

RESOLUTION NO. 3857

A RESOLUTION OF INTENTION

**OF THE CITY COUNCIL OF THE CITY OF MILES CITY, MONTANA TO ADOPT THE CITY
OF MILES CITY GROWTH POLICY UPDATE**

WHEREAS, on April 22, 2008, the City of Miles City City Council adopted the City of Miles City-Custer County Growth Policy and guidance for the general policy and pattern of development of the City of Miles City pursuant to Montana Code Annotated Title 76, Chapter 1, Part 601 *et seq*; and

WHEREAS, the City of Miles City Planning Board worked to update the City's Growth Policy to address current and projected challenges for the betterment of the City's future; and

WHEREAS, on August 26, 2015 the City of Miles City Planning Board held a properly noticed public hearing on the proposed City of Miles City Growth Policy Update; and

WHEREAS, after considering the recommendations and suggestions elicited at the public hearing, the City of Miles City Planning Board recommended the City Council of Miles City, Montana to adopt the Miles City Growth Policy Update and to pursue the goals, objectives, and policies therein; and

NOW THEREFORE, BE IT RESOLVED by the City of Miles City City Council, after considering the recommendations of the City of Miles City Planning Board and public testimony, to adopt a Resolution of Intention to adopt the Miles City Growth Policy Update, and to pursue the goals, objectives, and policies therein.

PASSED, APPROVED AND ADOPTED this 13 day of October, 2015 with the City of Miles City City Council voting as follows:

AYES:

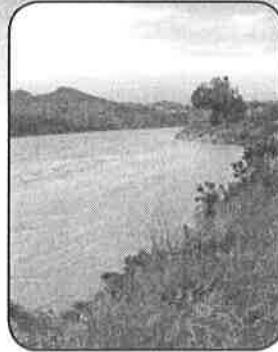
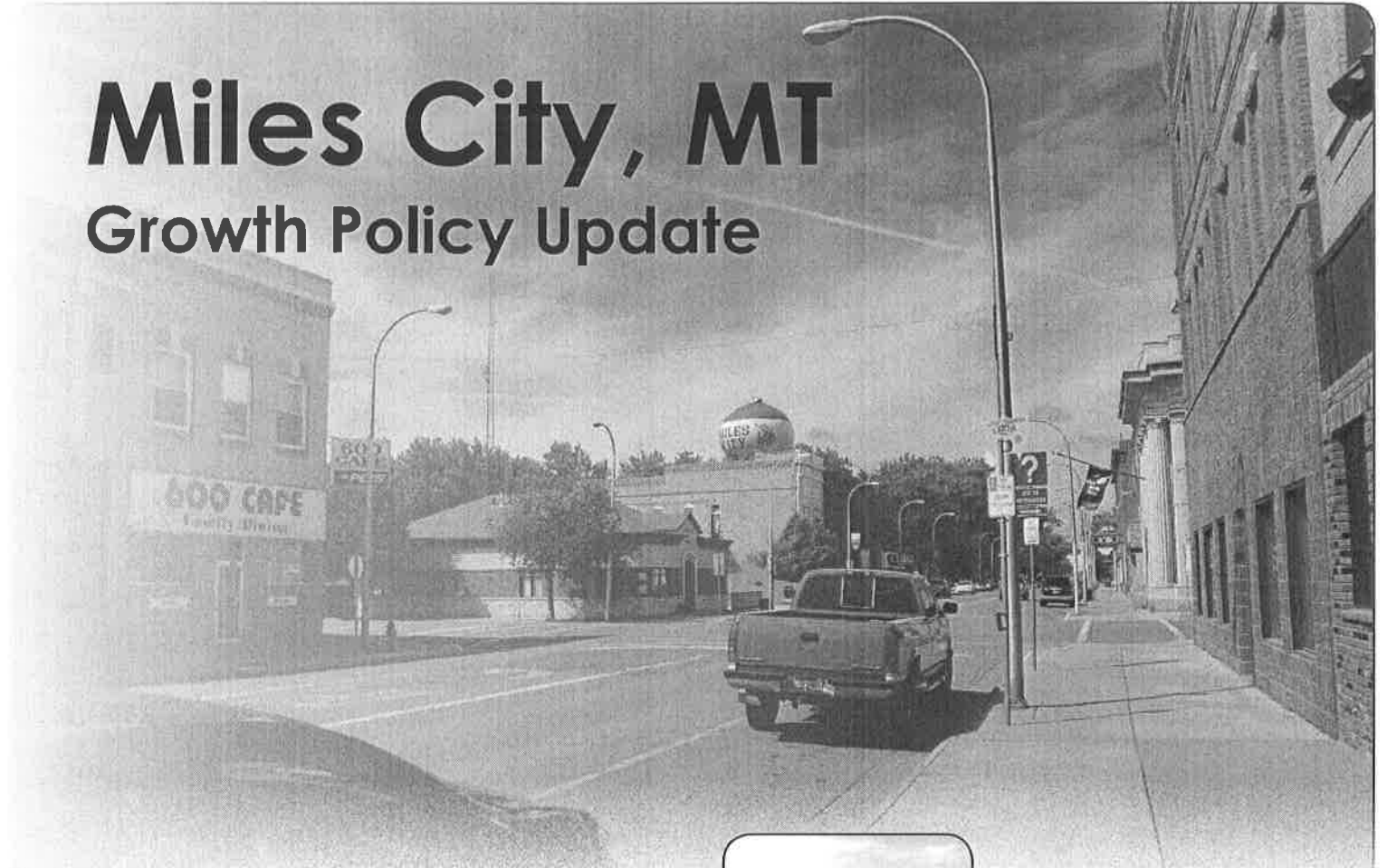
NOES:

ABSENT:

_____ Mayor _____ Attested by City Clerk

Miles City, MT

Growth Policy Update



LAND
SOLUTIONS, LLC



October 2015

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**City Council
Resolution Number**

Date

Acknowledgments

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Thank You Citizens of Miles City

A special thanks to all of the dedicated residents of the Miles City community who contributed to this plan on their free time by filling out surveys, being interviewed, and attending meetings. Your time, efforts and ideas are very much appreciated and reflected in this plan.

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Introduction

Growth Policy 101

A growth policy is a long-range land use and development plan adopted by a city, town or county. In many states these documents are called master plans or comprehensive plans. In Montana, the legislature branded it a growth policy. Local governments use growth policies as a general guide for making decisions regarding the community's physical development.

A growth policy allows a community to identify its strengths and weaknesses, as well as opportunities and challenges. It allows a community to develop ideas on how to address its future, and provides strategies to turn those ideas into reality. A growth policy is also a budgeting tool. It identifies key community development projects to be carried out and provides a timeline and path forward for addressing the community's challenges.

Fundamentally a growth policy is a guidance document, not a regulatory document, and it does not necessarily require regulations to be adopted. However, land use regulations like zoning or subdivision must be consistent with the growth policy.

Update to 2008 Growth Policy

Miles City's current growth policy was adopted in 2008. In the seven years since the last growth policy was adopted, much has changed in Miles City. The City's population has increased, economic activity has picked up, and demand for housing has grown while the supply has stayed relatively stagnant. The Miles City-Custer County Planning Board was dissolved and both the City and County have appointed separate planning boards. These changes are why an update to the growth policy is needed.

Plan Focus - Actions

Each chapter in this plan contains a description of current conditions, relevant issues and projections as well as a series of goals and objectives. The implementation strategy of the plan fleshes out the goals and objectives by calling out specific actions Miles City plans to take to implement the growth policy. Goals, objectives and actions are the core of the plan: They should direct the City's actions, guide how funding is allocated and how work



Goals:

Broad statements describing a desired future condition.

Objectives:

General description of the steps needed to be taken to meet the goal. They should be obtainable and measurable. The City should be able to look at objectives and determine if they have been met, are in process of being met, or if they have not been met.

Actions:

Specific steps needed to be taken to obtain the objectives. Actions can be implemented by the City, individuals or civic groups. If actions are implemented, the City is working towards meeting its objectives, and thus reaching its goals.

plans are created. For each action, the implementation strategy identifies the parties who will be responsible for implementing that action, a brief description on how to implement each action, and a timeframe for which each action should be implemented. The City Council can use the implementation strategy to set yearly work plans for departments, direct funding and manage their own agenda. Departments can use the implementation strategy to set work priorities. While the goals and objectives are often used to make decisions, the implementation strategy is what drives the plan. The timing of implementation actions are organized in the following manner:

- Short-term: Generally within 1 to 2 years of adoption of the plan
- Mid-term: Generally within 2 to 5 years of adoption of the plan
- Long-term: Generally 5 years or longer after adoption of the plan
- On-Going: Occurring continually

