

City Council Work Session

January 3, 2006

5:45 PM

Community Center

ATTENDANCE:

Mayor/Council (please check) Tussing, Ronquillo, Gaghen, Stevens,
 Brewster, Veis, Ruegamer, Boyer, Ulledalen, Jones, Clark.

CONVENE TIME: 5:37 P.M.

ADJOURN TIME: 8:30 P.M.

Agenda

TOPIC	PUBLIC COMMENT
PRESENTER	

NOTES/OUTCOME

- JIM WALKER, PRESIDENT OF WESTERN SECURITY BANK, P. O. BOX 2379, spoke on the electronic signboard issue. He said Western Security Bank owns six electronic reader board signs in Billings with over \$250,000 invested in this form of advertising. Three of those signs are on the three busiest corners in Billings. He noted that all six signs were constructed with full permits from the City and also with the full knowledge by the City of their purpose and capabilities. He said it is not appropriate to now declare these signs in non-compliance with City Code. Mr. Walker agreed that the code should be clarified so that potential sign owners understand what the limitations will be. He asked the Council to carefully consider this issue. Councilmember Brewster noted that he brought forward the initiative that is triggering the sign code review. He said the intent was to make changes in the code so that use of electronic sign boards was easier. More restrictions or elimination of the signs is not being contemplated. Mr. Walker said the code does not address brightness or use of color in signboards, but many electronic signboard owners are getting requests to make changes in their signboards. He said his fear is that the City will try to eliminate use of the signboards.
- LISA GILBERTSON, 2401 GRAND AVENUE, spoke on the electronic signboard issue. She said she is the Marketing Director for Western Security Bank. She said the six signboards owned by Western Security Bank are programmed from her office making her the contact person for code enforcement issues. She said it is the bank's desire to be a good corporate neighbor to those who live and do business in the area of their signboards. Ms. Gilbertson said that she has cooperated fully with all code enforcement requests regarding their signs such as slowing the transition between messages, eliminating neon options from the color palette and decreasing by 60% the brightness of the sign between dusk and dawn. She noted that Western Security Bank uses

electronic signboards to promote products and services to the community and also to promote charitable events, such as the Relay for Life, the MS Walk, the United Way and during the Red Cross' greatest times of need such as Katrina. Those public service messages were successful because of the "attention getting" capabilities of those signs. Ms. Gilbertson asked the Council to not impose restrictions that would decrease the effectiveness of this method of communication.

- **MIKE ROWECLIFFE, VICE PRESIDENT FOR WESTERN SECURITY BANK – HEIGHTS BRANCH, 1546 MAIN STREET**, asked the Council to give careful consideration to any changes in the current sign code that may adversely impact businesses that own and operate electronic signboards in this community. These signboards represent a key component in the bank's marketing strategy and any potential restrictions will diminish their impact and value as an advertising tool. Mr. Rowecliffe said that he has received overwhelming support and positive feedback (both verbal and written) for the electronic message board at the bank's Wicks and Main Street location. He noted that the signboards are rated as one of the top two factors that bring new business to the bank. He asked that any changes the Council makes to the existing sign code would accurately reflect the interests of the entire Billings' community and not the interests of the minority of persons opposed to sign boards of any type.
- **RON NORDLAND, WESTERN SECURITY BANK – MANAGER KING AVENUE BRANCH, 2675 KING AVENUE**, said the King Avenue branch is located in an area where five other banks are located. This branch installed an electronic signboard at their location to advertise their business and inform the public. The signboard not only promotes the bank's services and products but community information as well. He noted that this sign has attracted in excess of 4800 new customers each year, with many new customers noting the attractiveness of their sign. Continued growth in this competitive market is a must in order for their business to stay viable. Mr. Nordland said the signs are well planned and tastefully done to enhance the surrounding property. He asked the Council to understand how important these signboards are to their business.
- **MALCOLM GOODRICH, ATTORNEY FOR WESTERN SECURITY BANK, 2619 ST JOHNS**, said he appreciates the review of the sign code to clarify or enhance the capability of business owners to use the electronic signboards. He said this is a very serious matter for Western Security Bank as for all other business owners. He said Western Security Bank desires to be a good neighbor and work with the City staff and Council, but must have signage that meets its needs and allows it to communicate with its customers. In answer to Councilmember Jones' question, Mr. Goodrich said the bank's concern is that current restrictions will go further and that there seems to be a "sliding scale" applying restrictions differently to users. He said there must be objective criteria by which to measure the wattage or brightness of the signs.
- **MARY JO DEVENER, 2401 GRAND AVENUE, SENIOR VICE PRESIDENT OF OPERATIONS FOR WESTERN SECURITY BANK**, said Western Security Bank has been in the Billings area for over 50 years and serves over 20,000 households and businesses. She noted that several signs have been replaced with the new color signs, but are essentially being used in the same manner. Ms. Devener said there have been no complaints from any customers about the signboards, but noted that they have brought in many new customers. She said the bank has responded responsibly when complaints about the new signs (brightness issues) were received. Response from the public regarding the signs has been overwhelmingly positive. Ms. Devener said she did not think the Council should restrict the bank's signboard capabilities any further than what the bank has done voluntarily. She asked the Council to carefully consider this issue. Mayor

