

Action Item - A

RE: The Rockman Project

Background:

Honaker Realty & JWT Capital are requesting TIF assistance towards the Rockman Project. Located at the intersection of 2nd Ave N & N 27th St, the site will include the Rockman building (privately owned) as well as the City Hall (changing ownership from publicly owned to privately owned and two parking lots south of the Rockman building (changing ownership from city owned to privately owned). This encompasses 17,500 square feet of commercial land on either side of the Burger Dive property and north of the Grand Building. Phase One of this project would involve acquiring the city-owned lots and combining the North parking lot with the adjacent Rockman building. The current structure would be demolished, and the developer would construct a 6-7 story, 120-140 room branded hotel. Preliminary approval with the hotel requires complete acquisition of the parking lots as well as Park 3 garage. There are significant expenses associated with the public infrastructure of the development; therefore, TIF funding is crucial to help offset the qualified public portions of the construction. Purchase of the City-owned asset is contingent on acquiring approval for TIF assistance.

While it is not a housing project, the hotel will create at least 140 additional “residents” downtown on a 24/7 basis and these guests will likely patronize restaurants, retail stores, museums, entertainment venues, etc. This activity will have immediate positive effect on downtown and its businesses as well as generate 24/7 CPTED elements from the daily “eyes on the streets.” The hotel alone is estimated to add between 60-70 hospitality employment as well as hundreds of construction and design employees. Being a vertical new infill development on a site that is changing ownership from public to private and providing a new hospitality option with added employment, shopping foot traffic, safety enhancement with the density of guests, as well as beautification of these parcels, The Development Committee recommends approval. Below is a breakdown of the DBP’s staff recommendation:



Eligible expenses/categories	Eligibility	Recommended	Percentage of Recommendation
	MCA 7-15-4288		
Demo	\$225,000	\$225,000	100%
Utilities relocation/sitework	\$2,892,984	\$2,892,984	100%
Fire suppression	\$286,939	\$143,470	50%
ADA elevator systems	\$502,020	\$251,010	50%
First floor podium concrete slab	\$931,378	\$465,689	50%
Foundational steel	\$406,185	\$60,000	15%
Plumbing	\$3,184,143	\$461,847	15%
Exterior doors/windows	\$1,404,064	\$200,000	14%
Exterior masonry	\$919,774	\$100,000	11%
HVAC	\$1,704,701	\$200,000	12%
Remainder of project	\$29,614,718	\$0	0%
Total	\$42,071,906	\$5,000,000	12%

Current assessed value (5 properties)	\$12,248.15
Estimated increase in taxable value (80% of project cost)	\$33,657,525
Commercial tax rate (1.89%)	\$636,127
Annual tax increment (699 mills)	\$444,653
ROI	11 years

Proposal:

If recommended/approved, reimbursement is available starting in the fiscal year following the fiscal year in which the improvements are completed. Reimbursements will be in \$1,000,000 disbursements over the course of five consecutive years starting tentatively in FY27).

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 business days after receiving approval from City Council.
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 (s).

DBP board of directors may recommend, modify and recommend, or not recommend this proposal.

Motion to recommend: I make a motion to concur with the Committee's recommendation to grant no more than \$5,000,000 to Honaker Realty LLC & JWT Capital LLC. so long conditions above are met.

Motion not to recommend: I make a motion not to approve because/due to...

Motion to Modify: I make a substitute motion to...

