCEPT B – HEALTH & WELLNESS DISTRICT

Concept B proposes a dynamic urban destination with Billings Clinic and St. Vincent as the anchoring elements within a larger, mixed-use, multi-anchor development around civic and community amenities extending from the heart of downtown Billings ... the Health & Wellness District. An exciting, master-planned design and distinctive architecture could integrate a number of programmatic uses within the Health & Wellness District, including:

Health Care / Other Commercial Development: Billings is fortunate to have two major medical institutions that maintain a formidable presence in the downtown core. Growth of these two important institutions will continue and the Health & Wellness District provides an opportunity to capitalize on the strength of these two important employers and provide them with the urban fabric that will support their growth and workforce development. The Health & Wellness District provides an important bridge to knit these campuses into the urban core and establish the type of amenities and urban experience that will be demanded by medical professionals of the next generation.

Urban Residential Offerings: Residential units varying in size and number of bedrooms with high-end amenity packages should be considered along this corridor to downtown. Residential supply in this area should also serve the City’s need to provide more workforce housing options, which can bridge the Health & Wellness District to the neighborhoods. This is likely to be the most desirable housing in the City, where residents never need a car because all they need is within easy walking distance.

Dynamic, Year-Round Public Spaces & Mixed Uses: Imagine a pedestrian-scale environment that bridges the medical campuses to downtown with amenities such as a year-round farmer’s market; more healthy, ethnic dining options; state-of-the-art fitness facilities; grocery, and one-of-a-kind retail shops featuring local artisans and their handicrafts. This creative mix of public and private facilities grounded in a community focus of health and wellness would be a truly unique destination – a great place to spend a day, a week or a lifetime.

Bio-tech / Academic Collaboration Space: The Health & Wellness District can provide an environment of innovation and collaboration, where companies and academic institutions locate in close proximity to one another and reputable medical institutions, like Billings Clinic and St. Vincent, to share facilities, knowledge and talent, and to showcase their innovations. This space could also include research, incubator and accelerator programs.

4.4 SITE CONTROL, LAND USE & ZONING

City land use and zoning regulations establish the way in which property may be used, how large buildings can be constructed, and where they may be situated on the lots, as well as parking, landscaping and signage requirements. Like most cities, Billings has well established planning and zoning regulations to encourage innovative land development, minimize adverse environmental impacts, improve mixed-use development to support active lifestyles, and protect public health, safety and general welfare. A comprehensive assessment of zoning considerations will be completed during Phase 2 of the master planning process with a definitive set of recommendations for zoning of the Development Districts within ONE Big Sky Center.

As part of Phase 2, which will include more detailed, block-by-block planning efforts, ONE Big Sky Center will undertake a search of property records to identify land ownership, any liens or other encumbrances or restrictive covenants that may impede proposed development. Examples of liens include contractors’ liens for unpaid improvements to real property, or bank liens evidencing debt. Liens can make it financially infeasible to acquire or improve property. Other encumbrances include rights to, or interests in, real property that do not prohibit passing title to the property, but that can diminish its value and restrict development, such as easements. There are also other types of restrictive covenants, such as a promise not to build higher than a certain number of stories, that could affect the master planning efforts. A thorough evaluation and understanding of these issues will be important before undertaking costly design and architectural services in respect of proposed development.



Original Proposed Conceptual Rendering



Source: CTA Architects (For illustrative purposes only and are subject to change)



