

Montana Connections Rail and Road Expansion



BUILD GRANT PROGRAM

U.S. Department of Transportation

Applicants:
City-County of Butte-Silver Bow
& The Port of Montana

May 2020

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Visit the project webpage at:

<https://www.co.silverbow.mt.us/2146/Build-Grants-2020>

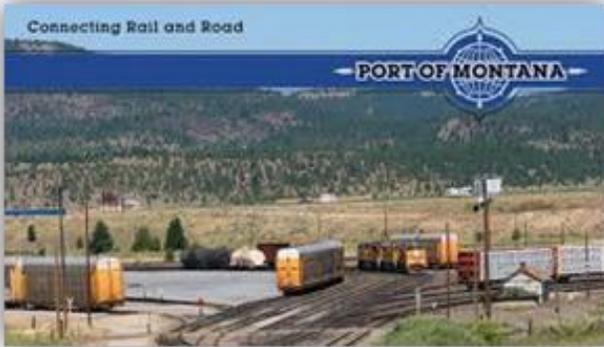


Application at a Glance

Montana Connections Rail and Road Expansion

| | | |
|----------------------------------|---|------------|
| Project location: | State | Montana |
| | County | Silver Bow |
| | City | Butte |
| | Congressional District | Montana 01 |
| Geospatial Information: | Section 24 Township 03 N Range 09 W WGS84 45° 59' 56" N 112° 31' 27" W | |
| County Demographics: | Population | 34,514 |
| | Median Household Income | \$40,480 |
| | Personal Per Capita Income | \$26,248 |
| | Persons Below Poverty Level | 19.2% |
| | Unemployment Level | 3.7 % |
| Application Type: | Capital – Rural Funds | |
| Applicant name and contact info: | Butte-Silver Bow Dave Palmer Chief Executive 155 W. Granite Butte, MT 59701 406-497-6467 dpalmer@bsb.mt.gov | |
| Applicant Type: | Local Government and Port Authority | |
| BUILD 2020 Funding Request: | \$6,406,934 | |
| Matching Support: | <u>\$2,400,000</u> | |
| Total Project Cost: | \$8,806,934 | |
| Project Classification: | Rural | |
| Supporting documentation link: | https://www.co.silverbow.mt.us/2146/Build-Grants-2020 | |
| Cost Benefit Ratio: | 1.9:1 at 7% | |

Executive Summary



The Montana Connections Rail and Road Expansion Project will increase transload capacity at the Port of Montana for Montana shippers and bring rail access to an additional 130 acres of developable industrial property. Road construction will bring vehicle access to an additional 10 (ten) parcels in the Montana Connections Business Development Park. High-speed fiber connections will bring broadband services to current tenants and improve the marketability of available parcels.

Montana Connections Business Development Park (Montana Connections) is a designated mega industrial park established to foster economic growth and bring new businesses into Southwest Montana. Tenants have access to industrial infrastructure and the **Port of Montana's** storage and transloading services, but rail capacity is limiting expansion efforts.

What makes Montana Connections a smart investment?

IDEAL TRANSPORTATION CORRIDORS

Located at the intersection of **two Class I mainline railroads** (BNSF & UP) and **two interstate highways** (I-15 & I-90).

LOCAL INVESTMENT

Local tax-increment financing dollars are available to leverage BUILD funds—but only until the provision sunsets in June 2022. These funds have provided over \$50M in site improvements and infrastructure development to date.

PROVEN TRACK RECORD

More than **600 jobs have been directly created** by private industry investment in addition to **500 indirect and induced jobs** created throughout Montana.

IMMEDIATE IMPACT

Daily operational capacity at the Port of Montana will increase for rural Montana shippers and **added rail in Montana Connections will better serve existing tenants, and those looking to purchase industrial parcels** with direct rail service and relocate operations.

IMPROVED TRANSPORTATION CORRIDORS / SAFETY

This project will lead to **decreased damage and maintenance costs** associated with surrounding transportation corridors. Safety benefits will be realized by **reduced vehicle miles traveled** by transferring shipping from road to rail options. This project is estimated to generate **\$1.92 in social benefits for every \$1.00 invested**.

I. Project Description

Butte-Silver Bow (BSB), in partnership with the Port of Montana, is applying for a \$6.4M BUILD Grant to construct rail and road infrastructure at Montana Connections Business Development Park (Montana Connections). These grant funds will be matched with a \$2.4M local investment, including a \$500,000 State of Montana Essential Freight Loan. **This project will provide for the expansion of critical rail infrastructure to improve rail switching safety and rail capacity servicing the rural shippers of Montana and the surrounding region. Expanded rail will also aid in the development of industrial rail-served parcels for current and future tenants at Montana Connections. The BUILD project will construct 4 transload tracks, 3 interchange/storage tracks with crossovers, 3600 feet of access roads, along with concurrent installation of broadband fiber and utility connections.**

Background

BSB’s industrial park - Montana Connections - and the Port of Montana are located at the intersection of two interstate highways (I-15 and I-90) as well as two Class I railroads (BNSF and UP). Transportation connectivity like this is not available in any other part of Montana and it is one of the only sites in the Northwestern United States with these attributes.

Port of Montana

The Port of Montana is a Port Authority formed by BSB local government in 1988 to enhance economic development and jobs in the transportation industry. It is a 55-acre transload and distribution facility serving Montana shippers for over 30 years. The Port charges customers a service fee for services such as loading and unloading freight from trucks or rail cars to cover operational costs.

The Port currently serves as a transload and distribution center for a variety of industries:

| | | |
|--------------------|-------------------|------------------|
| Agriculture | Clays & Sand | Steel |
| Fuel | Petroleum | Ethanol |
| Automobiles | Building Products | Asphalt Products |
| Magnesium Chloride | Ore | Fertilizer |

Montana Connections Business Development Park

Montana Connections is a 900-acre mega industrial park located in Silver Bow County, Montana. The park is home to a variety of companies representing the industries of high-tech manufacturing, chemical processing, freight transportation, and industrial storage.

Montana Connections is an industrial park with a tax increment provision, created as an economic development tool to help diversify the economy of BSB which has traditionally been based around natural resource extraction. **Since its creation, Montana Connections has directly supported 600 new jobs within Southwestern Montana and another 500 indirect and induced jobs throughout the state.** The annual financial impact for the state associated with these jobs is \$36.5M in compensation and \$185M in sales and output (See Annual Impact Analysis Report-

Appendix C). Current anchor tenants in the park include the Port of Montana and two of the largest employers in the county—REC Silicon and Montana Precision Products.

Over \$50M in infrastructure investment has been made within Montana Connections since its inception. These investments include:

- **Industrial Water** – 4 million gallons per day available
- **Wastewater** – 2 million gallons per day capacity available
- **Potable Water** – ample available capacity for full park buildout
- **Roads and Bridge** – upgrades and additions to handle semi-truck traffic
- **Three- Phase Electrical Power** – substation with additional capacity available
- **Natural Gas** – service and transmission lines available

Within Montana Connections, there are only two companies with dedicated rail access: Scouler Grain and Port of Montana. While tenants within the park have access to both BNSF and UP via the Port of Montana, there are no direct rail-served parcels available to market. This contradiction of having great transportation options in the immediate area, but without direct access, will be remedied by proposed rail and road expansion activities.

A recent *Targeted Industry Analysis* assisted in the creation of a “Long Term Strategic Plan” for Montana Connections and the Port of Montana. The highest priorities identified were the creation of rail-served parcels and increased transloading capabilities. Proposed rail and road expansion activities described in this application will complete the priorities of the Strategic Plan and enable BSB to continue local efforts to diversify an economy that has been based on natural resource extraction for the past 100 years.

Montana Connection’s newest tenant, Montana Craft Malt (MCM) recently completed construction of a 10,000-ton state-of-the-art craft malting facility. MCM will employ 10 and service micro-brewers in both national and international markets. The company chose to locate in Montana Connections because of the strong logistical infrastructure, generous local financial incentives, and the park’s commitment to long-term economic development and growth.

The new rail and road infrastructure will create **incentive for new businesses** to locate their operations at Montana Connections and allow them to take advantage of the valuable infrastructure investments made to date. Extended rail access for transloading and at rail-served sites will allow raw materials to be cost effectively transported throughout Montana and the country. This rail infrastructure will provide companies access to either BNSF or UP through the Port of Montana—realizing more competitive rates and shipping options.

Immediate Plans – Montana Connections Summer 2020 Project

As BSB and the Port of Montana await a BUILD award, there are immediate infrastructure investments scheduled to take place this 2020 summer. Montana Connections is currently working on the bidding and construction for the **Montana Connections Summer 2020 Project** (Exhibit 1 - [Blue](#)). BSB will invest \$7M dollars in rail infrastructure during this project which will add 9,200

linear feet of lead tracks and rail connections to the Port of Montana. This project will be bid in May 2020 and constructed in the fall of 2020.

The remainder of park expansion and development efforts hinge on BUILD grant funding. BUILD funding will allow Montana Connections and the Port of Montana to complete Phase I (Exhibit 1 - Green) and Phase II (Exhibit 1 - Purple). Upon receiving funding, Phase I will be put out to bid and constructed very quickly as it is ready to move forward. Funding will allow Phase II to move forward by completing final engineering design of the roads and utilities, finalization of a 13-acre land acquisition, and associated construction.