Tussing said he would like to see the complaint information in the staff report.

- GORDON TRYAN, BROWN'S AUTO SERVICE, 2361 CRIMSON LANE, said his company has been in Billings for 50 years. He said he represents the people who do not think these electronic signboards are "bad". He presented letters to the Council from different non-profit organizations that have made use of their sign for publicizing events. These letters support the invaluable use of the signboards for their activities. He noted there are old, empty, painted over signs that are much less attractive than the electronic signboards. These old signs send a message that this is a struggling community and are far worse than the messages displayed on electronic signboards. Mr. Tryan said the signboards are a message center run by an in-store computer. He said it will be hard to change the code without understanding the workings of these signs. His concern is that one part of the computer sign software will be allowed in the code and another portion will be in violation. He said he would be glad to help any staff person or Councilperson understand the workings of the sign software. Mr. Tryan estimated that there are over \$1 Million in electronic signboards in Billings. That investment must have a return, he added. He also noted that there have been concerns about safety issues associated with signs. He said that since he has installed his sign there has not been one accident at 12th & Broadwater, indicating that this is not a safety issue.
- TIM THELAN, EPCON SIGN, 2614 COUNTRY LANE, said he was involved in the origination of the sign code, especially this particular portion of it. He said the code does need clarification on animated and intensely lighted signs. When the code was adopted, the committee wanted to allow message centers with limited brightness and animation. The real issue is with the flashing, scintillating or blinking of the signs.
- DENNIS HARRIMAN, SIGN PRODUCTS, 1278 GRUBSTAKE CIRCLE, said he has been involved in the sign code since 1976 helping with most of the language and spending thousands of hours doing this. The last revision of the sign code in 1983 included a provision for message systems. He said this revision was completely understood by staff in the Planning Department and the Council. He said the concerns about the signs began later with a special interest group called Scenic America whose interest is eliminating or controlling on-premise signs. Wording of signs is protected by the First Amendment and restrictions could be considered a "restraint of trade". Mr. Harriman noted that message signs eliminate the need for banners and window signs. He added that research shows that there is no correlation or documented proof of increased accidents and message board signs.
- RON BACHMAN, PERMA LETTER SIGN CO., 2549 WYOMING, said he has been in the sign business for 30 years. He said sign companies in Billings are small businesses working for the promotion of other small businesses in the community. The recent Shiloh Overlay District included a portion regarding signs that has more language than the original code and was not developed by any of the members of the sign industry community. He said there are restrictions in that sign code that are not "pro-business" to small business. Commercial zoning has a function that is all about commerce and promoting commerce. Mr. Bachman said the important thing to remember is that the consumer decides what works best. Signs bring money into the community and are not constructed to make Billings "ugly". He asked the Council to remember this and the fact that the sign industry does generate revenue and taxes for Billings. The sign industry helps small businesses thrive through consulting, he added.
- CURT WHITE, WHITE HEATING AND AIR CONDITIONING, 1125 4TH AVENUE NORTH,

noted that his company took down three signs and replaced them with one electronic sign cleaning up the area considerably. He said there are no safety issues with the new sign and he doesn't think these sign should be restricted.