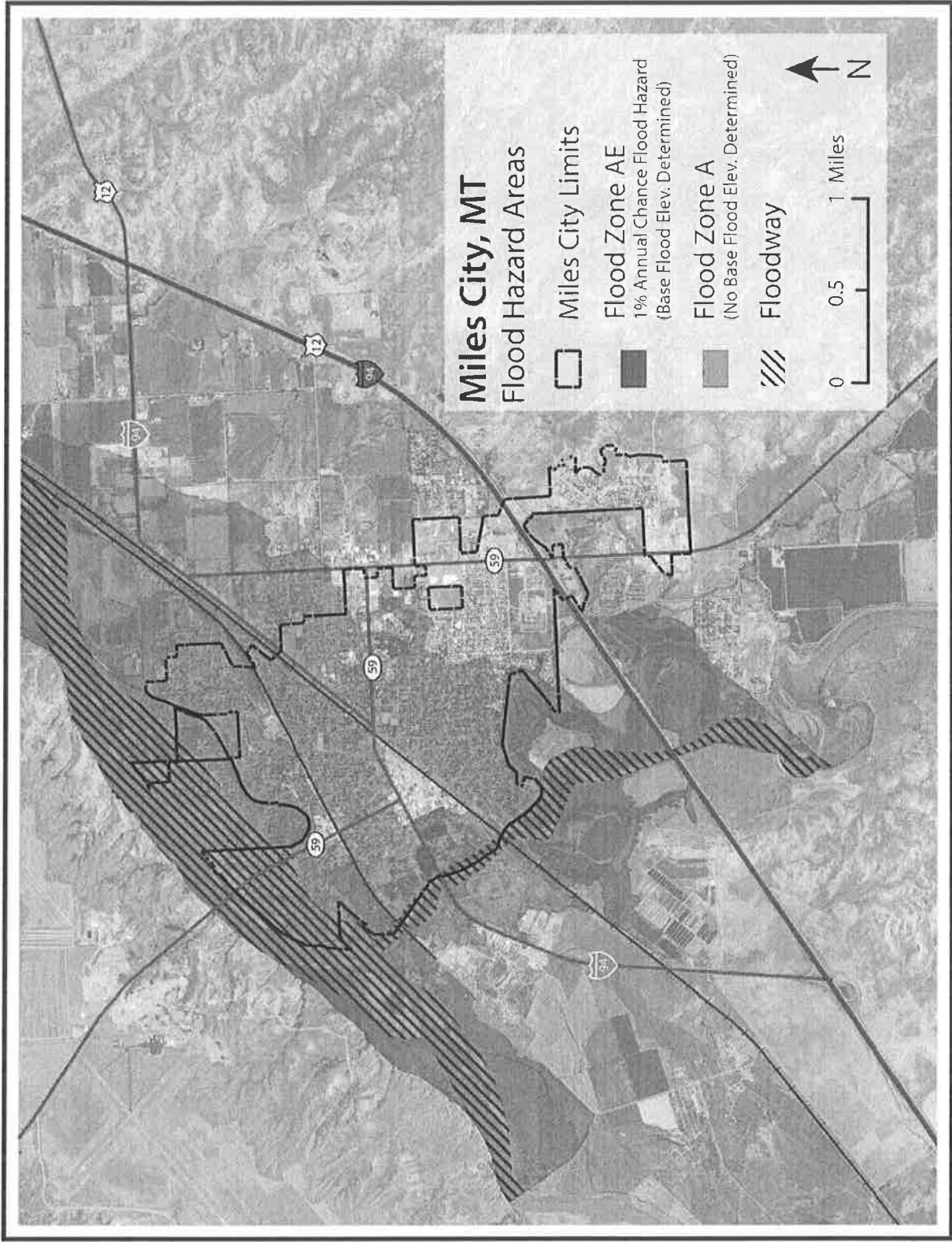
Why A Growth Policy for Miles City?

The recent growth in Miles City has resulted in a need for more housing and space for commercial and industrial development. However, the floodplains of the Yellowstone and Tongue Rivers covers a significant portion of Miles City, constraining the City's ability to grow within its boundaries – see Figure 1. Currently roughly 3,600 parcels and 79% of structures in Miles City are impacted by the floodplain. Much of the available land within the City's boundaries located outside of the floodplain is already developed with commercial and residential uses. In order for Miles City to accommodate new development, the City needs to look beyond its boundaries, which may mean annexation and extending city services. In addition to the floodplain Miles City is bordered by federal land to the southwest, which further constrains the City's ability to grow. As a result the only areas Miles City can realistically grow are to the east and south.

Floodplain

Miles City is located at the confluence of the Yellowstone and Tongue Rivers. A levy along the banks of the rivers has served the City well for decades, but this levy does not meet federal standards, resulting in residents and business owners being required to carry flood insurance and severely impacting the cost

Figure 1 - Miles City Floodplain Map





and location of development. Recognizing this fact, Miles City recently completed a Flood Assessment Study, which analyzed five alternatives for mitigating flood risks and reducing the regulatory burden on the City. The alternatives with the highest or best cost/benefit ratio (in regard to reduced insurance premiums and largest decrease in flood risk) involve reconstructing the existing levee system, to either a 100-year or 500-year flood standard, on the right banks of the Yellowstone and Tongue Rivers.

To reconstruct the levee to a 100-year standard would cost an estimated \$37 million while the 500-year standard would cost an estimated \$39 million. The reconstructed levee would need to be offset from its current location resulting in roughly 60 parcels being impacted, which would require a significant number of easements needing to be acquired.

Of the alternatives analyzed in the study, only the two levee reconstruction alternatives provide certified flood protection. The flood assessment study recommends reconstructing the levee to a 500-year standard as it will provide a higher level of protection than the 100-year option at marginal increase in cost, when the total cost of the project is taken into consideration.

Miles City has a tough choice ahead. The high cost of reconstructing the levee makes financing the project difficult. One option would be for the City to seek funding through the Army Corps of Engineers with a 35% local match required. However, this option would literally take an act of congress and would likely push the project out a decade or more. The other option is to finance the project locally through grants, loans, and bonds. While this option might stretch the financial capacity of the City, it would likely result in the project being completed in a shorter timeframe. As a result it may be in the best interest of the City to move forward with the local funding option.

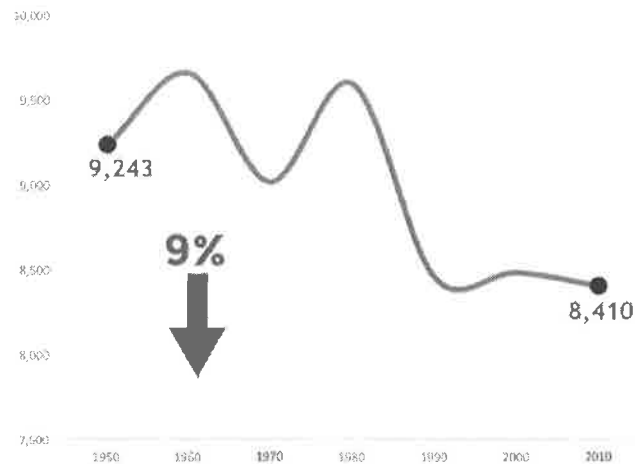
Currently development in the floodplain would require flood proofing (as high as eight feet above ground in certain areas), which is cost prohibitive for many development projects. With a reconstructed levee the majority of residents in Miles City would not be required to carry flood insurance, resulting in a significant cost savings over time. The reconstruction of the levee would also provide needed development and infill opportunities within Miles City, making use of existing infrastructure and helping to meet other planning goals.

Planning Framework

There is little question that Miles City must reconstruct its existing levee system. While this growth policy encourages Miles City to move forward with the recommendations outlined in the flood assessment study, it also takes into consideration the uncertainty of when (or whether) the levee project will be completed.

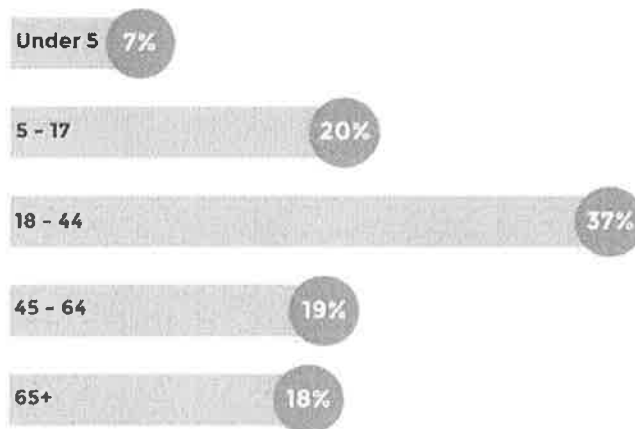
In planning for the future, the 2015 growth policy update is based on the assumption that the levee will not be in place any time soon. This is not an opinion as to whether the levee will be reconstructed. Rather, this is the safest approach to planning for immediate and mid-term land use and growth challenges while the levee project's timeline is unclear. With that in mind, the growth policy anticipates that current land use patterns in the floodplain will remain largely unchanged. While community improvements like downtown redevelopment are encouraged, major infrastructure upgrades within much of the current City boundaries are not anticipated until the levee is reconstructed. Once that happens, Miles City can reevaluate appropriate development patterns on lands that will be available for development and re-development.

Population Change 1950 - 2010



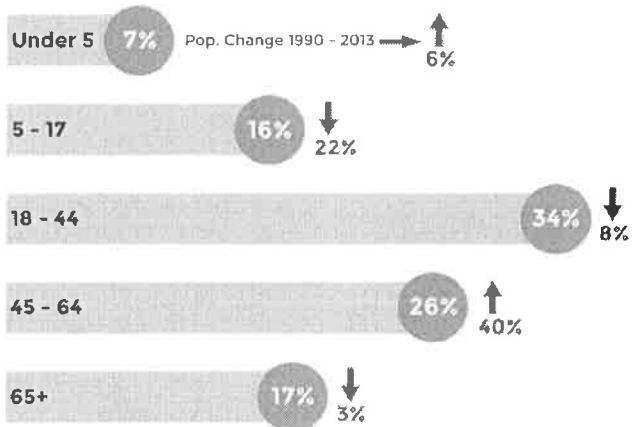
Source: Decennial Census

Age Distribution - 1990



Source: Decennial Census

Age Distribution - 2013



Source: American Community Survey 2013 5-year estimates

Population

Over the last 60 years population dynamics in Miles City have displayed a pattern of peaks and valleys. In comparison, the state of Montana has steadily increased in population since World War II. While the 1980's were a period of pronounced population decline for Miles City, that trend began to stabilize by 1990 and more recently Miles City is once again showing signs of growth. Recent estimates show Miles City's population has increased slightly from 2010 to 2013.