Phase I (Exhibit 1 - Green)

Expand transloading capacity at the Port of Montana for railcar loading and unloading and construct interchange/storage tracks at Montana Connections to include: 4 transload tracks, 3 interchange/storage tracks, lead track and crossovers. **Phase I is ready to break ground upon grant award.**

Cost: \$4,670,279

Source of Funds: BUILD Grant Funds \$3,670,079
Port of Montana Track Construction Capital Funds \$500,000
State of Montana Essential Rail Freight Loan Program \$500,000

Benefits: This critical rail infrastructure will increase rail transloading capacity at the Port of Montana to serve Montana shippers not located on rail and provide rail infrastructure to support additional rail-served business in Montana Connections. The transloading tracks will be constructed to allow multiple users the ability to load and unload commodities at the same time. It will also improve safety and operating efficiencies during switching operations by reducing the time and number of switches and allow switching to occur on tangent tracks.

Phase II (Exhibit 1 - Purple)

Extend Phase I rail infrastructure to provide optimal switching efficiencies and improved safety in addition to rail infrastructure for current and future projects requiring direct rail service in the industrial park.

Cost: \$4,136,655

Source of Funds: BUILD Grant Funds \$2,736,655
Butte-Silver Bow/Montana Connections Tax Increment \$1,400,000

Benefits: The new track configuration will allow for optimization of rail capacity for tenants in Montana Connections and customers of the Port of

Montana. Improved operational efficiencies will provide the ability to accommodate high volume rail projects for customers of the Port of Montana as well as businesses located in Montana Connections. The rail infrastructure will also allow the industrial park to accept and store unit trains.

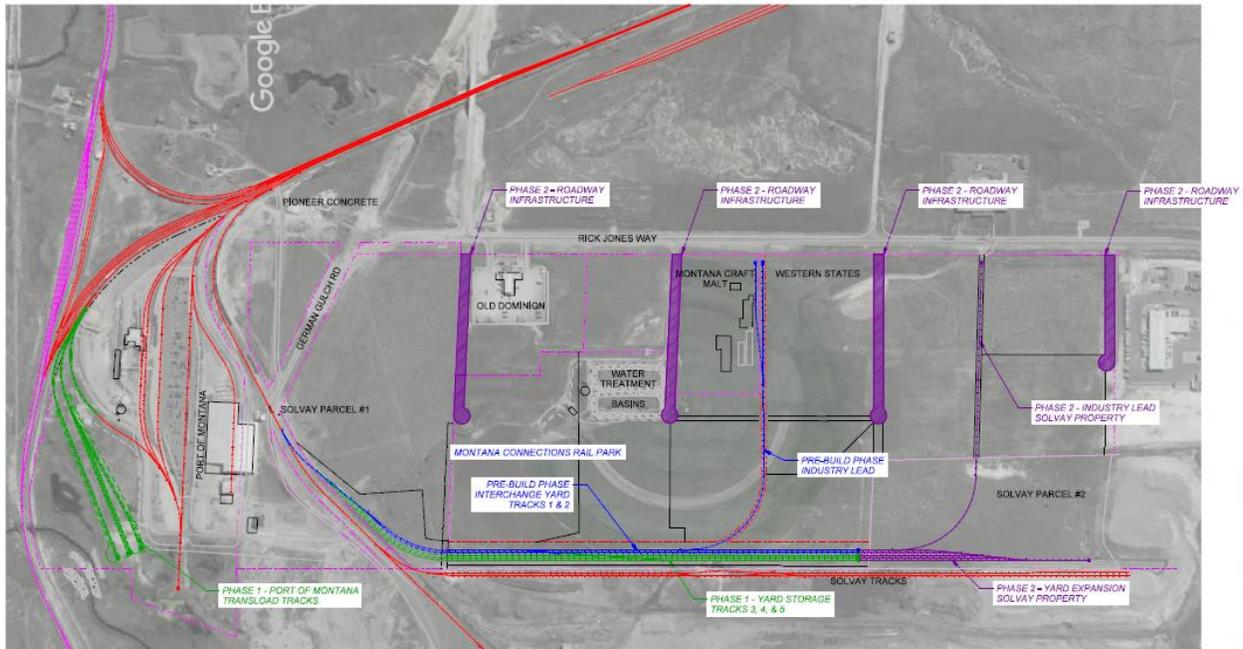


Exhibit 1: Montana Connections – Full Build Out Schematic (Page-sized map included in Appendix B)

The Montana Connections Rail and Road Expansion Project is the culmination of many years of economic development efforts between public and private partners strategically working together to create jobs in the transportation industry, build a first-rate mega industrial park, and provide access to cost effective transportation networks serving industries and all business throughout Montana and the surrounding region.



Exhibit 2: Montana Connections Park Activities

Transportation Challenges

Transportation Challenge 1 - Limited Transloading Capacity at the Port of Montana Hurts Businesses in Montana

The Port of Montana’s operations are constrained by current track layout and the variety of different customers and products being loaded and unloaded in the yard. Over the past several years, the Port has experienced a 35% increase in its rail car loading. Lack of transloading tracks has hindered the Port from assisting current customers with additional transloading as well as new customers with their projects.

While the Port currently has seven tracks on which all rail operations are conducted (Tracks 1-6, and Solvay Track, see Exhibit 4) **transloading activities are limited to just two tracks**. The other five tracks are not available for transloading activities for various reasons. A full description of Port operations is available in Appendix D.

There are multiple occasions when the facility is so congested that operations are stalled until railcars are switched out of the Port’s yard and dispatched back to UP or BNSF mainlines. These inefficiencies are costly to the Port and its shippers and cause shipping delays. The Port rail facility has reached maximum capacity.

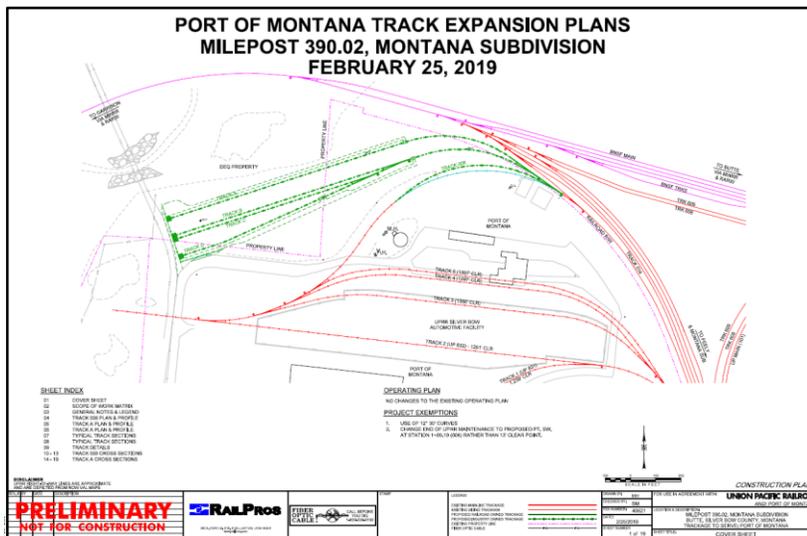


Exhibit 4: Port of Montana Facility showing current tray layout as well as proposed track expansion.



Exhibit 3: Increased freight access at Montana Connections will reduce dependence on long-distance truck transportation.

at Montana Connections, the Port must expand its rail footprint.

There are also safety concerns related to current track layout, especially during switching operations when Port staff are handing railcars to the railroads. The railroads utilize a dated switching yard with a Y-design. This layout forces the majority of switching operations to occur on curves—increasing the risk of rail car derailments.

**Transportation Challenge 2 – Limited rail access inside Montana
Connections Park limits economic growth, and the ability to recruit
new business to the region**

BNSF, with 1,900 miles of track across the state, is often the only available rail carrier for most businesses in Montana interested in moving commodities via rail. UP, with only 125 miles of track in the state, terminates its rail service at the Port of Montana and only serves Dillon and the Port of Montana. Exhibit 5 shows the track and ownership in Montana.

The Port of Montana is dual served with BNSF and UP delivering rail cars to the Port’s yard. This dual served access is currently only used for transloading and switching cars at the Port. There are no marketable rail-served sites in Montana Connections so businesses requiring direct rail access do not have the ability to take advantage of this competitive rail infrastructure. This lack of direct rail-served parcels has limited Montana Connection’s ability to attract industries requiring rail and has limited development in the park.