- PAT ENDRIES, SIGNS NOW, said these types of signs are safe and increase commerce. He asked the Council to not further curtail these types of signs.
- PAUL COX, 2015 AZALEA, said he is also in the sign industry. He agrees with all of the previous public comment speakers. He encouraged the City to maintain a level playing field for current and future sign users on these issue.
- PAM ASK, 247 MAIN STREET AND 3925 GRAND AVENUE, said their business bought an electronic sign about 1-1/2 years ago. In that time the business has grown 20% due to the sign. The employees are getting the benefit from this increased business through higher salaries and bonuses.
- GORDON KIEDROWSKI, BAYOU CASINO, said the electronic signboards are a major investment for businesses and it is wrong for the City to curtail them after-the-fact. Clarification is needed but there should not be additional restrictions, he said.

TOPIC	Electronic Signboards
PRESENTER	Nicole Cromwell – Zoning Coordinator
NOTES/OUTCOME	
	<ul style="list-style-type: none">• Zoning Coordinator Nicole Cromwell gave Presentation A. She noted that <i>Sign Now</i> has provided the Council with the information contained in the booklet called "Signs for Success". She said this is a good short overview of regulations of electronic message centers. There is a video available that offers an approach to creating a regulation for the message board signs from level one (flashing, changing monochromatic) to level four (full color, full animation computer graphic) electronic signs. The section of the sign code that is being considered is Section 27-708: Prohibited signs and sign structures relating to enforcement of intensely lighted or animated signs. She said that portion is not written clearly and does not contain criteria that is non-judgmental (no value base). The Code Enforcement Division's issue and Planning Department's perspective is that the code only has language that states a sign is compliant or it is not. The code is out-of-date and not written well enough to use as a criteria to enforce compliance with the new, full-color display electronic message centers. She noted there are no definitions for a changing sign, an electronic message center or flashing, blinking, animated or scintillating signs. Ms. Cromwell said that is the biggest difficulty for enforcement, that there are not enough definitions of terms. Code Enforcement officer Nancy McCullough noted that there have been 25-30 complaints over the past three years.• Councilmember Boyer asked if the restrictions placed on the Shiloh Overlay District translated into the code. Ms. Cromwell said the current sign code applies to all of the commercial and industrial zoning districts and does not apply to special zoning districts such as the Shiloh Overlay District, Montana Avenue, the Medical Corridor and South 27th Street. Councilmember Brewster noted that Shiloh Overlay District was an undeveloped area and cannot be compared to other areas that are developed. The problem with the current code is that it was designed for a different set of circumstances. It is unfair to businesses and the sign companies to not have a sign code that is