Population Characteristics

As of 2013, Miles City had an estimated population of 8,487. The median age in 2013 was 37.8, lower than both Custer County and the state of Montana, but an increase since 1990 when the median age in Miles City was 35.5. In 2013 the 18-44 age group made up the largest share of the population at 34%, followed by age 45-64 (26%) and age 65+ (17%). This represents a slight change since 1990, notably the increase in the share of individuals aged 45-64. This age group also increased in population by 40% during this time while the 5-17 age group decreased by 22%. The increase in individuals aged 45-64 is notable because in 20 years all of these individuals will be at or near retirement age and will likely have different needs in terms of housing, mobility, and healthcare. Taken together, these figures point to a population make up that is growing older with a decreasing share of school aged children and young adults.

Household Composition

As of 2013 there were an estimated 3,564 households in Miles City, up 10% since 2000. During this time period household composition shifted slightly with the share of family households decreasing from 62% to 60% of all households. With the decrease in family households there has also been a corresponding decrease in average household size from 2.31 in 2000 to 2.29 in 2013. During this time period the share of one-person households also increased by 5%. It is difficult to say what

is causing these small changes in household composition. It could be a result of young adults leaving home for school or employment opportunities, or an influx of single individuals relocating to work in Miles City as the economy shows recent signs of growth. Either way while these changes are not statistically significant they do point to a trend of decreasing household size and an increase in one-person households – two trends that are also playing out at the state and national levels. If these trends continue, Miles City may need to provide a broader range of housing options outside of the traditional single family home, which dominates the current housing market in the City.

Poverty

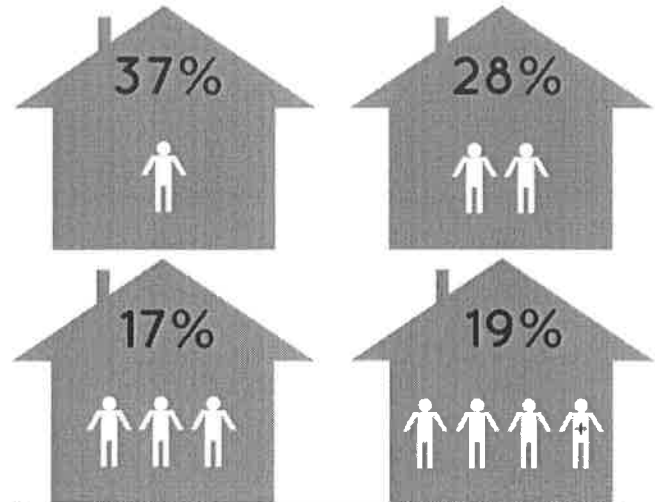
The U.S. Census Bureau establishes annual poverty thresholds (poverty line) to measure the number of people living in poverty. The 2013 poverty line for an individual was \$11,490 and \$23,550 for a family of four. In 2013, an estimated 14.6% of Miles City residents were living below the poverty line. This percentage has remained virtually unchanged since 2000. However, this figure is slightly lower compared to the state of Montana where 15.2% of individuals were living below the poverty line as of 2013.

When looking just at those individuals living below the poverty line, the percentage who are over the age of 65 is substantially higher in Miles City (18%) when compared to the state of Montana (8%). This figure is notable because seniors generally live on fixed incomes and often have higher healthcare expenditures and less mobility than their younger counterparts.

Outlook

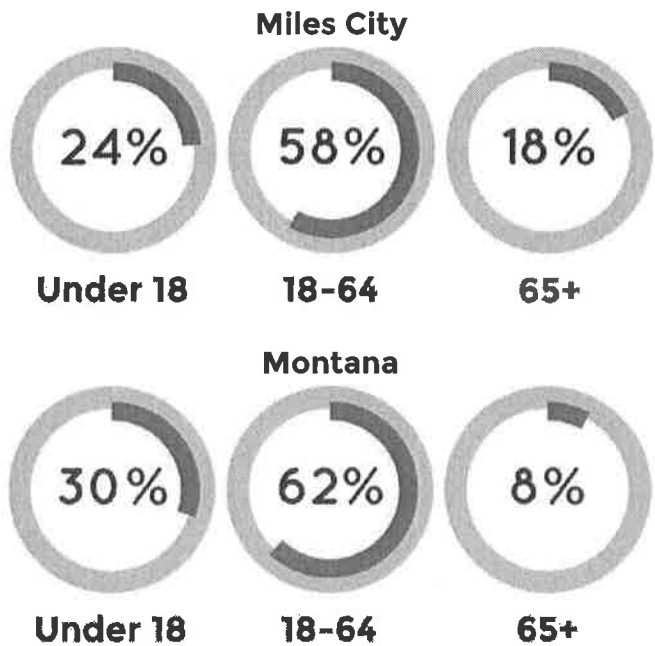
Population trends generally follow employment opportunities. Miles City's economy has traditionally been centered on agriculture, retail, healthcare and the service sector. More recently, however, Miles City has been experiencing spillover effects from oil and gas development in the nearby Williston Basin. Montana communities located directly in the Willison Basin have been experiencing rapid population growth directly related to employment in these industries. Being further away, Miles City has not experienced these same levels of growth. However, Miles City is close enough to have

Household Size - 2013



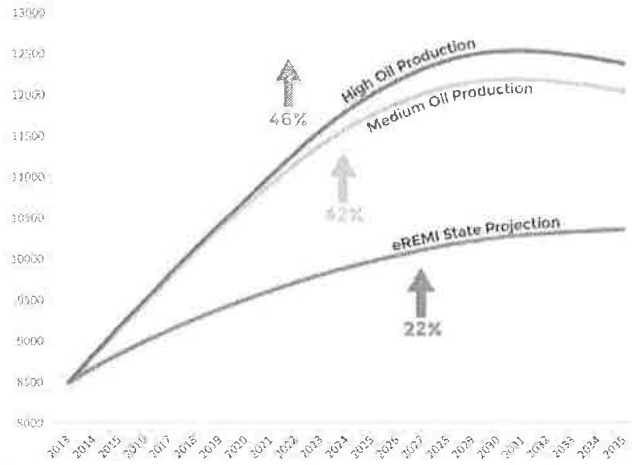
Source: American Community Survey 2013 5-year estimates

Age Distribution of Individuals Below the Poverty Line - 2013



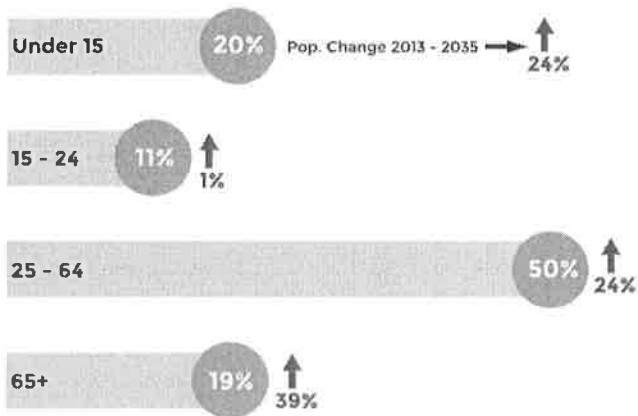
Source: American Community Survey 2013 5-year estimates

Population Projections 2013 - 2035



Source: Montana Census and Economic Information Center

Projected Age Distribution - 2035



Source: Montana Census and Economic Information Center

experienced increased economic activity in oil supportive industries, retail trade and services, resulting in moderate population growth in recent years.

Population Projections

The state of Montana’s Census and Economic Information Center (CEIC) provides county level population projections, produced by Regional Economic Models, Inc. (REMI). In addition, the CEIC has also used the REMI baseline to produce a series of projections based on different oil and gas production scenarios for the 16 county eastern Montana region, which includes Custer County. As it has in the past, future growth in Miles City will likely reflect that of Custer County. Therefore, in the absence of local level projections, Custer County growth rates were used as a proxy to develop three Miles City population projections. Growth projections broken down by age group were also produced.

Population and economic growth in eastern Montana and Miles City is, to an extent, contingent on oil development and activities supporting the oil industry. However, even without taking into account future oil production scenarios, Miles City’s population is still projected to grow over the next 20 years. By 2035 Miles City is projected to grow by 22%. In the event of high oil production, Miles City’s population is projected to grow by nearly 46%. The medium oil production scenario projects a slightly lower growth trend with Miles City’s population increasing by 42%. All three projection scenarios show Miles City’s population leveling off, or slightly decreasing around the year 2030.

In terms of growth within different age groups, Miles City’s senior population (age 65+) is projected to see the largest increase by 2035 at 39%. Both the under 15 age group and the 25-64 age group are projected to grow by roughly 24%, while the 15-25 age group is only projected to grow by 1% by 2035.

It is important to note that there are many unknowns inherent in these growth projections. There could be a range of different future scenarios depending on growth in the oil and gas industry as well as impacts from other unforeseen factors. In all likelihood Miles City will not see the rate of growth displayed in these growth projections. Nevertheless, Miles City is projected to continue to grow and the City needs to plan and prepare for the possibility of future growth, even if it is not at the level indicated in the state’s projections.

Land Use

Geographic Setting

Miles City is located in southeastern Montana along US Interstate I-94 and the Burlington-Northern Santa Fe (BNSF) railway at the juncture of three other federal and state highways. MT Highway 59, which runs generally in a north-south direction across southeastern Montana, enters Miles City near the primary I-94 on- and off-ramps at the southeastern corner of Miles City where the Haynes Avenue commercial corridor begins. US Highway 12, which runs in an east-west direction across eastern Montana between Miles City and North Dakota, crosses I-94 at a secondary on- and off-ramp northeast of Miles City, and enters Miles City at the northeast corner of the city near the BNSF rail spurs. US Highway 12 is also often referred to as the “Baker Highway”, as it leads to the city of Baker, MT, 80 miles east of Miles City. MT Highway 59, which connects Miles City to the Town of Jordan, MT (85 miles northwest of Miles City) and the MT Highway 2 “high line”, enters Miles City at the northwest edge of the city north of downtown. These highways and the railroad, as well as Miles City’s geographic proximity to the Bakken oil and gas producing region greatly influenced the pattern of development and land uses in the Miles City Planning Area.