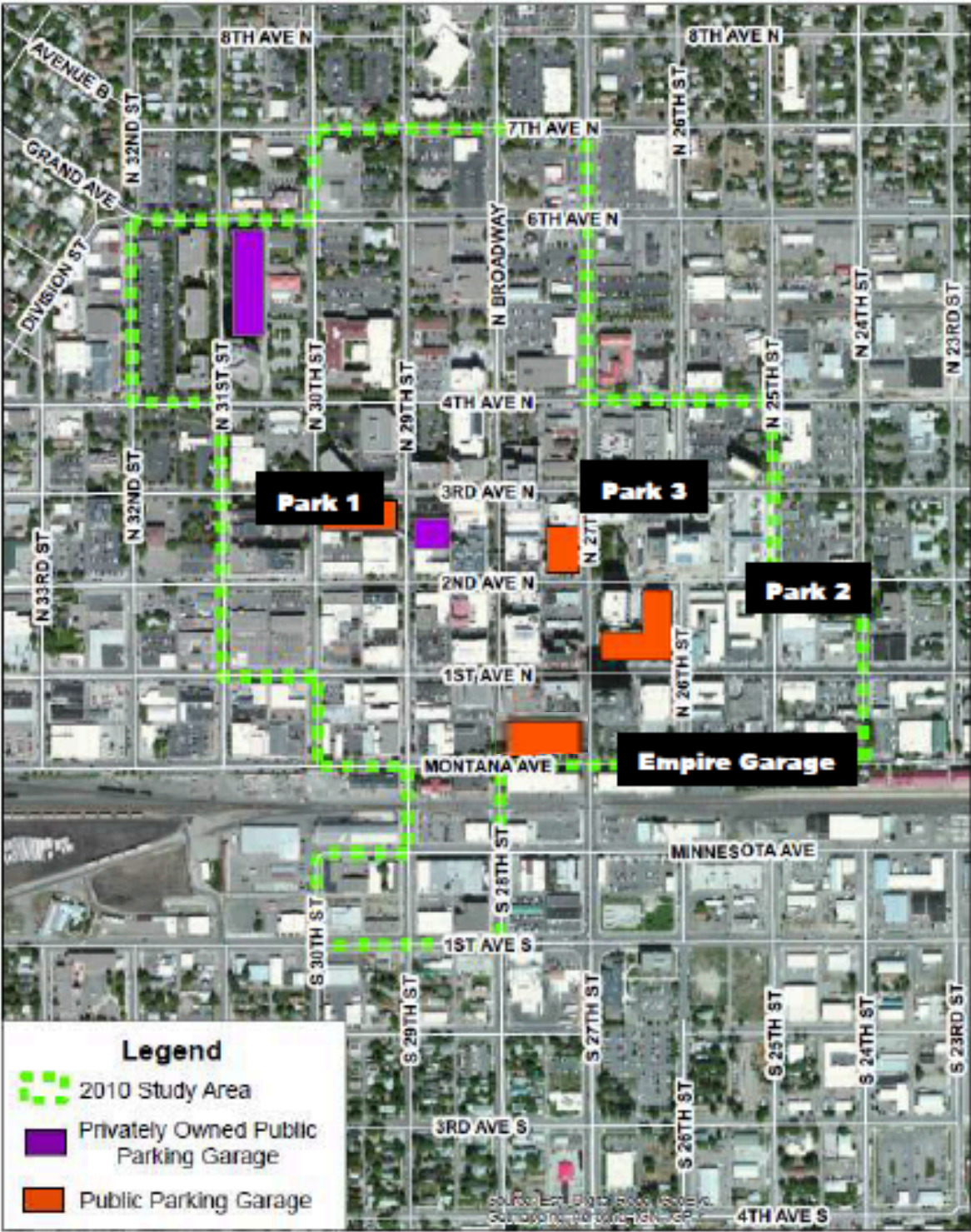
Source: CTA Architects (For illustrative purposes only and are subject to change)



Source: CTA Architects (For illustrative purposes only and are subject to change)



Source: CTA Architects (For illustrative purposes only and are subject to change)



Source: Kimley Horn

Following is a summary of the peak utilization of the parking decks in the core of downtown Billings. Importantly, this analysis suggests capacity exists with existing parking facilities to support added density and development downtown. It will also be important that new parking be developed in strategic locations to support development in both development districts.

- Park 1 Garage
 - Total Stalls – 454
 - Occupancy – 64%
- Park 2 Garage
 - Total Stalls – 760
 - Occupancy – 59%
- Park 3 Garage
 - Total Stalls – 269
 - Occupancy – 87%
- Empire Garage
 - Total Stalls – 515
 - Occupancy – 29%