<p>clear and understandable, he added.</p> <ul style="list-style-type: none"> • Councilmember Jones suggested appointing a committee using industry experts to revise the current code. Councilmembers Brewster and Ronquillo offered to serve on the committee. Councilmember Brewster said an initiative would be made at the next meeting to form a committee. 	
TOPIC	Par Three Board
PRESENTER	Gene Blackwell – Acting Parks and Recreation Director
NOTES/OUTCOME	
<ul style="list-style-type: none"> • Acting Parks and Recreation Director Gene Blackwell gave Presentation B, a proposed budget for the Exchange City Golf Corporation for the 2006 operating year. The budget is being brought to the Council for approval on January 23rd. Jeff Mrachek and Duncan Peete from the Exchange Club Board are in the audience tonight and will discuss the budget with the Council. • Jeff Mrachek said he is the President of the Board. He said in 1979 the Downtown Exchange Club of Billings had a vision for a golf course on the West End. The City provided the land and the Exchange Club used their resources to construct the golf course. It was agreed that an entity would be formed that was jointly owned by the City and the Exchange Club which is now called the Exchange City Golf Corporation. A five-member management team was appointed to run the corporation. This is the management team that he and Mr. Peete currently sit on which is appointed by the Mayor and approved by the Council. One of the duties of the team is to formulate an operating budget that is approved by the Council. • Mr. Mrachek noted there is a financial statement for the eleven month period ending in November of 2005 attached to the back of the report. He said it was a good year on the revenue side despite the inclement weather early in the season. He added that the golf course personnel are very good at cost containment. The superintendent has been on the job for more than 20 years and is considered the best in the state. The golf pro is highly rated also. • Mr. Mrachek said the pump station had to be replaced last year at a cost of \$75,000. This was paid out of cash reserves and therefore depleted much of what was built up over time. He anticipates a reduction in the number of repairs to the old pump station and lower maintenance costs. • Mr. Mrachek said the \$350,000 proposed revenue for 2006 includes a \$1.00 (to \$10) increase in fees for 9 holes and maintaining the current price on 18 holes (\$13). There was no rate increase last year and only a \$1.00 rate increase in 2004 on 18 holes. After research, it was determined that these prices are still an excellent value for all golfers. He noted that salaries and wages for the grounds crew are \$23,000 higher than last year. This is due to the loss of the Assistant Superintendent early in 2005 and where there was no one in that position for a 6-month period where. Included in the wage increases are COLA adjustments only. The 2006 proposed figure is in line with other years whereas 2005 is artificially low. He noted a substantial decrease in the proposed repairs and maintenance relates to completing the pump house project and associated efficiencies. All other expenses are routine. He said the management team has done a great job in holding the line on expenses and he urged the Council to approve the proposed budget. • He said the board is requesting approval of the capital expense item of \$20,500 so that the corporation can purchase a new Toro 3150 Greensmower which is in line with the normal upgrade of course equipment. The other capital course maintenance expense items are done by the course superintendent as he is paid 12 months of the year to upgrade the equipment. He noted that the corporation should end the year with a cash increase of about \$90,000. This money will go toward paying the debt service on the building which is about \$45,000. The capital improvements would 	

come out of the remaining monies. A distribution to the Downtown Exchange Club and the City are also made annually from that cash increase.

- Councilmember Jones expressed concern about raising the fees especially for the youth with the corporation's current cash position. Mr. Mrachek said the corporation partners with the YMCA and the Parks and Recreation Department to provide the facility free of charge for any golf program that includes young golfers. Councilmember Jones asked if the increase in fees is really needed when the debt will expire in 2 years. Mr. Mrachek said he did not anticipate a decrease in fees because the nature of inflation is to go up. These fees will maintain a reasonable profit-margin and restore reserves that were spent and also anticipates for any "down" years. Councilmember Brewster asked that a 3-4 year projection be provided to the Council to assure that the fee increase is really needed. Mr. Mrachek said the board is conservative in nature and was uncomfortable with having no reserves after the pump station repairs. The board would like to restore some of the reserves. He said there are material enhancements that are desired, but the board does not want to be irresponsible with spending. Councilmember Brewster suggested that the board give the Council a 5-10 year capital plan. This would give the Council a better comfort level about the fee increase, he said. Mayor Tussing asked if the last fee increase caused a decrease in golfers. Mr. Mrachek said it did not seem to cause customer concerns about the rates or any reduced usage.
- The Council said the item could be scheduled for the January 23rd council meeting if the requested documentation (capital plan and reserves as a percentage of operations and maintenance budget) is provided.
- Councilmember Boyer asked how the board arrives at the amount that is distributed to the City. Mr. Mrachek said the cash position is reviewed mid-October including requested capital items, needed reserves and cash needs to sustain the course from November through March when the course is closed. After that review the balance is distributed.
- Mr. Mrachek noted that the agreement states that the budget should be approved prior to the operating year which begins in January. He said the Council has been very busy and delayed the budget item to after the first of the year. He noted the corporation previously distributed \$36,000 to the City and \$16,000 to the Downtown Exchange Club required in the agreement for public access facilities. Mr. Blackwell said is a 60%/40% split. The City distribution goes into Park Acquisition and Development Fund (a trust fund for budget approved projects).