The natural features of the city’s setting also influence the pattern of development and land uses in the Planning Area. Miles City is primarily centered in a river valley at the confluence of the Yellowstone and Tongue Rivers. The river valley upstream and downstream of the city is fertile irrigated farmland. Beyond the valley floors, the landscape is characterized by dry rangeland and badlands.

Constraints

Physical features and constraints influence land uses in the Miles City Planning Area. Flood plains, high groundwater, steep slopes, and unstable and adverse soil conditions often play factors in land use decisions. Irrigation facilities are becoming more of an issue as development encroaches into traditionally irrigated farm land. Depth of water wells and water quantity and quality are also issues for both residential and commercial uses outside the city limits, which in turn directs many land uses to areas in and around the city where public water service is





available. As stated in the introduction, the floodplain is one of the most limiting physical features directing growth and development in and around Miles City.

Ownership is another constraint that directs land use. Federal ownership of Fort Keogh land in the western part of the Planning Area currently precludes city expansion in that area. US Interstate Highway I-94 and the railroad can impact land uses by limiting access to adjacent private properties. Lands owned by the state and local government are generally not likely to be developed with typical residential, commercial, and industrial land uses.

Existing Land Use Patterns

The heart of Miles City is the historic downtown, located in the southwest portion of the city. The downtown area is comprised of a mixture of land uses, including commercial, government services, recreational, and various types of residential. Moving in every direction except southwest from downtown, residential neighborhoods comprise the majority of the city landscape surrounding downtown. To the southwest of downtown, recreational land uses, such as the city's Riverside Park and Denton Sports Complex, Custer County Fairgrounds, and the Spotted Eagle Recreational Area are found. Further west of these recreational areas, various government land uses are found, predominantly Fort Keogh, which is currently used as a United State Department of Agriculture research facility and is largely open space and in agricultural use.



In general, the highest density residential uses are located in the city center. Farther from the city center, housing density decreases and transitions into larger residential acreage, mixed and agricultural uses.

On the east edge of Miles City, commercial enterprises abound along Haynes Avenue (North and South). The Haynes Avenue area is where most new businesses in Miles City can be found. The eastern portion of the city is also where other various land uses are located, such as Holy Rosary Hospital, Miles Community College, and Pine Hills Youth Correctional Facility.



Moving northeast from downtown along Valley Drive East older commercial and industrial land uses occur, which often back up to residential neighborhoods. Valley Drive East leads to its intersection with North Haynes Avenue, and the commercial and industrial land uses along these transportation corridors continue to the east.

Amongst and between the commercial, industrial, and relatively high density residential development near Haynes Avenue, agricultural and rural residential land uses predominate the area between the city and I-94. The Yellowstone River valley northeast of Miles City is also comprised of agricultural and rural residential land uses.

South and east of I-94, commercial and industrial land uses have begun to expand southward along MT Highway 59 as a natural extension of South Haynes Avenue. Residential neighborhoods, such as Southgate Meadows, have also been developing over the past 40 years as a result of increased needs for new housing stock outside the floodplain. On the outskirts of these developed and developing areas, rangeland and other agricultural uses are found, with occasional commercial and industrial enterprises found outside the city limits.

Northwest of Miles City, across the Yellowstone River, land uses are primarily rangeland and other agricultural uses, with some residential development, as well as Miles City's Frank Wiley Airport.

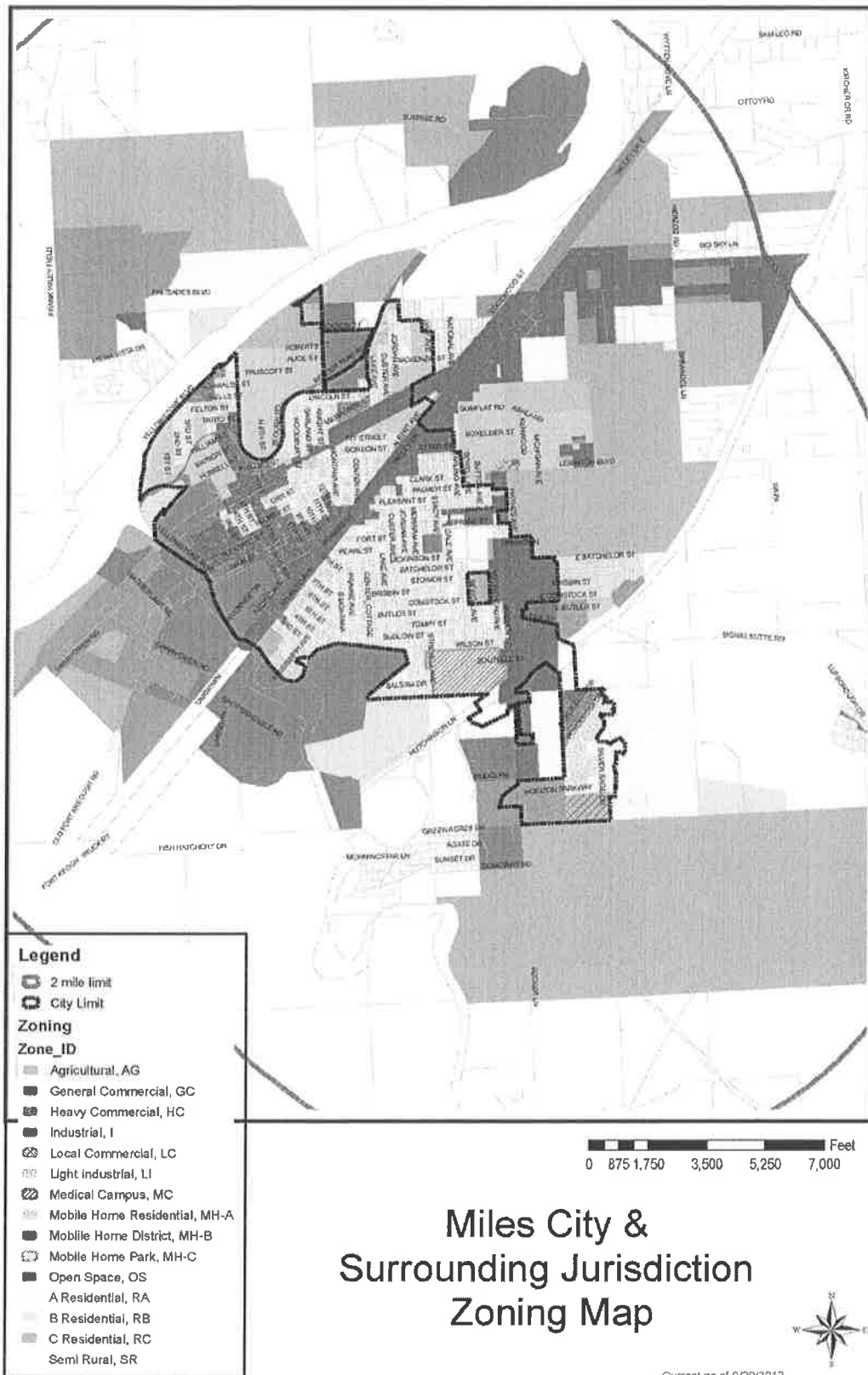
Land Use Regulations

The Miles City Zoning Codes define and regulate land uses within the City of Miles City, its two-mile extraterritorial jurisdictional area, and the Airport Hazard area. As of July 2015, Custer County is in the process of developing a zoning map and regulations for the county area which, if adopted, would supersede the City's zoning. At inception, the zoning codes and map followed the existing land uses. The zoning codes, modernized in the late 1970s and updated from time to time to address changing conditions, allow for a variety of uses including single-family, multiple-family, and mobile home residential, several types of commercial, industrial, and agricultural uses, and open space. The zoning map (Figure 2) shows the zoning districts within the current zoning jurisdiction of the City of Miles City.

The Miles City Subdivision Regulations regulate divisions of land in the city limits, as well as divisions that are proposed for annexation. The subdivision regulations guide new development with design standards that will influence future land uses to some extent.

The Miles City Floodplain Hazard Management Regulations regulate the 100-year flood hazard areas that have been adopted within the City limits. These regulations prescribe minimum standards for development within the regulated flood hazard areas and are required for Miles City to participate in the

Figure 2 - Miles City Zoning Map



National Flood Insurance Program. As much of Miles City is in a regulated flood hazard area, the Floodplain Hazard Management Regulations have a high degree of impact on land use decisions.

It is expected that these existing land use regulations will be revised within the next five years. A top priority is to update the zoning code and map to reflect desired conditions, to comply with this growth policy, and to simply become more modern, clear, flexible and user friendly. The revisions to the zoning ordinance and map are expected to highly influence future land use patterns and be a primary implementation tool of this growth policy.

Trends

The existing land use patterns described above are the result of many contributing factors. New city growth to the north and west is highly confined by the Yellowstone and Tongue Rivers, as well as federal ownership of Fort Keogh. Redevelopment within the northern and western portions of the city is limited by the mapped floodplains.

As needs for new commercial and industrial properties have risen over the past several years, businesses have located along Haynes Avenue, even spilling south of I-94 along MT Highway 59. Surrounding residential development has followed, and will likely continue to occur. Due to its proximity to the Bakken oilfields, the availability of land outside the floodplain, and availability of Custer County Water and Sewer District services, commercial and industrial development northeast of Miles City along the Baker Highway has been occurring, and is expected to continue. There has also been residential developments in close proximity to City services and outside the mapped floodplains, which is a trend that is likely to continue.

Outlook

Based on recent trends and the voice of the community, the trends identified above are expected to continue over the next 20 years. Depending upon economic conditions, the population of Miles City is expected to grow by between 1,600 and 3,900 people over the next 20 years. Based on an average household size of 2.29 people, a need of nearly 700 to over 1,700 new residential dwelling units can be expected in that timeframe. Demand for land to accommodate new residential, commercial and industrial growth will likely be commensurate with economic growth and be market driven. Due to Miles City's development

constraints, the most suitable areas for new development are to the east and south of the City.