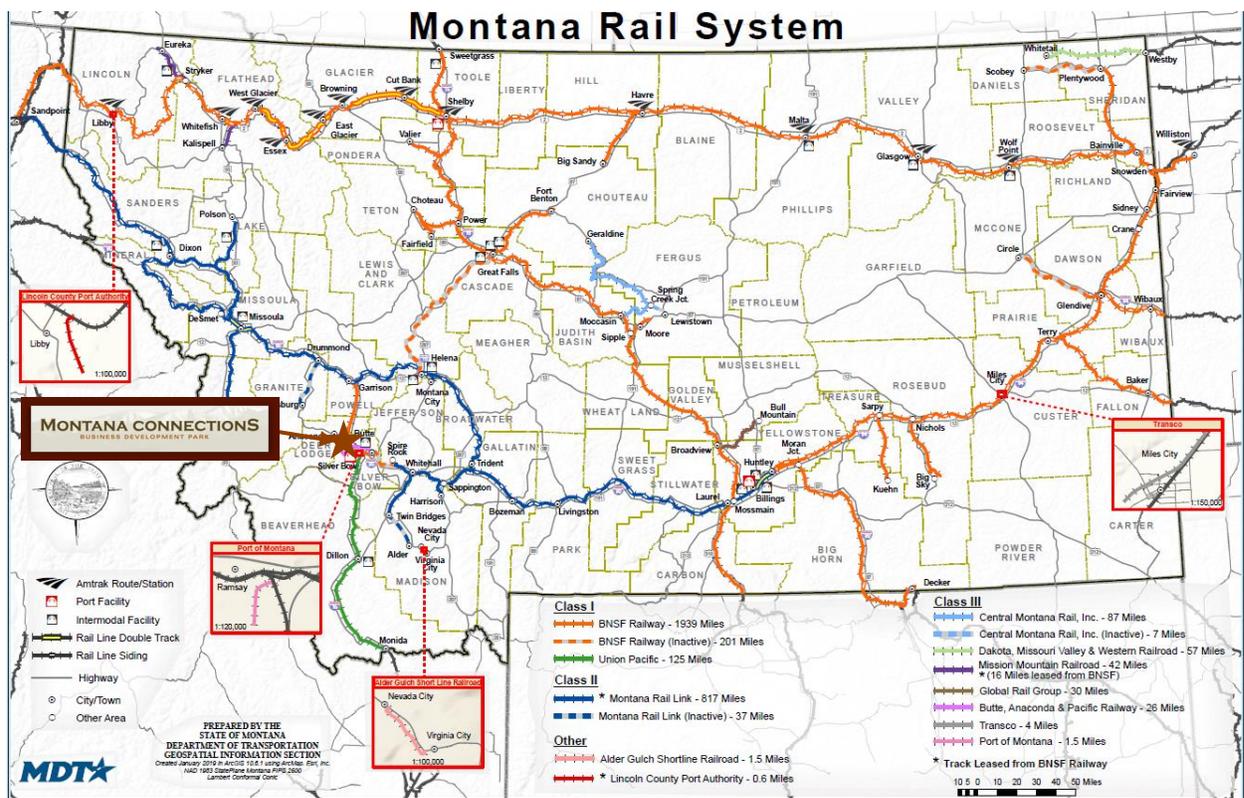


Exhibit 5: Montana Rail System and ownership

Solution to Identified Transportation Challenges

The proposed addition of 4,899 linear feet of new transloading tracks will allow for more efficient switching of cars during loading/unloading at the Port of Montana and serve additional shippers. The addition of over 20,000 linear feet of interchange and lead tracks in Montana Connections will

bring direct rail access to 130 acres of vacant industrial lands already served by power, water, wastewater, and road infrastructure.

Further, the proposed project has been designed to UP and BNSF standards and approved by the UP Operations Department. The new tracks will improve connectivity between Montana Connections and the Class I Railroads. The ability for businesses to be served by both railroads gives Montana shippers the ability to find competitive pricing thus reducing cost of operations.

In addition, the interchange/storage tracks will allow for rail switching to occur on straight track thus reducing safety risks.

This project, along with previous improvements totaling \$50M in infrastructure investments over the last 30 years, will allow shippers to rely less on the trucking industry to transport their cargo. As it is well known, the trucking industry has been experiencing higher freight rates, fueled by increased costs, as well as a driver shortage and capacity crunch as identified by Hailey Desormeaux in the *American Shipper* on October 26, 2018. Many shippers in the region are forced to use long-haul truck transportation to move freight due to a lack of adequate railway access or are priced out of using rail due to a lack of rail carrier competition. This project will provide increased rail capacity and allow these businesses to access the green, safe, reliable, and cost-effective option of shipping by rail offered by two competitive rail carriers.



Exhibit 6: The unique locational advantages of Montana Connections Park mean the site can play a key role to help solve freight issues in Montana



Exhibit 7: Transloading at the Port of Montana

II. Project Location

Geospatial Information:

Section 24 Township 03 N Range 09 W
WGS84
45° 59' 56" N
112° 31' 27" W

The City-County of Butte-Silver Bow, Montana Connections, and the Port of Montana are located in Southwest Montana. Butte is the largest city in a seven-county radius.

Rail



Exhibit 8: Railway congestion is common in Montana, which negatively impacts local businesses.

As the only location in Montana that is dual served by both BNSF and UP railroads, this site provides businesses within Montana Connections and other Montana shippers and manufacturers a competitive edge for moving commodities in and out of Southwest Montana and the entire state.

The Port and Montana Connections are located approximately 6 miles west of Butte, Montana.

Interstate Highways

Interstate 90 is the longest and northern most east-west interstate in the United States-connecting Boston to Seattle and major distribution hubs in between. Interstate 15 links major markets to opportunities from Canada and Mexico. Companies located within Montana Connections currently take advantage of this highway transportation network to reach Canadian markets in Alberta as well as U.S. west coast seaports from Seattle to Los Angeles.

Interstate 90 is the longest and northern most east-west interstate in the United States-connecting Boston to Seattle and major distribution hubs in between.

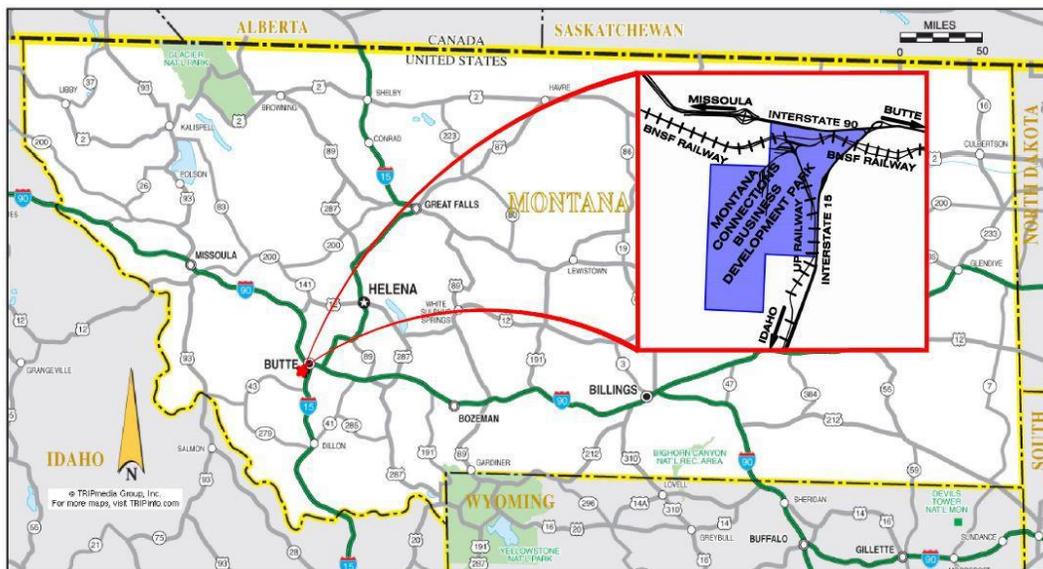


Exhibit 9: Port of Montana and Montana Connections Park Location

III. Grant Funds and Sources / Uses of Project Funds

Expansion and development at Montana Connections has been ongoing for a number of years as funding allowed. As previously mentioned, over \$50M in infrastructure investment has been made within Montana Connections since its inception. A designated tax-increment financing district, Montana Connections has been able to use tax-increment dollars generated by private business development to build industrial infrastructure in the park. This highly successful funding mechanism will no longer be available for large capital improvements after the district’s authority

sunsets in 2022. BSB and the Port of Montana are making a final push to leverage local tax-increment dollars with grant funds to address two large-scale infrastructure improvements—rail and road expansion.

| Total Project Budget: BUILD Phase I and II | | | | |
|--|-------------|------------|-------------|-------------|
| | in Millions | Percentage | BUILD Funds | Local Funds |
| Construction | \$7.90 | 90% | \$5.76 | \$2.16 |
| FE/CN Engineering | \$0.90 | 10% | \$0.64 | \$0.24 |
| Total | \$8.80 | 100% | \$6.40 | \$2.40 |

Exhibit 10: Total Future Eligible Costs

This BUILD FY20 funding request addresses Phase I and II of rail and road expansion plans. Full project funding including \$6.4M of BUILD Grant funds and \$2.4 M of local match will accomplish full build-out of rail infrastructure at Montana Connections. Phase I and II have been separated because each has a unique set of risk assessments/strategies. The phases are independent of one another and have been engineered in such a way that will allow construction to proceed on Phase I with Phase II to follow.

| Funding Sources | Status | Amount in Millions | Percent |
|-------------------|-----------|--------------------|---------|
| BUILD FY20 Grant | Requested | \$6.40 | 73% |
| Other Federal | | \$0 | 0% |
| Non-Federal/Local | Committed | \$2.40 | 27% |
| Total | | \$8.80 | 100% |

Exhibit 11: Funding Sources for Phases I and II

Funding commitments from BSB and the Port of Montana are included in Appendix E. Tax increment match funding can be allocated to the project and must be spent by December 2023. The Montana Essential Freight loan funds must be spent in 2021 or committed by 2021.

BUILD grant-funded expansion activities are just part of an overall comprehensive plan to accomplish full build-out of rail and road at the Port of Montana and Montana Connections.

Montana Connections Summer 2020 Project: Funding for 9,200 linear feet of track totaling \$7M has already been secured by tax-increment dollars to address obligations for lead tracks and rail connections to Montana Connections’ newest developments, Montana Craft Malt and Western States Asphalt. Construction on these tracks is expected to begin summer 2020. Information pertaining to this project is included to better illustrate the overall plan for Montana Connections and local commitment to the project’s overall success.

Appendix J provides additional Usage of Project Funds information for specific project activities of Phase I and II.

IV. Selection Criteria

1. Primary Selection Criteria

A. Safety



Exhibit 12: Project will reduce reliance on truck transportation and improve road safety.

Improve switching safety

This Project will provide the track infrastructure to improve efficiencies and safety during railcar switching operations. The present, Y-shaped, switchyard utilized to hand cars to railroads is dated and results in operational burdens and safety issues from switching railcars on curves. The Project will reduce the number of railcars being switched in the current highly congested curved track area. Building additional tracks will provide an alternative area for switching to occur on tangent track with crossovers-alleviating end-train forces due to curvature of rail which will serve to reduce damage to tracks, cars, and greatly reduce the potential for switching derailments.

