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Study into the possibility of establishing an industrial district in the area of Great Falls, Montana

Rolland Clarence Collins
The University of Montana

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A STUDY INTO THE POSSIBILITY OF ESTABLISHING
AN INDUSTRIAL DISTRICT IN THE AREA OF
GREAT FALLS, MONTANA

By
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A. B., Colgate University, 1966

Presented in partial fulfillment
of the requirements for the degree of
Master of Business Administration

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1971

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CHAPTER I

INTRODUCTION

General Problem Setting

An industrial district or park has been defined as "a tract of land which is subdivided and developed according to a comprehensive plan for the use of a community of industries, with streets, rail tracks, and utilities installed before sites are sold to prospective occupants."\(^1\) The purpose of these districts is to increase productive employment opportunities, to expand the economic base, and to provide a competitive or commensurate profit upon capital investment.\(^2\)

There has been some confusion over the terms


"industrial district" and "industrial park" since they have been used synonymously in most works on the subject. In general, it has been conceded that the term "industrial park" is used to define any tract of land that could be used for industrial purposes. The term "industrial district," on the other hand, pertains to those areas that have been developed and have streets, rail lines, and utilities installed as put forth in the above definition. This study will be concerned with both industrial districts and industrial parks.

Industrial districts have three major advantages over individual industrial sites. These are: (1) they enable the developer to receive the benefits accruing from the location of an industry within the district; (2) their development costs can usually be prorated over a considerable acreage, thereby reducing the per acre costs of development; and, (3) they provide a number of sites and may take care of the community's site problems for a substantial length of time.3

Background

The origin of the industrial district concept dates back to the 19th Century both in England and the United States. The New York Dock Company was founded in 1830. Although this was not a true industrial district, it was organized on a planned basis. Others in the United States were the Clearing Industrial District in Chicago (1899), the North Kansas City Industrial District (1900), and the Central Manufacturing District in Chicago (1905). Early districts in England were Trafford Park near Manchester (1896) and Slough Trading Estate near London (1920). 4

In the United States, growth was slow until after World War II. It has been estimated that over 80 per cent of all industrial districts in the United States have been established since 1949. 5 It has also been pointed out that most of these new districts have been located in suburban areas. The main reasons for this are: (1) high downtown

4Pasma, Organized Industrial Districts, p. 5.

land prices; (2) traffic congestion; (3) urban blight; (4) the growing use of trucks coupled with decreasing dependence on railroads; and, (5) the increasing use of one-floor production layouts which need larger plant sites.

In economic terms, many industries are locating in industrial districts in order to effect production economics which allow them to reduce costs and, thus, remain competitive. In addition, they have the advantage of locating in an area where they will find zoning restrictions in their favor, and developed sites which reduce their relocation costs. In many instances the developer will even build their plants for them.

**Developing a Planned Industrial District**

In a community of recognized "industry-getting" ability, an industrial district can be a genuine asset. However, an organized industrial district is in no way a guarantee that new industries can be successfully attracted. There must be some other economic factors favoring the

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location of industry in that community. Thus, the industrial district has met with its greatest success in the more urbanized areas. In a 1960 survey of 272 industrial districts in the United States and Canada, made by the Urban Land Institute,\(^7\) over 50 per cent of the districts were in cities of 500,000 or more population. Only 5.5 per cent of the districts were in cities of less than 10,000 population.\(^8\) The main deterrent for the smaller cities is the cost factor involved. For many small communities the required investment is far beyond their financial abilities, and even if a district can be financed, the chances are remote that the investment can be amortized over any reasonable length of time.\(^9\)

**Advantages of an Industrial District**

A planned industrial district is a logical response to current trends in industrial location since it is well

\(^7\)Industrial Districts Restudied, pp. 35-36, cited by Whitlatch, *Industrial Districts*, pp. 5-6.

\(^8\)Ibid.

\(^9\)George I. Whitlatch, Compiler, *Industrial Districts: Their Planning and Development* (Atlanta, Georgia: Georgia Institute of Technology, 1963), pp. 5-6.
adapted to horizontal-line production methods which are best housed in land-consuming, one-story buildings. Such districts (1) enable companies to buy less land because the covenants included in the organizational agreement will protect the firm from the encroachment or nearby location of undesirable land users; (2) make it fairly easy to reserve additional land for future expansion; (3) spare industries the expense and delay of ascertaining ownership and proving title of several component parcels of land and the attendant negotiations for their purchase; and (4) allow the company greater flexibility as to site dimensions.

Large companies tend to shy away from industrial districts, however. This may be caused by their not knowing what a district is like, or their reluctance to locate in close proximity to other industries which are already organized by labor unions on the theory that the new plant would thereby become more vulnerable to being organized itself.10 These are not thought to be valid reasons. It is usually large corporations that have investigated all ways of increasing profits. By locating in an industrial district

10 Tucker, "Developing a Planned Industrial District," p. 11.
they may be able to obtain land at less cost which would result in increased profits. In addition, most industrial districts recognize the fact that if they can get a large, well-known firm to locate in their district, this will act as a drawing card for less well-known and smaller firms. These smaller firms are also more willing to enter an area if a large firm has already established a plant there. This is especially true for service type industries as well as those that complement the large firm.

Offsetting Disadvantages

In spite of the many advantages that are to be found in an industrial district, there are some disadvantages that must be overcome if the district is to become truly effective. The first of these is the expansion problem.

