

City Council Work Session

5:30 PM
Council Chambers
Tuesday, February 21, 2017

ATTENDANCE:

Mayor/Council (please check) Hanel, Cromley, Yakawich, Cimmino, Brewster, McFadden, Friedel, Swanson, Sullivan, Clark, Brown.

CM excused: Swanson

ADJOURN TIME: 10:55 PM

Agenda

TOPIC #1	Legislative Update
PRESENTER	Ed Bartlett, City Lobbyist
NOTES/OUTCOME	

- Ed Bartlett: reports on state budget situation. Public incapacitation bill heard today. Attention diverted by ACLU, maybe didn't understand the bill. Gas tax bill introduced and hearing is tomorrow. 150% revenue increase for local governments. SB 231 names Hwy in Billings as Conrad Burns Ave. HB 44, Essmann, would have added 5 district court judges, amended to 2 in Billings and 1 in Missoula. HB 408 heard last week; increase rental car tax by 1%, use revenue to finance air service expansion, committee passage. HB 442, tax exemption for parks operated by tax exempt organization, possible impact on Billings area parks.
- Hanel: HB 408 apply only on airport properties? No, any rental car sight.
- Sullivan: HB 408 does it designate where the money goes? All commercial airports/airlines are eligible.
- Yakawich: HB 61, explain some more. Passed house on Feb 16. Will be received positively in the Senate.
- Hanel: SB 106 deicers? City opposes. Prediction on HB 463? If it passes committee, it will pass the House.
- McFadden: Court's bill benefit Audubon Society? It should but will find out.
- **Public Comment:**
- None

TOPIC #2	Finance CAFR Report
PRESENTER	Tyler Bryant, Auditor JCCS
NOTES/OUTCOME	

- Andy Zoeller, Accounting Manager: introduces Tyler Bryant, Auditor JCCS.
- Mr. Bryant: explains JCCS process. CAFR fairly presents the City's financial condition without any material concerns. Reviews the financial statements. Net increase in asset condition about \$34M. Federal activity audit shows no deficiencies. No significant findings and 2014 findings were corrected. Have other deliverables: agreed upon procedures for passenger facility charge and building fund. Special emphasis on public works utility billing procedures
- Hanel: differences in position in governmental and business funds?
- Sullivan: formerly worked on private corporate side, always good to have a boring audit.
- Yakawich: how many hours does auditor work? About 500 hours. CAFR is prepared by City staff.
- Clark: GASB applies to all governments? Yes.
- **Public Comment:**
- None

TOPIC #3	One Big Sky Center
PRESENTER	Skip Ahern, President and CEO Charter Realty Group
NOTES/OUTCOME	

- Skip Ahern: working hard and having some success. Coldwell banker is lead on office and retail components. Office – letter of intent for corporate lease, 50,000 sq ft. should solidify this portion of the project. Will follow up with 35,000 sq ft. potential tenant. 4,000 sq ft insurance tenant. Building could shrink to 80,000 – 90,000. Second major tenant could expand it to 110,000 sq ft. Hotel: one of the most critical element of project. Joint venture agreement with Two Road JV partners. Work with conference centers. Working with CTA on design, size (about 45k sq ft). New component: Rocky Mountain Senior Housing, new tower on west, 120 units, full scope of care. Good response on apartments. Working on letter of intent with 35k sq ft retail, theater, fitness center, brew pub/restaurant, quick serve restaurant, branch bank. Could expand beyond that if interest continues growing. Construction team of Swank and PCL, contracting unit.

CTA continues working. Financing: debt – banks think markets are overbuilt and are reducing loan to equity ratios to near 60%, so also talking with large insurance companies; talking with wall street about mezzanine financing – key component with a fixed rate of return. Having some problems promoting Billings to equity investors. Working toward development agreement by May, bring to Council in June.

- Sullivan: joint ventures putting more money into equity or just finishing their space and operating? Don't yet know, talking about leasing and about condo owning.
- Sullivan: concern about senior living component will be public safety intensive, but in TIF district won't help PS fund. Inaccessible for visitors and employees. Outside of the norm. Don't completely understand the issue but it's new and will look at the issue.
- Hanel: demand for 250 units associated with hospital? Yes.
- Hanel: response from local banks? Local banks don't have the needed capacity. Will have to work with larger national bank. Talked with them 6-8 months ago and are pretty conservative, so probably won't work with them.
- Hanel: lenders are part of the TIF review process.
- Cromley: will 50,000 sq ft. tenant simply vacate other, occupied space. Yes, at least part of that space. Cromley: \$30-\$35/sq ft realistic? Yes. Cromley: hotel size: 160 rooms. Cromley: hotel co. an operator or a developer? Both. Cromley: retail tenants may need more parking, esp theater. Any problems with that? Yes, but working with Walker and CTA on 650 space garage.
- Sullivan: total const. cost or footprint changed? Footprint changed a little, dropped meadowlark gallery but land will support the uses. Haven't ID'd const costs closely.
- Brown: how many possible equity investors have dropped out? None. 2 have stated that Billings is not their type of investment opportunity. Optimistic that we can do the project.
- Yakawich: hotel size? 160 rooms, about half the number of rooms of Doubletree. Office bldg. is 80k – 120k depending on anchors.
- Yakawich: is housing affordable? No, market rate, probably \$2k/mo for 1000 sq ft apt and \$1400 for 500 sq ft.
- Yakawich: Mezzanine financing? Piece above the main piece of debt. It will be equity. This is where high gains are possible.