TOPIC	Flow Chart on Appeals Process for Development Regulations
PRESENTER	Ramona Mattix – Director of Planning
NOTES/OUTCOME	
	<ul style="list-style-type: none">• Planning Director Ramona Mattix gave Presentation C. She said the Building Department staff numbers 17 employees. In 2004 that department processed \$213 Million (based on a percentage of the value) in construction permits for both Residential and Commercial that include buildings from a shed to a high-rise. In the calendar year 2004, three (3) permit clerks issued 1,753 building permits, 1,512 electrical permits, 970 mechanical permits, 876 plumbing permits and 1,100 right-of-way permits. Four (4) plan reviewers have processed over 1,650 plan reviews excluding over-the-counter (fence or foundation) permits. Eight (8) inspectors have processed over 15,500 inspections including structural, electrical, mechanical and plumbing.• She said the Building Department operates under codes adopted by the State of Montana. Those include International Building Code, International Residential Code, International Mechanical

Code, International Fuel Gas Code, International Energy Conservation Code, International Existing Building Code, Uniform Plumbing Code and National Electrical Code. The most recent year of adoption is the 2003 codes.

- Ms. Mattix said the permit fee comparison for commercial building currently is \$955 for \$100,000 and \$3028 for \$500,000 valuation. Permit fees charged in 1999 were \$1055 for \$100,000 and \$3365 for \$500,000 valuation. The reason the fees are currently less is because the City is regulated by the state as to how much revenue can be generated by a building division. Any excess revenues must be placed in a reserve account and cannot exceed the amount needed for a years worth of budget for the building code division. Ms. Mattix noted that fees have been reduced consistently for the past few years.
- She said the building process for commercial requires seven (7) site plans, four (4) sets of building plans and one (1) landscape plans. These plans go to various departments (5) where they are reviewed for consistency with the regulations they operate under. Any corrections that are needed are sent back with the plans to be revised and reviewed again. Permits are issued when the plans have final approval. For residential dwellings only five (5) sets of plans are required and two (2) sets of building plans that only go through three City departments. Corrections and final approval are the same as for commercial.
- Ms. Mattix said the appeal or variance process is available to citizen relating to the staff determination. Appeals to the Planning process go through the Board of Adjustment. An appeal to a site development goes through the Council. Any issues with the Building Division's interpretation go through the Building Code Board of Appeals. The Board of Appeals has six members with the building official not a voting member. She said the board does not have the authority to waive any requirements of the code.
- She said that a small building is not necessarily a less complex review depending on the use of the structure (a 3,000 square foot restaurant with many restrictions versus a 30,000 square foot warehouse). She said the code regulations are tied to the use of a building. The owner or designer determines what regulations will apply based on the choices made in the use and design.
- She demonstrated the tracking system for building permits that is submitted to the Development Advisory Review Board once each month. The average turn-around is three weeks.
- Councilmember Ulledalen asked if the conflict between the UBC and IBC has been resolved. Ms. Mattix said the City has adopted the International Building Code as has the state.
- Councilmember Stevens asked what is the difference between the valuation and value. Ms. Mattix said valuation is 70% of sale value.
- Councilmember Brewster said he would like to see examples of projects that triggered problems and ideas on better ways to deal with those problems that bog down the process.
- Councilmember Jones said the original concern that triggered this report was about a business expansion that had parking and landscaping constraints. He would be interested in hearing how that type of problem gets resolved in the building permit process. Ms. Mattix said if it was a parking issue, the business would appeal to the Council to get a variance from site development. If it is a matter of greenspace, that is handled through the Board of Adjustment for a reduction in the landscaping requirements. Councilmember Jones said he would like to see a mechanism (options) developed that would assist these businesses with those types of problems. Ms. Mattix noted that the Board of Adjustment does not support applications that give one business an advantage over another similar business with regard to regulations. Councilmember Jones said the answer then is to change the code. Ms. Mattix said that was correct.
- Councilmember Boyer asked what the next step is after denial from the Board of Adjustment. Ms.

Mattix said the next step is District Court.

- Mayor Tussing asked if there are more complaints about City codes or State codes. Ms. Mattix said there are more issues with areas where there are interpretation issues.
- Councilmember Brewster noted the disparity between small businesses (who get frustrated because it takes time and energy to go through several processes) and a large business (where there is enough staff to handle the processes). He would like to know how much of the economy does not grow because of those frustrations. Councilmember Veis said he does not want to stifle progress, but there are times when “no” means “no” because it is something the City does not want to encourage. There is a reason why the City has codes and it is not good to promote the idea that a board can overturn the code.
- Councilmember Stevens said she hopes the staff is “user-friendly” where they help people find the right path to get what they want within the code. Ms. Mattix said the Building department does provide the public with alternatives when available.
- Councilmember Jones asked for copies of what is handed out to permit applicants.