It is too expensive for a firm to tie up funds in expensive, fully developed land which it cannot use. . . . This problem is heightened when the subdivisions of the park are limited by minimum acreage requirements which would prevent gradual piecemeal expansion. . . . When all the tracts bordering a firm's present site are occupied, management is limited by the size of the tract it has acquired.11

The answers to this problem are to allow for future expansion by acquiring more land either by purchasing it and then leasing it to other firms or by merely acquiring an option on the land. In addition, firms in independent locations have the same problem. When a site becomes inadequate, it is much easier to sell if it is in an industrial park.\textsuperscript{12}

Firms may also be restricted as to the types of buildings and operations that are permitted under the zoning laws or restrictive covenants. Even though the restrictions are more than reasonable at the time a firm entered a park, the firm's needs may change and then become overly restricted by the zoning laws or restrictive covenants.\textsuperscript{13}

It may seem that the initial cost of acquiring land in an industrial district is much higher than the initial cost of acquiring and developing an independent site; however, when the services rendered by the district are taken into account, they more than offset the difference in initial cost.\textsuperscript{14}

\begin{itemize}
\item \textsuperscript{12}Murphy and Baldwin, "The Industrial Park," p. G-9.
\item \textsuperscript{13}\textit{Ibid}.
\item \textsuperscript{14}\textit{Ibid}., p. G-10.
\end{itemize}
It has also been noted that a firm may lose some of its capacity for independent decision-making by accepting the restrictive covenants of a park and by participating with other tenants in a management organization that has authority over matters of concern to individual firms. This problem may be overcome by effective advertising and imaginative management of the district.

Value to the Community

The economic advantages of an industrial district to the community are quite obvious. The most important advantage is the increase in taxes received from the land being used. Not all communities that are interested in attracting industry are fully aware of the increased public burden imposed by doing so. The development of land for industrial plant sites is far more costly than development for residential use. For example: (1) the cost of installing drainage pipes, sewage lines, and disposal facilities capable of handling industrial waste is increased; (2) the use of water and electricity is increased; (3) the local

fire department must be adequate to protect the park property; and, (4) industry and its insurers also expect good police protection against trespassing, pilferage, and vandalism.\textsuperscript{16}

\textsuperscript{16}\textit{Murphy and Baldwin, "The Industrail Park,"} pp. G-11-12.
CHAPTER II

LOCAL DEVELOPMENT CORPORATIONS

Introduction

In order to attract new industry or to persuade old industry to relocate, a city must be able to provide certain services for these industries as well as merely providing land. An excellent means for providing these services is the local development corporation (LDC). "The local development corporation is a vehicle to help plug two gaps that often retard economic growth . . . land gaps and financing gaps."¹ The local development corporation can assist in meeting the land gap by buying, preserving, and developing land for industry. In addition to this service, the LDC is also serving the public by saving "adequate and suitable land from land pollution caused by improper land use, poor

planning, and ineffective zoning."² The local development corporation can also aid in filling the financing gaps by "supplying its own capital to . . . worthwhile industries and open ways to other capital sources which would otherwise be unavailable to industry."³ These funds are usually made available to those smaller industries that do not have the sources of capital that are available to larger corporations.

Local development corporations were first established about fifty-five years ago, but most of them were organized after World War II. This coincides with the major development of industrial districts as stated above. Thus, it would seem evident that the LDC was a major factor in the growth of industrial districts by providing developed industrial land and financing for the industries locating in developed industrial districts.

The LDC's also came into prominence during that period of time because of the need to create jobs, stabilize the economic base, and channel industrial production to peacetime purposes.⁴

³Ibid.
⁴Ibid.
In 1964 there were an estimated 3,000 local development corporations in the United States, and indications are that the use of the LDC's will increase since they aid industrial development. Over 50 per cent of these LDC's have been formed in nonindustrialized areas or in industrial areas with persistent unemployment.⁵

What It Is and What It Does

The local development corporation has been described as:

... an independent association of private businesses and citizens operating with privately subscribed funds—received either through the sale of stock, if a profit corporation, or from dues, assessments, and other contributions if nonprofit—under a legal authority or instrument of the state in which it does business.⁶

The LDC can aid industries in their search for suitable land by optioning or purchasing industrial land, partially or fully developing it, and then holding it for sale or lease. The LDC's are also organized to make the type of secured loan a bank or other financial institution does not wish to make or is prohibited by law from making.

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⁶Ibid., p. 2.
They can usually lend money for a longer period of time and for a higher percentage of the value of the property.

There are two main ways that the LDC can aid an industrial firm financially. These are by either making direct loans to the firm, or by purchasing stock in the aided firm. The direct loan plan usually calls for an installment type repayment, and the funds received are used for reinvestment. With the stock plan, the value of the stock increases if the industry prospers, or decreases if the industry declines. This method ties the LDC's funds up for a longer period of time than the direct loan method. For this reason the direct loan method is considered to be more desirable.  

The local development corporation can also assist a firm by providing management counseling or technical assistance by working with other groups to develop adequate community facilities, an equitable tax base, adequate zoning, and other evidence of a good business climate; by performing a liaison function between industry and government; by conducting economic surveys of the community; by inventorying

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all types of industrial land and buildings in the area; and by helping local manufacturers market their products. They can do this by furnishing members of its own staff, by calling upon the experience of corporation members, or by hiring outside consultants.  