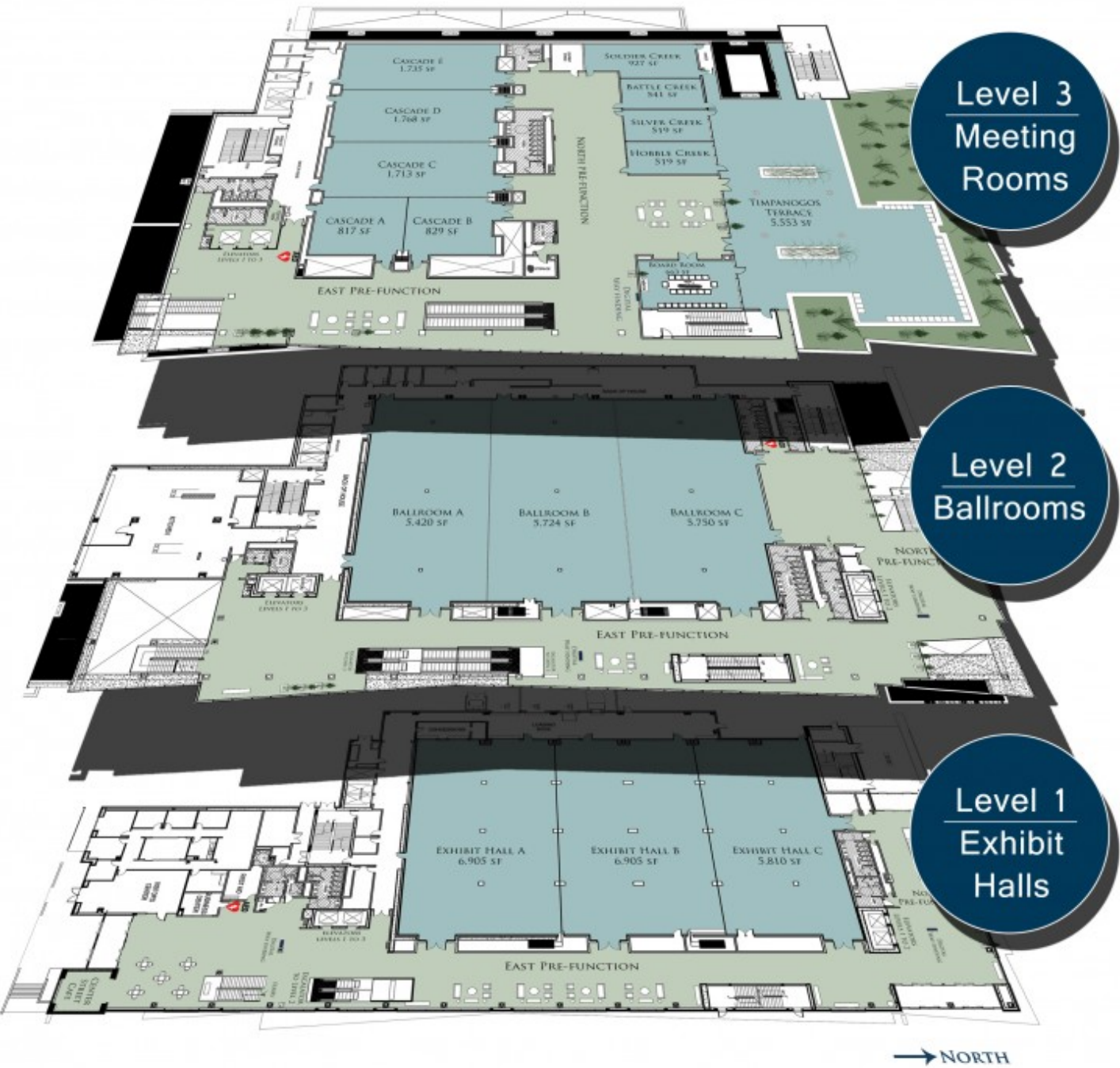
CONVENTION & CIVIC

Flexible convention & civic spaces serve as a very effective anchor for downtown redevelopment attracting millions of visitors per year and generating thousands of hotel room nights. Increased visitation to downtown Billings will also drive related ancillary development including residential, retail, commercial office and promote an active streetscape, public spaces and connections.

COMPARABLE VENUE – UTAH VALLEY CONVENTION CENTER

Featuring:

- 83,578 square feet of combined meeting, pre-function and garden space
- 19,620 square foot Exhibit Hall that can be divided in half or into three separate sections.
- 16,894 square foot Grand Ballroom with the ability to split into three sections
- 10 break out rooms that total 9,979 square feet of meeting space
- Executive Boardroom
- 5,553 square foot open roof top garden space
- Provo Airport located 10 minutes with Allegiant Air flights to and from Phoenix, AZ and San Francisco, CA
- Located 6 blocks from the UTA FrontRunner Provo Central Station
- More than 1300 hotel rooms in the Provo area.
- LEED Silver Certified Building with green design, construction, operation and maintenance





CORPORATE HEADQUARTERS & CONNECTED OFFICE

High visibility corporate headquarters and work environment in a flexible, collaborative setting designed to promote an innovative, urban environment with proximity to daylight and open space that redefines the relationship between work and play. **ONE** Big Sky Center would be home to a large “connected” work community and include elements of smart office design, fiber access, green space and urban gardens.



