

2021 Expansion of the South Billings Boulevard Urban Renewal District & Amendment to the Urban Renewal Plan

South Billings Urban Renewal Association Statement of Position

**Presented to The City of Billings
Planning & Community Services
Department**



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Section 1 – Introduction

On May 12, 2008, the City of Billings (i.e., “the City”) adopted Ordinance 08-5462 creating the South Billings Boulevard Urban Renewal District (SBBURD) and established a tax increment finance district (i.e., “the District”). Concurrently, the City adopted an Urban Renewal Plan and established the boundaries of the District.

On December 8, 2008, the City adopted Ordinance 08-5484, which expanded the District to its current boundaries (see Appendix I).

On July 22, 2019, the City adopted Ordinance 19-5725, that modified the Urban Renewal Plan for purposes of identifying future projects/programs, ensuring the City has the option to bond future projects and updating the 2008 Plan to reflect the 2019 amendment process.

The City is in the process of annexing three properties into the City Limits that are contiguous to the current boundaries of the District that merit inclusion in the District. These properties, as discussed below, have growth opportunities, consistent with the District’s Master and Urban Renewal Plans, that will result in favorable economic development, public infrastructure and amenities.

Section 2 – Background

In 2008, the Billings City Council established an urban renewal area (subsequently known as the South Billings Boulevard Urban Renewal District) by resolution declaring the area contains structures and property that are:

- in a state of substantial deterioration,
- are obsolete or defective,
- pose unsanitary or unsafe conditions,
- are vacant and unused,
- have inappropriate uses.

Additionally, the Council believed the condition of the area:

- substantially impairs the sound functioning of the South Billings Boulevard area and its environs,
- is conducive to juvenile delinquency and crime,
- poses the threat of vandalism or mischief and fire and loss,
- constitutes an economic and social liability,
- and is a menace to the public health, safety and welfare of the residents of the City.

The Council also considered urban renewal opportunities in the District consisting of:

- the acquisition of certain vacant or blighted properties,
- demolishing the blighted structures thereon,
- improving such properties with landscaping, utilities and other similar improvements,
- assembling and making such properties so improved available for private redevelopment in accordance with Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, as amended.

The Council currently has a Memorandum of Understanding between the City of Billings and the South Billings Urban Renewal Association (SBURA) that designates the SBURA as the advisory group tasked with managing the District's redevelopment efforts.

Section 3 – Summary of Urban Renewal Efforts

Since the District's inception, the Council has invested the incremental growth in tax revenues over and above the base year value in over \$20 million in redevelopment projects. Listed below are the most noteworthy investments from January 1, 2013 to December 31, 2020 (in thousands):

1. Newman Lane	\$ 207
2. Midland Rd	3,109
3. TIF Master Plan	276
4. Sewer Phase I&II	2,470
5. Calhoun Lane	2,222
6. Amend Park Land	943
7. Optimist Park Improvements	380
8. Orchard Lane	3,897
9. Elementary school/ Boys & Girls Club	201
10. King Ave East	2,394
11. Amend Park Field Turf	1,565
12. Business development	766
13. Police Evidence Center	<u>919</u>
	\$19,349

The base year taxable value of \$7,046,472 has increased approximately 35% to \$12,284,446 (as of 2020). The annual tax increment has grown to approximately \$3.6 million as of 2020. When the District sunsets in 2040, its taxable value will increase (assuming a 2% annual growth rate) to approximately \$17.9 million, thus returning to the City about \$7.5 million annually in deferred tax revenue.

Most of the infrastructure projects (i.e., roads & sewers) identified in the District's Urban Renewal and Master Plans have been accomplished or will likely be accomplished in

the next few years. The afore-mentioned master plans also emphasize the establishment and/or redevelopment of neighborhoods. Consequently, the SBURA seeks to invest tax increment funds to help facilitate the creation of attractive neighborhoods through the elimination of blight and the development of affordable housing opportunities across a wide range of socio-economic groups. The SBURA also recognizes that there are promising opportunities for commercial investment along the I-90 corridor. Lastly, the Amend Park area has the potential to become the focal point for athletics in the greater Billings area through the development of recreational facilities and team sports venues.

Section 4 - Properties to be Annexed to the SBBURD

There are five properties identified for inclusion in the District. Four of these properties are privately owned. The City of Billings owns the other property.

