



Council Memorandum

REPORT TO: Honorable Mayor and City Council

FROM: Chris Kukulski, City Administrator

SUBJECT: Resolution 19-_____ adopting the One Big Sky District Development Plan

MEETING DATE: February 11, 2019

AGENDA ITEM TYPE: Action Item

RECOMMENDATION: The City Council approve Resolution 19-_____ adopting the One Big Sky Development District Plan

BACKGROUND: In early 2018 the City entered into a partnership with Big Sky Economic Development, Billings Chamber of Commerce, Billings Tourism Business Improvement District, Downtown Billings Partnership and Landmark Development to create a strategy to accelerate private investment within approximately 525 acres in the core of Billings, including the greater downtown area, hospital corridor and MSUB.

In part, the attached resolution for your consideration reads:

The City approves the Development Plan as a general conceptual framework for development of the One Big Sky District. The City Council defines the term "approve" as it appears in this resolution as follows:

1. *The term "approve" means agreement with and acceptance of the Development Plan as a conceptual general framework for development designed generally to achieve the goals described in the Development Plan that establishes the One Big Sky Development District boundaries.*
2. *The term "approve" does not mean commitment to or adoption of any specific development agreements, project design, project location, policy, or public funding proposal that might be contained within the Development Plan. Similarly, the term "approve" does not mean any City commitment to or promise to enact any regulatory measure, specific tax, budget, or to appropriate public funds, approve a capital investment, adopt a land use control, or to approve any requests that seeks public funds for any One Big Sky Development-related purpose, and adoption of any specific land use control or solution, parking or transportation solutions.*

The attached One Big Sky (OBS) Development Plan (Plan) focuses on four primary goals:

1. Tomorrow's Workforce
 - a. Retain and attract the next generation workforce (MT ranks 46th)
 - b. Retain and attract skilled workforce from professional, industrial and trades
2. Lifestyle

- a. Design around emerging trends, reurbanization, more healthy built environment and natural environments
 - b. Develop memorable urban experiences for residents and visitors
 - c. Remain authentic to Billings and MT
3. Civic & Community
- a. Support a range of housing options, mixed use developments in a pedestrian-oriented downtown core
 - b. Re-establish Billings as one of the Rocky Mountain Regions dominant destination cities for visitation anchored by healthcare, education and an emerging tourism industry.
4. Fiscal & Economic
- a. Drive significant new growth in tax base for the City, county, SD2 and the state
 - b. Become the most attractive market for new private business and investment
 - c. Create new jobs to drive local, regional and state wide economies beyond national standards
 - d. Realize a return on investment of public dollars at a ratio greater than 5:1

These goals and the strategy solutions outlined throughout the Plan are based on research defining the economic challenges Billings' faces along with market based solutions. The Plan seeks to stimulate, assist in, and support the growth of economic activity that is expected to improve the fiscal stability and prosperity of the City overall and improve the standard of living of its citizens, today and for the next generation through four catalyst projects. Each catalyst project takes place in one of four sub-districts focused on entertainment, lifestyle, civic & wellness and education & innovation. Also, refer to the attached report from the Billings Chamber that outlines significant demographic challenges facing our community. These challenges along with this report describe the unfortunate realities that we are likely to face with a stagnant or shrinking tax base relative to increased demands for critical public services.

The Plan also references new state legislation (attached) that would allow private investors to be reimbursed up to \$75, \$100 or \$125 million for public approved civil and civic infrastructure investments IF private investment reaches \$300 million, \$450 million or \$650 million dollars within a decade of creating the OBS Development District. The enclosed table estimates the City and State's increased tax dollars, the amortized repayment schedule and net new revenue each year over the anticipated 20 year repayment schedule. The adoption of this Plan does not obligate the City to the above listed reimbursements. These reimbursements can only happen after detailed development agreements are entered into by the City, State and developers after a publicly approved process.

The following chart summarizes the City's anticipated annual revenue, availability payment (reimbursement) and net gain from the implementation of the OBS Plan.