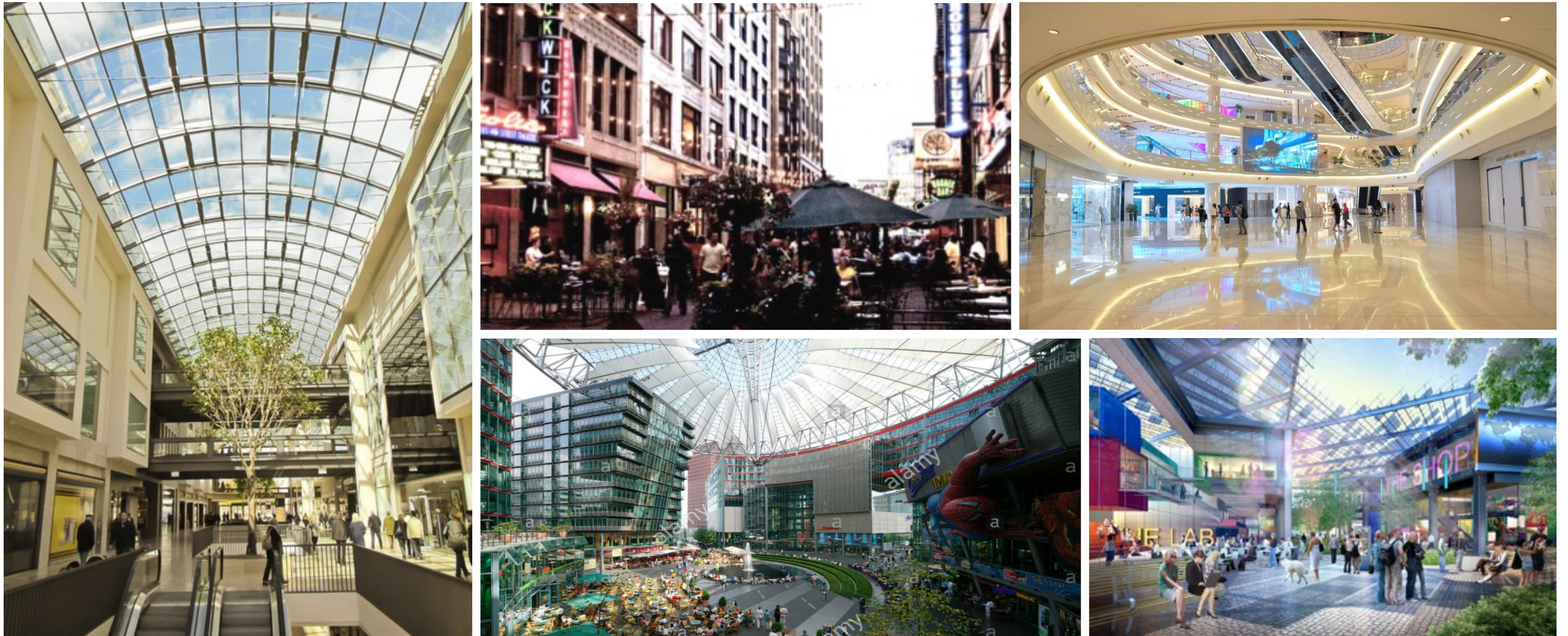
HEALTH & WELLNESS

Health and wellness are guiding the decisions of all generations today. Healthcare consumers, young and old, are looking for trusted providers that can give them advice for their holistic needs -- an interdisciplinary model that offers many specialties and disciplines all in one location, so patients can receive coordinated care in a desirable "destination" setting near other attractions and amenities.



STYLISH HOSPITALITY

Targeted toward business and other travelers, researchers, patients and visitors, this hospitality offering includes a combination of well-appointed rooms / suites and amenities to appeal to a dynamic customer base, enhance the experience in the urban core and satisfy demand requirements in the group, leisure and transient markets.



URBAN RETAIL, DINING & ENTERTAINMENT

Retail, dining and entertainment will provide a strong anchor the innovative entrepreneurs and workers in ONE Big Sky Center, catering to their urban lifestyle and creating a 24-7 district.



LIFESTYLE RESIDENTIAL

Designed for flexible lifestyles, these urban residences can offer diverse and unique housing options with dynamic floor plans and attractive amenities to satisfy many generations of residents. Residences will set the standard for contemporary urban living.



HIGH TECH & BIO SCIENCE

Entrepreneurs, educators, researchers and corporate partners are all demanding new "spaces" that facilitate collaboration and innovation. Today's most creative minds are redefining how they live and work ... and seeking places that foster technology transfer, sharing of ideas and easy exchange of information.



HIGHER EDUCATION / LEARNING ENVIRONMENT

First class, modern teaching facilities and a learn / live environment that replaces traditional lecture halls with high-tech classrooms and modern amenities. Outfitted with smartboards and recording centers for podcasts, this state-of-the-art space is a “start-up” spin on education with space for collaboration as well as silent, independent study.



ACTIVE STREETScape, PUBLIC SPACES & CONNECTIONS

Pedestrian-oriented setting with unique street-level retail and dining options provide activities for health care workers, students, residents and visitors, especially during the evening hours, creating a street life for ONE Big Sky Center that accommodates a variety of paces – fast-moving and leisurely.

5.0 – FINANCE PLAN



5.1 OVERVIEW OF THE PRELIMINARY FINANCE PLAN

The success of ONE Big Sky Center is dependent on the creation of a Finance Plan that balances a number of factors that will determine the feasibility, viability and success of both public and private development interests. This Preliminary Finance Plan has been developed to outline various considerations tied to the financial viability of a large-scale, mixed use economic development initiative and to provide an order of magnitude cost estimate for each of the program elements outlined in this Concept Development Plan.

Specifically, this Preliminary Finance Plan provides:

- An overview of the economic development strategy for the ONE Big Sky Center vision;
- An assessment of various sources of funds (public and private), including a comprehensive list of existing State, local and federal public funding sources and examples of public funding programs used for similar public-private partnerships;
- A representative master project budget for the development concept;
- Sources and uses of funds for each concept and an estimation of the likely public funding “gap” associated with certain elements of the program; and
- A preliminary economic and fiscal impacts analysis for the development concept.

5.2 ONE BIG SKY CENTER ECONOMIC DEVELOPMENT STRATEGY

ONE Big Sky Center is being redefined as a **transformative economic development plan** designed to leverage public and private investment in the City of Billings, creating jobs, expanding the tax base, and charting the course for long-term growth and prosperity for the State of Montana.

The ONE Big Sky Center strategy includes innovative programs that shape market behavior and strengthen communities. The economic development plan analyzes the impacts of development scenarios to support public investment decisions; measures the economic and fiscal impacts of proposed developments and planning initiatives; and demonstrates the impacts and benefits of public investment, all as further described in Section 5.6.