A key tool for Miles City to accommodate these expected projections will be to guide future land uses through the Miles City zoning codes. The zoning text must be revised to provide clear guidelines so that the zoning map and regulations can be a more effective tool to implement this growth policy. The zoning map must be revised to reflect current conditions and expected future trends. The zoning map will be revised as proponents of future development proposals and land uses approach the city with zone change requests, and the city will work to revise the zoning map to guide the planning area with land use designations in appropriate geographic, physical, and social settings.

Future Land Use Map

The future land use map, shown in Figure 3, is a general blueprint of what the community wants to become, and serves as a visual guide for future planning and development. As zone changes and development proposals are considered, each proposal's fit with the future land use map will be considered. The future land use map does not regulate land use proposals, but serves as a guide; thus the land use designations on the map are not as specific as zoning designations. Land use designations on the future land use map are generalized to allow flexibility when Miles City updates its zoning code and map. The following are definitions of each of the designations found on the future land use map:

Open Space

Land currently with little to no development and not expected to support future development, including parks, cemeteries, and golf courses. Open space land may be in public ownership. The open space designation also includes undeveloped land in the floodway.

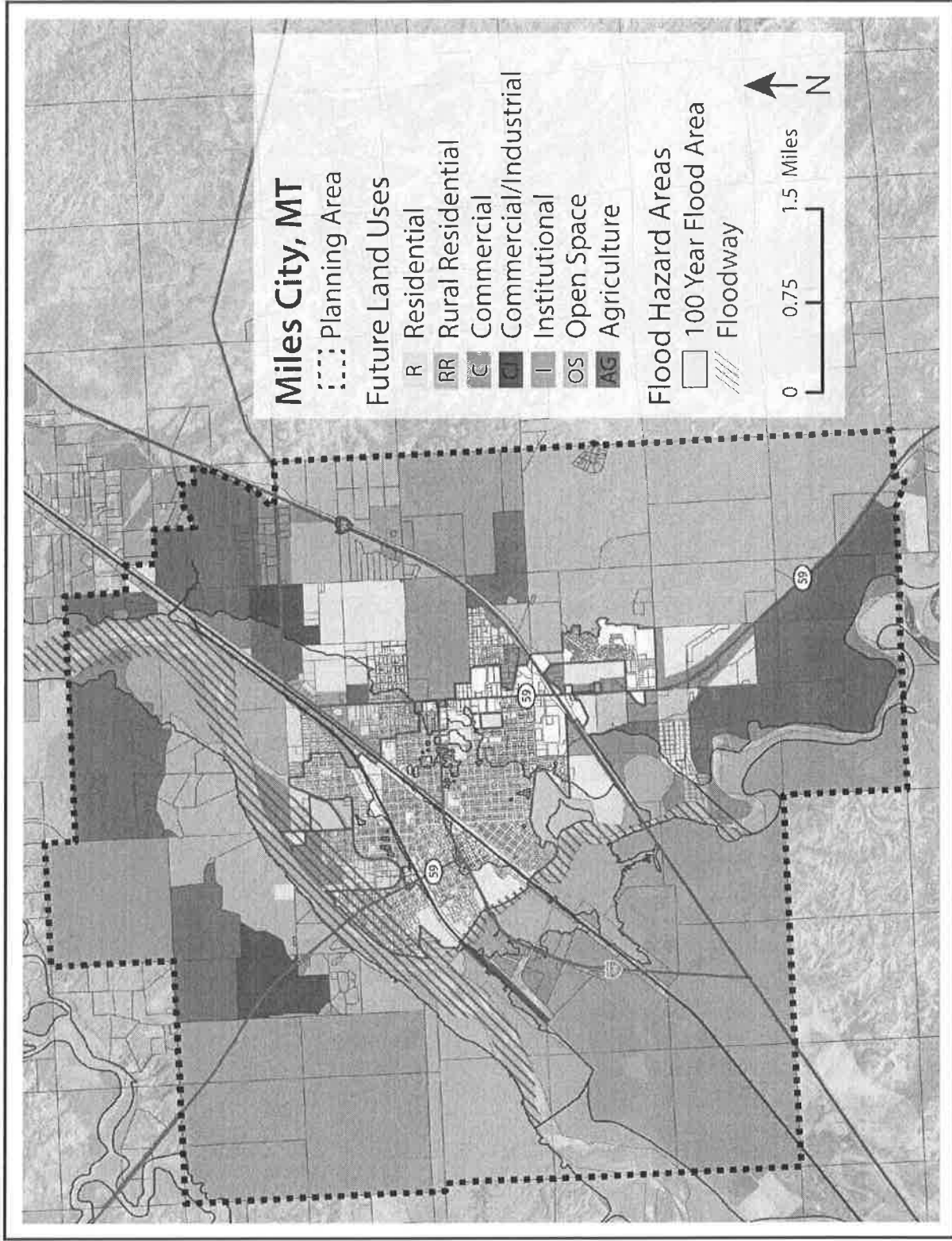
Agriculture

Agriculture uses and very low density residential development intended to support agricultural uses. Residential development could include new farmsteads and housing for agricultural workers on larger working agricultural operations.

Rural Residential

Low density single-family residential development. Residential densities within the rural residential area should be considered for clustered development to attain lot sizes of less than

Figure 3 - Miles City Future Land Use Map



approximately two acres, with open space and agricultural uses preserved; or larger lot sizes should prevail in order to provide rural residential neighborhoods with amenities typical of country living.

Residential

Residential development typical of a more urban setting with the benefit of municipal services. Residential uses include single-family, multi-family and mobile homes.

Commercial

Commercial uses which are already established and are expected to continue. Based on the current zoning code, the most appropriate zoning districts for a commercial area are the three commercial districts, which include the "GC general commercial district," the "LC local commercial district," and in some locations the "HC heavy commercial district."

Commercial/Industrial

Similar to the commercial designation, a commercial/industrial designation indicates commercial *and* industrial uses have been established in the area and are expected to continue.

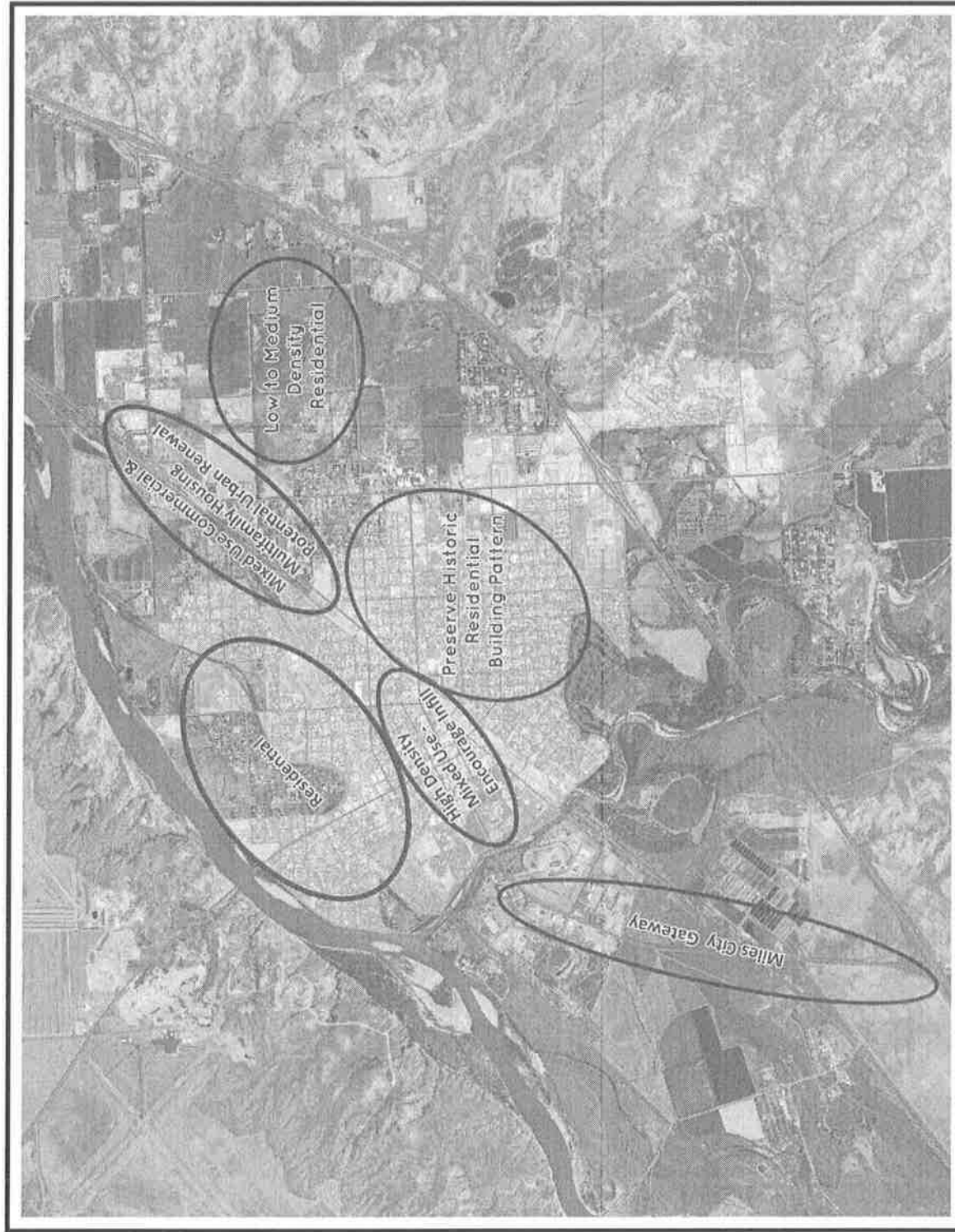
Institutional

Land under public ownership (local, state, and federal). This designation also includes lands uses which serve public needs, including, the hospital, airport, educational institutions, and correctional facility.