The Economic Development Corporation of Great Falls

The local development corporation must work in cooperation with other groups such as the Chamber of Commerce if it is to be effective and to avoid duplication of effort. In Great Falls, the LDC and the Chamber of Commerce work very closely together in conducting surveys and providing information to prospective new industries. The Economic Development Corporation of Great Falls was organized in June, 1960, to assist new industry in Great Falls. The corporation stands ready to cooperate in securing sites, participating in Small Business Administrations (SBA) loans, or providing buildings on a lease back arrangement. The Economic Development Corporation of Great Falls has never been used to participate in a SBA loan or to provide

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8Sargent, "The Local Development Corporation," p. 4.
land or buildings for industry. It has provided funds for several projects to further economic development in the Great Falls area. These include a study of feed lot economics and a survey of potential sites for the location of new basic industry or business. The results of these studies are maintained by the Chamber of Commerce.⁹

Local development corporations have both public and private sources of funds available to them, depending upon how they are organized. A LDC which is a nonprofit organization will have private contributions available. A profit organization will have private funds raised from the sale of stock. Both types of organization will have public funds available; the principal source being SBA loans made to the LDC for the purpose of aiding specific small businesses.¹⁰

The Economic Development Corporation of Great Falls is not organized as a nonprofit corporation; however, it was formed to provide a means of furthering community development rather than to make money. Funds provided by the LDC to conduct the feed lot and site survey were provided by

⁹Letter from Robert Wells, Secretary, Economic Development Corporation of Great Falls, Great Falls, March 19, 1971.

accrued interest on capital.

The LDC will sell Class B (nonvoting) stock to anyone desiring to participate. The original twenty-six shares of Class A (voting) stock were subscribed by the various citizens who formed the Corporation. Mr. Wells, Secretary of the Economic Development Corporation of Great Falls, has stated that "should an opportunity arise to participate in bringing a new industry to the community by a large investment of capital, . . . the officers would wish to encourage as many businessmen as possible to purchase additional shares ($50 per share) to raise the needed capital."\(^{11}\)

**Summary**

In summary, it is evident that local development corporations serve a very useful purpose for industries and businesses that are either locating or relocating in a certain area. They aid these firms by providing land and funds. In addition, they can also serve as a consultant either by calling upon the experience of its staff and members or by hiring outside consultants. The Economic Development Corporation of Great Falls stands ready to fulfill these functions,

\(^{11}\)Letter from Mr. Wells.
but has never been called upon to aid any specific industry locating in the Great Falls area. It has conducted surveys that have proved useful to industries and businesses that are already settled in this area. The Great Falls Chamber of Commerce is actually fulfilling many of the functions that LDC's normally perform, and this will continue unless the Economic Development Corporation chooses to become more active.
CHAPTER III

FINANCING THE INDUSTRIAL DISTRICT

Introduction

As stated in the previous chapter, many of today's small industries will become the giants of tomorrow. The potential giant must have a marketable product, and must be able to find the financing needed to build new production facilities or to expand existing facilities. This is where the LDC's can aid industry and business by providing the needed funds. Funds loaned to industries new to the area are generally used to buy land and/or buildings. Funds loaned to industries already established in the area are primarily used for expansion of an existing plant, purchasing new equipment, refinancing, and to supplement working capital.

It is logical to ask where the LDC's obtain the funds they use. As explained above, the LDC raises funds through dues or contributions if it is a nonprofit corporation, or through the sale of stock if it is a profit.
corporation. It was also briefly mentioned that the LDC's have public funds available through loans from the Small Business Administration. The types of loans available and how they are obtained will be the subject of this chapter.

**Small Business Administration Loans**

There are two basic types of loans available through the Small Business Administration. These are Business Loans and Development Company Loans.

The purpose of the business loans is to assist small firms in financing construction, conversion, or expansion; to purchase equipment, facilities, machinery, supplies, or materials; and to acquire working capital. These loans are obtained directly from the SBA by borrowing firms, or through participation with banks.¹

The development company loans are to assist small firms by helping establish and finance the operation of state and local small business development companies which make loans to small firms for equity capital, plant

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construction, conversion, or expansion. Only state or local development companies may apply for this type of loan.²

There is an important restriction that applies to all SBA loans, however. If funds are available from a bank or other private source, then the SBA cannot make a loan. Thus, a firm must attempt to obtain funds from private sources before applying to the SBA. A further restriction requires that if the firm is located in a city with more than 200,000 people, two private sources must be contacted before applying to the SBA.³

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**Business Loans**

As stated by the SBA, its principal objectives are to "stimulate small business in deprived areas, promote minority enterprise opportunity, and promote small business contributions to economic growth and competitive environment."⁴

A small business, as defined by the SBA, differs

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²Small Business Administration, Loan Sources, p. 1.


⁴Ibid., p. 2.
according to the type of business in which it is engaged. In general, it is independently owned and operated, not dominant in its field, and meets employment or sales standards established by the SBA.

These standards are:

Manufacturing--small if average employment in the preceding four calendar quarters did not exceed 250, including employees of any affiliates; large if average employment was more than 1,500. If employment exceeded 250 but not 1,500, SBA bases its determination on a specific size standard for the particular industry.