TOPIC	4TH & Broadway
PRESENTER	Bruce McCandless – Deputy City Administrator
NOTES/OUTCOME	
<ul style="list-style-type: none">• Deputy City Administrator Bruce McCandless gave Presentation D that included a slide presentation and a more detailed information sheet with the findings and recommendation to the Council. He said the Request For Development Proposal for 4th & Broadway was sent out in October and November 1 for a deadline of November 15th.• He said the RFDP included the goals, site description, notice of sale/call for sealed bids and a request for development proposals that included evaluation criteria. The final submittal deadline was November 15, 2005. The development proposals that were received were from CTA Land and Development, LLP, Downtown Billings Investors, LLC and a purchase proposal from Stockman Bank. A review committee was formed that included Al Swanson, Charlie Hamwey and himself.• He said the committee met five times in a 30 day period reviewing the proposals and interviewing the development firms and Stockman Bank. CTA Land and Development proposed a four-floor bank building on the corner, 25,000 square feet with 380 parking spaces, retail spaces and hotel and 12 floors of single-family residential condos. The total investment would be \$31.6 Million. Public funding requested was about \$7 Million with \$5 Million for parking and \$.5 Million for Library improvements and site development and fees of \$1.6 Million. The committee considered several other factors such as that the developer has little direct experience, but A & E firm principals do, the development responds to most City goals, the hotel concept is new, there is only a small amount of developer equity, there is little gain/benefit for the City or downtown and the proposal accommodates the Library and uses \$500,000 for improvements. Downtown Billings Investors (Harrison Fagg) submitted a proposal for a 40,000 square foot building on the corner of the lot which is presumed to be the bank. Also included was a 300 space parking structure, 11,000 square feet of retail, 13,000 square feet reserved for future Library expansion, 22,000 square feet of office space and 40 single-family condo units over 14-16 floors. The total investment is \$23.5 Million with \$7 Million in public funding - \$5 Million for parking, \$1 Million for Library expansion and site development costs and fees of \$1.5 to 2 Million. The committee considered the following other factors: the development firm has little experience, but members and design firm	

have a lot, it meets most of the City goals, it was the most complete response, with financing and 50% pre-sale requirement, it rated well in the qualitative rating criteria, there is a small amount of developer equity, little direct benefit to the City and the downtown and accommodates future Library expansion in the structure.

- He said Stockman Bank proposes to purchase a six-block area and construct a 3-5 floor bank building depending on tenant interest. It would be a stand-alone building with on-site parking and drive-up bank facilities. The purchase offer is \$900,000 for six lots (21,000 square feet). Construction would start as early as spring of 2007 recognizing that they need a certain amount of public parking for customers and employees.
- Mr. McCandless said the committee recommendation concerning Stockman Bank's proposal is to conditionally accept the purchase offer in one of two ways. Either agree to sell 5 lots (rather than the 6 requested) OR if 6 lots are sold the City request air rights (third floor and up) over the northern most lot in order to make a parking garage function better. He said the bank should be required to pay any buyer/broker real estate fees. The City must also require a development agreement for the following reasons: 1) encourage the bank to provide some of its own parking (including underground), 2) the bank to be built within three years, and 3) City retain the first right of refusal to repurchase the property if the bank is not built. Mr. McCandless noted the bank currently prefers to buy the 6 lots and does not want to be part of a single structure or entity (wants a stand-alone building). He said they are not opposed to some future connection to a parking garage via a sky bridge. He added that the bank agrees that it can build on only five lots, but would probably need access on the northern most lot for traffic flow and accessibility to a drive-up facility. Mr. McCandless said the purchase price of 5 lots would be about \$750,000.
- Mr. Hamwey said the main concern of the committee is for the Library expansion, that there is enough room and flexibility on the north end of the property.
- Councilmember Ruegamer asked if Stockman Bank would have enough room on the 6 lots for parking until a garage is built. Mr. McCandless said "no" and that needed employee parking would hinge on development of the rest of the property. Mr. Swanson said underground parking would be a consideration for the bank. Mr. McCandless noted that the code does not require parking in the Central Business District, but Stockman Bank recognizes that parking requirements are a concern.
- Mr. McCandless said the recommendation is that the Council approve a 90-day exclusive negotiating period with Downtown Billings Investors, LLC concerning the development of the remainder of the property (the Sandstone Project that was previously discussed for 27th Street moved to this site). Those negotiations should include: 1) developer financing and risk at the front-end of the project, 2) minimize public investment, 3) maximize developer equity, and 4) accommodate Library expansion and provide funding if possible. A land market valuation must be obtained on the property to affix the value for development purposes. The City should also preserve the right to negotiate with CTA if negotiations with Downtown Billings Investors do not bear fruit. He noted there is more information in the handout for Council review.
- Councilmember Boyer asked the committee members to explain why they developed this recommendation. Mr. Swanson said Downtown Billings Investors have more experience with development and financing details.
- Councilmember Ulledalen asked about the developer financing and risk at the front-end recommendation. Mr. Hamwey said there is \$7 Million in risk and the committee wanted to reduce the City's exposure as much as possible. Mr. Swanson said the land costs, tax increment funding costs, parking reserve funds, Fannie Mae funding are all moving costs and need to be