Remove trucks from burdened highway system

The Port of Montana/Montana Connections rail and road expansion projects will foster the National Highway Traffic Safety Administration's mission to save lives, prevent injuries, and reduce economic costs due to road traffic crashes.

Increased use of rail for cargo shipped to/from Montana Connections and the Port of Montana will improve the safety of surrounding road transportation corridors on which cargo and commodities are currently moved. Rail expansion efforts will reduce the number of trucks on regional interstate and surface roads. Removal of the vehicle miles traveled (VMT) by trucks from local roads and highways should decrease the number of accidents and fatalities and the economic costs associated with these events.

The current fatality rate in Montana is 1.47 per 100 million vehicle miles due to the rural nature of its highway system. Since the VMT for the route used in our Benefit Cost Analysis (BCA) crossed multiple states, the national fatality rate of 1.16 fatalities per 100 million miles traveled was used in the analysis. It can be estimated that, during the 20 years after project construction is complete, the use of rail for shipping products in and out of Montana Connections will potentially save 0.22 lives and reduce 0.75 severe accidents. This estimate is based on a reduction of 18.6 million VMT by commercial trucks that would have previously carried products to market by truck for a monetized savings of \$2.2M in 2018 dollars. (Please reference Appendix A, BCA.)

Increased rail capacity is also a benefit in the transportation of **hazardous materials** through the region, as rail transportation is recognized as the safest method of moving large quantities of

hazardous materials over long distances. According to the Association of American Railroads, “more than 99.999% of all hazardous materials moved by rail reaches its destination without a release caused by an incident”. It should be noted that some of the products that move through the Port are placarded due to their hazard class such as fuel and ethanol (ID #1170). For these products, rail is the safest mode to transfer the product the long-haul portion of its route.



B. State of Good Repair



Exhibit 13: One and two-day rail delivery bands from Montana Connections.

Strong Freight Corridors improve freight mobility and resilience of existing transportation systems

This project is consistent with the federal strategy to develop strong freight corridors to improve freight mobility. Increasing the transloading capabilities of the Port of Montana increases rail usage in the region by providing shippers with improved access to both BNSF and UP rail networks. Extending rail capacity and connectivity within Montana Connections will provide rail infrastructure to existing and future industrial users in the park. This expanded capacity will provide shippers more transportation options, including an opportunity to utilize rail for long-distance freight transportation.

Preserve Highway Systems

Montana shippers will be able to choose between modes and potentially reduce their dependence on long-distance truck transportation. The removal of trucks from local roads and national highways will reduce required road maintenance and preservation costs. It is anticipated that this project will save over 18.6 million truck miles over the 20 years post construction, resulting in a total savings in road maintenance costs of \$2.2M over the analysis period in 2018 dollars.

Life Cycle Costs

All rail and road infrastructure proposed in the BUILD Phase I and II Projects is new construction. BSB has a fully staffed and qualified road department that will maintain new roads. Design and construction plans for the road portion of the project incorporated input from the BSB Road Department to ensure operational costs are considered in design. This includes curb and gutter to halt asphalt destruction during snow removal operations.

Rail design and construction plans have also taken into account cost of operations. All rail has been designed with rail safety and efficiencies in mind. The Port of Montana has a proven track record of creating service-based revenue to pay for the long-term maintenance of the rail infrastructure. The current Port facility and rail infrastructure are over 30 years old and would be rated as in a very “good state of repair” by track standards. The Port has the manpower, combined

with the monies generated from the track, to ensure the new track will be maintained indefinitely. The Project is estimated to have \$0.7M (2018 dollars) in annual maintenance costs to ensure the assets retain their useful life.

C. Economic Competitiveness

Decrease transportation costs and improve access

A lack of rail and transload facility options for shippers in Montana directly threatens economic growth and stability. A robust transportation network is critical to keeping and growing a healthy economy throughout the state. Current and future business customers accessing the Port of Montana to load and unload their products or commodities will be negatively impacted if rail service and transload capabilities do not expand. Economic development interests have long promoted the availability of two Class I railroads and adjacent access to two interstate highways to spur development at Montana Connections. Many industries in Montana and the region will directly benefit from expanded rail access, thereby increasing sustainable jobs. These industries include, but are not limited to:

- Non-energy natural resources
- Petroleum
- Manufacturing – small producers require low-cost transportation directly connected to multiple markets, while large industrial producers need industrial tracts with utilities and rail access
- Building products (including lumber, steel, and roofing)
- Agriculture
- Motor vehicles

Facilitate efficient and reliable freight movement

The success of the Port of Montana and Montana Connections is remarkable. Over the past several years, the Port has increased its rail car loading by 35%. This growth has transferred long-haul trucking to rail for shippers throughout Montana and industries shipping into the state. However, continued growth is limited by current rail capacity, an issue that must be addressed. This project will provide companies low cost efficient and reliable transportation opportunities and choices for rural Montana. It is anticipated that the completion of this project will remove up to 18.6 million VMT on our roads by moving this cargo by rail. This modal change is anticipated to save a net of 10 million operating miles saved, generating an operational cost savings of over \$16.1M dollars in 2018 dollars. In addition, to removing VMT for the roads and highways, this modal shift is anticipated to save over 366,000 hours of travel times valued in 2018 dollars at over \$10.2M for the 20 years post construction. Together, these two efficiencies will reduce users and operator costs by over \$26.2M over the 20-year analysis period.

Job Creation

Job creation and economic stimulus were the driving force behind the creation of the Port of Montana 30 years ago. The Port of Montana currently transloads close to 3,000 rail cars and over 5,000 truckloads of product per year (Port Fact Sheet - Appendix O). Many of the companies

transloading products at the Port are local or regional businesses that depend on affordable transportation to maintain their profit margins and keep jobs in their Montana communities. By enhancing access to rail and further developing infrastructure at Montana Connections, businesses will continue to look to Butte and Southwest Montana as the place for successful business expansion.

| Impact Prior to BUILD on Employment at Montana Connections | | | |
|---|-------------------|---------------------|---------------------|
| Annual Impact | Employment | Sales/Output | Compensation |
| Direct | 600 | 126,397,550 | 18,555,325 |
| Indirect | 282 | 36,1214,708 | 10,827,905 |
| Induced | 223 | 26,183,764 | 8,94,183 |
| Total | 1,104 | 188,706,021 | 37,477,413 |
| Multiplier | 1.8 | 1.5 | 2.0 |

Source: JobsEQ®, Data as of 2019Q4, April 2020

Exhibit 14: Montana Connections Economic Impact 2019

Due to previous investment, Montana Connections is currently home to over 600 employees (with a 1.8 multiplier) which supported 1,104 total jobs in Montana in 2019. This previous investment by both the public and private sector generated a total of over \$188M of sales/output in 2019 in addition to providing \$37M in labor compensation. If the Port of Montana and Montana Connections are able to expand the available rail, that number will significantly increase. Jobs created by this expansion will be felt locally in Butte, throughout Montana, and the region. Rail improvements at Montana Connections will attract industrial development for new manufacturing facilities as well as importers and exporters, which will lead directly to new job creation.

| Impact of BUILD Funds on Employment at Montana Connections | | | |
|---|-------------------|---------------------|---------------------|
| Annual Impact | Employment | Sales/Output | Compensation |
| Direct | 309 | 64,382,399 | 9,962,651 |
| Indirect/Induced | 259 | 29,147,800 | 8,834,180 |
| Total | 568 | 93,530,199 | 18,796,831 |

Source: JobsEQ®, Data as of 2019Q4, April 2020

Exhibit 15: Projected Montana Connections Economic Impact of BUILD Funds

It is anticipated that the additional acreage made marketable by this project will support the impact equivalent to the historic economic activity and job mix at Montana Connections. There is



Exhibit 16: FedEx Freight has been a tenant at Montana Connections Park for 7 years with an \$8 Million investment.

approximately another 660 developable acres in Montana Connections, currently each developed acre supports .47 jobs. Total new jobs based upon the available acres is estimated to be 309 direct jobs, with an additional 259 indirect/induced jobs created for the region. These direct jobs are estimated to produce \$64M in annual output for a total economic impact in the region of over \$93M per year.

Businesses have recognized the potential at Montana Connections. As proof, three companies are currently in various stages of parcel development in anticipation of track development starting in the coming months. With BUILD funds, Montana Connections and the Port of Montana will be able to complete the full build out of the

entire park and address the needs of these new customers in a timely and cost-effective manner.

Once capacity expansion is reached, the Port anticipates hiring an additional 10 FTEs. These direct jobs will support an additional 7 indirect and induced jobs in Silver-Bow County, adding over \$350,000 in wage compensation to the area.

Based upon existing development in Montana Connections, an additional 309 jobs are expected to result from private-sector project investment after full development of the 130 rail-served acres and the additional 530 developable acres within Montana Connections. Current customer commitments from Montana Craft Malt and Western States Asphalt will create an additional 25 living-wage FTEs. WAUSA recently entered into an agreement with Montana Connections to purchase 26 acres and develop a 150,000-sf building supply warehouse and distribution center. WAUSA chose the location based upon the logistics and availability of the Port of Montana to meet their shipping needs. During construction phases, there will be additional short-term construction employment positions created from the development of individual parcels during private construction activities.

