

## Mixed Use Development on N. 29<sup>th</sup> St.

**Pending Council Action Scheduled for May 9<sup>th</sup> – DBP is requesting up to \$850,000 from the TIFD Fund to purchase a building on 29<sup>th</sup>.**

**Q: What is mixed use and why is that important?**

A: The Central Business District has the most valuable real estate in the city and as such, economies of scale entice developers to efficiently use the footprint of land. Mixed use in one vertical structure is far more efficient and valuable as a taxable property than several single story buildings surrounded by parking lots and roads.

**Q: Why does the Developer need the DBP to help assemble land?**

A: The Developer has already put over \$1,000,000.00 cash into this project. They are working through due diligence on three more parcels, not including the property to be purchased by the DBP, using TIFD resources. In addition, they have committed significant financial resources to preliminary design using a local firm.

**Q: Can we afford it?**

A: The Expanded N. 27<sup>th</sup> Street TIFD, due to several high value projects, and the new re-appraisal cycle, has been dramatically successful. That's good because there is much yet to be done. Our bond payment on the Empire Garage is just under \$1 Million per year, and we receive roughly \$3 Million per year. And, as of today, we have over \$2 Million in the fund that is unencumbered and available for investment.

**Q: Why don't we simply transfer that "surplus" into the General Fund or return it to the other taxing entities?**

A: TIFD funds can only be used to implement the urban renewal plan within the boundaries of the district. It would be unwise to suspend all urban renewal projects before all blight has been eliminated and all opportunities have been explored and completed. **In 1987 the City suspended urban renewal in the previous TIFD and within 4 years the taxable value of the TIFD dropped by 53% and was on a path that could have placed committed bond payments into real jeopardy.**

**Q: What's the rush and has the property been appraised?**

A: The "rush" is due to a buy/sell document that requires that the property be committed to a purchase on May 9<sup>th</sup> or the Buy/Sell instrument expires. It is likely that will increase the price tag dramatically and the fragile development opportunity will disappear. The appraisal is taking place and should be completed before we commit to the purchase. With a steady gross cash flow of about \$11-\$12K per month, it should appraise for at least \$850,000.

**Q: Will the Developer eventually purchase the property from the DBP?**

A: Yes! And the DBP will be required to sell it to the Developer for the same purchase price, via an MOU between the DBP and the Developer signed at the time of the buy/sell transfer. That MOU will also have an expiration date that will allow the DBP to sell it or seek a new and different development.

**Q: Will we need to sell TIF Bonds?**

A: Not right away. We have sufficient cash in the fund to make the purchase of the Yesteryears Antique building. However, the building purchase is just the first step towards a major development that will certainly require about \$30 Million in bonds to be leveraged into public infrastructure for a \$100-Million-dollar project that will grow the tax base by about \$1 Million a year without calculating surrounding growth potential.

**Q: Won't a TIF Bond sale be risky due to potential changes in the Montana Code by the Legislature?**

A: The Montana Constitution prevents the Legislature from passing a "law retrospective in its operations which imposes on the people a new liability in respect to transactions or considerations already passed." So, the answer is no.



Currently the buildings on the 100 block of N. 29<sup>th</sup> Street are 43% vacant and over 85% of the total square footage on the block has not been renovated or in some cases, maintained since the 1960's.

**NORTH 29<sup>TH</sup> BETWEEN 1<sup>ST</sup> AVE. N. AND 3<sup>RD</sup> AVE N. HAS HAD VERY LITTLE REDEVOPMENT SINCE 2005. THE BUILDING DENSITY IS VERY LOW COMPARED TO N. BROADWAY. THUS, A MAJORITY OF THE STOREFRONTS ARE VACANT AND VERY DIFFICULT TO FILL. FURTHER, THE CURBS, GUTTERS AND SIDE WALKS, IN MANY PLACES, ARE IN NEED OF REPAIR.**