Wholesaling--small if yearly sales are not over 5 to 15 million dollars, depending on the industry.

Retailing and Service--small if annual sales or receipts are not over 1 to 5 million dollars, depending on the industry.\(^5\)

If an applicant meets all other requirements for an SBA loan, he must still meet the general credit requirements. These require that the applicant (1) be of good character; (2) show ability to operate his business successfully; (3) have enough capital in an existing firm so that, with an SBA loan, he can operate on a sound financial basis; (4) show that the proposed loan is of sound value; (5) show that the past earnings record and future prospects of the firm indicate ability to repay the loan and other fixed debts, if any,

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\(^5\)Small Business Administration, *SBA Business Loans*, p. 3.
out of profits; and, (6) be able to provide from his own resources approximately half of the total required funds if the venture is a new business. 6

The amounts and terms of the SBA business loans were restated as of July, 1970. When financing is not otherwise available on reasonable terms, the SBA may guarantee up to 90 per cent, or $350,000, whichever is less, of a bank loan to a small firm. The SBA will consider advancing funds on an "immediate participation" basis with a bank if the entire loan is not available from a private lender and an SBA guaranteed loan is not available. A direct loan will only be made when these other forms of financing are not available. Immediate participation loans may not exceed $150,000, and direct loans may not exceed $100,000. Direct loans may not be available at times due to Federal fiscal restraints. 7

Small Business Administration loans may be for as long as ten years with two exceptions. Loans for construction purposes may be for as long as fifteen years. Working capital loans are usually limited to six years. Interest

6Small Business Administration, SBA Business Loans, p. 4.

7Ibid., p. 5.
rates on the SBA's portion of immediate participation loans, as well as direct loans, may not exceed 5½ per cent. SBA business loans also require collateral, usually in the form of a mortgage on land, buildings, or equipment.  

An additional feature of SBA business loans is that applicants must agree to comply with SBA regulations that there will be no discrimination in employment or services to the public, based on race, color, or national origin.

These regulations are based on Title VI of the Civil Rights Act of 1964 which guarantees "the right of all persons to participate in and receive the benefits of any federally-aided program or activity without discrimination because of race, color, or national origin."  

All applications for SBA business loans will be accompanied by a written assurance that the borrower will serve the public on a nondiscriminatory basis, and will actively follow the same policies in their employment practices. This assurance is required for loan applications of any size without regard to the size or type of business,

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and it remains in effect for the duration of the loan.

The SBA borrower must not only serve the public on a nondiscriminatory basis, but must also observe the same equal opportunity policies with his employees and in hiring procedures.\(^{10}\)

**Development Company Loans**

The local development corporation can borrow money from the Small Business Administration through the "502" program. This program is authorized under Section 502 of the Small Business Administration Act of 1958, as amended.\(^{11}\) It is based on the principle that each community bears a major responsibility for its own economic future. The program allows the LDC to borrow money from the SBA and either relend the money to a business or use the money itself to acquire land, build a plant, expand facilities, or purchase equipment to be utilized by the specific industry. It must be emphasized that these funds are available only to local development corporations.

\(^{10}\)Small Business Administration, *Equal Opportunity*, pp. 2-3.

Some of the restrictions that are placed on the local development corporations that wish to participate in this type of loan are: (1) they must be composed primarily of residents of the community who should own at least 75 per cent of the corporation; (2) the LDC must be chartered under the State corporation laws to operate in a specific area in the state; (3) the loans can only be used to purchase land, plants, or equipment, or for modernizing, and not for working capital. Every community in the United States is eligible since the program is designed "as much to help the healthy community grow stronger as it is to help the depressed community rebuild its economy."\(^{12}\)

The requirements for this type of loan are that the business aided by the LDC must be a small firm. In order to meet this requirement, the firm must not have assets in excess of $5 million, its net worth may not exceed $2.5 million, and its average net income for the preceding two years cannot exceed $250,000 after federal taxes, without the benefit of any loss carried over. These criteria may be different in areas of substantial unemployment and in

\(^{12}\)Small Business Administration, *Self-Improvement*, p. 2.
certain industries. Any type of business may be aided with the exceptions of banks, newspapers, television stations, publishing companies, gambling establishments, or liquor stores. 13

Other features of the "502" program loans are that up to $350,000 is available for each eligible small business which has been selected by the LDC. The LDC must supply at least 20 per cent of the cost of the project, and should be prepared to expend these funds before using the proceeds of an SBA loan. In most areas the interest rate is 5½ per cent per annum, but in certain designated areas of substantial unemployment or redevelopment areas designated by the Area Redevelopment Administration the rate is only 4 per cent per annum. Loan maturities may not exceed twenty-five years plus the additional time required to complete the construction, conversion, or expansion of the facilities. 14

If the funds are available from banks or other private lenders, then "502" loans may not be made. Certified evidence must be produced to prove that such funds are not

13Small Business Administration, Self-Improvement, p. 2.

14Sargent, "The Local Development Corporation," p. 11.
available. Banks may participate with the SBA in these loans. In such a case, the bank and the SBA would take the first mortgage, and the LDC would take the second.

