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May 23, 2013

Montana Env. Quality Council
Todd Everts, Director
P.O. Box 201704
Helena, MT 59620-1704

Dear Mr. Everts:

RE: Tiger Grant Application – Environmental Assessment Consultation

The City of Kalispell as lead agency in concert with the Flathead County Economic Development Authority (FCEDA) are submitting a grant proposal under the TIGER Discretionary Grant Program for the fiscal year 2013. This is part of the National Infrastructure Investments Program as administered by the US Department of Transportation.

This project will effectively transform the previously existing Knife River gravel pit and concrete batch plant into a modern rail-industrial park campus. This project is estimated to cost approximately \$14.5 million and is planned to be constructed over a 24 – 36 month period. A more in depth project description, discussion of historical uses, discussion of environmental concerns and project maps are attached.

For the purposes of this environmental review would you please comment on any impacts both positive and negative, associated with this project within your jurisdictional review. Also, please list conditions that you feel would mitigate any negative impacts or accentuate any positive impacts. If you are aware of other issues of concern associated with this project, comments are also welcome.

Please comment by June 21, 2013 in writing or via email at tjentz@kalispell.com. If we have not heard from you by that date, we will assume that your office does not have any concerns. If you need more information, do not hesitate to contact this office immediately.

Sincerely,

Tom Jentz
Environmental Certifying Officer

Attachments: Project Description
Project area maps

KALISPELL/FCEDA RAIL INDUSTRIAL CAMPUS

DETAILED PROJECT SUMMARY:

The project is a \$14.5M investment in rail, road and utility infrastructure to develop the 40 acre Kalispell/FCEDA Rail Park for tenants, leveraging the area's access to the BNSF rail line, resulting in job creation and the more efficient use of both public and private resources. An \$8.7M investment of TIGER funds in this existing project will leverage \$5.8M in Flathead County Economic Development Authority (FCEDA) funds to develop this recently purchased property. New and relocating businesses from both inside and outside of Montana have expressed an interest in locating in the park to improve efficiencies and cut costs while expanding their rail use. CENEX Grain and Harvest is anticipated to be the first tenant relocating from their downtown Kalispell location.

This Tiger project will include the following categories of work: railroad, roadway, water, sewer, electrical, and gas infrastructure. Following is a more detailed description of the TIGER Project.

Rail work inside the proposed park: Three rail lines will be extended into the proposed rail park all extending from the existing BNSF rail line along the east side of the proposed rail park. The longest rail line would enter on the east side of the park traversing westerly from the existing BNSF line a distance of 2,800 ft. with up to 5 additional parallel sidings for car storage which will add an additional 3,200 ft. of track. Two smaller rail lines will extend from the existing BNSF track on the east side of the park to provide an additional rail siding and to provide for a transload facility adding an additional 3,500 linear feet of track. The total new track in the park is approximately 9,500 linear feet.

Rail work outside the proposed park: Outside of the proposed rail park approximately 6,000 feet of new rail is proposed to be located within the existing BNSF railroad R/W that runs on the east side of the proposed rail park. A new rail line would extend north from the proposed rail park a distance of 2,000 feet and parallel the existing rail line. At the northern end of this run, an existing railroad bridge which extends over the Stillwater River will be reinforced to accommodate the weight of 2 tracks. Additionally, 2 parallel rail lines would be extended south from the proposed rail industrial park along the existing BNSF track a distance of 2,000 feet stopping just short of the existing bridge that traverses over US Highway 2. These two extra parallel lines would allow for additional car storage and provide a train run-around to allow trains to move engines around.

Road work: This task will include permitting, design, bidding and construction for the upgrade of 8,400 feet of roadway within the rail park facility. The planned roadway width is 32 feet with gravel base and asphalt pavement surfacing. Improvements outside of the facility are also proposed including improvement to and installation of a traffic signal light at the intersection of Highway 2 and Montclair Drive to facilitate traffic to and from the site. Approval from the Montana Department of Transportation is required for the intersection and signal work.

Gas and Electric: This task includes installation of electrical and gas service to accommodate each future user of the rail park facility. There is existing electrical and gas infrastructure within close vicinity to the rail park, but it will be required to network throughout the facility.

Sewer services: A lift station will be placed at the intersection of East Oregon Lane and Montclair Drive within existing R/W. Gravity mains will be installed through the center of the rail park facility and along East Oregon Lane and drain to the lift station. The lift station will pump along East Oregon Lane to its connection with the City of Kalispell's existing sewer main. Approximately 3,900 feet of sewer main will be installed.