Realizing a vision for economic development – whether for a neighborhood, a district, a downtown or a region – requires a long-term commitment from both public and private interests dedicated to executing and implementing a comprehensive development plan. ONE Big Sky Center will become the catalyst in this public-private partnership designed around a sound plan of finance to achieve development goals that strengthen community assets and facilitate economic growth in Billings.

5.3 ASSESSMENT OF SOURCES OF FUNDS

Large-scale, mixed-use urban redevelopment projects such as ONE Big Sky Center require a structured finance plan using a variety of sources of capital – both public and private -- to ensure financial viability and ultimate success. These include sources from private development interests, which will fund the “bricks and mortar”, and a variety of other public and private sources that will fund required public infrastructure and related mixed-use programming elements to fulfill the ONE Big Sky Center vision – elements that cannot be driven by market forces and private investment alone in the City.

The potential Sources of Funds listed below include a range of structured finance alternatives that may be used, in whole or in part, to realize the ONE Big Sky Center vision:

5.3.1 PRIVATE SOURCES
EQUITY

The Master Project Budget below for **ONE** Big Sky Center includes costs for the private development of certain Project components, including: medical / wellness facilities, retail space, commercial office space, residential housing, hospitality and parking and, certain civic amenities and social infrastructure. The budget assumes multiple private development interests will capitalize individual phases of the Project with equity financing.

DEBT

The Finance Model for **ONE** Big Sky Center contemplates multiple private tiers of capital supporting each phase of the Project with debt financing. Some of the key assumptions associated with various debt structures, include:

- 4.50% to 5.50% cost of capital
- 1.50x to 2.00x debt service coverage ratio (DSCR) or greater
- 25-year amortization
- 60% to 65% loan to cost

These underwriting criteria are discussed further below under Financial Model.

NAMING RIGHTS & SPONSORSHIPS

Increasingly, corporate entities are purchasing “naming rights” or otherwise sponsoring the construction of public and private facilities and civic spaces or specific components thereof. These transactions can be difficult to price, based upon factors such as market valuation of the opportunity, revenue forecasts, and various activation platforms. But the Finance Model makes some conservative assumptions that the civic amenities included may achieve some level of capital infusion from corporate naming rights or sponsorships.

OPERATOR CONTRIBUTIONS

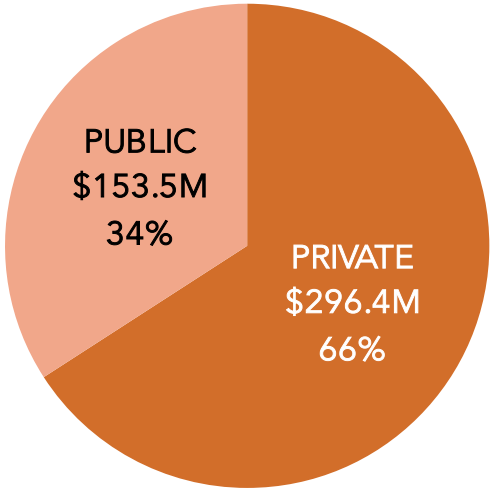
The Finance Model reflects the possibility that a private contribution of capital will be made by one or more equity partners in exchange for long-term management contracts for civic facilities and social infrastructure programmatic elements.

5.3.2 PUBLIC / QUASI-PUBLIC SOURCES

It will be essential to have an infusion of significant public investment to support the overall private investment that will drive the fiscal & economic impact that can be realized from the complete build-out of **ONE** Big Sky Center.

| | TOTAL | PHASE 1 | PHASE 2 |
|-------------------------|------------|----------|------------|
| SOURCES OF FUNDS (\$MM) | | | |
| PRIVATE | | | |
| Equity Investment | \$ 423.9 | \$ 93.1 | \$ 330.8 |
| Debt Financing | \$ 1,025.3 | \$ 203.3 | \$ 822.0 |
| PUBLIC | | | |
| Public Investment | \$ 198.1 | \$ 153.5 | \$ 44.6 |
| TOTAL | \$ 1,647.4 | \$ 449.9 | \$ 1,197.4 |
| USES OF FUNDS (\$MM) | | | |
| PRIVATE | | | |
| Land | \$ 98.3 | \$ 22.6 | \$ 75.7 |
| Construction | \$ 753.9 | \$ 150.1 | \$ 603.8 |
| FF&E | \$ 70.9 | \$ 12.5 | \$ 58.4 |
| Development | \$ 211.1 | \$ 40.4 | \$ 170.6 |
| Financing | \$ 47.6 | \$ 9.6 | \$ 38.0 |
| TI Allowances | \$ 203.6 | \$ 48.5 | \$ 155.1 |
| Contingency | \$ 63.9 | \$ 12.6 | \$ 51.3 |
| PUBLIC | | | |
| Convention Center | \$ 69.7 | \$ 69.7 | \$ - |
| Civic Infrastructure | \$ 44.5 | \$ 44.5 | \$ - |
| Structured Parking | \$ 83.9 | \$ 39.3 | \$ 44.6 |
| TOTAL | \$ 1,647.4 | \$ 449.9 | \$ 1,197.4 |