Exhibit A below details the four privately-owned properties. These properties are contiguous to the southeastern boundary of the District.

EXHIBIT A

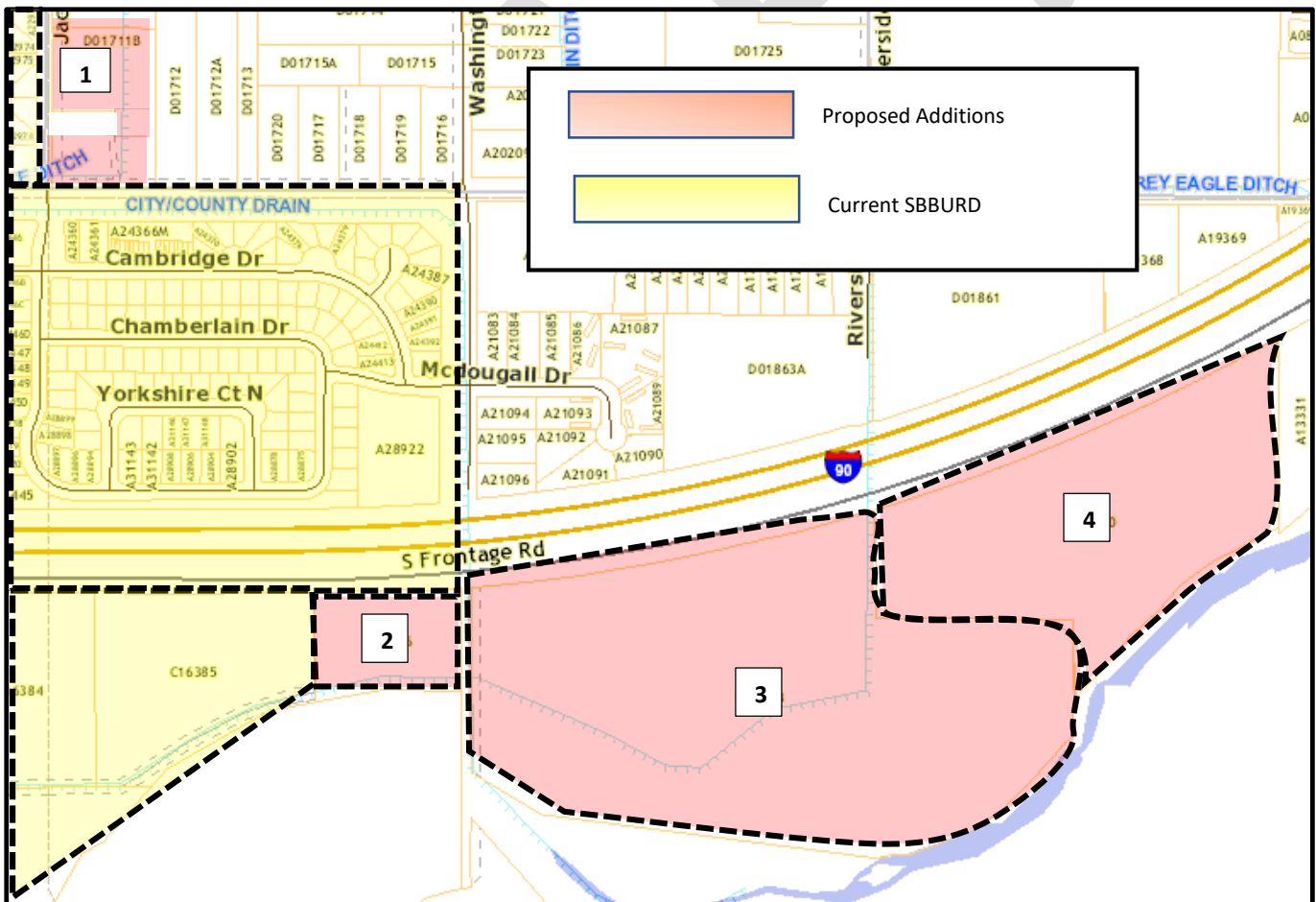
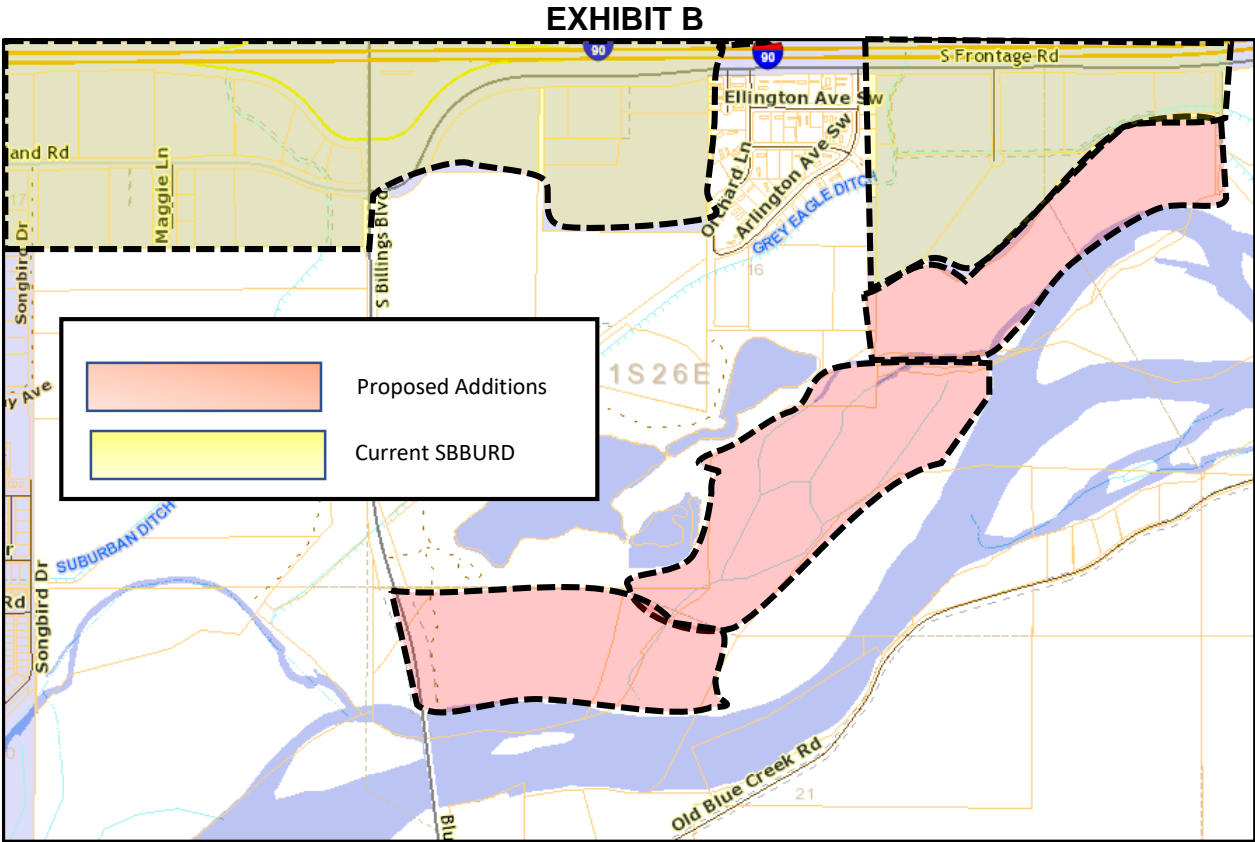