CITY CONTRIBUTION / FISCAL GAIN

FINANCE PLAN

SCHEDULE OF CITY AVAILABILITY PAYMENTS								
YEAR	TOTAL PRIVATE INVESTMENT	CITY CONTRIBUTIONS	CITY HALL CONTRIBUTION	CITY OBS CONTRIBUTIONS	CITY AVAILABILITY PAYMENTS	CITY ANNUAL FISCAL GAIN	CITY CUMULATIVE FISCAL GAIN	CITY CUMULATIVE FISCAL (NET GAIN)
Y1	\$ 100.0 M	-	-	-	-	\$ 1.7 M	\$ 1.7 M	\$ 1.7 M
Y2	\$ 200.0 M	-	-	-	-	\$ 2.9 M	\$ 4.6 M	\$ 4.6 M
Y3	\$ 300.0 M	\$ 75.0 M	\$ 65.0 M	\$ 10.0 M	\$ 0.9 M	\$ 5.0 M	\$ 9.6 M	\$ 8.7 M
Y4	\$ 400.0 M	-	-	-	\$ 0.9 M	\$ 7.7 M	\$ 17.3 M	\$ 15.6 M
Y5	\$ 450.0 M	\$ 25.0 M	-	\$ 25.0 M	\$ 3.1 M	\$ 9.9 M	\$ 27.3 M	\$ 22.5 M
Y6	\$ 600.0 M	-	-	-	\$ 3.1 M	\$ 10.8 M	\$ 38.0 M	\$ 30.2 M
Y7	\$ 650.0 M	\$ 25.0 M	-	\$ 25.0 M	\$ 5.2 M	\$ 12.4 M	\$ 50.4 M	\$ 37.4 M
Y8	\$ 800.0 M	-	-	-	\$ 5.2 M	\$ 13.5 M	\$ 64.0 M	\$ 45.7 M
Y9	\$ 900.0 M	-	-	-	\$ 5.2 M	\$ 15.3 M	\$ 79.3 M	\$ 55.8 M
Y10	\$ 1.0 B	-	-	-	\$ 5.2 M	\$ 17.1 M	\$ 96.4 M	\$ 67.6 M
Y11	-	-	-	-	\$ 5.2 M	\$ 19.7 M	\$ 116.1 M	\$ 82.1 M
Y12	-	-	-	-	\$ 5.2 M	\$ 20.7 M	\$ 136.9 M	\$ 97.6 M
Y13	-	-	-	-	\$ 5.2 M	\$ 24.4 M	\$ 161.3 M	\$ 116.8 M
Y14	-	-	-	-	\$ 5.2 M	\$ 25.2 M	\$ 186.5 M	\$ 136.8 M
Y15	\$ 1.5 B	-	-	-	\$ 5.2 M	\$ 27.1 M	\$ 213.7 M	\$ 158.7 M
Y16	-	-	-	-	\$ 5.2 M	\$ 27.9 M	\$ 241.6 M	\$ 181.4 M
Y17	-	-	-	-	\$ 5.2 M	\$ 28.8 M	\$ 270.4 M	\$ 205.0 M
Y18	-	-	-	-	\$ 5.2 M	\$ 29.6 M	\$ 300.0 M	\$ 229.4 M
Y19	-	-	-	-	\$ 5.2 M	\$ 30.5 M	\$ 330.6 M	\$ 254.7 M
Y20	\$ 2.0 B	-	-	-	\$ 5.2 M	\$ 31.5 M	\$ 362.0 M	\$ 280.9 M
Y21	-	-	-	-	\$ 5.2 M	\$ 32.4 M	\$ 394.4 M	\$ 308.1 M
Y22	-	-	-	-	\$ 5.2 M	\$ 33.4 M	\$ 427.8 M	\$ 336.2 M
Y23	-	-	-	-	\$ 4.4 M	\$ 34.4 M	\$ 462.2 M	\$ 366.2 M
Y24	-	-	-	-	\$ 4.4 M	\$ 35.4 M	\$ 497.6 M	\$ 397.3 M
Y25	-	-	-	-	\$ 2.2 M	\$ 36.5 M	\$ 534.0 M	\$ 431.6 M
Y26	-	-	-	-	\$ 2.2 M	\$ 37.6 M	\$ 571.6 M	\$ 466.9 M
Y27	-	-	-	-	\$ 2.2 M	\$ 38.7 M	\$ 610.2 M	\$ 505.6 M
Y28	-	-	-	-	-	\$ 39.8 M	\$ 650.1 M	\$ 545.5 M
Y29	-	-	-	-	-	\$ 41.0 M	\$ 691.1 M	\$ 586.5 M
Y30	\$ 2.0 B	\$ 125.0 M	\$ 45.0 M	\$ 40.0 M	-	\$ 42.3 M	\$ 733.4 M	\$ 628.8 M

The following chart summarizes the State of Montana's anticipated annual revenue, availability payment (reimbursement) and net gain from the implementation of the OBS Plan.