SOURCES OF FUNDS
Phase 1



SOURCES OF FUNDS
Full Buildout

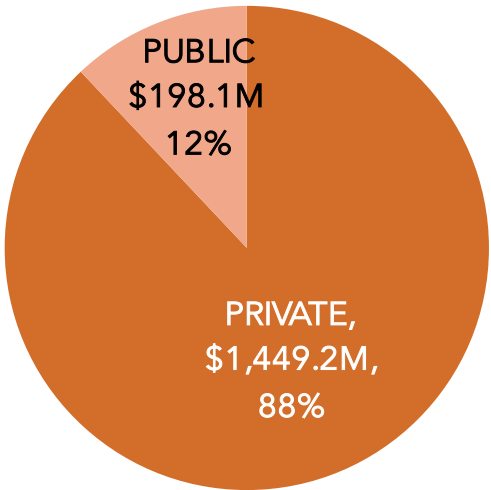


Figure 5.3.1 – Sources & Uses of Funds

There are a variety of public and quasi-public funding programs at the federal, State and local levels to support private capital investment, reduce blight, mitigate other extraordinary real estate development costs, subsidize specific public purposes (e.g., historic preservation, affordable housing or transit), and catalyze broader economic development strategies. These sources may be drawn upon by the City or County directly in funding public infrastructure, or by other private parties as part of a broad, mixed-use development initiative. However, it is highly likely that some specialized funding tools will need to be created to accommodate the level of private growth and investment that will occur as part of any of the ONE Big Sky Center development concepts.

In other states the Legislature can authorize special laws to give cities, counties and local housing and economic development authorities the power to grant special financial incentives to *retail, housing and commercial development projects*. Many states give local taxing entities special economic development tools to move forward with specific projects that have broad local support, including *corporate headquarters and manufacturing facilities* expansions. Some states also make direct grants for *civic facilities* – everything from ice rinks to museums to parks and trails to convention center build outs. Others provide tax-free zones for private businesses that create new jobs in distressed areas, and created special incentive programs.

It will be important that all viable sources of public support be evaluated and measured in the next phases of planning for ONE Big Sky Center.

5.4 PRELIMINARY MASTER PROJECT BUDGET AND PHASING

A preliminary estimate of the projected costs to develop ONE Big Sky Center based on the program are summarized in the form of the Master Project Budget in Figure 5.4.1, which is broken out into two primary phases of development anticipated to span 10 to 15 years. The Master Project Budget for each phase of the Project contemplates costs for site control, construction / “FF&E”, development, financing and contingency, as described below:

Site Control – The cost to acquire land or alternately recognize the contribution of land.

Construction / FF&E Costs – These include “hard” costs of the base building (shell and core), as well as full build-out costs for tenant improvements plus furnishings, fixtures & equipment (FF&E).

Development Costs – These “soft” costs include the costs of architectural design and engineering, testing and inspection, project management, marketing, insurance, legal costs and other related development costs. These costs can total 15% to 25% of construction costs, depending on complexity of the building type, schedule, site conditions and other factors.

Financing Costs – This type of cost is associated with the private financing of projects that will have both transactions costs and an interest carrying cost during the construction period until revenues are generated to pay debt service (i.e., capitalized interest). Transaction costs may amount to about 1.5% to 2.0% of the private debt financing loan amount, and the capitalized interest is assumed to apply to a rising loan balance as funds are drawn during the construction of a facility over an assumed 18- to 24-month period.

Project Contingency – A contingency fund to be controlled by the building owner is carried to allow for unforeseen costs that are the responsibility of the owner or the result of owner-elected changes to design. This percentage would be customary for projects of this magnitude.

| | TOTAL | PHASE 1 | PHASE 2 |
|----------------------|------------|----------|------------|
| USES OF FUNDS (\$MM) | | | |
| PRIVATE | | | |
| Land | \$ 98.3 | \$ 22.6 | \$ 75.7 |
| Construction | \$ 753.9 | \$ 150.1 | \$ 603.8 |
| FF&E | \$ 70.9 | \$ 12.5 | \$ 58.4 |
| Development | \$ 211.1 | \$ 40.4 | \$ 170.6 |
| Financing | \$ 47.6 | \$ 9.6 | \$ 38.0 |
| TI Allowances | \$ 203.6 | \$ 48.5 | \$ 155.1 |
| Contingency | \$ 63.9 | \$ 12.6 | \$ 51.3 |
| PUBLIC | | | |
| Convention Center | \$ 69.7 | \$ 69.7 | \$ - |
| Civic Infrastructure | \$ 44.5 | \$ 44.5 | \$ - |
| Structured Parking | \$ 83.9 | \$ 39.3 | \$ 44.6 |
| TOTAL | \$ 1,647.4 | \$ 449.9 | \$ 1,197.4 |

Figure 5.4.1 – Master Project Budget

5.5 SOURCES AND USES OF FUNDS; PUBLIC FUNDING GAP

As described above, ONE Big Sky Center will require a structured finance plan using a variety of sources to ensure financial viability and success. This includes funds from a variety of other public and private sources for public infrastructure investment that will catalyze additional private capital investment in the City.