Exhibit B below details the property that is City-owned, specifically Riverfront Park.



Section 5 – Defining the District’s Boundaries

The current District contains blight as defined in Montana Code Annotated Title 7, Chapter 15, Parts 42 & 43 and as recognized by Council in Ordinances 08-5462 and 08-5484. While every property in the District does not contain blight, a District may not be formed in a “checkerboard” pattern and be defined only on a parcel-by-parcel basis. Revitalization is best achieved when a continuity of properties allows for a seamless investment in infrastructure. Accordingly, the District contains properties within the City of Billings that, when viewed as a whole, logically define an urban renewal area.

The annexation into the City of Billings of two of the three properties located along South Frontage Rd creates an opportunity to add three contiguous properties to the District. The property on the northeast intersection of King Ave East and Jackson St. is likely the first in a series of developments spurred by the improvements to King Ave East. What makes the inclusion of these properties into the District compelling is that, given a measure of public assistance, they have very promising opportunities for development.

Riverfront Park, like the afore-mentioned private properties, is a logical extension to the current District. The annexation of the three properties along the South Frontage Road creates a “bridge” to Riverfront Park.

Section 6 Summary of Blight Findings

Montana Code Annotated Title 7, Chapter 15, Parts 42 and 43 provides the authority to declare the existence of blighted areas and to target them for improvements. “Blighted are” is defined in Section 7-15-4206(2) MCA as follows:

[A]n area that is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime; substantially impairs or arrests the sound growth of the city or its environs; retards the provision of housing accommodations; or constitutes an economic or social liability or is detrimental or constitutes a menace to the public health, safety, welfare, and morals in its present condition and use by reason of:

- a) the substantial physical dilapidation; deterioration; defective construction, material, and arrangement; or age obsolescence of buildings or improvements, whether residential or non-residential;*
- b) inadequate provision for ventilation, light, proper sanitary facilities, or open spaces as determined by competent appraisers on the basis of examination of the building standards of the municipality;*
- c) inappropriate or mixed uses of land or buildings;*
- d) high density of population and overcrowding;*
- e) defective or inadequate street layout;*
- f) faulty lot layout in relation to size, adequacy, accessibility, or usefulness;*
- g) excessive land coverage;*
- h) unsanitary or unsafe conditions;*
- i) deterioration of site;*
- j) diversity of ownership;*
- k) tax or special assessment delinquency exceeding the fair value of the land;*
- l) defective or unusual conditions of title;*

m) improper subdivision or obsolete platting;

n) the existence of conditions that endanger life or property by fire or other causes; or

o) any combination of the factors listed in the subsection (2).

As discussed earlier, not every parcel in the District is blighted, making it essential to view the District as a whole to achieve the revitalization described in its Urban Renewal and Master Plans. Notwithstanding, the parcels of land proposed for addition to the District have characteristics of blight that conform to Montana code.

Note the following issues present on the three parcels on South Frontage Rd:

- City water services are incomplete. Billings Public Works would need to install a trunk line to provide water for a large portion of these properties (Nos 3 & 4).
- One of the parcels (No.4) contains a former gravel mine. While the former mine owners backfilled the property in accordance with the Montana Department of Environmental Quality standards, the resulting soil is not compact enough to support buildings and roadways. Consequently, a costly procedure known as “geomeshing” would be necessary as part of building and road construction.
- There are abandoned vehicles and concrete rip-rap (No. 3) that would require removal. Additionally, the areas adjacent to the Yellowstone River would require stabilization.
- Property No 2, while not blighted, would provide continuity to Properties 3 & 4 should the City add infrastructure in the form of utility extensions, curb, gutter, sidewalks, trails etc.

Note the following issues present on the property (No.1) on the northeast intersection of Jackson St. and King Ave East:

- There is a concrete ditch running along the subject property that is unsightly and tends to collect trash. The ditch also accumulates water that is a safety hazard to the children that play on or near it.
- The property surrounds a small inholding. The owner is deceased. The current occupant’s residence is dilapidated with junked cars being stored onsite.

Riverfront Park needs infrastructure improvements (e.g., boat ramps, restrooms, picnic tables, shelters etc.).

Taken as a whole, the subject properties would be commonsense additions to the District. Had these properties been within the City limits at the District’s inception, it is

likely they would have been included within the District's original boundaries. These properties already have drawn interest from developers who are attracted by the possibility of receiving tax increment finance assistance to help mitigate development challenges and to install public improvements. Inclusion of Riverfront Park permits the use of tax increment funds to help pay for public amenities such as extending the Billings Trail system.

Section 7 – The Site and Its Relationship to the City

The District is in the south-center region of the City of Billings. Bordered by Interstate I-90, the main railroad line and principal transportation routes, it is an area where economic development opportunities are numerous. In addition, numerous service, commercial, industrial, parks and recreation and housing choices are located within the District.

Section 8- Description of the District Boundary

Parcel No. 1

ADKINS EXPANSION AREA TRACT B-2 ONLY
Legal Description of Property

A tract of land situated in the SW 1/4 of Section 10, T.1S., R.26E, P.M.M., Yellowstone County, Montana, more particularly described as follows:

Tract B-2, of Amended Tract B of Certificate of Survey No. 2367 M, recorded September 27, 2012, under Document No. 3640039, on file and of record in the Records of Yellowstone County.

Said tract of land containing an area of 3.522 acres more or less.