Long-Term Economic Competitiveness

Improve shipping opportunities and cost reduction for Montana shippers

Increased rail capacity addresses the needs of regional industries, maintains economic stability for Southwest Montana, and assists future economic growth. Products moved by rail, versus truck, improve the economic competitiveness of the region by reducing transportation costs. As noted above, this project is estimated to generate \$26M in operational cost savings for businesses over the 20 years after project completion generated by a reduction of a net 10 million miles due to greater loading and energy efficiencies of rail versus truck commodity movement. A fuel cost savings of approximately \$3M will be realized as a result of a reduction of 1.4 million gallons of

fuel, per the BCA. Travel Time Saved is estimated to exceed 366,000 hours generating a savings of \$10.2M in 2018 dollars for the 20 years post-construction.

Although the proposed activities primarily focus on increased rail capacity, additional roads and utilities will also need to be extended to the new parcels to make full use of the newly created rail-served parcels. As such, Phase II will include road construction to better serve industrial parcels within the park. This will allow businesses in the park to maximize the efficiency of their transportation plans by using trucks for shorter routes requiring more flexibility and rail service to move large quantities of material in a cost-efficient manner.

Access to global markets

Montana Connections' designation as a Foreign Trade Zone (FTZ #274), along with the Port's Foreign Trade Zone General-Purpose Warehouse, enhances the region's direct connection to worldwide distribution networks. This designation allows for the elimination or deferment of duties associated with importing products for manufacture.

New rail-served sites, within Montana Connections, will increase the availability of reliable and timely access to export markets. Companies will be able to get products to and from overseas facilities quickly and back to international markets due to our proximity to the Ports of Portland and Seattle. Many companies in Montana participate in the global marketplace including REC Silicon, Resodyn, and Montana Craft Malt. Increased capacity at the Port of Montana will facilitate efficient and reliable freight movement, allowing these companies to better compete in the global economy and access new markets.

Bring essential broadband infrastructure to Montana Connections

High-speed broadband will be installed concurrently with Phase II utility and road construction activities. This essential infrastructure is necessary to ensure all businesses within Montana Connections can be competitive in today's economy. Phase II activities will be tied in with a portion of the broadband infrastructure installed during the summer of 2020. The system has been designed to address system resiliency. A "High-Speed Fiber Loop" around the entire Park will provide reliable service to all tenants and minimize disruptions from equipment failure/damage. Future plans will further utilize two points of service—providing resiliency should one point outside the Park be compromised.

Allow access to critical infrastructure for users in Opportunity Zones

BSB has one Opportunity Zone that has been designated through the federal and state designation process. While Montana Connections and the Port of Montana are not located within the boundaries of the Opportunity Zone, they are only 6 miles apart. Access to the dynamic transportation infrastructure of the Port and Montana Connections is being promoted in all BSB's Opportunity Zone marketing efforts. The Port of Montana services many customers in the region and is an asset to companies locating anywhere in the region—including the Opportunity Zone.

D. Environmental Sustainability

This project creates the opportunity for more products to be shipped by rail to and from Southwest Montana. As illustrated by the results of the BCA, shipping more products by rail, instead of truck, provides two important environmental benefits: a reduction in carbon emissions and more efficient fuel usage.

This project is expected to save approximately 1.4 million gallons of fuel over the analysis period, resulting in a reduction of 14,000 metric tons of greenhouse gas emissions during that period. Greenhouse gas reductions can be directly attributable to decreased fuel usage or rail transportation compared to trucking. Continued road use contributes to environmental degradation including increased storm water runoff, restriction of wildlife movement, and general land erosion. By steering commodity traffic from trucks to rail, environmental sustainability and business can function in unity.



Exhibit 17: Scouler Grain has been a long-term tenant of Montana Connections Park and utilizes the Union Pacific Connectivity.

Brownfield redevelopment:

Montana Connections is adjacent to property on which an elemental phosphorus production plant operated from the early 1950s –1997. In 2004, the facility began corrective actions under the Resource Conservation and Recovery Act (RCRA) to address site contamination. This property is currently owned by the Solvay Corporation.

Phase II rail expansion activities are planned for a parcel of land currently owned by Solvay. The Solvay parcel is to the south/southwest of the rail-served parcels as shown on Exhibit 1. Although owned by Solvay, neither the company nor its predecessors used this parcel for chemical processing activities. Initial soil sampling on this parcel has not indicated any additional remedial action would be required.

Because there is a perceived issue with the historical use of this property and the association with Solvay, BSB deems them appropriate for brownfield redevelopment. BSB is currently in negotiations with Solvay, the U.S. Environmental Protection Agency (EPA), and Montana Department of Environmental Quality (DEQ) in an effort to obtain ownership/control of the parcel.

Currently, there is an easement through the southwest corner of a piece of Solvay property to allow commencement of the Montana Connections Summer 2020 Project for rail infrastructure project construction (see Solvay Easement - Appendix F). Phase II will construct additional storage and interchange tracks along with a lead track to create three additional rail-served parcels on east of the Solvay parcel. The issues surrounding the Solvay Parcel could take up to one year of surveying and engineering to finalize BSB’s access.

Storm water mitigation:

A Storm Water Permit for Phase I of the project has been completed and approved by both Montana DEQ and BSB. Slight modifications to the storm water permitting will be needed prior to Phase II construction.

E. Quality of Life

Rail and road expansion plans at Montana Connections will improve the overall quality of life for thousands of travelers and regional residents in Southwest Montana. The project will address several objectives such as improving access to multi-modal facilities, reducing traffic congestion, improving safety, reducing air pollution and most importantly it will create additional job opportunities in both the manufacturing and transportation industries in Butte and Southwest Montana.

Expand access for essential services

The location of Montana Connections makes it the best connected and efficient location for freight movement in Montana. The proposed project will build on existing capacity and provide shippers improved access to major rail and road arteries—resulting in efficient freight movement throughout the United States.

Installation of broadband fiber optic cables is planned to run concurrently with road construction activities included in Phase II. This expansion of broadband access will provide Montana Connection tenants yet another infrastructure upgrade to help them maximize the full potential of their business efforts. Broadband installation plans include redundant design elements to provide a reliable/resilient system to the business tenants of Montana Connections

Higher living wage

Expansion activities at Montana Connections and the associated job growth will economically benefit area residents. Historically, jobs associated to industries in the park are higher-paying positions that offer a living wage for local families. An industry snapshot report from JobsEQ, Appendix G, shows Transportation & Warehousing jobs in Southwest Montana have an average annual wage of over \$53,000, 27% above the average wage for all occupations in southwest Montana of \$41,900. Located just 6 miles from Butte, Montana, Montana Connections offers employees an easily accessible 15-minute one-way commute.

Smart growth strategies

Montana Connections is appropriately located in a RM2 (heavy industrial)-zoned area just west of Butte. All expansion activities will occur within the current boundaries of the park. The park's location is close enough that it provides quick commute times, but far enough away that industrial operations, and the noise, traffic, unsightliness that goes along with them, does not impact residential neighborhoods. Please see Letter of Support from the BSB Planning Department Appendix I.

Reduce carbon emissions

This project is estimated to save 1.4 million of gallons of fuel by converting freight from truck to rail transportation. This energy efficiency is estimated to save \$3M in fuel costs (2018 dollars) during the first 20 years of the project. This decreased fuel usage results in a reduction of 14,000 metric tons in carbon emissions.

Additional details of this analysis can be found in the BCA Narrative in Appendix A.

2. Secondary Selection Criteria

a) Innovation

Montana Connections is a constantly evolving business development park always looking to innovative methods to maximize the park's potential.

i. Innovative Technologies:

Quality design efficiency for rail and road expansion at Montana Connections has been developed through a logistics engineering review, resulting in realistic layout and practical design solutions. The design team will continue to investigate new technologies, materials, and techniques for the modernization of the rail infrastructure, support structures, and maintenance.

Project design will emphasize the importance of building resilient infrastructure to improve rail efficiencies and support the roadway networks in the region. These improved networks will enhance mobility for regional and international trade.

The Port is always looking for ways to increase efficiency in its operations. A Shuttlewagon road-rail mobile railcar mover, was recently purchased to speed up railcar switching operations. The Shuttlewagon has become an essential piece of equipment that keeps the Port rail operations running efficiently and reliably—especially when staff are required to temporarily remove the locomotive from service for maintenance and inspection every 90 days, per Federal Railroad Administration regulations. The Port has found that the Shuttlewagon is also more fuel efficient and will become even more vital as the Port's rail capacity expands.

ii. Innovative Project Delivery

This project will emphasize the importance of building resilient infrastructure to improve rail and roadway networks in the region. These improved networks will enhance mobility for regional and international trade.

In working with our railroad engineering firm, RailPros, they consistently compliment the proactive and “planning first” approach BSB and the Port of Montana have utilized during project development.

The Port and BSB will continue to employ innovative approaches to keep the public informed and seek input, through social networks, project website, blog postings, and use of creative in-person engagement techniques.

These activities are vital to the growth and vitality of Western Montana and the state of Montana as a whole. Our team is located in Missoula and work specifically on promoting the amazing things coming out of the Montana Connections Business Development Park. We've targeted out-of-state stakeholders, site-selectors and business owners to showcase Butte and the business opportunities available.

~ Pintler Group

Source: Excerpt from letter of support from Pintler Group (Appendix H),

iii. Innovative Financing

Montana Connections is a Tax Increment District (TID). The TID monies provide an innovative financing option that allows monies to be spent on public infrastructure improvements. Each time a business purchases land in Montana Connections and invests private funds in facility construction, this development generates new tax revenue that is used for infrastructure improvements to the park. It is a perfect example of using public funds to spur private investment into an area that will be self-sustaining for years to come.

As previously stated, the tax increment provision will sunset in June 2022, after which these funds will no longer be available for infrastructure improvements. BSB would like to make this final push at expansion to help the park realize its full potential. Receiving BUILD grant funds will allow BSB to achieve that goal.