analyzed to limit the City's risk. Mr. Hamwey said the Sandstone Development agreement can be utilized with changes appropriate to this new project.

- Mr. McCandless noted that the offer from Stockman Bank has been extended to January 15th with no further extension discussions. Mr. Hamwey reminded the Council that Stockman Bank does not intent to build until 2007 and are willing to work with the City's development issues.
- Councilmember Brewster said adopting the recommendation would allow the Staff to go forward with the 90-day negotiations and allow the Stockman proposal to be addressed. Councilmember Ruegamer agreed with Councilmember Brewster and said a development agreement must be formulated and shared with Stockman Bank officials.
- There was discussion about options for the Stockman Bank proposal. Mr. McCandless noted that Stockman Bank has stated they would be a willing participant in the Tax Increment District and understand that the value of their building would help to generate a good portion of the increment. Councilmember Brewster said a development agreement (separate agreement) with Stockman Bank can clarify all of the questions of air rights, parking, etc. He said two separate agreements can be negotiated and he would like to see them both go forward. Councilmembers Ruegamer and Ulledalen volunteered to work on the negotiating committee. Mr. McCandless said having councilmembers involved in the process will assure that the Council will get the end product that it can endorse.
- Councilmember Jones expressed his concern that the City is forcing Stockman Bank to negotiate terms after the City requested a sealed bid. Mr. Swanson said further negotiations about the parking issues needed to be clarified with the bank. Councilmember Jones said the Council should proceed with the Stockman offer or get an extension. Councilmember Clark said he is "okay" with the negotiation recommendation and noted that the Council can vote on this issue on January 9th.

ADDITIONAL INFORMATION:

Goal setting and planning was discussed. Mayor Tussing said the Council should consider including other stakeholders such as the Chamber, BSEDA and Celebrate Billings in that process. Councilmember Ulledalen said if the Council becomes open to too many groups it will not get anything accomplished. Councilmember Brewster said councilmembers can participate with the groups that ask them, get information and bring it back to Council. Councilmember Jones said he hoped the goal setting could be completed by March. Mayor Tussing said the goal-setting should be completed before the budget process starts. Acting City Administrator Tina Volek said she would check with the firms that are available to participate in the goal-setting process and report back to the Council about their availability. Councilmember Boyer said the department heads must be a part of the goal-setting process.

Councilmember Ruegamer said he is touring the Young Families/Head Start facility on Friday and invited anyone interested to go along.

In response to Councilmember Ulledalen's concern about better a reporting process and database for the budget process, Acting City Administrator Tina Volek announced that the Staff has adapted the budget process to a structure that is oriented to an administrator's recommended budget (a traditional process in government budgeting). Presentations will start in May with weekly meetings with staff.

Councilmembers Gaghen and Ronquillo volunteered to be part the BSEDA's discussion group on the East end TIF district.