The "502" type of loan cannot be used for working capital or debt repayment except interim debt incurred for construction of the project involved. In addition, the SBA, like banks, savings and loan associations, and insurance companies, cannot supply capital for the creation of a long-run land preservation and development program.15

Tax Incentives

Most states, including Montana, offer some type of tax incentives for new business. This is especially true if the firm locates in an industrial district since a nonprofit park developed by a community is exempt from the federal corporation income tax. Nonprofit parks may also be financed at very low interest rates through the issuance of tax-exempt municipal bonds. The federal government bears the brunt of a tax inducement offered at the initiative of the community. "Such arrangements may be subject to abuse and may not be

15Sargent, "The Local Development Corporation," pp. 11-12.
desirable from the public point of view, but they should not be ignored as advantages to the firm and to the community."\textsuperscript{16}

In 1969, Montana increased its corporate taxes to 6\textsuperscript{\textfrac{1}{4}} per cent. This increase was only temporary, and the rate was scheduled to revert to the old rate of 5\textsuperscript{\textfrac{1}{4}} per cent for tax years ending on or after February 28, 1971.\textsuperscript{17}

The tax exemption on industrial revenue bond issues of over $1 million, up to $5 million in certain limited situations, was lost in 1969. Most states feel that this has deprived them of a very valuable industrial development tool. Despite the new restrictions, several states have recently authorized the use of these bonds. In fact, Montana's revenue bond financing has been tested successfully in the courts. As a result, a state-sponsored development credit corporation was announced in June, 1970.\textsuperscript{18}

As another incentive to new industry, the state taxable valuation is set at only 7 per cent of the assessed valuation for the first three years. This incentive is only


\textsuperscript{17}"The States-United in Rivalry," Business Management, October, 1970, p. 22.

\textsuperscript{18}Ibid., p. 28.
allowed for new industrial development.\textsuperscript{19}

Mr. Perry Roys, State Planning Director, has introduced new tax incentives with which he hopes to lure new industry into the state. These incentives are:

1. Lowering Montana's (freeport) tax on goods in transit through the state.

2. Broadening the tax incentives, presently allowed on installations of air pollution equipment, to include equipment to combat water pollution and other types of pollution, to help "achieve a quality environment."

3. Making the tax incentives available to new extractive industries available to promote growth of other types of business and industry in the state.\textsuperscript{20}

Mr. William M. Spilker, Industrial Development Director for the Department of Planning and Economic Development has stated that Montana's freeport tax is higher than most of the neighboring states, and this puts Montana at a disadvantage for capital investment for warehousing and

\textsuperscript{19}Great Falls Area Chamber of Commerce, "Statistical Data Book." (Typewritten.)

and distribution facilities.\textsuperscript{21}

According to Mr. Roys, the Industrial Planning Development has been actively engaged in trying to obtain new industries for Montana. The Department has helped form the Montana Development Credit Corporation which provides capital to new or expanding state business. It also played a key role in the litigation enabling cities and counties to sell industrial revenue bonds.\textsuperscript{22}

\textbf{Summary}

The Small Business Administration, through its business loans, is one of the main sources of funds for small businesses. These loans are usually made to the industry or business firm through participation with a local bank. In some cases the SBA may make direct loans, but only when other sources of financing are not available.

The SBA's development company loans are intended to help small businesses finance plant construction, conversion, or expansion. However, these loans can only be made to


\textsuperscript{22} \textit{Ibid.}
local development corporations which must then relend the funds to the businesses that the LDC selects. Known as the "502" program, these loans are the main type used in the establishment of an industrial district.

It is necessary for all borrowers from the SBA to agree that they will not discriminate in any way because of race, color, or national origin. The assurances that are required of the borrowers state that the firm will not only serve the public in a nondiscriminatory manner, but will also follow the same policies in their employment practices.

These SBA loans have done far more than save one-industry towns. Most communities realize that it is necessary to entice new business into their area. It is also helpful to have present firms expand their operations so that their benefits to the community are increased.

Tax lures are also playing an important role in encouraging new industry to enter the state. The state did raise the corporate income tax in 1969, but the tax reverted to its old level for tax years ending on or after February 28, 1971. The state allows the cities and counties to finance new industry through industrial revenue bonds.
The Montana Development Credit Corporation was established to aid the local communities in floating these bond issues.
CHAPTER IV

THE INDUSTRIAL DISTRICT AND GREAT FALLS

Introduction

When determining the location for an industrial district, the land use pattern of the entire community, both now and as planned for the future, must be considered. Fortunately, most modern plants in a district do not adversely affect residential areas, but the pattern of freight haulage and worker travel to and from the district definitely have an effect on the surrounding residential areas and street routes.

Almost every modern district has railroad service, and the selected location must afford the proper relationship between highway and railroad routes. Frontage of the district on a major throughfare, with the main line of a railroad paralleling the rear of the property, is the most desirable situation from the standpoint of transportation arteries. It is also desirable to have service available
by two or more railroads.

The mere presence of an industrial district is no guarantee that industry will be attracted to the area. There must also be some economic factors favoring the location by firms in the district.¹

In previous chapters it has been noted that the local development corporation is the most important agency that the community may have to bring new industry to the area. Private developers are usually associated with the development and construction of individual industrial sites. They usually act in a direct response to a demand from a particular user or purchaser. This type of development is not pertinent to this study, and will not be taken into consideration other than to state that private developers have added to the amount of industrial land available, even though it is usually in individual sites.