The Port of Montana charges service fees for transloading and rail movements. These funds will be used for matching funds on this project as well as used to ensure that the infrastructure built with BUILD grant funds can and will be maintained in a state of good repair. The Port of Montana will serve as the rail service provider for the newly created rail served parcels adding a new revenue stream to operations. Along with additional transloading capacity, the Port will continue to be a strong partner in economic development for the area along with being a reliable business partner for area businesses.

b) Partnership



Butte-Silver Bow (BSB) is a combined city-county government administered by an elected Chief Executive. Nicknamed the “Richest Hill on Earth” because of its unmatched copper deposits, BSB was once a community of over 100,000 residents. The closure of the majority of the mines forced Butte to re-focus efforts toward economic diversification and job creation. Proposed project activities seek to expand these efforts by making improvements and continuing to expand infrastructure development at Montana Connections.

BSB will be the project administrator for BUILD grant funds. BSB has administered millions of dollars in federal funds and has the personnel with both the financial and project management expertise to complete the project in a timely and efficient manner.

BSB partners on economic development projects with the Port of Montana, Butte Local Development Corporation (BLDC), Headwaters Resource Conservation & Development (RC&D), the Butte Chamber of Commerce, and NorthWestern Energy. For the rail expansion project, BSB will continue to partner with the Port of Montana for management and maintenance of the rail. BSB will continue to work with the BLDC and the Port of Montana to market vacant parcels in Montana Connections.



The Port of Montana is a municipal corporation. A Board of Commissioners, appointed by the BSB Chief Executive and confirmed by the BSB Council of Commissioners, governs the Port.

The Port of Montana was created to promote, stimulate, and develop commerce, economic development and prosperity for the State of Montana and its citizens. Established in 1988, the Port continues to be a critical component of the community, state, and regional economies. The Port of Montana and Montana Connections have continued to be identified as key elements in the region's economic future based on their unique location at the intersection of two interstate highways and two Class I railroads. The location has a proven track record of success. The Port of Montana provides transloading, rail, and storage services to tenants in Montana Connections in addition to over 30 customers throughout the state and country who utilize their services to efficiently transport and store products.

The Port of Montana will be the service provider to the rail-served parcels and will soon be expanding their transloading capacity with the rail expansion project. The Port of Montana will also operate and maintain the various tracks, as they do now, through service fees paid by their current and future customers.



Montana Connections was established through the creation of a TID in 1992 to foster economic growth and bring new business investment to Southwest Montana. Montana Connections and the Port of Montana remain steadfastly committed to continuing their partnership for years to come.

Because the TID for Montana Connections will sunset in June 2022, all parties are particularly focused on leveraging tax-increment-generated dollars to address the final large-scale infrastructure improvement--rail and road expansion. Collaborative efforts of BSB and the Port of Montana have been critical to the development and success of Montana Connections. This collaboration will continue to serve as a distinguishing feature for future growth and advancement.

Solvay



BSB and the Port of Montana continue to work with Solvay as a partner on utilizing their existing privately-owned tracks for future development along with negotiating the purchase of two parcels of property for planned rail development.



Butte Local Development Corporation (BLDC) / Headwaters RC&D

As the lead economic development corporation for BSB, the BLDC is a key asset in marketing economic opportunities in the county. The BLDC works with Montana Connections to identify target markets for business recruitment efforts, responding to requests for information, and business retention efforts. BSB partners with the BLDC on various state and federal grants as incentives to create new jobs and diversify the local economy. The BLDC also has the capacity and expertise to manage various local loan programs also aimed at growing the local economy. Headwaters RC&D works on a more regional basis to market the park to expanding businesses in southwest Montana.

Butte Chamber of Commerce



The Butte Chamber of Commerce (Butte Chamber) is a membership organization focused on assisting new and existing businesses in the community. The Butte Chamber offers marketing opportunities to its members, assists incoming businesses on community relations, and provides tourist and visitor services.

Private Investment

Private investment has been significant over the past 30 years at Montana Connections. Most recently, Montana Craft Malt (MCM) is nearing completion of a \$20M, 10,000-ton, malting facility. Increased rail service will directly impact this operation, as MCM plans to freight malted barley to international customers. In the past five years, FedEx has upgraded their facility twice; Old Dominion is constructing a new 24,000 square foot facility, twice the size of their old facility; and Montana Precision Products is adding another 30,000 square feet to their facility.

Please note: Letters of Support have been placed on the Project website.

<https://www.co.silverbow.mt.us/2146/Build-Grants-2020>



V. Environmental Risk

A. Project Schedule

BSB applied for FY2017 TIGER grant funds for activities similar to this project. Since that time, significant progress has been made on project development including engineering and design,

environmental permitting, and land acquisition. In 2019 BSB applied for the BUILD FY2019 grant for portions of this project and received a highly recommended rating but the project was not funded. Work has continued to move forward on this project. The Montana Connections Summer 2020 Project for rail infrastructure anticipates breaking ground this summer being funded with tax increment monies.

| | 2018 | | | | 2019 | | | | 2020 | | | | 2021 | | | | 2022 | | | | 2023 | | | |
|--|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 |
| Build Award Notification | | | | | | | | | | | | | | | | | | | | | | | | |
| Build Obligation | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase I - Expand Transload | | | | | | | | | | | | | | | | | | | | | | | | |
| Planning/ PE | | | | | | | | | | | | | | | | | | | | | | | | |
| Environmental | | | | | | | | | | | | | | | | | | | | | | | | |
| FE | | | | | | | | | | | | | | | | | | | | | | | | |
| Permitting- Excavation permit only | | | | | | | | | | | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase II - Additional Lead Tracks | | | | | | | | | | | | | | | | | | | | | | | | |
| Planning/ PE | | | | | | | | | | | | | | | | | | | | | | | | |
| Property Acquisition | | | | | | | | | | | | | | | | | | | | | | | | |
| Environmental | | | | | | | | | | | | | | | | | | | | | | | | |
| FE | | | | | | | | | | | | | | | | | | | | | | | | |
| Permitting | | | | | | | | | | | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | | | | | | | | | | | |
| Contract Close-out with USDOT | | | | | | | | | | | | | | | | | | | | | | | | |

Phase I of the BUILD project includes the construction of transload tracks on property owned by the Port of Montana along with the construction of three interchange/storage tracks on property owned by Butte-Silver Bow. The construction of the additional rail capacity is very routine and not highly technical. This work includes site work for tracks, utility culverts, and track construction. Some surveying work still needs to be completed, but the land is relatively flat and is currently vacant. Prior use of the property was agriculture and sod production.

Activities completed to date include:

- Engineered drawings submitted to and approved by UP
- Surveys completed for the entire Montana Connections property for final track design
- Storm water permit received for Phase I

- NEPA Categorical Exclusion requested
- Cultural Resource Study completed
- Soil Testing completed

Activities based on funding availability include:

- Obtaining excavation permit
- Complete the public bidding process

Phase II of the BUILD Project includes the extension of the interchange/storage tracks, road construction, and utility extension. The technicality of the construction is very low and includes dirt work for tracks and track construction. Some surveying work needs to be completed but the land is relatively flat and is currently vacant. Prior use of the property was mostly sod production. The Solvay property that Montana Connections is acquiring was not used for production purposes, so does not have the environmental attributes as the rest of the Solvay parcels.

Activities completed to date include:

- Engineered concept drawings submitted to and approved by UP
- NEPA Categorical Exclusion requested
- Cultural Resource study
- Soil Testing

Activities that would still need to be undertaken post BUILD FY20 award:

- Conduct surveying and environmental evaluation to create Solvay Parcel
- Purchase/Lease Solvay Parcel
- Prepare final engineered drawings for UP approval
- Update the Storm Water Permit
- Subdivision of BSB Property for road and utility construction
- Complete construction drawings for road and utility work

Phase I is ready for construction as soon as funding is secured. Phase II has preliminary engineering completed but needs some local permitting completed through the subdivision process. All BUILD funds can be obligated by September 2022. There are no expected delays, but the project schedule has adequate time included to meet the September 2022 obligation deadline. Once construction begins funds can be expended in a timely manner, rail, road and utility construction are not complicated projects and generally have very few issues during construction.

Right-of-Way property discussions have already been commenced with Solvay and initial discussions are very promising that agreements can be reached in a timely manner.



Exhibit 18: Montana Connections Business Development Park, including Port of Montana, has been a critical component of the local economy for over 30 years.

Contract oversight will be the responsibility of BSB staff, Port of Montana staff and construction oversight engineers contracted as part of the project; with labor standards reports filed on a weekly basis, or as required by BSB staff.

B. Required Approvals

1. Environmental Permits and Reviews

i. NEPA status

The NEPA process for the Port of Montana transload expansion portion, part of Phase I, is complete. Pursuant to a Montana Essential Freight Rail Loan Program (MERFL) application, the Montana Department of Transportation has approved a CATEX for this portion of Phase I activities. The website link for this application contains a copy of this approval, Appendix Q.

The environmental analysis required under NEPA for the Montana Connections portion of Phase I and all of Phase II of this project has been initiated. As the schedule in Section V.(A) indicates, the completion of the analysis and determination that the project qualifies as a Categorical Exclusion (CATEX) under NEPA was submitted in October 2019. BSB received an email response that the application would not be reviewed until Federal funding has been secured. The NEPA will be resubmitted upon notice of BUILD grant award and the schedule allows for six (6) months for approval.

ii. Other agency approvals

BSB will provide a level of documentation and analysis to support that a CATEX is the appropriate NEPA class of action. The preparation of documentation and analysis includes background research, results of record searches, field investigations, field surveys, and any past planning or studies, including consultation with appropriate agencies. All inquiries will be documented as a part of the CATEX process.