While numerous public and quasi-public funding programs are available at all levels, it is highly likely that some specialized public funding tools will need to be created to pay for the public infrastructure improvements needed and to incent the level of private growth and investment that will occur as part of any of the ONE Big Sky Center development concepts. The estimated funding “gap” that may occur with each phase of development is outlined in Figure 5.5.1. These funding gaps occur because the rent levels in the market do not support the costs associated with new construction / development in key program areas such as office and residential. A detailed Finance Plan will need to be developed to identify specific sources of funding that can bridge the gap between rent levels and costs of development and corresponding return on investment thresholds that must be achieved to attract private investment.

5.6 PRELIMINARY FISCAL AND ECONOMIC IMPACTS ANALYSIS

The ONE Big Sky Center strategy is one that unlocks an unprecedented amount of economic and fiscal impact – supporting the local, regional and State economies in a manner that is unprecedented in the State of Montana. Estimating the economic and fiscal impacts of ONE Big Sky Center will be critical to the efforts to secure the necessary public investment and establish the special funding tools required to support this type of public-private partnership.

Economic impact is tied to increased economic activity and spending, and typically measured by: jobs, salaries and total economic output (the total value of all goods and services produced in an economy). Development projects, like ONE Big Sky Center, can also be measured by fiscal impacts – the additional revenues and costs to local and state government entities – informing them about how a particular development initiative can affect the public “bottom line.” Through an economic impact analysis, we can inform the City, County and State not only how many jobs are projected to be created, but also how much these jobs will produce in taxable spending, new residential property taxes, etc. Other fiscal impacts include sales and lodging taxes, corporate income taxes, etc. Fiscal impact distills the capital investment, job creation, new spending power, indirect benefits, and population implications down to a single dollar figure from the perspective of government entities.

| | HOTEL | OFFICE | RESIDENTIAL |
|---|----------------------------------|--------------------------------|--------------------------------|
| | 200 KEYS | 150,000SF | 200 DU |
| MARKET CONDITIONS (Current Dollars) | \$154.41/Night Avg Daily Rate | \$16.73 /SF NNN Rental Rate | \$1,518 /MO Avg Rental Rate |
| REQUIRED FOR DEVELOPMENT (Current Dollars) | \$190.64/Night Avg Daily Rate | \$22.90 /SF NNN Rental Rate | \$1,829 /MO Avg Rental Rate |

Figure 5.5.1 – Projected Project Funding Gap

These dollar projections can also be used as a proxy to measure changes in the quality of life or social welfare of a region. The private investment in the community from **ONE** Big Sky Center, which triggers additional private forms of investment, results in positive effects on visitation and tourism, particularly in the downtown area. This can and must be quantified for local and State leaders so that they may make an informed decision about their investment in the **ONE** Big Sky Center vision – a vision that is almost certain to generate significant “pay off” with careful planning and thoughtful implementation.

The program for **ONE** Big Sky Center (Phases 1 & 2) is anticipated to be developed over the course of 10 – 15 years. Employment impacts are projected over this same time period. Fiscal impacts are projected for 30 years, consistent with anticipated public funding terms. Preliminary fiscal and economic impact analysis show a payback on public investment as outlined in Figure 5.6.1. These preliminary fiscal & economic impact estimates suggest a return on investment of public dollars that is high by comparison to many other public-private partnerships.

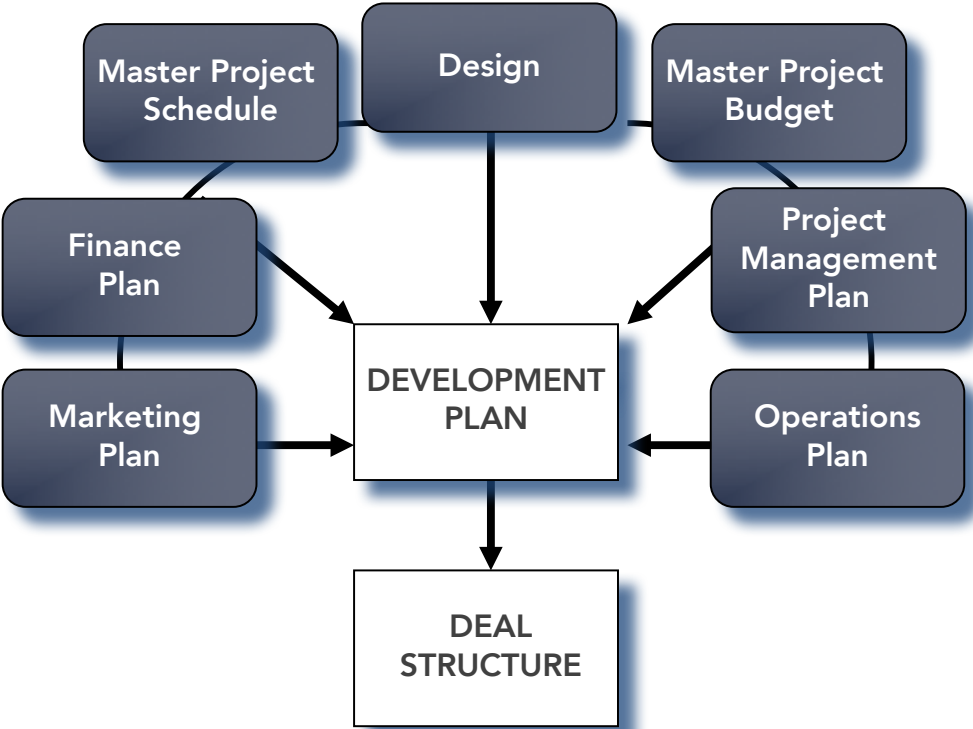
Using the proposed programs for Concept A and Concept B – and anticipated phasing of development activities – the estimated economic impacts associated with **ONE** Big Sky Center are shown in Figure 5.6.1.