Water services: Water infrastructure will connect to the existing City of Kalispell water main located south of the rail park. It will travel within existing R/W along East Oregon Lane to its intersection with Montclair Drive, west through the middle of the rail park facility to its intersection with Whitefish Stage Road, and south along Whitefish Stage Road to a point where it will connect back into City of Kalispell water system infrastructure. This will provide a looped system to maximize fire flows. 6,300 feet of water main is planned for installation. In addition, 13 hydrants will be placed on site.

Land Acquisition: There is no land acquisition proposed in this project.

LOCATION AND EXISTING LAND USES:

The site is located in an area of mixed commercial, residential and heavy industrial land uses. Whitefish Stage Road, a minor arterial, marks the western boundary of the proposed rail park. A small stretch of the Stillwater River flows near the northwestern boundary for a distance of 500 feet. Significant industrial uses (Glacier Stone and Klingler Lumber) as well as a BNSF siding form the northern boundary of the proposed rail park. The BNSF Railroad and Flathead Drive, a local county road, form the eastern boundary. Oregon Street forms a portion of the southern boundary. The site is located just outside of the city limits of Kalispell however, FCEDA, as the property owner, has signed a waiver of right to protest annexation and the FCEDA board has agreed to request annexation to the City of Kalispell. The legal description of the site is parcels 1-7 of Certificate of Survey No. 18380 in Section 8, Township 28N, Range 21W, P.M.M., Flathead County, Montana.

The land surface has been dramatically altered by past gravel mining operations over the past 80 years. The site underwent significant restoration work in 2012 as part of the required closing and decommissioning work overseen by the Montana Department of Environmental Quality with the official end of the existing gravel operations at the site. The site currently exists as a flat plain with a hillside rising approximately 40 feet along the south face marking the transition of the end of gravel extraction. No permanent water features are on the site. Unconfined ground water is present at depths of 20 feet below ground surface. Land cover consists of large expanses of exposed gravel and soil which has been seeded to grasses. A BNSF rail line parallels the east side of the site and a spur line extends from east to west on land immediately north of the proposed rail park.

HISTORICAL USES:

First American Title Company has provided a history of the owners and uses of the property involved in this assessment. The property (Tracts 1-7 of COS 18380) was quit claimed to a David McGinnis in 1891 shortly after the patent was recorded. He owned the property until his death, when it was distributed as part of his estate in 1954. During that time frame, there was a recorded lease referring to the "McGinnis Gravel Pit" in 1930. There was also easements recorded in 1915 referencing a mill pond and dam bridge, although it is not clear if the pond and bridge were on this property or an adjacent parcel, and there is no indication of these structures on site today. Subsequent to 1954, there are various documents indicating the continued use of the property as a gravel pit, including an agreement with the state in 1966 for removal of gravel and other material, a transfer of ownership to McElroy and Wilken (a gravel/construction company) in 1983, and that company's merger with JTL construction in 2003.