A cultural and historical resource study for the entire project area was completed in 2005 and found no impacted resources of concern. The BSB Planning Department has been involved in project planning and will be issuing permits at the time of construction. This project has the full support of local government, local economic development agencies, and many throughout the private sector.

UP has approved track design for most of the project and has informed BSB and the Port of Montana that no further approvals are necessary to begin construction.

iii. Environmental studies

A Phase I Environmental Assessment (EA) of the Montana Connections and Port of Montana property has been completed. Access to the Solvay property, either through purchase or easement, may require additional environmental investigation based upon site condition documentation Solvay is able to provide BSB. Soil sampling of all potential construction sites has been completed but may need to be included in a formal Phase II EA report.

None of the completed EAs have resulted in a finding of adverse effects. In consultation with the EPA and Montana DEQ regarding the appropriate use of the Solvay property for rail tracks it has

been determined that the reuse of the Solvay property for this type of industrial development is appropriate and recommended by the EPA.

iv. Discussions with DOT administration re: NEPA and any other Federal reviews

Consultation with MTDOT was initiated during the Port of Montana CATEX determination under the MERFL. The environmental analysis for the CATEX determination of Phase I and II project activities will be under the direction of FRA.

v. Public Engagement

This project is a result of years of collaboration between the Port of Montana and BSB, both of whom encourage public involvement from their committees and members of the public in an effort to maintain transparency in the planning process. Additionally, the BLDC, Headwaters RC&D, and their members, have been instrumental in the design of the project. Planning sessions, options, and preliminary plans have been discussed in open, public forums, with public input. The input received has been incorporated into the final project design and plan. The Port and BSB will continue to employ innovative approaches to keep the public informed and seek continued input through social networks, project website, blog postings, and use of creative in-person engagement techniques.

2. State and Local Approvals

No state legislative approvals are necessary for this project. BSB has an adopted Growth Policy that is supportive of Montana Connections and the expansions discussed herein. This project will enhance industrial growth within Montana Connections, which fits the industrial-zoning, long-term strategy and future land use designations.

Prior to construction, an excavation permit is required from BSB Planning Department. Once a storm water plan has been accepted the excavation permit can be issued. Because the entire project is within Montana Connections and the Port of Montana property and does not affect any state or federal roadways, there has been no need to consult with the Montana DOT with regard to permitting. However, BSB has informed them of the project.

3. Federal Transportation Requirement Affecting State and Local Planning

This project is identified in the BSB Growth Policy, Appendix R, the Port's comprehensive plan and will be included in the local Transportation Improvement Plan (TIP) as soon as it is fully funded. Introduction of the Project into the State Improvement Plan (STIP) will follow shortly after inclusion in the TIP.

C. Assessment of Project Risks and Mitigation Strategy

BSB has vast experience and a long track record of success in managing large capital construction projects. Recent projects of note include: the construction of a \$35M wastewater treatment facility, \$30M water treatment facility, \$5M wastewater line, \$3M Emergency Operations Center, and the construction of a 22-mile trail system. Contingency funding is included in the budget along with construction oversight to ensure the project's financial feasibility. These projects were large in scope and required many different contractors, experts and cooperation between a wide range of

public and private entities. Required training, permits, and licenses will be obtained before commencing rail expansion construction.

Currently, the only potential project impediment is in Phase II and revolves around property acquisition associated with the Solvay-owned parcel adjacent to Montana Connections. Proposed activities were broken down into phases based on the fact that Phase II requires control of the Solvay parcel. Exhibit 1 on page 5 illustrates project phases.

Phase I:

Phase I is ready for construction once funds have been secured and the NEPA has been approved.

Phase II:

Some of Phase II activities are planned for the Solvay Parcel. It is anticipated that land negotiations associated with this parcel will take some time and environmental investigations will have to be completed. BSB will need to survey the land required for track construction and engage EPA and Montana DEQ in the process to ensure RCRA requirements are sufficiently addressed. The time required for coordination of both Federal and State agencies has been built into the schedule and acknowledged in the Risk Assessment table below.

Exhibit 19: Project Risk Matrix

| Potential Risk Area | Risk Type | Status/Proposed Mitigation | Phase I Risk Level | Phase II Risk Level |
|--------------------------------|----------------|--|--------------------|---------------------|
| Railroad Approval | Schedule | Preliminary design has been approved, UP. No further approval is required prior to construction. | Low | Low |
| Local Jurisdiction Approvals | Schedule | Past history of multi-agency cooperation and collaboration will continue. | Low | Low |
| Environmental Approvals | Cost, Schedule | This phase will comply with all applicable federal, state, and local permitting requirements during project construction and operation with time allotted | Low | Low |
| Public and Stakeholder Support | Cost, Schedule | Extensive public involvement effort has been included as part of design and environmental work. Stakeholders meet regularly to discuss the project. Level of public interest is high, from nearby property owners and tenants. | Low | Low |
| Construction | Cost, Schedule | Based upon final design of Phases I this project is anticipated to be constructed with very few issues. A contingency of \$1.2 M has been included in the Project Budget. | Low | Low |
| Right-of-Way Acquisition (ROW) | Cost, Schedule | Acquisition of the Solvay property will be needed to complete Phase II of the project. Solvay has worked with Port and Montana Connections on other projects and preliminary conversations and actions have been positive. | N/A | Medium - High |

| Potential Risk Area | Risk Type | Status/Proposed Mitigation | Phase I Risk Level | Phase II Risk Level |
|----------------------------------|----------------|---|--------------------|---------------------|
| Utility Extension | Cost, Schedule | All necessary utilities are in the main thoroughfare with available capacity. | Low | Low |
| Construction Impacts | Cost, Schedule | Contractors will be required to adhere to construction guidelines, in accordance with applicable regulations. | Low | Low |
| Domestic Preference Procurement | Schedule | Will require all domestic sourcing of materials | Low | Low |
| Coordination During Construction | Cost, Schedule | The project team will develop communication protocols for all project participants (i.e., contractors) to follow, including regularly scheduled meetings. | Low | Low |
| COVID -19 | Schedule | The COVID -19 pandemic has not directly impacted this project. All rail served developments continue with new inquiries coming on a regular basis. Montana has seen some of the lowest rates of infection and death in the country. | Low | Low |

VI. Benefit Cost Analysis

Project Comparison Is Most Likely Alternative versus a "No Build" Scenario.

For the purposes of this analysis, the proposed project is compared with a “no build” alternative. The analysis compares the ‘no build’ scenario with the upcoming project costs of \$8.8M and is for the period of 20 years post-construction. The analysis begins with the base year 2017 and includes a residual calculated for 2042 of \$1.4M. There are no prior costs to attribute to this project as all the design work has been allocated to Phases I and II.

Exhibit 20 displays the summary of the BCA. Quantified benefits include the transportation cost savings of modal conversion to rail, reduced emissions due to reduced truck miles, better fuel efficiency, and improved safety due to the reduction of potential accidents resulting from the reduction of truck vehicle miles traveled when this project is completed.

The proposed improvements will increase rail capacity at the Port of Montana and Montana Connections. This project provides shippers with expanded rail capacity at this rural rail transloading hub. Thus, providing shippers with an alternative transportation option to a truck-only route when moving commodities throughout Montana and the Northwest.

The greatest share of benefits is within the Economic Competitiveness Criteria with a savings in Operational Costs to the shippers and Travel Savings to Operators. Together, these two metrics account for 84 percent of the benefits, totaling \$26.2M in 2018 dollars. This Project will help bridge the current service gap experienced by this rural community with the additional rail-served

industrial parcels and allow Montana Connections to capture more rail cargo at the Port of Montana rail yard due to its expanded rail transloading capacity.

Benefits are calculated on estimated loads developed based on carload forecast of trucks/rail cars from moving to the Montana Connections/Port of Montana facility from a destination approximately 2500 miles east with the associated trucks draying locally from the rail yard. Volume was assumed to be 12 rail cars/month, or 144 railcars in year 1.

A Sensitivity Analysis was run on various volume levels and for two different routes. Both routes had an approximate long-haul rail movement of 2500 miles with a dray varying from 82 miles to 292 miles from the Montana Connection facility. The full results of the Sensitivity Analysis can be found in the BCA narrative and spreadsheet found in the Appendices. In all scenarios, from the scenario evaluation based upon a minimum of 96 cars per year, (the Benefit Cost Ratio (BCR) was estimated to be 1.3), to a high-volume scenario testing volume at 192 cars per year (the BCR was 2.8.) easily exceeded a BCR of 1.0. Showing that this Project is a project that will provide a good social return on the requested Federal investment.

The scenario shown in this section is based upon 144 cars per year, traveling 2500 miles on rail to the facility and then being transloaded to truck for an 82-mile dray to the cargo's final destination. A discount rate of 7 percent was used, following the USDOT Discretionary BCA Guidance. When a discount rate of 7 percent was used, the PV of costs is \$6.9M and the PV of Total Benefits is \$13.2M. This rate yields conservative estimates of NPV and benefit cost ratio per the NOFA guidance. This analysis yields a NPV of \$6.2M generating a benefit-cost ratio of 1.9:1 over the 20-year analysis post-construction.

The Safety Category is estimated to save a total of 0.22 fatalities and 0.75 severe injuries by moving the cargo on rail / truck vs. truck only. Environmental Sustainability is calculated though the reduction in use of fuel with contributes to Carbon Savings as well as reduction in other emissions, saving 14,000 MT over the 20-year analysis.

The investment in this expanded facility will save users millions of dollars per year in transportation costs due to the more cost-effective routing of a blended less expensive cost/ton rail rate of rail/ truck move vs. truck only move.

