



FROM THE DESK OF . . .

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TO: Tina Volek, City Administrator

SUBJECT: Empire Parking Garage: additional thoughts

This morning, you and I discussed two items related to the proposed project which I did not include in the staff report for the April 11 Council meeting. You asked me to put some of our thoughts and discussion into print. The two primary issues are 1) the amount of public investment that is being requested for this project and 2) the amount of public subsidy for the two private property owners if they exercise their options to purchase parking spaces in the new garage.

As I told you, I'm aware of at least two (2) proposed private/public projects that were planned for 4th and Broadway that were dismissed, in part, because of the amount of public subsidy that the developers requested. Flintco's 2000 proposal was to develop a \$46 million mixed-use project. Like most downtown redevelopment projects, it required public parking. I believe that the estimated public investment was \$6,000,000 - \$7,000,000, mainly for parking. The other proposal was made by New Century Entertainment in 2002. That \$18,000,000 mixed-use project also relied on public parking and about the same amount of public spending. Both proposed developers were chronically late submitting their plans and estimates and that was the publicly disclosed reason for the agreement terminations. The unresponsiveness, coupled with the amount of public investment, caused the Council to terminate both pre-development agreements. Those concerns were compounded by the few years that remained in the old downtown TID, so bonding would be difficult. The alternative was to create a new tax increment district and that was not publicly popular at the time. By comparison, the proposed \$20 million Northern Hotel redevelopment will require approximately \$13 million of public investment; \$11 million for a garage and a \$2 million grant to the Northern for other public improvements. Not all \$11 million directly benefits the owners, but that will be explained below.

The proposed buy-sell agreements with Zoot (Northern Hotel) and Alley Cat (Honaker) allow both companies to purchase parking spaces in the new public parking structure. The agreements set the purchase price as being the same per space price that Zoot will receive when it sells the Northern garage to the City. That price is calculated by dividing the purchase price by the number of spaces. The City will purchase the garage for

\$800,000 and there are 187 spaces in the present garage, so each space is valued at \$4,300. Alley Cat will replace 25 parking spaces at the same price, so there are 212 replacement spaces. A conservative figure for building the new garage is \$20,000/space. The difference between the purchase price and the replacement cost is \$15,700/space, or a total of \$3.33 million. That is the public subsidy, or the savings for the developers and the cost will be absorbed by the City TID. The City will sell taxable bonds to finance the privately owned parking spaces. There is usually a 1% - 2% interest rate spread between taxable and non-taxable bonds, so the City will absorb the cost of that interest difference as well.

Please inform me if you need more information or if you would like to discuss any part of this memo.

City of Billings
Weekly Legislative Report
Fourteenth Week of the Montana Legislature
April 7, 2011

As of today, April 7th, 1171 bills have been introduced (of the 2246 bill draft requests filed). Today is the 78th Legislative Day, of the 90 day Session. For this Report I highlight the following bills:

- HB 43, introduced by Rep. Gary MacLaren, would specify employers' rights to test and discharge employees related to employees use of medical marijuana. It was amended in the Senate and has been referred to a Free Conference Committee. The hearing is set for April 12th. SB 423 was substantially amended in House Human Services Committee on April 5th. The new SB 423 would repeal the Medical Marijuana Act and start over with a new law to strictly regulate and control marijuana. HB 161, to repeal the marijuana initiative, has passed and has been transmitted to the Governor. The City supports bills to repeal the Medical Marijuana Act and supports bills to regulate and control medical marijuana use.
- HB 106, to provide for a 24/7 sobriety project for DUI offenders, passed the Senate with amendments and has been returned to the House.
- HB 230, introduced by Rep. Steve Gibson, would transfer the Board of Crime Control from the Department of Justice to the Department of Corrections. This Bill passed the House and was amended in the Senate. The Senate concurred on 2nd Reading on April 6th, but the Bill failed on 3rd Reading today 21 to 29. The City opposes this Bill.
- HB 307, introduced by Rep. Tom Burnett, would prohibit building codes from requiring mandatory sprinkler systems primarily in single family residential housing. This Bill has passed the Legislature, and was returned with Governor proposed amendments. The House and the Senate rejected these amendments. The City supports this Bill.
- HB 316 and HB 317 are companion bills, introduced by Rep. Cook (R. - Conrad); to decrease the amount of distributions in numerous statutory appropriations, and to sunset statutory appropriations at certain times. These Bills have passed the House and have been amended in the Senate Finance and Claims Committee. A separate but related bill is HB 495 which would freeze entitlement payments at the current level for two years and then set a new formula and base year. It passed the House and was heard in Senate Finance and Claims Committee on April 6th. HB 439 is the \$90 million general obligation bond bill for state government building projects, including a new building at MSU-B. HB 439 passed the House. The Senate Finance and Claims Committee concurred in the Bill on April 6th.
- HB 334, introduced by Rep. Scott Reichner (R.-Big Fork), is the primary workers compensation bill considered to accomplish reform. It passed the Legislature and has been transmitted to the Governor.

- Three TIFD bills introduced by Rep. Elsie Arntzen, HB 560, HB 561, HB 562, have been substantially amended. These Bills have passed the House and the Senate Local Government Committee. HB 564 was tabled in the House Taxation Committee.
- SB 91, introduced by Sen. Taylor Brown, would allow a new city to incorporate even if it does not have a post office (for example, Lockwood). It passed the Legislature and has been transmitted to the Governor. It is tied to passage and approval of HB 426 with a contingent voidness clause. HB 426, by Rep. Gary MacClaren (R.- Victor) requires consent of large industrial facilities (for example, oil refineries) before such properties can be included within the boundaries of a newly incorporated city. HB 426 has passed the Legislature and has been signed by the Governor.
- SB 234, as introduced by Sen. Sonju (R. - Kalispell) and prior to amendment would have negatively impacted the ability and cost of cities to provide solid waste services when a private entity is providing similar services. The Bill, as amended, has passed the Legislature. The amendments were agreed upon by the City, the League and the private solid waste service providers.
- SB 358, introduced by Sen. Ed Buttrey, would provide for creation of targeted economic development districts. The Bill, as amended, has passed the Senate and has been concurred in by the House Taxation Committee.
- SB 367, introduced by Sen. Vincent, would establish nutrient standards variances. It has broad support from interested parties, including the League of Cities and Towns and MACO. The Bill as amended has passed the Legislature.
- SB 372, introduced by Sen. Bruce Tutvedt, would adopt a phased reduction of the business equipment tax making them contingent upon state collections of income tax. It was amended in House Taxation to provide full (100%) reimbursement to local governments. It passed the Senate and 2nd Reading in the House on April 7th. The City supports this Bill.

I look forward to discussing these and other legislative matters of interest to City Council. Please contact me if you have any questions or would like information on any particular topic or bill.

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