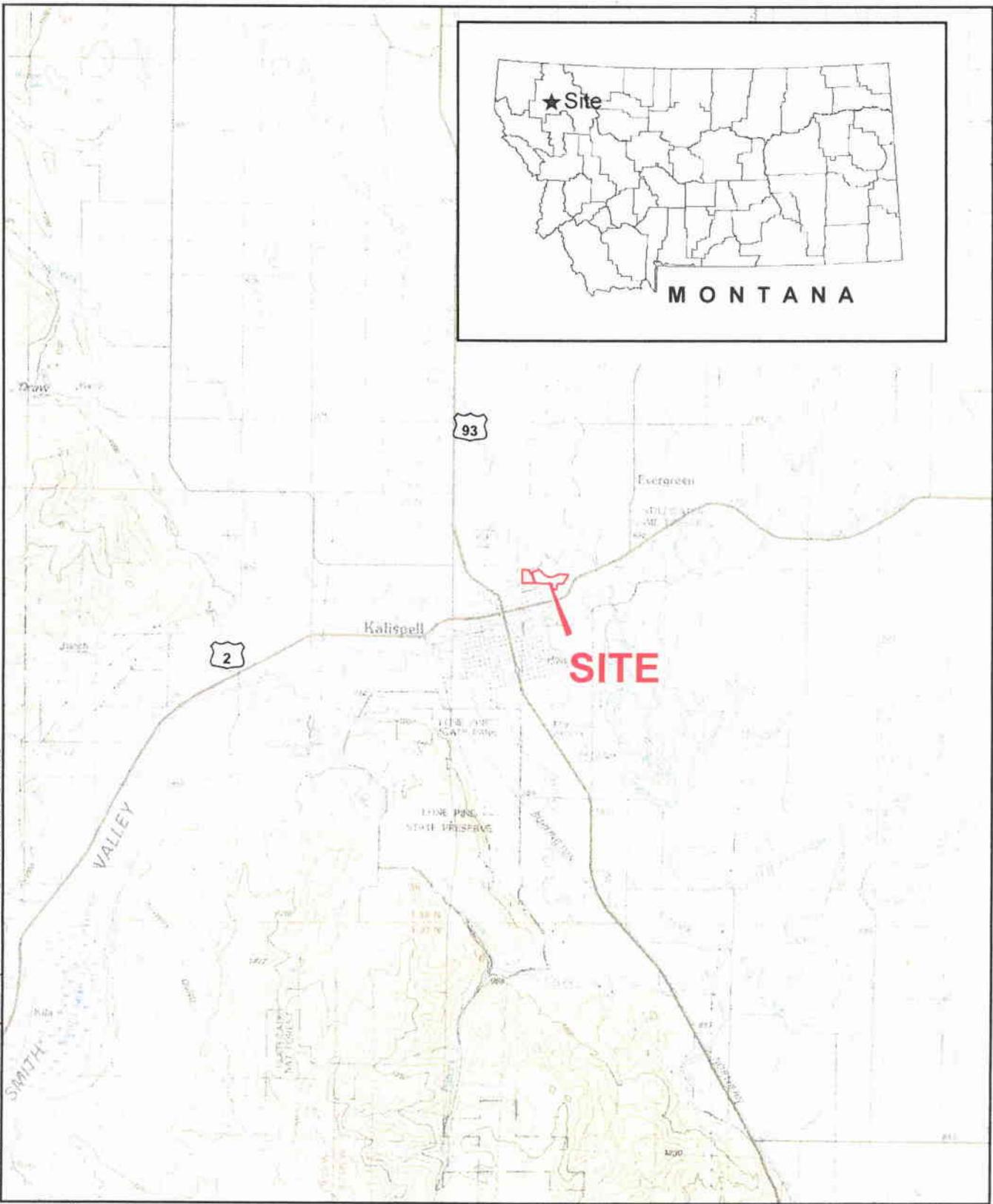
ENVIRONMENTAL CONCERNS:

The site abuts the KRY State CECRA (Superfund) Facility in Kalispell. This site is being remediated pursuant to a judicial abatement order under the authority of the CERCA Program. The Montana DEQ issued a Record of Decision (ROD) for the KRY facility in June 2008 (DEQ 2008) which included remedial actions to be undertaken. In October 2009 the DEQ issued a Remedial Action Work Plan (RAWP, DEQ 2009) for the KRY Facility that describes the implementation of the remedy. By October 2010 the DEQ determined that the soil excavation at the KRY site were complete. Contaminated groundwater still exists at the KRY facility and remediation of soil and groundwater is anticipated to continue at the KRY site for several years. Questions or concerns about the remediation process associated with the KRY facility should be directed to Moriah Bucy, of the Montana DEQ.

A Phase I Environmental Site Assessment (ESA) was completed on January 1, 2011 by Knife River, the owner at that time. Subsequent to that a Phase 2 environmental assessment was completed for the site on November 3, 2011. The assessments identified approximately \$28,000 worth of restoration activities that needed to be addressed. Identified issues included:

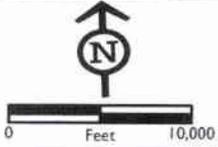
- Petroleum hydrocarbons originating near the onsite truck repair facilities on the west side of the site.
- Sump sediments at the truck repair shop.
- Asbestos and lead based paint associated with on-site buildings remaining of the site after the cessation of gravel processing and extraction.
- Potential ground water contaminates from the adjacent KRY State CECRA (super fund) facility have migrated onto the northeastern corner of the site based on adjacent monitoring well data.

The first three activities were completed prior to FECDA taking ownership in 2012. No cleanup was perused relative to the concerns with the contaminants associated with the adjacent KRY CECRA facility because the remediation of these contaminants on the proposed site are being remediated under the direction of the Montana Department of Environmental Quality (DEQ) in accordance with the Record of Decision for the KRY site.