STATE CONTRIBUTION / FISCAL GAIN

FINANCE PLAN

SCHEDULE OF STATE AVAILABILITY PAYMENTS						
YEAR	TOTAL PRIVATE INVESTMENT	STATE CONTRIBUTIONS	STATE AVAILABILITY PAYMENTS	STATE ANNUAL FISCAL GAIN	STATE CUMULATIVE FISCAL GAIN	STATE CUMULATIVE FISCAL (NET GAIN)
Y1	\$ 100.0 M	-	-	\$ 7.3 M	\$ 7.3 M	\$ 7.3 M
Y2	\$ 200.0 M	-	-	\$ 7.9 M	\$ 15.2 M	\$ 15.2 M
Y3	\$ 300.0 M	\$ 75.0 M	\$ 6.5 M	\$ 12.3 M	\$ 27.6 M	\$ 21.0 M
Y4	\$ 400.0 M	-	\$ 6.5 M	\$ 17.0 M	\$ 44.6 M	\$ 31.5 M
Y5	\$ 450.0 M	\$ 25.0 M	\$ 8.7 M	\$ 21.3 M	\$ 65.9 M	\$ 44.1 M
Y6	\$ 600.0 M	-	\$ 8.7 M	\$ 24.6 M	\$ 90.5 M	\$ 60.0 M
Y7	\$ 650.0 M	\$ 25.0 M	\$ 10.9 M	\$ 29.4 M	\$ 119.9 M	\$ 78.5 M
Y8	\$ 800.0 M	-	\$ 10.9 M	\$ 33.4 M	\$ 153.3 M	\$ 101.0 M
Y9	\$ 900.0 M	-	\$ 10.9 M	\$ 38.6 M	\$ 191.9 M	\$ 128.6 M
Y10	\$ 1.0 B	-	\$ 10.9 M	\$ 43.7 M	\$ 235.6 M	\$ 161.5 M
Y11	-	-	\$ 10.9 M	\$ 47.4 M	\$ 283.0 M	\$ 198.0 M
Y12	-	-	\$ 10.9 M	\$ 49.4 M	\$ 332.3 M	\$ 236.4 M
Y13	-	-	\$ 10.9 M	\$ 55.0 M	\$ 387.4 M	\$ 280.6 M
Y14	-	-	\$ 10.9 M	\$ 55.9 M	\$ 443.2 M	\$ 325.5 M
Y15	\$ 1.5 B	-	\$ 10.9 M	\$ 60.2 M	\$ 503.4 M	\$ 374.8 M
Y16	-	-	\$ 10.9 M	\$ 61.7 M	\$ 565.1 M	\$ 425.6 M
Y17	-	-	\$ 10.9 M	\$ 63.9 M	\$ 629.0 M	\$ 478.6 M
Y18	-	-	\$ 10.9 M	\$ 65.9 M	\$ 694.9 M	\$ 533.6 M
Y19	-	-	\$ 10.9 M	\$ 67.9 M	\$ 762.8 M	\$ 590.6 M
Y20	\$ 2.0 B	-	\$ 10.9 M	\$ 69.9 M	\$ 832.6 M	\$ 649.5 M
Y21	-	-	\$ 10.9 M	\$ 72.0 M	\$ 904.6 M	\$ 710.6 M
Y22	-	-	\$ 10.9 M	\$ 74.1 M	\$ 978.7 M	\$ 773.8 M
Y23	-	-	\$ 4.4 M	\$ 76.3 M	\$ 1,055.0 M	\$ 845.7 M
Y24	-	-	\$ 4.4 M	\$ 78.5 M	\$ 1,133.8 M	\$ 919.8 M
Y25	-	-	\$ 2.2 M	\$ 80.9 M	\$ 1,214.8 M	\$ 998.5 M
Y26	-	-	\$ 2.2 M	\$ 83.2 M	\$ 1,298.8 M	\$ 1,080.8 M
Y27	-	-	-	\$ 85.7 M	\$ 1,383.9 M	\$ 1,165.8 M
Y28	-	-	-	\$ 88.2 M	\$ 1,471.8 M	\$ 1,254.8 M
Y29	-	-	-	\$ 90.9 M	\$ 1,562.8 M	\$ 1,344.8 M
Y30	\$ 2.0 B	\$ 125.0 M	-	\$ 93.6 M	\$ 1,656.4 M	\$ 1,438.8 M

NEXT STEPS

State Legislation - Parallel to this Plan's development and review, the strategy partners are drafting state legislation and educate legislators on the value of this new value capture tool. Over the past several months we've held meetings with state legislators and the governor's staff to educate and take feedback on the proposed legislation. Additionally, on January 29th we broadened our reach by hosting a dinner event in Helena to educate legislators and answer their questions. We had approximately 45 attendees representing both the senate and house tax committees as well as representatives from throughout MT and Billings.

Development Agreements - Some of the most challenging work will come when each development agreement is negotiated. These agreements will detail the private investment projects to include all the details outlined throughout the Plan. Critical to the City will be the quality of development and the civil and civic infrastructure that will be eligible for reimbursement from our increased tax revenues.

UNRESOLVED ISSUES: There are no unresolved issues related to the Plan adoption.

ALTERNATIVES: The City can chose not to take action on the Plan. However, my recommendation for adoption is because I believe this is an excellent Plan. Developed with our community and Strategy Partners over the past two years representing a great opportunity for Billings to proactively improve our economic vibrancy to the benefit of our citizens. The Plan capitalizes on some of our greatest assets and helps launch Billings into the 21st century as one of the greatest mid-sized cities in America.

FISCAL EFFECTS: The above graph labeled City Contribution/ Fiscal Gain outlines the City's Availability Payment (reimbursement payment to Developer); City Annual Fiscal Gain; City Cumulative Fiscal Gain; City Cumulative Fiscal (net gain) assuming the Plan is fully developed over the next 30 years.

Adopting the Plan is a commitment to move forward in good faith to implement the Plan. However, it is not the approval of public funding. Similarly, the term "approve" does not mean any City commitment to or promise to enact any specific tax, budget, or to appropriate public funds, approve a capital investment or approve any requests for public funds for any One Big Sky Development-related purpose.

Attachments: Resolution 19 - ___; One Big Sky District Plan link; Billings Chamber Demographic Report.

Report compiled on: February 1, 2019