

SPECIAL SESSION OF THE BILLINGS CITY COUNCIL

July 10, 2017

The Billings City Council met in special session in the Council Chambers located on the second floor of the Police Facility, 220 North 27th Street, Billings, Montana. Mayor Hanel called the meeting to order at 5:00 p.m. and served as the meeting's presiding officer. Mayor Hanel gave the invocation.

ROLL CALL: Councilmembers present on roll call were: Cromley, Yakawich, Brewster, Cimmino, McFadden, Sullivan, Swanson, Clark, and Brown. Councilmember Friedel arrived at 5:13 p.m.

ADMINISTRATOR REPORTS - TINA VOLEK

- Ms. Volek mentioned that the Regular Business session would follow the Special Session at 6:30 PM.
- Ms. Volek introduced Gina Dahl, Assistant City Attorney, and welcomed her to the meeting. She stated that Ms. Dahl had been working for the City for a little over six months.

PUBLIC COMMENT on "NON-PUBLIC HEARING" Agenda Items: 1 ONLY. Speaker sign-in required. (Comments offered here are limited to one (1) minute. Please sign in at the cart located at the back of the council chambers or at the podium. Comment on items listed as public hearing items will be heard ONLY during the designated public hearing time for each respective item. For Items not on this agenda, public comment will be taken at the end of the agenda.)

The public comment period was opened.

- **Steve Arveschoug, Big Sky Economic Development Executive Director:** encouraged Council to "keep a 500-mile perspective" in regards to the project and stated they needed to think broader when competing for private investments and talent. He added that granting the developers additional time made sense for the City. Councilmember Yakawich asked for a summary of concerns and benefits of the project. Mr. Arveschoug stated there needed to be thoughtful consideration as to the scope of the project and the commitment of public resources. He added that sometimes the process was not as productive as it could be. He stated it was exciting that the City had some developers that strongly believed in the direction the community was going and felt that Council should be willing to hear the process.
- **Connie Wardell, P.O. Box 21432, Billings, Montana:** questioned how much cash contribution the new partner would make to the project. She also questioned which partner would take the leading role in case of a disagreement. Ms. Wardell also wondered if the partners would still be interested in the project if it did not include a conference center.

- **John Brewer, Chamber of Commerce President:** stated there was no risk in granting an extension and encouraged Council to approve the extension. He added the Chamber fully supported the project.
- **Dennis Ulvestad, 3040 Central Avenue, Billings, Montana:** stated he was concerned that the Hammes Company would be a threat to the City's current healthcare providers.
- **Chris Carpenter, 4642 Arapaho Lookout, Billings, Montana:** stated that as a small business owner, she understood the risks involved and encouraged Council to keep asking questions, but keep an open mind. She added that One Big Sky Center would be good for the community and hoped Council would support the project.
- **Lyndon Scheveck, 302 Terry Avenue, Billings, Montana:** questioned how the City would recoup the money from the project. He stated he would like more community involvement by allowing free parking. Councilmember Sullivan asked if Mr. Scheveck was aware that the parking garages already offered free parking for the first hour. He stated that he was aware, but felt more could be done.

There were no further speakers and the public comment period was closed.

SPECIAL AGENDA:

1. **One Big Sky Center Project Update.** (Council to take final action on MOU July 24, 2017 Regular Business meeting.)

Skip Ahern, MontDevCo, thanked Council for their time and patience regarding the new development and financial partner. He introduced Bob Dunn, President of Hammes Company.

Mr. Dunn gave an overview of similar projects and experiences that the Hammes Company had completed. He stated that Hammes Company was a national real estate development and investment company and much of its work involved public institutions. He added that Hammes Company was well-known for sports/entertainment, urban-mixed use, hospitality, healthcare/government, and academic projects. Mr. Dunn stated that Hammes Company's primary focus was in business development projects that could become a landmark and anchor for a community and would have a powerful economic impact on a City.

Mayor Hanel asked what financial involvement the Hammes Company would have in the One Big Sky Center (OBSC) project. Mr. Dunn stated it was too early to know exact numbers, but that Hammes Company would have a major financial stake in the project. He added that the company would also have certain responsibilities, given by the City and capital markets, that require elements of risk to get the project built and continue well into the future. He stated that many companies would sell a project when completed, but the Hammes Company invested in projects long term.

Mayor Hanel asked if Mr. Dunn was familiar with the City's needs. Mr. Dunn stated that he had carefully reviewed the studies for Billings and found that there was an opportunity for the City to become a more dynamic regional center in the future. He added that he was not yet certain what would be the right makeup, programmatically, of that facility.

Councilmember Sullivan stated that he had toured Lambeau Field and was impressed by the work that Hammes Company had completed. He asked who would be the leading partner between Hammes Company and MontDevCo. Mr. Dunn stated that Hammes Company would hold the managing interest of the venture and would continue to be deeply involved in the project. He stated he would be the person to contact with any issues.