Parcel No. 2

HOGAN EXPANSION AREA

Legal Description of Property

Tract of land situated in the NW1/4 of Section 15, T.1S., R.26E., P.M.M., Yellowstone County, Montana, more particularly described as:
Being Tract 2-A-1 of Amended Tracts 2-A And 2-B, of Amended Tract 2 Certificate of Survey No. 1121, Recorded January 14th, 2008, under Document Number 3451343, on file and of record in the office of the Yellowstone County Clerk & Recorder.

Said tract of land containing an area of 3.673 acres more or less.

[Insert Driscoll/Torgerson description]

Parcel No. 4

COMPTON EXPANSION AREA

Legal Description of Property

Tracts of land situated in the N1/2 of Section 15, T.1S., R.26E., P.M.M., Yellowstone County, Montana, more particularly described as:

Tract 1 of Certificate of Survey Number 1591, Recorded August 20, 1976, under Document No. 1026729, Records of Yellowstone County;

Tract 1 of Certificate of Survey Number 1596, Recorded September 16, 1976, under Document No. 1029099, Records of Yellowstone County.

Said tracts of land containing an area of 16.937 acres more or less.

Parcel No. 5

RIVER FRONT PARK EXPANSION AREA
Legal Description of Property

Tracts of land situated in the SE1/4 of Section 17, N1/2 of Section 20, the SW1/4, the SE1/4 and the NE1/4 of Section 16, the NW1/4 and the SW1/4 Section 15, the NW1/4 and the NE1/4 of Section 20, and the NW1/4 of Section 21, T.1S., R.26E., P.M.M., Yellowstone County, Montana, more particularly described as:

Tracts of land being known as Riverfront Park:

Tract 2 of Certificate of Survey No. 2649, Recorded October 28, 1991, under Document Number 1612662;

Riverfront Park Subdivision, Lots 3, 4 and 5, Block 1, Recorded May 10, 1995, under Document Number 1783132;

Tracts A, B and C of Certificate of Survey No. 1152, Recorded March 16, 1970, under Document Number 858029;

Unplatted land wholly surrounded on the West by said Riverfront Park Subdivision, Lot 3, Block 1, on the South by said Certificate of Survey No. 1152, unplatted land created by accretion from the Yellowstone River, on the East by unplatted land created by accretion from the Yellowstone River, Tract 1 of Certificate of Survey 1150, Recorded February 5, 1970, under Document Number 855794, Tract 3 of Certificate of Survey 1121, Recorded June 18, 1969, under Document Number 843148, on the North by Agri-Center Subdivision, Recorded September 20, 1967, under Document Number 806352, unplatted land being the W1/2NE1/4NW1/4SE1/4 & E1/2NW1/4NW1/4SE1/4 of Section 16, T.1S., R.26E., and a Fraction of Government Lot 3 in T.1S., R.26E., located Southeast of Willowbrook Subdivision, Lot 5, Block 1, Recorded May 30, 2002, under Document Number 3178165, Certificate of Survey 2648, Recorded October 17, 1991, under Document Number 1611718;

Certificate of Survey 2648, Recorded October 17, 1991, under Document Number 1611718;

Agri-Center Subdivision, Park Land, Recorded September 20, 1967, under Document Number 806352;

Tract 3 Certificate of Survey 1121, Recorded June 18, 1969, under Document Number 843148;

Tract 1 Certificate of Survey 1150, Recorded February 5, 1970, under Document Number 855794;

All documents are on file and of record in the office of the Yellowstone County Clerk & Recorder.

Said tracts of land containing 378.075 acres more or less.

Section 9 – Property Developers

Private investment and public-private partnerships through the implementation of the Urban Renewal and Master Plans will help spur new development and revitalization. Improvements in infrastructure will complete and connect City utilities in the area, spur investments in commercial businesses, workforce housing and public recreational facilities.

Section 10 – Conformance to the City’s Growth Policy

The City’s 2016 Growth Policy Statement is as follows:

In the next 20 years, Billings will manage its growth by encouraging development within and adjacent to the existing City limits, but preference will be given to areas where City infrastructure exists or can be extended within a fiscally constrained budget and with consideration given to increased tax revenue from development. The City will prosper with strong neighborhoods with their own unique character that are clean, safe, and provide a choice of housing and transportation options.

The City’s growth policy, in large part, focuses on the notion of return on investment. Given a limited budget, the City seeks to invest in projects and infrastructure that generate a positive return in terms of tax revenue and/or public satisfaction and community pride.