There are three major methods used by the local development corporations that are seeking to increase the supply of industrial sites. The first of these is zoning. Zoning is the major legal tool of community planning and

¹Whitlatch, Industrial Districts, p. 5.
development. It generally uses three types of control: (1) it stipulates the use to which land and/or building space in a specific area may be put; (2) it sets the bulk and height requirements for buildings; and, (3) it limits the density of land use. In addition to these specific functions, zoning adds to the potential supply of industrial land by increasing the amount of land zoned for industrial use.

The second major method is utilities extension. When a community takes it upon itself to extend public water lines, sewer lines, gas mains, and roads to potential industrial areas, it is much more likely that the land that has been improved through these methods will attract more industry.

The third method is to buy land and reserve it for industrial uses. This function is usually directly a concern of the local development corporation. It is only in this way that land is made readily available in developed industrial districts.

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3Ibid.
General Information About the Great Falls Area

Most of the industrial land now in use in Great Falls is between 8th Avenue North and River Road, and from 3rd Street South and the Missouri River. This area between 8th Avenue North and River Road is mainly light industrial. There have been many sales type firms built along River Road from 25th Street to 15th Street. These are mainly heavy construction equipment and farm equipment sales firms.

The area between 3rd Street South and the Missouri River is largely heavy machinery sales and warehousing. This is one of the first industrial areas in the city, and is becoming more and more run-down.

According to the "Statistical Data Book" of the Great Falls Area Chamber of Commerce, there are sixty-two industrial sites available in the Great Falls area. These sites are those that were identified by the site survey accomplished under the funding of the Economic Development Corporation of Great Falls in 1969, and updated, in part, in 1971. Most of these sites are located east of the city.

Great Falls Area Chamber of Commerce, "Statistical Data Book." (Typewritten.)
along the U.S. Highway 87 by-pass, and north of the city along the Havre Highway. There are many sites scattered throughout the city, but most of these are not suitable for an industrial district. These sites are listed by zoning, size, and number (Table 1). It can readily be seen that forty sites (64.5 per cent of the total number of sites available) are less than twenty acres in size while twenty-two sites (35.5 per cent of the total available) are twenty acres or more. Based on the assumption that an organized industrial district must have at least twenty acres in order to serve more than one or two small firms, most of the industrial land available is in parcels too small to be used effectively as an industrial district. A few of the sites that encompass twenty acres or more are larger than 100 acres. Sites of that size are ideally suited to be developed into an industrial district.

All of these sites are within eight miles of Great Falls International Airport, and they all have either railroad or highway access or both.

Site costs cover a wide range depending upon their location and the services available. For example, a five-acre site with railroad access but no installed services
TABLE 1
INDUSTRIAL SITES IN GREAT FALLS

<table>
<thead>
<tr>
<th>How Zoned</th>
<th>Size In Acres</th>
<th>Number Available</th>
<th>% of Total Number Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Heavy Industrial</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-5</td>
<td>4</td>
<td></td>
<td>6.5%</td>
</tr>
<tr>
<td>5-10</td>
<td>6</td>
<td></td>
<td>9.7</td>
</tr>
<tr>
<td>10-20</td>
<td>2</td>
<td></td>
<td>3.2</td>
</tr>
<tr>
<td>20+</td>
<td>13</td>
<td></td>
<td>21.0</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>25</td>
<td></td>
<td>40.4%</td>
</tr>
<tr>
<td><strong>Light Industrial</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-5</td>
<td>9</td>
<td></td>
<td>14.5%</td>
</tr>
<tr>
<td>5-10</td>
<td>8</td>
<td></td>
<td>12.9</td>
</tr>
<tr>
<td>10-20</td>
<td>3</td>
<td></td>
<td>4.8</td>
</tr>
<tr>
<td>20+</td>
<td>9</td>
<td></td>
<td>14.5</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>29</td>
<td></td>
<td>46.7%</td>
</tr>
<tr>
<td><strong>Warehousing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-5</td>
<td>8</td>
<td></td>
<td>12.9%</td>
</tr>
<tr>
<td>5-10</td>
<td>0</td>
<td></td>
<td>0.0</td>
</tr>
<tr>
<td>10-20</td>
<td>0</td>
<td></td>
<td>0.0</td>
</tr>
<tr>
<td>20+</td>
<td>0</td>
<td></td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>8</td>
<td></td>
<td>12.9%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>62</td>
<td></td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Great Falls Area Chamber of Commerce, "Statistical Data Book." (Typewritten.)
costs about $20,000, while a 5.44 acre site that has rail-
road access and utility services costs about $47,500.\(^5\)

The two railroads that service Great Falls, the
Milwaukee Road and Burlington Northern, both have extensive
holdings in industrial property. The railroads normally
hold this land for long-term lease. One of the basic con-
siderations in leasing is whether a prospective customer
will bring business to the railroad. Some of their sites
have buildings included, and consequently have a higher
cost. The railroads will not build new buildings on the
land for their customers.\(^6\)

The Great Falls Area Chamber of Commerce has made
one of its major goals for 1971 to "seek at least one new
basic employer, industrial or otherwise."\(^7\) This is needed
to revitalize the economy of Great Falls. The Chamber is
thinking in terms of some kind of production plant that
would provide employment to a number of individuals. Great

\(^5\)Great Falls Area Chamber of Commerce, "Statistical
Data Book."