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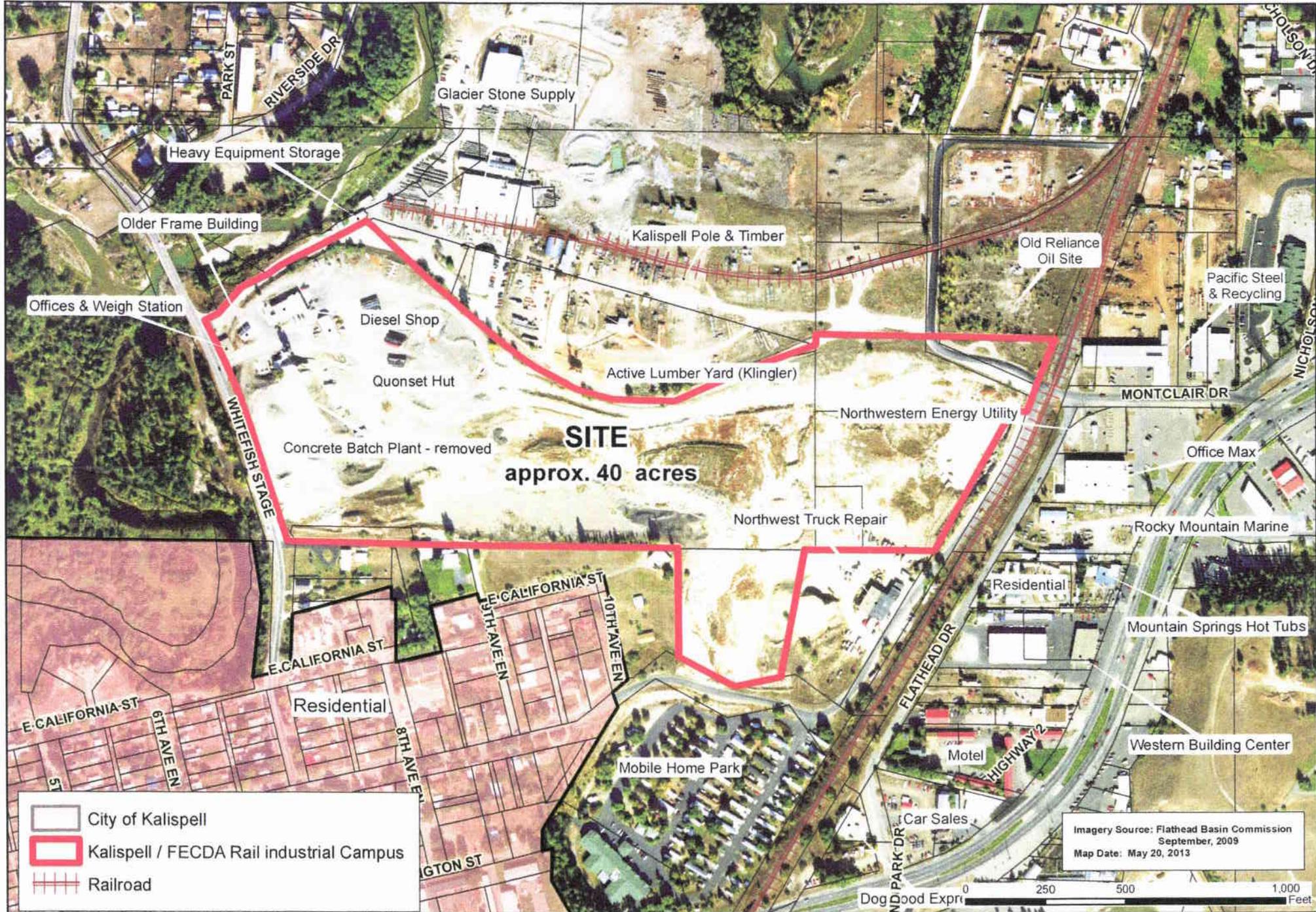
Source: Montana USGS 100K Topographic Map



