

DBP Recommendation

RE: Sturm & Drake Apartments TIFD Assistance

Background:

DB 10, LLC is a local investment group consisting of members of the NAI Business Properties as well as the founders of Hannesson Home. This group formed to purchase the Historic Sturm & Drake Building located at 14 N 29th Street. The Sturm & Drake building was built in 1912 for Leon Henry Drake and George Sturm Grocery. The Harvard Hotel ran hotel rooms upstairs. Safeway moved in during the 1920s, then it became the Barbizan Hotel for women in the 1970's.

DB 10, LLC is passionate about the history, character and potential of our downtown. The team envisions three areas of revitalization within the building; modernizing 10 mid-range apartments that have not been remodeled, improved, or maintained since the 1970s; restoring a blighted facade, and re-energizing a neglected storefront. The new retail space and dramatically improved apartments will bring new activity, more shopping opportunities to N 29th Street, and increase the taxable value of the property. Furthermore, the added security features, the natural surveillance of the tenants, and the street level business will contribute positively to public safety.



Proposal:

DB 10, LLC purchased the building at \$800K and will spend \$1.121M to remodel it. Even though the total project is \$1.921M, the property is only projected to appraise at \$1.7M to \$1.8M. Still, this project is likely doubling the value of the property but is financially in need of a public-private partnership. The project has \$487,000 in qualified expenses but DB 10, LLC is requesting TIF assistance in the amount of \$320,000 to help in the following categories:

Eligible Public Improvements	Actual	Percentage	Recommended	MCA Statute
Demo	\$33,700	100%	\$33,700	7-15-4288
Masonry	\$65,000	50%	\$32,500	7-15-4233 (m)
Utilities	\$179,630	75%	\$134,723	7-15-4288 (4)
Security system	\$47,000	50%	\$21,000	7-15-4202 (2)(a)(3) 7-15-4023 (3) 7-15-4209 (a) 7-15-4254
Exterior windows	\$90,000	75%	\$67,500	7-15-4233 (m) (n)
Storefront windows	\$39,650	77%	\$30,577	7-15-4288 (4) 7-15-4233 (i) (m)
Garage doors	\$6,804	0%	\$0	7-15-4288 (4) 7-15-4233 (i) (m)
Design	\$25,000	0%	\$0	7-15-4288 (4) 7-15-233 (i) (m)
General Conditions	\$23,678	0%	\$0	7-15-4233 (i) (n) 7-15-4288 (4)
In-cast concrete	\$15,150	0%	\$0	7-15-4233 (i) (m) 7-15-4288 (4)
Structural Steel	\$12,757	0%	\$0	7-15-4233 (m)
Roofing	\$7,500	0%	\$0	7-15-4233 (m)
Framing	\$48,036	0%	\$0	7-15-4233 (m)
Wall board sheeting	\$45,385	0%	\$0	
Insulation	\$2,076	0%	\$0	
Tape/texture	\$16,950	0%	\$0	
Interior door supply	\$11,715	0%	\$0	
Division 10 supply	\$2,082	0%	\$0	
Finishes	\$24,530	0%	\$0	
Tile	\$16,905	0%	\$0	
Paint	\$11,625	0%	\$0	
Laundry	\$50,000	0%	\$0	
Apartment	\$330,000	0%	\$0	

updates				
Overhead & profit	\$110,517	0%	\$0	
Property purchase	\$800,000	0%	\$0	
Total	\$2,015,690	16.7%	\$320,000	

Financials:

If approved, reimbursement is available starting in FY24 assuming the project is completed in FY23 as currently projected. DBP recommends approval.

Approval of this project assumes the following contingencies:

- 1. The Applicant shall sign a development agreement with the City of Billings and DBP within 180 days of City Council’s approval.**
- 2. This TIFD reimbursement is the maximum that can be received pending satisfactory submission of all paid invoices showing the completion of expenditures related to this project.**
- 3. If funds are not available, reimbursement can be carried over to the next fiscal year.**

City Council has final authority in approval, disapproval, or modification then approval of DBP recommendation.