Conceptual Development Patterns

As a supplement to the future land use map, the conceptual future development patterns map, shown in Figure 4, serves as an even more general map of land uses in and around Miles City. This map seeks to identify a general structure of Miles City by pointing to areas of the city that residential uses are to be preserved and promoted, the downtown area where infill and redevelopment is encouraged, and areas where Miles City seeks to facilitate key larger-scale commercial and industrial land uses in appropriate settings where services can be provided efficiently.

Figure 4 - Miles City Conceptual Development Patterns Map



Annexation

With population growth and continued demand for residential and commercial development, Miles City faces a number of challenging questions. Where is growth expected to occur? What can Miles City do to make sure growth is compatible with existing development? How can the City mitigate negative impacts to current and future residents and business owners while accommodating growth?

Custer County Water & Sewer District No. 2

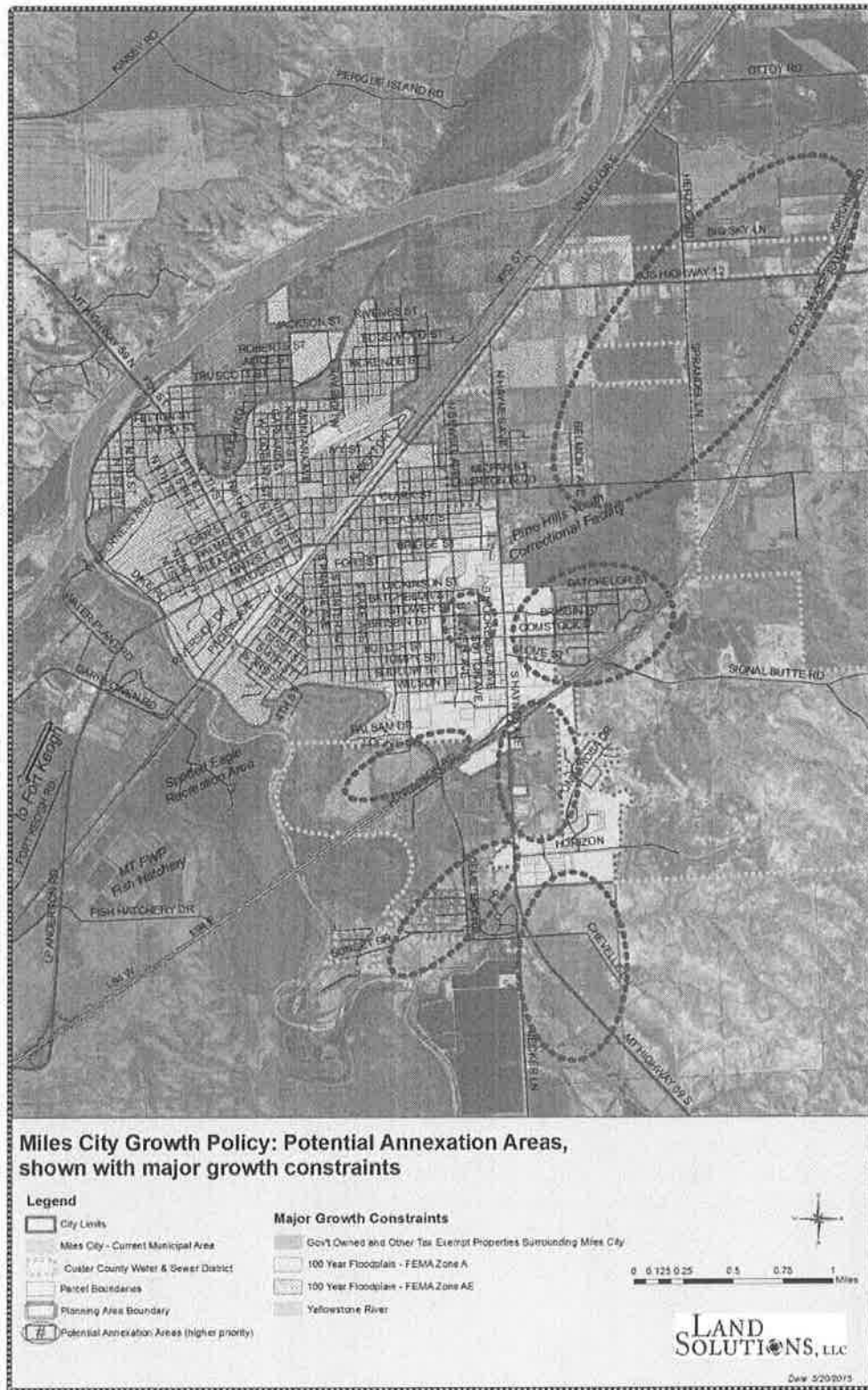
The growth constraints highlighted previously make accommodating future development a challenge. Another challenge is the location of the Custer County Water & Sewer District No. 2 along the City's eastern boundary.

The district and the City work together to provide water and sewer services to residents, business owners and their customers. The district and the City have a long history of collaboration and cost sharing, providing water and sewer services to their customers in a seamless manner. The reason the location of the district is a challenge is it impedes the logical expansion of the City's boundaries to the east and southwest. The City needs to grow in order to provide urban level services to residents, business owners and their customers. In the future, the City intends to pursue various options to address this situation including working with the district to ensure new commercial and urban scale development is annexed in accordance with the City's annexation plan and Montana state law, while not forcing annexation on rural landowners or where urban level services cannot be provided.

Where to Grow From Here

Miles City has developed an annexation plan to help guide growth in the coming years. The plan evaluates 10 possible areas for growth and recommends annexation and development, with certain limitations, to the south and east – see Figure 5. In these areas it will generally be the responsibility of developers and the future users to pay for the extension of municipal services. In this case, 'municipal services' means water, sewer, streets, sidewalks, storm drainage facilities and trails, as well as police, fire, and emergency medical services. However, in some cases the city may share the cost of service extensions, such as when an existing neighborhood is annexed or when the city chooses to oversize a water or sewer main and then seek reimbursement from users when they connect.

Figure 5 - Miles City Potential Annexation Areas



Miles City also intends to ensure that new development is compatible with existing development by:

- Adopting zoning that generally extends the existing pattern of development (i.e., more residential near existing residential areas and more commercial near existing commercial areas);
- Requiring buffering between incompatible land uses; and
- Planning and working with developers to extend water, sewer, street, sidewalk, parks and other services to development so the services are available when the demand occurs.

1 Provide a Predictable Development Environment

Objective 1.1

Update land use regulations to provide greater clarity and flexibility.

2 Promote Citizen Involvement in Land Use Issues

Objective 2.1

Engage citizens during public review of land use issues and make information available.

3 Balance Property Rights with the Common Interests of the Community

Objective 3.1

Protect private property rights and respect property owners' wishes to enjoy and gain economic return from their properties and investments while ensuring that other public and private interests are not unreasonably compromised or impacted by land uses and development projects.

4 Provide for the Logical Expansion of the City's Boundaries that is Compatible with Existing Development and is Fiscally Responsible

Objective 4.1

Plan for growth through the development of traffic, parks, sewer and water and other issue specific plans.

Objective 4.2

Develop and implement zoning that guides future development but also protects existing development from unwanted impacts.

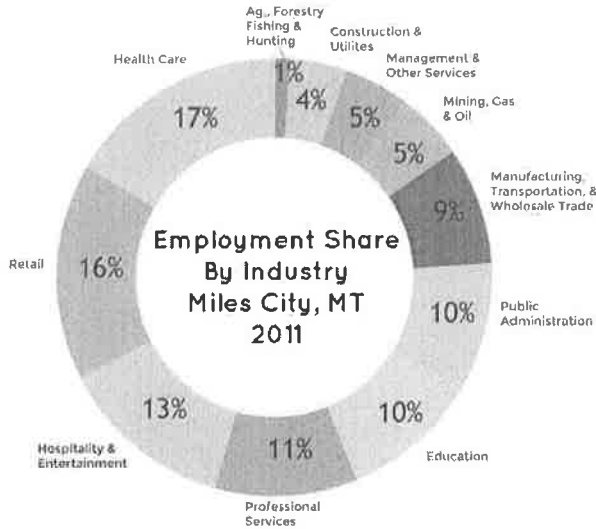
Objective 4.3

Generally require that developers and future users of municipal services pay the upfront costs of extending services.

Objective 4.4

Work with the Custer County Water & Sewer District No. 2, landowners and developers to bring urban scale development into city limits.

Employment Share by Industry - 2011



Source: US Census Longitudinal Employer-Household Dynamics, Home Area Profile Report, Miles City, Montana.

Economy

As the largest City in southeastern Montana, and the county seat of Custer County, Miles City serves as a retail, services, and healthcare hub for rural populations throughout the region. These industries, and Miles City's economy as a whole, are tied to agriculture activities in Custer County and southeastern Montana. While all these industries are (and will continue to be) important drivers for Miles City's economy, oil and gas extraction in the nearby Bakken region has resulted in an increase in oil supportive industries choosing to locate in Miles City. At the same time, the lure of high paying jobs in the Bakken has caused an increasing number of individuals in Miles City's labor force to travel outside the City in search of more lucrative employment.

Employment

Between 2002 and 2011 the total number of jobs in Miles City increased by 3.5%. The two largest employment sectors of Miles City's economy in 2011 were healthcare and retail trade, accounting for 17% and 16%, respectively, of all jobs in the City. However, both of these industries experienced decreases in their respective percent share of employment between 2002 and 2011. This does not mean that employment is decreasing in retail and healthcare, only that the share of total employment is more distributed in 2011.