Councilmember Cromley asked if Hammes Company was already on retainer. Mr. Dunn stated it was not on retainer, but had signed an agreement with its partners to create a development agreement, subject to approval by the City. Councilmember Cromley stated that Council was concerned about the extension and asked what would be accomplished in the next six months. Mr. Dunn stated there were a lot of ideas that still needed to be worked through, but Hammes Company and the City needed to develop a business plan together. He added that the partners would return to the City with information regarding zoning, land use, finance, design and utility issues. He stated the information would help them decide how the project could succeed. Mr. Dunn gave the goal of October 1, 2017, for a business plan draft. He continued that the remainder of time would be used working toward finalization. Councilmember Cromley asked whether there would be a need for a financial commitment from the City between now and October 1, 2017. Mr. Dunn stated that the majority of the financial burden would fall on the Hammes Company.

Councilmember Swanson stated he had been very impressed during his tour of Lambeau Field and was surprised by how busy it was. Mr. Dunn stated that Lambeau Field had increased from 650,000 to 3.8 million visits per year and held over 800 events. He added that it also included the largest sports retail store in the industry. He added that it was a great example of what public and private entities could do when they worked together.

Councilmember Yakawich asked if it would be possible to receive monthly status reports. Mr. Dunn stated their goal was to find a process that worked for Council and City staff. He added that a monthly report would be possible if Council wished. Councilmember Yakawich asked if the construction of OBSC would be harmful for other buildings in the area, such as the Batten and Stillwater Buildings. Mr. Dunn stated if a city did not have a strong, well-designed strategy to grow its urban core, it would be a meaningless city in 10 years. He stated that an employer relocating from one corner to another corner was less concerning than employers not wanting to locate to a City. He stated that Billings needed to decide what its economic development strategy was, and how they could use projects like OBSC, as a catalyst to transform its urban core to be on par with other great cities around America. Mr. Dunn stated that if a tenant did not

like where they were located, they may consider moving, whether it was to a new building or not. He speculated Billings would turn over at least 35% of its work force in the next 10-15 years.

Councilmember Friedel stated that he had toured Lambeau Field and considered it a great project. He asked about an arbitration panel, in The Edgewater Hotel project, that had ruled against Mr. Dunn in August 2016 for \$14 million. Mr. Dunn stated The Edgewater Hotel was a property he owned with two other individuals on Lake Mendota, in downtown Madison, Wisconsin. He continued that he had acquired it 7-9 years ago and thought it was the most important development site in Wisconsin. He stated it had been a 100-room hotel that had been made into a 202-room hotel with condominiums, multiple dining outlets and a major meeting and convention space. He stated the project had been started during 2008-2009, which was the lowest time in the economy. He stated that at the time, construction pricing was unbelievably competitive, and as soon as construction began, the subcontractors saw a 5%-40% growth in bid prices. He added that the growth had caused major change orders that followed the entire project and a settlement could not be reached. He stated that the arbitration panel made a ruling awarding \$14 million. Mr. Dunn stated that about half of that amount had been accounted for in the budget, leaving about \$7-\$8 million for a settlement payment to finalize all of the change orders. He stated, in his opinion, the arbitration panel had reviewed their budget and costs, and determined they were millions of dollars below budget. It had found the building's value to be much higher than the cost of construction, and believed that the developers should pay what the building was worth, instead of actual costs. He stated billions of dollars in work had been spent and there had been almost no instances of claims or litigation. He contributed The Edgewater Hotel ruling to a very tough economy and the market cycle. He stated that the hotel was now the most successful hotel in Wisconsin.

Councilmember Brown stated it felt like the OBSC project was starting over with the development plans and wondered if a six-month extension was a realistic amount of time. Mr. Dunn stated his goal was to expand further definition for the project and achieve a definitive development agreement. He added there would still be substantial work for design, financing, marketing, etc., but they should have a development agreement completed by the end of the year. Councilmember Brown asked how involved City staff would be during the process. Mr. Dunn stated there would be significant time commitments for everyone.

Councilmember Cimmino stated the City would be providing \$35 million in TIF funding, and asked how much of the \$146 million project Hammes Company would be investing. Mr. Dunn responded that he thought the project investment number would actually increase, but the debt market was around 50%-60% loan to value, meaning the balance would come from equity. He stated there would need to be a big contribution of equity, 50%-60% of private financing and City funding, combined.

Mayor Hanel thanked Mr. Dunn for his presentation. Ms. Volek reminded Council that the OBSC project would be on the July 24, 2017 Regular Council meeting agenda.

PUBLIC COMMENT on Non-Agenda Items -- Speaker Sign-in required. (Restricted to ONLY items not on this printed agenda; comments limited to three (3) minutes per speaker. Please sign up on the clipboard located at the podium.)

The public comment period was opened.

There were no speakers, and the public comment period was closed.

COUNCIL INITIATIVES:

There were no Council Initiatives.

There was no further business, and the meeting adjourned at 6:29 pm.

CITY OF BILLINGS

BY:



Thomas W. Hanel, Mayor

ATTEST:

BY:



Denise R. Bohlman, City Clerk