| | PHASE 1 | | FULL BUILDOUT | |
|---|---|---|---|---|
| | LOW | HIGH | LOW | HIGH |
| PROGRAM | 1.1 Million SF | 1.2 Million SF | 3.8 Million SF | 4.1 Million SF |
| PRIVATE INVESTMENT | \$296.4 Million | \$318.6 Million | \$1.4 Billion | \$1.6 Billion |
| VISITATION | 1.0 Million | 1.2 Million | 3.6 Million | 4.0 Million |
| ECONOMIC OUTPUT (Direct, Indirect & Induced) | \$479.5M (Annually) | \$525.7M (Annually) | \$1.9B (Annually) | \$2.3B (Annually) |
| EMPLOYMENT (Direct, Indirect & Induced) | 3,535 Jobs | 3,509 Jobs | 12,195 Jobs | 12,602 Jobs |
| EARNINGS (Direct, Indirect & Induced) | \$200.5M (Annually) | \$218.0M (Annually) | \$804.0M (Annually) | \$960.2M (Annually) |
| FISCAL IMPACTS | \$11.4M (Annually) \$463.1M (30 years) | \$12.5M (Annually) \$595.8M (30 years) | \$47.5M (Annually) \$1.3B (30 years) | \$54.0M (Annually) \$1.6B (30 years) |

Figure 5.6.1 – Preliminary Fiscal and Economic Impact

7.0 – SUMMARY & NEXT STEPS





6.1 CONCLUSION AND NEXT STEPS

Based on this Concept Development Plan, significant opportunities have been identified for the development of the ONE Big Sky Center. Our recommendations focus on opportunities that we believe will position ONE Big Sky Center for long term growth and sustainability.

In summary, our opinion is that the ONE Big Sky Center development strategy provides significant benefits, while positioning the development for sustainable competitiveness and success for the long term. This type of development program also would create significant fiscal and economic impacts to the City of Billings and the State of Montana. The next step in the process would be the creation of a detailed Development Plan, which is summarized in this Section 8.0, and consistent with the structure set forth in the Term Sheet included in Section 6.0.

6.2 DEVELOPMENT PLAN OVERVIEW

The purpose of the Concept Development Plan is to undertake initial studies, master planning, and concept design for the ONE Big Sky Center in order to determine the optimal development approach for Project. At the conclusion of this stage, we will define the program and parameters of the Project, as well as determining the public benefits and potential public financial contribution(s) to the Project.

During this stage, we have established specific recommendations based on preliminary planning, programming, financial analysis, master planning concepts , renderings and other information regarding feasibility of the Project. Preliminary economic and fiscal impact analysis, based on the preliminary master plan, including estimates of preliminary tax revenue impacts, job creation and other benefits to the city and region. This stage concludes with the presentation of this Concept Development Plan to the City of Billings.

DEVELOPMENT PLAN

The purpose of the Development Plan is to advance the preliminary planning and feasibility effort from the Concept Development Plan to create a detailed development strategy and plan for development of ONE Big Sky Center. In this stage we will create a strong case and detailed supporting information for the financing of the Project, including potential public support. This stage will establish the specific deal structure between the Parties and definitive documents for development of ONE Big Sky Center and set the stage for the implementation stage of the Project.

Successful projects of this type evolve from proper planning at the earliest stages of development. The ability to understand, measure and forecast financial performance requires knowledge of the dynamic interaction between facility development, finance, marketing and operations. The ability to integrate these disciplines at the earliest stage of the project when financial performance and investment risk can be effectively managed is critical. The primary activities in the preparation of the Development Plan includes the following four components.

- Finance Plan
- Project Management Plan
- Marketing Plan
- Operations Plan

ORGANIZATIONAL STRUCTURE

The Development Plan provides the organizational backbone to facilitate communication and coordination among the many professionals and organizations required to develop, finance, market and operate the ONE Big Sky Center Project. A definitive deal structure will evolve from the Development Plan that defines the roles, responsibilities, investment and operational considerations for all parties involved in ONE Big Sky Center.