While the statistics highlighted above provide further indication that Miles City functions as a retail and health care hub for southeastern Montana, they also highlight that the share of employment in other industries is increasing. While the share of jobs for most industry sectors has remained relatively constant since 2002, professional service jobs are on the rise in Miles City, increasing from 9% of all jobs in 2002 to 11% in 2011. This sector includes employment in real estate, finance & insurance, scientific & technical services, and information. The biggest gain in employment share occurred in the mining, oil & gas industry, including supportive industries, which increased from 1% of all jobs in 2002 to 5% in 2011. This figure is likely higher given expansions in oil and gas supportive industries since 2011.



Government serves as another key employment sector in Miles City. In addition to City and County offices, several federal and state government agencies have offices located in Miles City, including the United States Department of Agriculture; Bureau of Land Management; Montana Fish, Wildlife and Parks; Montana Department of Transportation; Montana Department of Natural Resources and Conservation; and the Montana Department of Corrections. Government employment is an important facet of Miles City's economy because these jobs tend to pay well and are more immune to economic downturns than the private sector.

Unemployment

From 2000 to 2015 the unemployment rate in Custer County decreased from 5.5% to 3.8% - data are not available at the local level. In comparison to the state of Montana as a whole, Custer County appears to be doing well in this regard as Montana's unemployment rate decreased from 5.9% to 4.7% during this same time period.

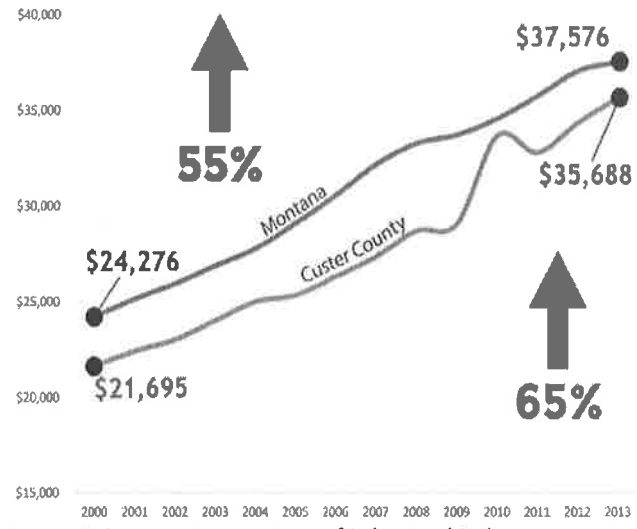
Labor Force Mobility

In 2002, 66% of Miles City's labor force (individuals living in Miles City who are employed) worked in Miles City, and by 2011 that figure had dropped to 58%. This highlights the mobility of today's labor force and the lure of higher paying jobs in the nearby Bakken oil and gas fields. In 2002, 2.8% of Miles City's labor force worked in nearby oil producing counties (Richland, Dawson, and Williams County, ND) by 2011 that figure increased to 5% and is likely higher by now. Additionally the percent of workers who live in Miles City and work in Yellowstone County increased from 3.5% in 2002 to 8.7% in 2011. All these figures indicate that the number of living wage jobs in Miles City may not be sufficient to support the needs of current residents, thus they are having to travel outside the City to find suitable employment. All data provided by the U.S. Census Longitudinal Employer-Household Dynamics report for Miles City, MT.

Income & Earnings

Personal income trends provide an indication of the quality of the consumer market in a community as well as a measure of its economic well-being. As of 2013, Miles City had a per capita income of \$22,170, an increase of 35% since 2000. While average annual wages in Custer County are slightly lower than the state of Montana as a whole, the rate of recent wage growth is higher in Custer County. In 2013 the average annual wage in Custer County was \$35,688, a 65% increase since 2000 - data at the local level are not available. In comparison the average annual

Average Annual Wage - 2000-2013

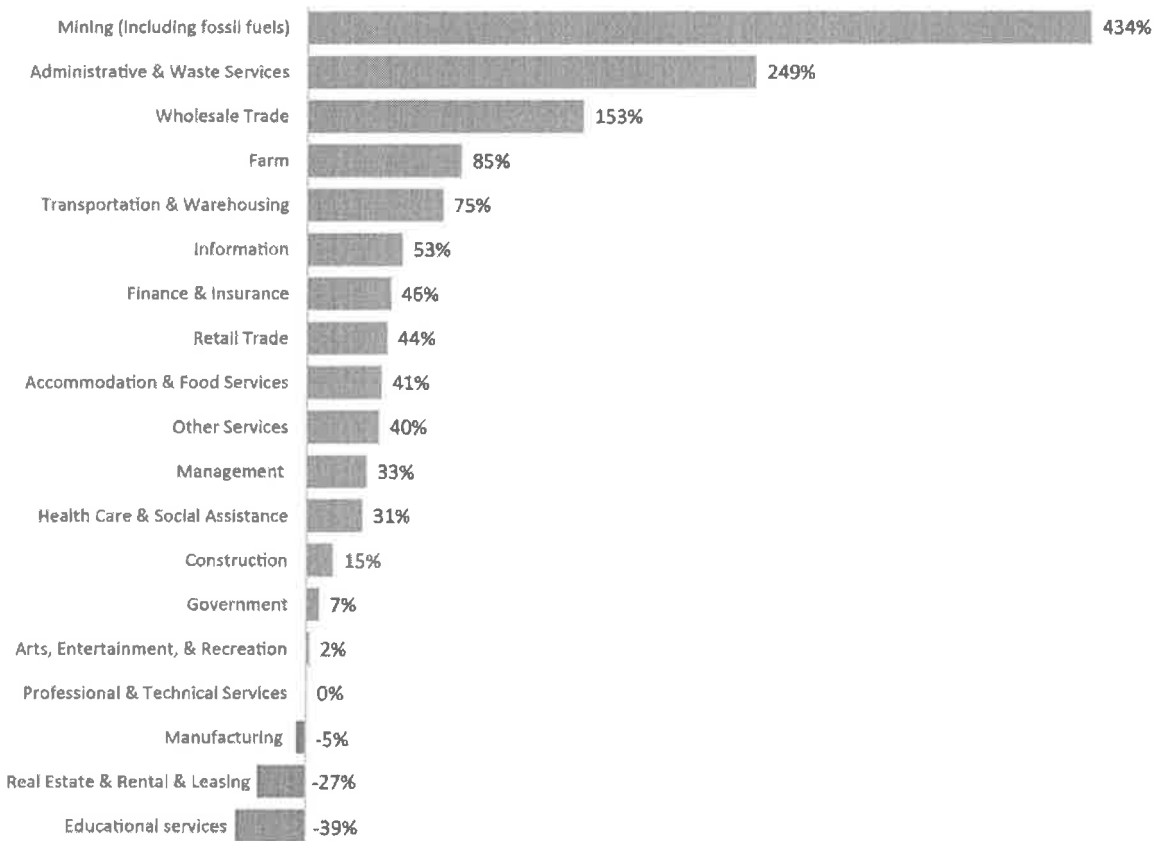


Source: Montana Department of Labor and Industry

wage in the state of Montana in 2013 was \$37,576, a 55% increase since 2000.

Breaking out labor earnings by industry provides a snapshot of where earnings are on the rise or decline. Figure 6 shows the percent change in earnings by industry for Custer County from 2001 to 2013. Between 2001 and 2013 total earnings in the mining industry (which includes oil support industries) increased by more than five times. Part of this is attributed to the increase in mining employment during this time, yet earnings increased at a greater rate than employment indicating that average earnings per job in the mining industry have increased as well. On the other end of the spectrum, between 2001 and 2013 total earnings in educational services decreased by 39%, which roughly corresponds with a 32% decrease in employment experienced during this time period. One notable point in these data is in the real estate industry which experienced a 48% increase in employment and a 27% decrease in earnings, which may indicate decreasing average earning per job in this industry.

Figure 6 - Custer County Change in Earnings by Industry: 2001-2013



Source: U.S. Bureau of Labor Statistics

Downtown Revitalization

Downtown Miles City was once the center of commercial, civic and social activity in the community. While downtown Miles City remains an important hub for these activities, in recent years, downtown has been showing signs of stagnation and has struggled to remain economically viable. The success or failure of any small downtown influences whether new businesses and residents will choose to relocate there. A vital downtown demonstrates Miles City's commitment to sustaining local business and maintaining a high quality life. A strong and vibrant downtown serves not only to improve the quality of life for Miles City residents but also improves the economic well-being of the City as a whole.

From the City's financial perspective, the economic importance of downtown cannot be understated. When looking at the taxable value of downtown in comparison to low-density commercial development on Haynes Avenue the importance of downtown becomes clear, as the taxable value per acre in downtown is nearly three times that of Haynes Avenue - see Figure 7. Furthermore, the cost of providing city services is much lower in dense areas, like downtown, than in areas of low-density development, because services do not need to be extended as far to serve an equal number of users. From this view, the City sees a higher return on investment in downtown compared to commercial development patterns on Haynes. The take away is that the City needs to encourage more downtown development not only for quality of life reasons but also for the financial health of the City. As downtown properties become more valuable, the City will generate more revenue that can be used to address budget gaps and projects that will serve the best interests of Miles City residents.