\(^6\)Private interview with Mr. Walter L. Curtis, Sales
Representative for Burlington Northern Railroad, Great

\(^7\)Mike Wenninger, "Specifics Challenge Chamber,"
Falls has lost several of these types of businesses in recent years.\(^8\) It may be noted that the work of trying to induce new business to come to Great Falls has been left to the Chamber of Commerce rather than to the Economic Development Corporation of Great Falls. Also, the emphasis is being placed on one business, not a group of businesses that could form the nucleus of an industrial district.

Site Investigation

The investigation of three different sites in three different areas of the city was undertaken in this study, in an attempt to determine just what type of industrial land is available and suitable for the formation of an industrial district. In selecting these sites many different criteria were taken into account. An attempt was made to use sites that were different in size and location in relation to the central city. The improvements that have been made on the land, whether or not the sites have access to railroads and highways, and their zoning designation were also investigated. It should be pointed out that most of this information is available in a book entitled

"Industrial Sites at Great Falls, Montana," maintained by the Chamber of Commerce; not only for the three sites selected, but also for all sixty-two sites available in the Great Falls area.

The first site selected (Site A, Figure 1) is located northeast of Great Falls and south of the Missouri River in the north half of Section 4, Township 20 North, Range 4 East. It encompasses 110.7 acres and is not zoned. It is currently used for farm land, and its proposed use is for heavy industry. The topography is fairly level farm land with no irregular features. There are no improvements on the site.

This site does have utilities available. There are trunk sewer facilities 1,800 feet from the site. There is a twelve-inch water main available 3,000 feet south of the site at 7th Avenue North and 38th Street. Power lines are on the site. Gas is available from a four-inch gas main 1,000 feet east of the site or from a twelve-inch high-pressure line 3,500 feet south of the site. These gas mains are owned by the Great Falls Gas Company. In addition, a twenty-four inch storm sewer bisects the site from north to south.

The transportation facilities available are very
Fig. 1.--Map of Great Falls Showing Sites A and B
good and conform to the ideal for an industrial district in that the U.S. Highway 87 and 89 by-pass forms the south boundary of the site, while the Burlington Northern Railroad tracks form the north boundary. There is also a Milwaukee Road spur line in close proximity to the east.

This site is located in the area that is considered to be the most likely to be developed for industry. Long-range planning and land-use studies indicate that this area will be designated for industrial use. The prevailing winds are such that the smoke, odor, and noise produced by any industry on this site would not adversely affect the surrounding property. The site is large enough to satisfy the needs of one large and a few small industries or several small firms.

This site is not within the city limits, and thus, would probably have to be annexed if the public utilities were to be used.

The second site selected (Site B, Figure 1) is located one half mile north of Great Falls on the Havre Highway. It encompasses 151.7 acres and is not zoned. It is presently used as farm land with two small business establishments located on its western boundary which use three acres of the site. Its proposed use is for heavy
industry. The land is generally level farm land with no irregular features.

There are some utilities available on the site. These are electricity from power lines owned by the Montana Power Company, and gas from two high-pressure gas mains that are on site. There are presently no sewer or water mains on site, and these would have to be installed. There are no storm sewers since the site has natural drainage. If it were developed into an industrial district, these would have to be installed also.

There is no railroad in close proximity to the site, but there is the possibility that the Burlington Northern spur that services the Anaconda Company plant could be extended so as to serve this site. U.S. Highway 87 forms the western boundary of the site.

The only improvements on the site are the two small business establishments mentioned above.

As was true for the first site, the prevailing winds are favorable for any type of industry. This site is also outside the city limits, and it is doubtful that sewage or water service could be provided unless the site was annexed. Even then, the cost of installing utilities would be very high.
The third site (Site C, Figure 2) is located within the Corporate Limits of the City of Great Falls, and lies in Sections 10 and 11 of Township 20 North, Range 3 East. It encompasses 30.1 acres and is zoned 1st Industrial "D". At the present time the site is vacant and is suitable for light industry. The site is generally level with a low area bisecting it, and it has no irregular features.

Utilities are available in that there are city sewer and water mains 400 feet from the site. Electricity is readily available from the Montana Power Company. A four-inch high-pressure gas line crosses the northern portion of the site. There is no storm sewer installed, but there is natural drainage to the south.

The Burlington Northern Railroad borders the site on the north and south. There is a twenty-four foot paved road to the north of the site. This gives access to the U.S. Highway 87 and 89 by-pass.

The site is located in an already predominately industrial area and is available on a long-term lease basis. The prevailing winds are such that an industry producing an excessive amount of effluents would be unfavorable in this area. There is a low area on this site that was subject to flooding in 1964, and some measures would have to
Fig. 2.--Map of Great Falls Showing Site C
be undertaken to prevent this from happening again if buildings were built on this site. Service by public utilities would be no problem since this site is within the City of Great Falls.

After comparing these sites, the balance of advantages is in favor of Site A. This site is ideally located as far as transportation facilities, and has utilities readily available. The area is generally flat and would require very little physical improvement before buildings could be constructed.

Site B would be the second choice because of its size and location. The lack of railroad facilities and utilities are drawbacks that cannot be overlooked.

Site C is the least desirable because of its size and location. It is situated in the center of the Great Northern railroad yards and would be confined to the boundaries set by the railroad tracks. The other two sites are located in areas that have a great deal of open land adjacent to them, and this would allow for future expansion.