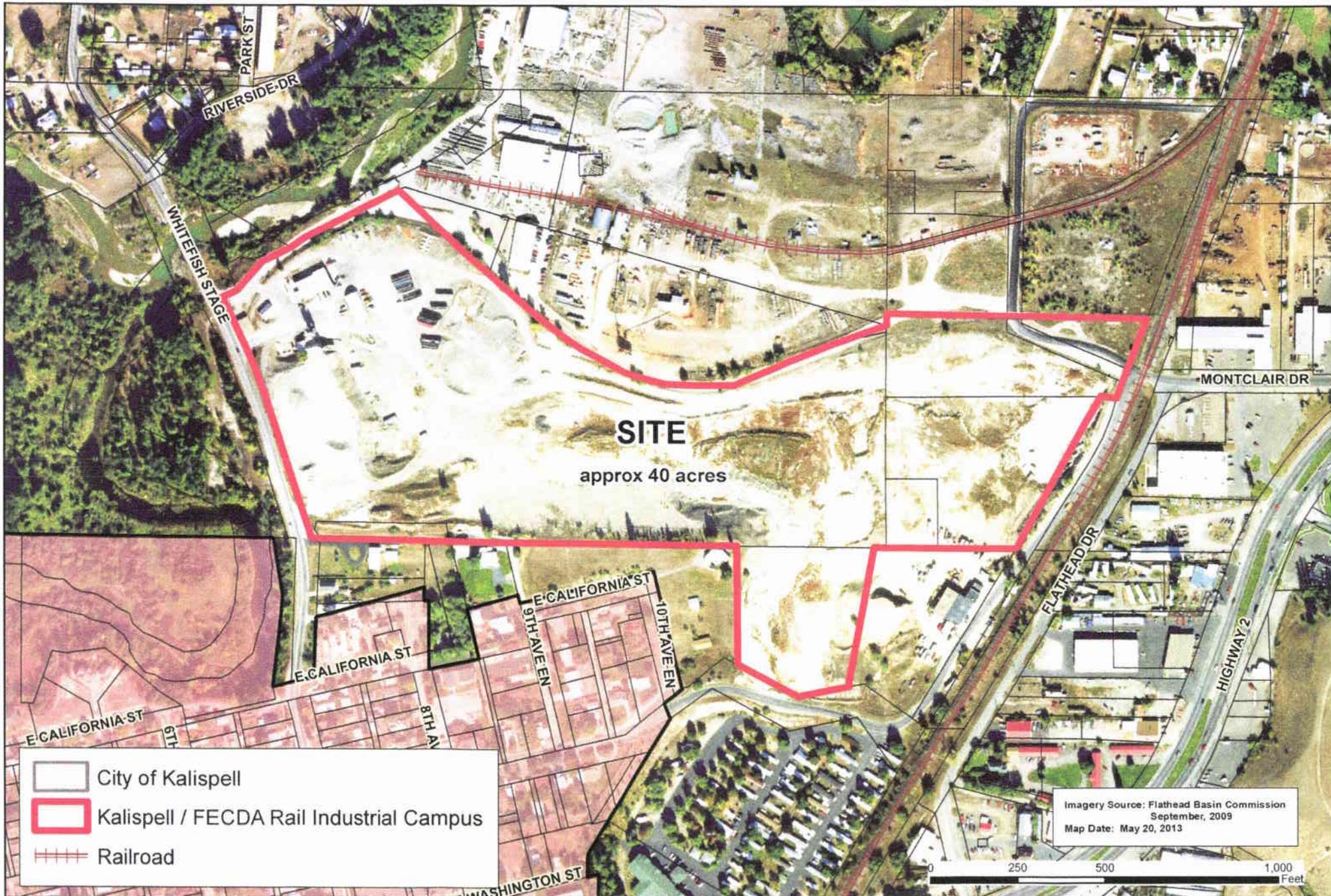
AMEC Geomatrix

TIGER - 5 APPLICATION

Kalispell \ FEEDA Rail Industrial Campus - Existing Land Use



TIGER - 5 APPLICATION
Kalispell \ FEEDA Rail Industrial Campus

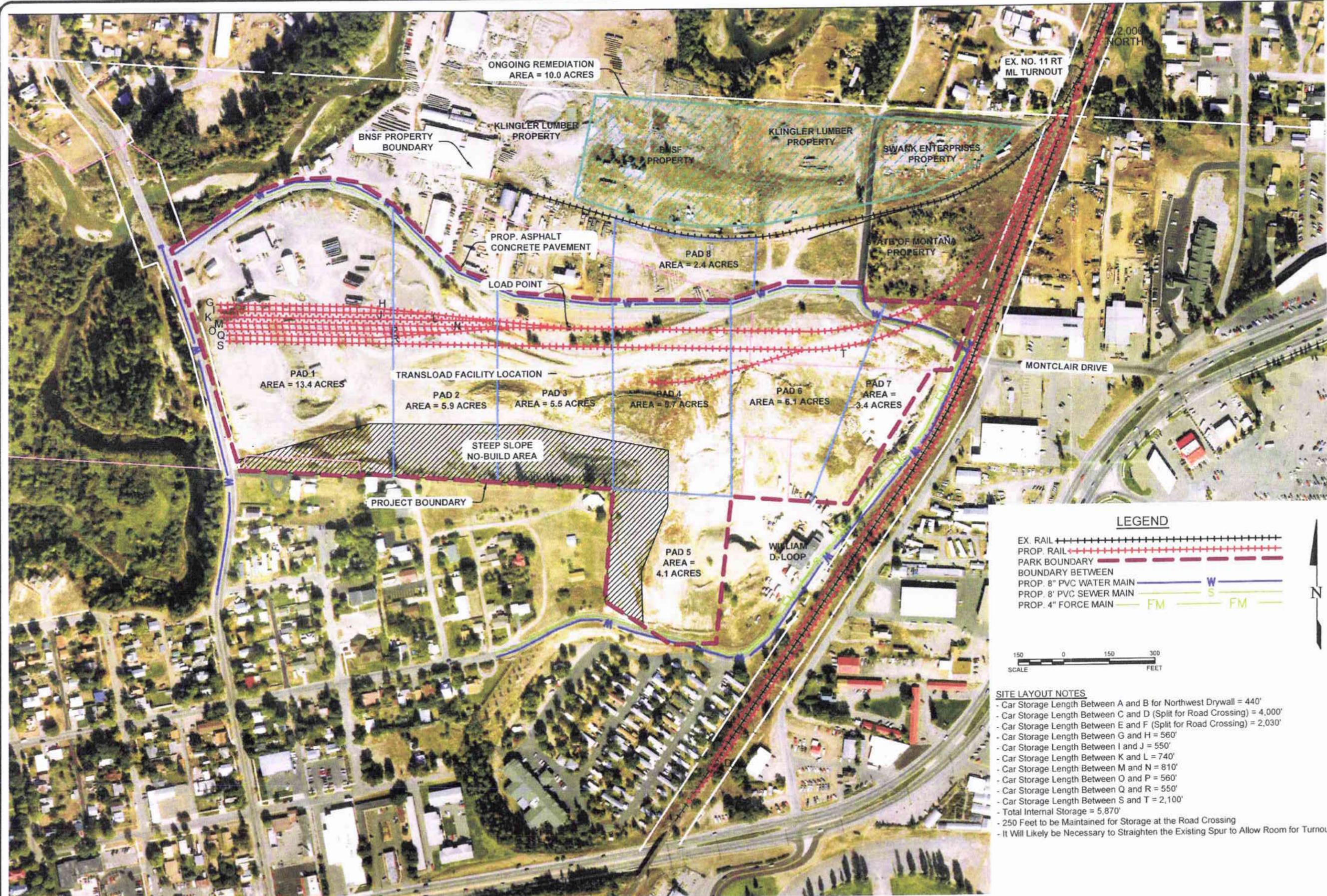


NO.	DATE	REVISION

DRAWN BY	LLT
REVIEWED BY	BJK
PROJECT NUMBER	4612020
ISSUE DATE	5/23/2013

FLATHEAD COUNTY RAIL PARK MARKET ANALYSIS
 FLATHEAD COUNTY ECONOMIC DEVELOPMENT AUTHORITY
 KALISPELL, MONTANA
PRELIMINARY SITE LAYOUT - OPTION 5

SHEET



LEGEND

- EX. RAIL
- PROP. RAIL
- PARK BOUNDARY
- BOUNDARY BETWEEN
- PROP. 8" PVC WATER MAIN
- PROP. 8" PVC SEWER MAIN
- PROP. 4" FORCE MAIN

SCALE: 0, 150, 300 FEET

- SITE LAYOUT NOTES**
- Car Storage Length Between A and B for Northwest Drywall = 440'
 - Car Storage Length Between C and D (Split for Road Crossing) = 4,000'
 - Car Storage Length Between E and F (Split for Road Crossing) = 2,030'
 - Car Storage Length Between G and H = 560'
 - Car Storage Length Between I and J = 550'
 - Car Storage Length Between K and L = 740'
 - Car Storage Length Between M and N = 810'
 - Car Storage Length Between O and P = 560'
 - Car Storage Length Between Q and R = 550'
 - Car Storage Length Between S and T = 2,100'
 - Total Internal Storage = 5,870'
 - 250 Feet to be Maintained for Storage at the Road Crossing
 - It Will Likely be Necessary to Straighten the Existing Spur to Allow Room for Turnout