Urban Renewal Plan

Miles City has recognized the importance of sustaining downtown in its efforts to develop a Downtown Urban Renewal Plan (the Plan), which was adopted in May of 2015. The intent of the plan is to design strategies, financial incentives, and provide technical assistance that will address the specific barriers or challenges to development in downtown Miles City. One of the primary outcomes of the plan is the creation of a downtown urban renewal district with tax increment financing authority - see Figure 8. Tax increment financing is way to use future increases in tax revenue to fund improvements, which will spur private investment and result in higher taxable values in the district. In the fall of 2014 Miles City passed a resolution to create a downtown urban renewal district with tax increment financing authority. This step, along with implementing other



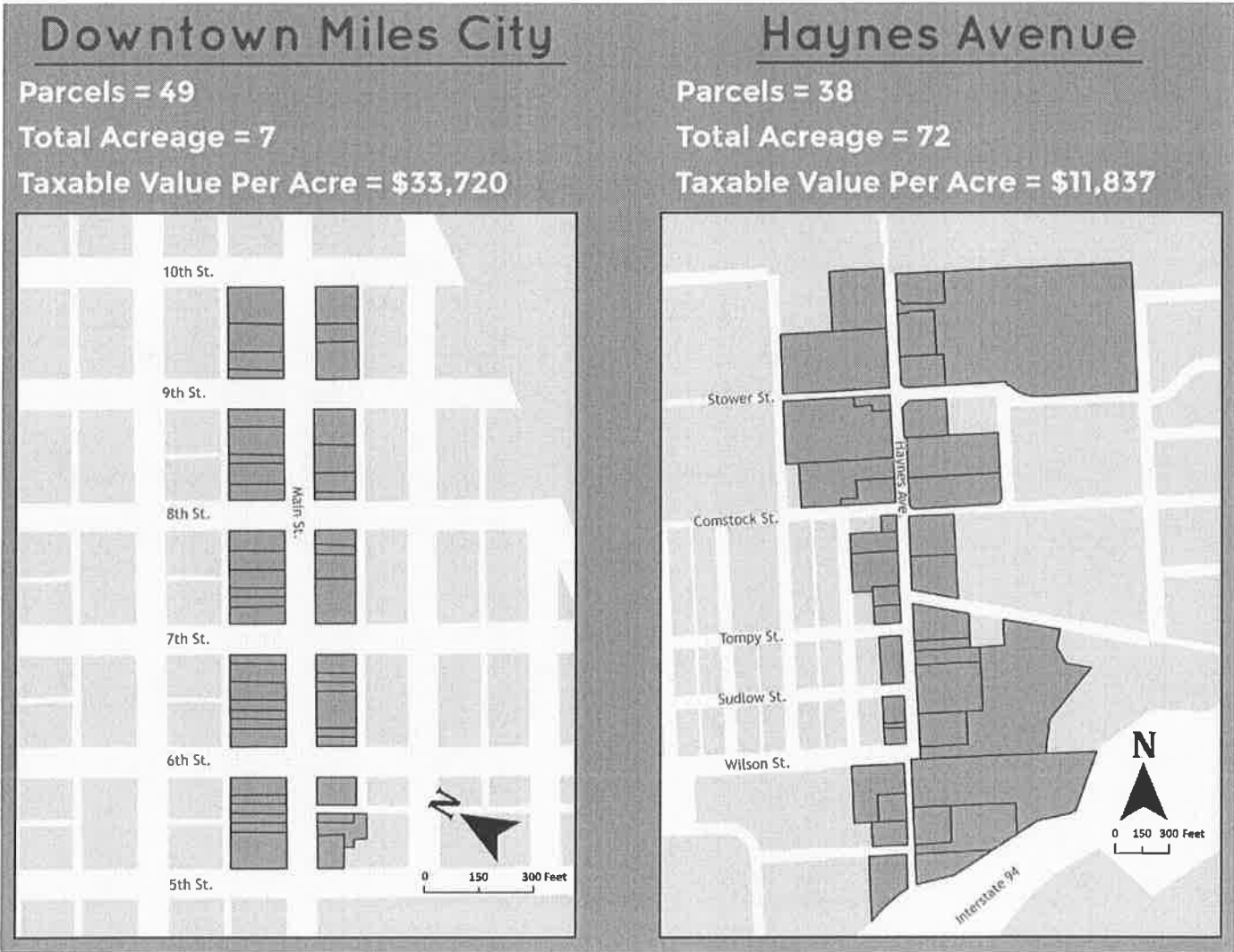
actions laid out in the Plan, will help downtown maintain its commercial and cultural importance in Miles City and the region. As the process of downtown revitalization moves forward, it will be important for the City to develop a strong partnership with the Miles City Area Economic Development Council to assist in revitalization efforts.

Economic Development

SEMDC

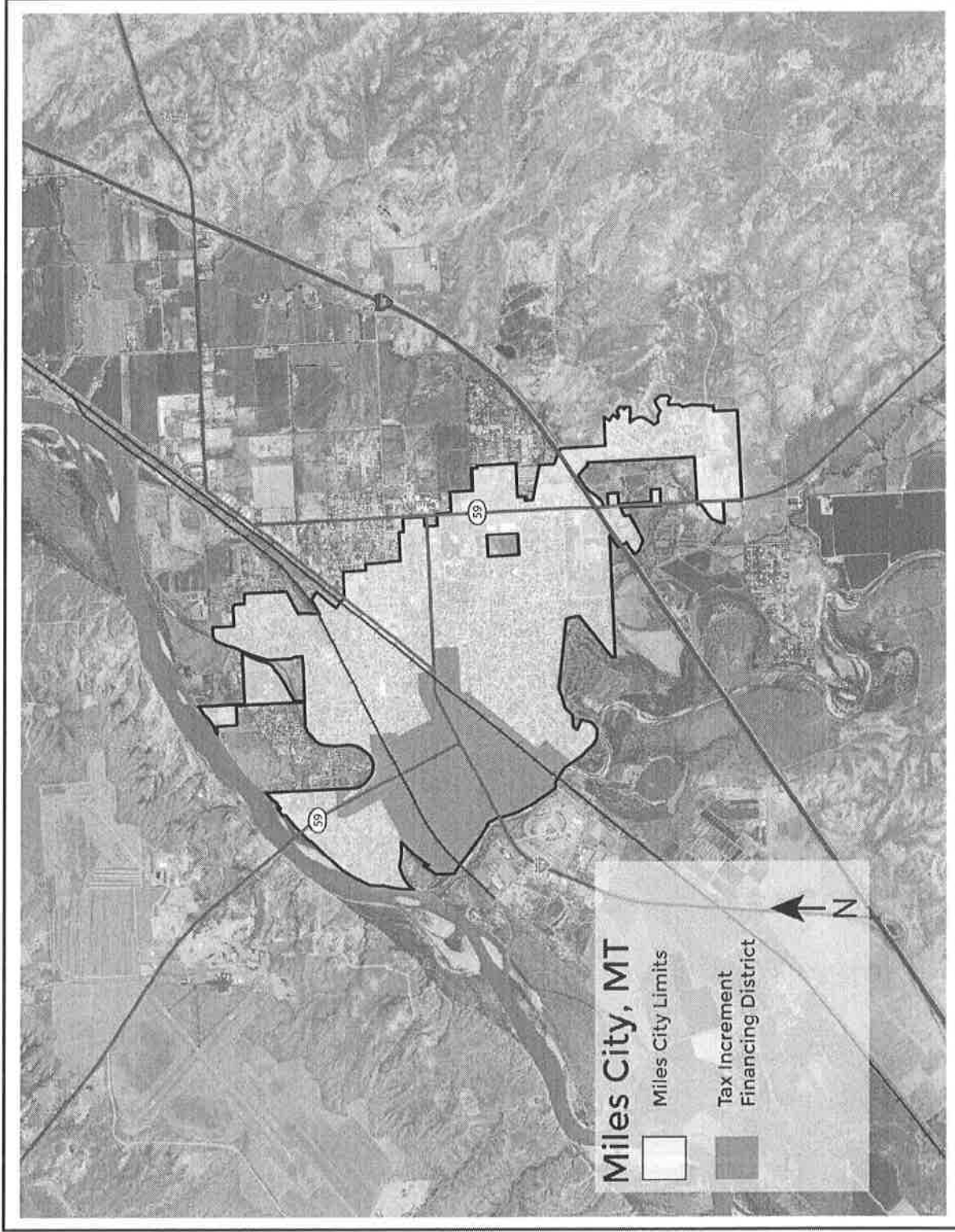
Every five years the Southeastern Montana Development Corporation (SEMDC) releases a Community Economic Development Strategy (CEDS) for the four county southeastern Montana region – Custer, Powder River, Rosebud, and Treasure

Figure 7 - Taxable Value Per Acre: 2014



Source: Montana Department of Revenue

Figure 8 - Miles City Tax Increment Financing District



Counties. The most recent CEDS covers 2011-2015, while SEMDC is currently working on 2016-2020 CEDS. The CEDS provides a robust analysis of demographic and economic indicators for each of the four counties in the region. In addition the CEDS lays out a series of goals, objectives, and strategies for the region, many of which pertain directly to economic development in Miles City. The current CEDS calls out:

- Continuing to work with Miles City on industrial park projects,
- Working with MCC on work force training
- Partnering with the Miles City Area Economic Development Council on funding opportunities for new businesses

Outlook

As the largest city in the region, Miles City will likely continue to serve as a retail, healthcare, and services hub for much of southeastern Montana, even as the size and strength of these individual industries fluctuates over time. It is likely that the healthcare industry in Miles City will grow over time as the City's and region's population ages and will have a greater need for healthcare services.

The recent decline in oil prices has raised uncertainty with regard to future oil and gas production in the Bakken. As oil supportive industries have contributed to Miles City's recent economic growth, this brings into question the longevity of these industries in the community. However, while oil rig counts have decreased in recent months, the U.S. Energy Information Administration projects rising crude oil prices by the middle of 2015, which should prevent further declines in production.

Employment Projections

The Montana Department of Labor and Industry (MDLI) provides economic projections out to the year 2022 for each of the five regions in Montana – see Figure 9. Miles City lies in the 16 county eastern Montana region. While not precise for Miles City these projections provide a general indication of the direction the regional economy is going in. The MDLI projections forecast a 17% increase in employment across the eastern Montana Region. While Miles City may not see growth in this range it can reasonably be expected that employment will grow in Miles City during this time with continued economic growth. The employment sectors projected to increase the most are mining (including oil & gas), construction and manufacturing.