Since its inception, the District has been successful in accomplishing the primary purpose of an urban renewal district: eliminate blight and/or economic development. As detailed above, the City has invested over \$20 million in projects and infrastructure that have resulted in a 35% growth in taxable values. Over the next few years, the District plans to invest an additional \$2 million to complete improvements to its collector streets, \$4 million to improve gravel and unmaintained streets with paving, curb, sidewalks, and lighting and over \$500,000 for parking lots and improvements in Optimist Park. Additionally, the SBURA will seek ways to make the District’s Interstate I-90 gateway more attractive.

The properties identified for inclusion in the District represent a natural growth of the District as prompted by annexation into the City. Their inclusion will attract investment and provide funding for necessary public infrastructure and amenities.

Section 11 – Conformance with Montana Code

Section 7-15-4217, M.C.A. Criteria for approval of urban renewal project. Following the hearing required in 7-15-4214, the local governing body may, by ordinance, approve an urban renewal project if it finds that:

- 1) A workable and feasible plan exists for making available housing for the persons who may be displaced by the project;

There are no housing units in the expansion area, so no displacement plan is necessary.

- 2) The urban renewal plan conforms to the comprehensive plan or parts thereof for the municipality as a whole;

The Urban Renewal Plan for the South Billings Boulevard Urban Renewal Plan as amended for inclusion of the subject properties, conforms to the City of Billings Growth Policy and the SBBURD Master Plan.

- 3) The urban renewal plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the rehabilitation or redevelopment of the urban renewal area by private enterprise.

It is unreasonable to expect the District will be redeveloped or revitalized solely with public support. At present, there are areas containing blight and/or deficient infrastructure that would ordinarily attract private investment. Consequently, it is essential to promote public-private partnerships as means for securing investment capital.

- 4) A sound and adequate financial program exists for the financing of said project.

The District receives approximately \$3.9 million of funding annually of which approximately \$800k is dedicated to debt service. The expected growth in annual tax increment is expected to increase until the District sunsets in 2040.

Section 12 – Tax Increment

As of 2020, the four privately-held properties collectively pay the following property taxes:

Code	District	
	BILLINGS OUTSIDE (Levy District)	\$ 8,878.31
	BILLINGS (Levy District)	9,9892.04
BACF	BLGS ARTERIAL CONST FEE	1,260.00
BLSW	BILLINGS STORM SEWER	1,110.00
BS#2	BLGS STREET MAINT #2	1,545.00
BUFC	BLGS URBAN FIRE SERV-COM	147.80
BUFR	BLGS URBAN FIRE SERV-RES	493.52
CRED	COUNTY REFUSE DISTRICT	40.00

PD01	BILLINGS PARK DISTRICT	190.42
SOIL	SOIL CONSERVATION	<u>12.04</u>
		\$14,003.13

Assuming the City Council approves the inclusion of these properties in the District, the Montana Department of Revenue would set a separate base year calculation for these properties. Consequently, the annual tax increment would essentially consist of the District's current revenues, approximately \$3.6 million, plus the incremental increase attributable to the subject properties.

Hypothetical Increment Example:

1. A developer invests \$1,000,000 in one of the subject properties.
2. Assuming a dollar-for-dollar increase in taxable value, the property will create approximately \$13,000 in annual tax increment.

\$1,000,000 taxable value x 1.89% commercial tax rate	= \$18,900
\$18,900 x 69 mills	= \$13,041

3. The Council could award up to \$247,779 in tax increment assistance and achieve a payback concurrent with the District's 2040 sunset date.

$$\$13,041 \times 19 \text{ years} = \$247,779$$

4. Considering the Council's preferred \$5 private investment for \$1 of tax increment assistance, the payback period in this example would be:

$$\$1,000,000 \times 16.67\% = \$166,700$$

$$\text{Payback period} = \$166,700 / \$13,041 = 12.78 \text{ years}$$

Section 13 – Conclusion

In 2008 the City voted to create the District. The resulting investment capital in the form of tax increment has been invested in infrastructure and other economic development ventures. The increase in the District's tax base is evidence of how tax increment finance districts are supposed to operate.

The proposed expansion of the South Billings Boulevard Urban Renewal District represents a logical extension of the District's current footprint. The City's annexation of the subject properties provides the impetus to expand the District. Given the tax increment funding available for investment, these properties have significant potential for long-term economic and civic development.

Appendix I: Current South Billings Boulevard Urban Renewal District