Although pollution controls would be a prerequisite for any firms locating in an industrial district in any of these three sites, any noxious effluents produced by industry in areas A and B would have the least amount of effect
on the neighboring areas.

Summary

There are many factors that must be taken into account when developing an industrial district. In addition to its size and location, such things as the availability of utilities and the proximity of transportation facilities must be considered.

Private developers and local development corporations play an important role in the development of industrial property. In general, the LDC's are concerned with the formation of industrial districts, while private developers are concerned with individual sites. The LCD's add to the amount of industrial land available by having certain areas zoned for industrial use, having utilities extended into industrial areas, and purchasing land and holding it for later development.

There are sixty-two sites available in the Great Falls area. These sites vary a great deal as to size and degree of development. A study of three of these sites was conducted, and Site A appears to be the most favorable.
CHAPTER V

CONCLUSION

An industrial district is an area that has been developed and has streets, rail lines, and utilities installed. Industrial districts had their beginnings in the 19th Century in both the United States and England. They have become quite popular since World War II, and have seen their major growth since that time. It has been pointed out that over 50 per cent of the districts are in cities of 500,000 or more population while 5.5 per cent of them are in cities or less than 10,000 population. Since the population of Great Falls was reported to be about 60,000 after the 1970 Census, it would seem that it is an area that could support an industrial district quite well. However, this has not been true. In fact, the City of Great Falls has been losing industries over the past few years according to Mr. Wells of the Great Falls Area Chamber of Commerce.

Even though the Chamber is making an effort to bring in at least one new business in 1971, it is expected that
the trend of businesses leaving Great Falls will continue. Some reasons for this are that the population of the State of Montana and the neighboring states is quite small. This means that manufacturing firms have to transport their goods great distances in order to reach their customers which results in high transportation costs. Thus, many firms have left the area in order to locate closer to a more populous market area. In addition, the economy of the Great Falls area is basically agricultural. Thus, many of the businesses in the city are geared toward an agricultural market, e.g. the farm equipment sales firms and grain elevator companies. It seems logical to conclude, then, that these types of firms would be the prospective occupants of any industrial district that might be developed.

The Economic Development Corporation of Great Falls stands ready to cooperate in securing sites, participating in Small Business Administration loans, and providing buildings on a lease-back agreement. However, the Economic Development Corporation has never been called upon to perform any of these functions. The Corporation could aid the Chamber of Commerce in bringing new industries into the area by buying a section or sections of the industrial property available in Great Falls and developing it into an industrial
It has been said that financing by small firms may be difficult to obtain. The Small Business Administration can aid the firm in this area through business loans and development company loans.

There are three types of business loans: bank loans for which the SBA guarantees 90 per cent of the loan or $350,000, whichever is less; participation loans which are also obtained through banks on an immediate basis and can be for an amount no greater than $150,000; and direct loans which will only be made when other sources of financing are not available and cannot be for an amount greater than $100,000.

The development company loans, better known as "502" program loans, must be obtained by the LDC and then loaned to small businesses that it selects. They can only be used to purchase land, plants, or equipment as well as to modernize present facilities. The LDC can receive up to $350,000 for each eligible small business that it selects to receive a loan. In addition, the LDC must provide at least 20 per cent of the cost of the project. Both types of loans can be obtained at 5 1/2 per cent interest.

It would seem apparent that if a small business
could receive a business loan through a bank and a development company loan through a LDC, the business could become established in an industrial district much easier than it could if it were locating on an individual site. This conclusion assumes that the small firm would be purchasing the land and constructing a building in both cases.

The State of Montana is also making attempts to lure new industry into the state. One of the primary means being used is that the taxable valuation of new industrial developments is set at 7 per cent of the assessed valuation for the first three years. The state has also established the Montana Development Credit Corporation which provides capital to new or expanding businesses. It also aids cities and counties in floating industrial revenue bond issues. Montana is one of the few states that allows industrial bond issues to be used. There is still much that the state can do. As suggested by Mr. Roys, the State Planning Director, the state could lower the freeport tax and give added incentives to new extractive industries.

Finally, there is a large amount of industrial land available in Great Falls, but nothing constructive has been done toward establishing an industrial district. In fact, there has been very little motivation to do so since most of
the people contacted during this study were not in favor of an industrial district.

It is concluded that, with the amount of land available, the SBA loans that can be obtained, the presence of the Economic Development Corporation of Great Falls, and the interest in bringing new business to Great Falls, an industrial district would be very advantageous. Even if the business community is to be built up one firm at a time, as the Chamber of Commerce intends, it can still be done through an industrial district.

Therefore, it is recommended that an industrial district be established in Great Falls.

**Suggested Areas of Further Study**

This study has identified some areas that could provide the basis for further investigation. The first of these is that a survey of the banks in Great Falls could be conducted. This study could evaluate the programs that the banks have available to aid new businesses.

A survey of existing businesses in Great Falls could be carried out to determine their reaction to the industrial district concept, and whether they would be willing to locate in an industrial district.
Finally, if the proposed sales tax for Montana were passed by the legislature, it would affect the total economy of the state. A study could be undertaken to determine what affect, if any, this would have on businesses in Great Falls, and, also, on new business that may have been thinking of locating in the Great Falls area.
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