Additionally, the project will bring rail access to industrial lands available for development, creating new jobs and economic growth for the region. The specific benefits achieved by completing this Project include:

Safety — reduced fatalities due to the removal of the VMTs from the local roads and highways. The use of rail versus truck will reduce 0.22 fatalities and 0.75 serious injuries equaling \$0.9M at a discounted rate of 7 % over the 20-year analysis period.

State of Good Repair — savings in maintenance, preservation, and roadway upgrades. The reduction of 18.6 million VMT off the nation's roads is estimated to save \$0.9M (discounted at 7%) in preservation, maintenance and repair costs to the local roads and highways over the 20 years following the opening of the Project.

Economic Competitiveness—reduction in transportation costs and time savings. The conversion of freight traffic from Truck only to a Rail/Truck route will save an estimated \$6.3M in transportation costs when operational costs savings are discounted at 7% saving in over the 20-years post construction. The reduction of 366,000 hours in truck driver time, although offset by an increase in rail engineer hours, is estimated to save \$4.0M for society, when discounted. Combined these two metrics will save a total of \$10.2M for the shippers and operators when using this route.

Exhibit 20: Benefit Cost Analysis Summary

| Benefit to Cost Ratio Analysis | | | | |
|---|---|---|---|--|
| Selection Criteria | Description | Inputs | Value | Monetized Value Discount Rate 7% |
| Safety | Reduced fatalities due to reduction of VMT | Safety cost savings of road accidents | A total of 1 potential crash resulting in reduction of .22 potential fatalities and .75 severe injuries | \$ 856,237 |
| State of Good Repair | Reduction of maintenance on US Roads & Hwys, consistent with State and Regional Plans | Maintenance, preservation and upgrade savings of Highways | 18.6 million VTM reduced off the highways | \$ 868,073 |
| Economic Competitiveness | Operational cost savings | Savings of rail transport vs. truck transport | Net savings per mile (truck/ rail vs. truck only) saving 10.6 million VMT (net road and rail) | \$ 6,243,969 |
| Economic Competitiveness | Time Value savings | Savings in Operator time rail vs. truck route | 366,000 hours of Truck driver savings less RR engineer time | \$ 3,963,596 |
| Environmental Sustainability | Environmental Benefits from Reduced Emissions | CO ₂ cost savings | 14,000 metric tons of CO ₂ saved | \$ 218,294 |
| Quality of Life | Fuel savings due to reduced truck miles traveled by cargo using new facility | Gallons of fuel saved | 1.4 million gallons of fuel saved by reducing miles traveled with modal shift to Rail | N/A |
| Benefits before Maintenance and Residual | | | | \$ 12,150,169 |
| Maint and Residual Value | Adjustment to Social Benefits | | | \$ 1,075,142 |
| Total Benefits | | | | \$ 13,225,310 |
| Total Cost | | | | (\$6,986,680) |
| Net Present Value | | | | \$ 6,238,630 |
| Benefit to Cost Ratio | | | | 1.89 |

Environmental Sustainability — emission reduction. Due to the reduction in fuel usage by using rail/ truck route verses truck only route used to move the cargo - CO₂ will be reduced by 14,000 MT. Other emissions such as 1.5 ST VOC, 17 ST NOX and 1.0 ST PM_{2.5} will also be reduced for a total discount saving of \$0.2M.

Quality of Life — reduction in fuel usage. This project is estimated to save 1.4 million gallons of fuel by converting freight from a truck only route to rail/ truck transportation during the 20 years of the project.

Additional details of this analysis can be found in the Benefit Cost Analysis Narrative in Appendix A.

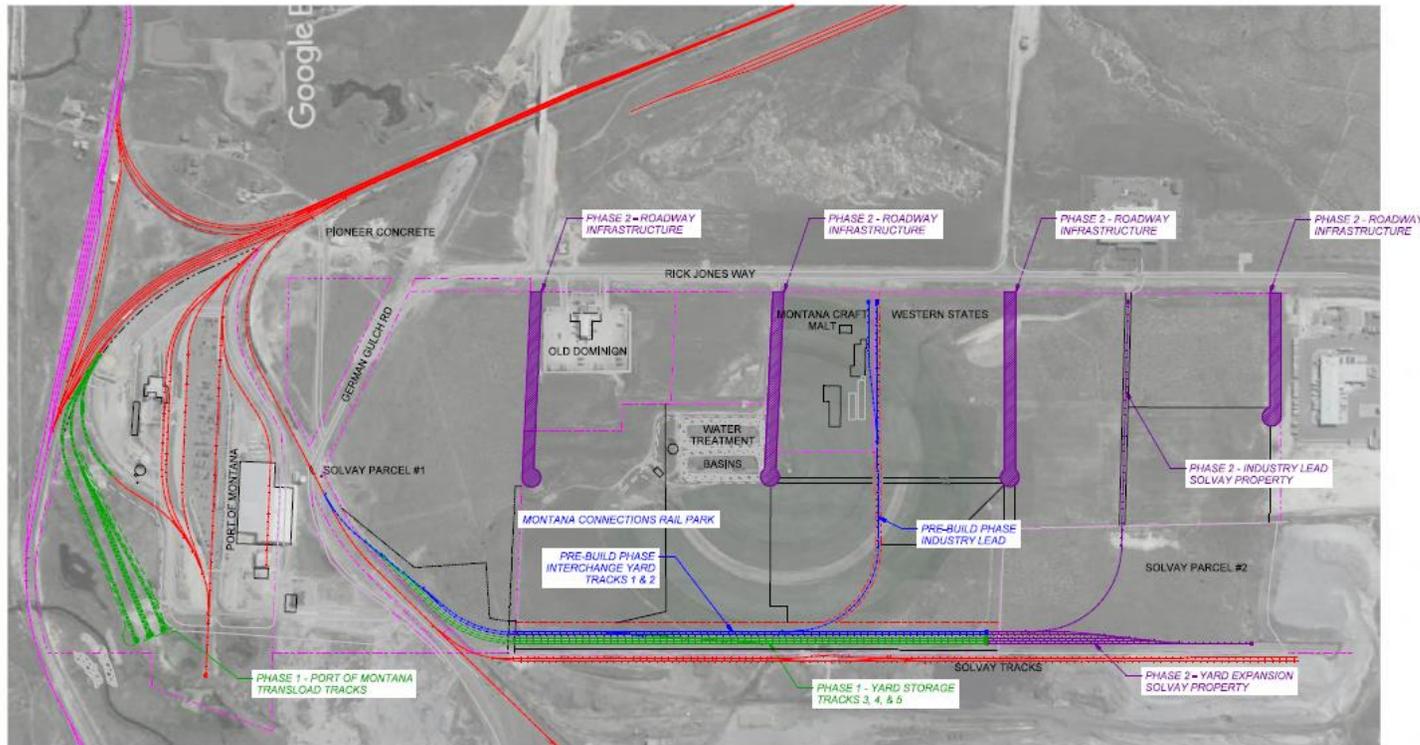
List of Appendices

The following materials are available at Project’s BUILD FY2020 Grant Application website:
<https://www.co.silverbow.mt.us/2146/Build-Grants-2020>

| <u>Appendix</u> | <u>Title</u> |
|-----------------|--|
| A | Benefit Cost Analysis (BCA) |
| B | Build Out Schematic (Exhibit 1)- Attached see pg. 32 |
| C | Montana Connections Annual Impact Analysis Report |
| D | Port of Montana Rail Operations Track usage |
| E | BSB and Port of Montana Funding Commitment |
| F | Solvay Easement |
| G | Industry Snapshot - Wages |
| H | Pintler Group Letter of Support |
| I | Butte-Silver Bow Planning Department Letter of Support |
| J | BUILD Contingency Matrix and Usage of Project Funds |
| K | Montana Track and Ownership |
| L | Port of Montana Impact Analysis |
| M | BSB Federal Wage Rate Certification |
| N | Economic Overview BSB |
| O | Port Fact Sheet prepared by Chamber 2018 |
| P | Montana Connections Strategic Plan |
| Q | CE submitted to MDOT (MERFL application) |
| R | BSB Growth Policy |
| S | Maps |
| T | Project Cost Estimates |

Appendix B: Facility Build Out Schematic (Exhibit 1)

**MONTANA CONNECTION RAIL PARK
OVERALL SITE LAYOUT**



DISCLAIMER
UPRR RIGHT-OF-WAY LINES ARE APPROXIMATE
AND ARE DEPICTED FROM ROW VAL MAPS

| REV. | BY | DATE | DESCRIPTION |
|------|----|------|-------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

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| | |
|-------------------------------------|--|
| EXISTING MAINLINE TRACKAGE | |
| EXISTING SIDING TRACKAGE | |
| PROPOSED INDUSTRY TRACK - PRE-BUILD | |
| PROPOSED INDUSTRY TRACK - PHASE 1 | |
| PROPOSED INDUSTRY TRACK - PHASE 2 | |
| EXISTING UPRR ROW LINE | |
| FIBER OPTIC CABLE | |
| EXISTING PROPERTY LINE | |

DRAWN BY: DW
CHECKED BY: SM
PDS NUMBER: 40623
DATE: 4/30/2020
SHEET NUMBER: 1 of 1

FOR USE IN AGREEMENT WITH: **UNION PACIFIC RAILROAD**
AND: MONTANA CONNECTIONS RAIL PARK
LOCATION & DESCRIPTION:
MILEPOST 390.02, MONTANA SUBDIVISION
BUTTE, SILVER BOW COUNTY, MONTANA
TRACKAGE TO SERVE: MONTANA CONNECTIONS RAIL PARK
SHEET TITLE: OVERALL LAYOUT