- McFadden: long term effect on economics of Billings? Will increase downtown property values, should have broader effect, should attract other retailers,
- Brewster: any personal financial guarantees? Yes, that's part of the deal but also looking for other investors.
- Friedel: any financing confirmed? Not yet, it's not time for that yet.
- **Public Comment:**
 - Lisa Harmon, Downtown Billings Alliance: support OBSC. Look at Missoula project. PS funding – BID property – it will pay for downtown officers.
 - Clark: will TIF bills impact ability to finance this project? Early session was fearful but not as much so now.
 - Sullivan: downtown does provide police officers, but concern is about rolling fire truck to medical calls in senior housing. We should talk.
 - Brown: like discussion about what happens with surrounding properties. Are we prepared for this kind of transition? Always working with changes
 - Brewster: senior housing will demand lots of public safety services. State needs to look at tax policies; 6th worst state for retiree taxes.
 - Mike Nelson, 19 N. Broadway: support the project. Request caution about ownership and management of the conference center so that it benefits more than the single hotel operator.
 - Yakawich: concerned about hotel occupancy. Billings competes on rates and more rooms and lower occupancy put more pressure on rates. There will be some fallout. Conference center will benefit many.
 - Friedel: telling that city is unwise to use public money to compete with private properties? No, TIF is essential to Northern and others. He talks with other business people that Billings and its assistance are great. \$2M assistance to hotel generated about \$60M direct business and \$122M economic activity.
 - Jeanine Mix, No address given: support OBSC. Encourages Council to support it.
 - Hanel: ask that Ms. Mix runs for Council and others like her.
 - Sullivan: thoughts on senior housing element? Best if everyone lives together and supports each other.
 - Scott Turner, 6 Stanford Court, Billings, MT: don't know how much City would risk but doesn't appear to be much developer equity in the project and there should be.
 - Cimmino: county finance director? Former.

Break at 7:37, reconvene at 7:50

TOPIC #4	Yellowstone Historic Preservation Board Update
PRESENTER	Lora Mattox, Planner
NOTES/OUTCOME	

- Lora Mattox; reviews the Billings/Yellowstone CLG and last year's activities. Introduces Elisabeth DeGrenier with W. Heritage Center to talk about the North elevation neighborhood historic district designation.
- Yakawich: MT Ave and Minnesota Ave districts? Ms. Mattox: will send map to Council
- Friedel: any negatives to being in historic district? None
- **Public Comment:**
- None

TOPIC #5	Limits of Annexation Map Request
PRESENTER	Wyeth Friday, Planning Director
NOTES/OUTCOME	

- Wyeth Friday: 2 items Annexation committee bringing to Council. Annexation map request and the Inner Belt Loop area. Committee work schedule coincides with the CIP process.
- McFadden: impact on existing residents include increased traffic, etc? No, more about if serving new areas will decrease services to existing residents.
- Mr. Friday: continues with Staley Forbes request.
- Sullivan: Staley-Forbes property not in annexation area, but would it be subject to the county suburban subdivision rules? No, because it's not in the zoning jurisdiction.
- Mr. Friday: continues.... Challenging request because it didn't follow normal process and it's outside, but next to the city services area.
- McFadden: responsive to market forces.
- Brewster: map shows lots of area available for development, but some isn't really ready, near river and Yegen owned properties.
- Brown and Sullivan: discussion about needing to be careful with policy and amending it and how that applies to other areas, such as near the IBL.
- Cromley: how would this progress?
- Clark: rather see this develop in the city.

- Brown: not keen to amend policy. Is developer ready to go right now?
- Mr. Friday: reason for amendment to red is because they want to get started on development.
- Brewster: had info from staff that said that if it was red, the developers would be more likely to sell right of way because they would be assured of development.
- Inner Belt Loop: bring back for Council decision once the Legislature decides what to do with gas tax and with other funding sources.
- **Public Comment:**
- Gary Oakland, 175 N. 27th, Billings, MT: appreciate stamina. Clarify that as developer of Staley/Forbes land, reviewed the policy and thinks they conform to the policy. Explains need for annexation in order to continue building.
- Tina Volek, City Administrator: does Council want staff to amend the policy and bring forward? Staff will prepare amendments based on 5 questions.
- Blaine Poppler, 5403 King Ave West, Billings, MT, Coldwell Banker: realtor with land near Mr. Oakland. Encourages Council to support the request.

TOPIC #6	Babcock Theater Council Ad-Hoc Advisory Committee Recommendation
PRESENTER	Tina Volek, City Administrator
NOTES/OUTCOME	

- Ms. Volek: history, committee function, possible uses, recommendation options.
- Sullivan: researched using space as meeting space? Would require remodeling to be used in that way. May not be cost effective.
- Brewster: more complicated than many think. Pretty clear on available options. Have time to work on options including RFP while Olson's run it for a year. Keep committee operating for another few months.
- Sullivan: RFP to sell and RFP to manage? Yes, both are options.
- Yakawich: budget for appraisal? Yes, staff can do that. Appraisal next FY and next payment for management.
- **Public Comment:**
- Jack Pelham, 7 Montana Avenue, Laurel, MT: Laurel arts. Form not for profit, manage it, facilitate local ensembles to use the theater, use during the

week for rehearsals and rent for weekend shows, maybe some like ones that have been scheduled.

- Ian Elliot, 2512 Golden Blvd, Billings, MT: want City to hang onto the community treasure.
- Brewster: staff put item on future Council agenda

TOPIC #7	Council Discussion
PRESENTER	
NOTES/OUTCOME	

- None

TOPIC #8	Public Comment on Items Not on the Agenda
PRESENTER	
NOTES/OUTCOME	

- None