

City Council Regular

Date: 09/25/2023
Title: Sale of Park 1 Ground Retail Space
Presented by: John Caterino, Facilities Manager
Department: City Hall Administration
Presentation: No
Legal Review: Yes
Project Number: N/A

RECOMMENDATION

City Council Operations Committee recommends that Council reject all proposals that were submitted as part of the RFP process to sell the ground level retail space of Park 1.

BACKGROUND (Consistency with Adopted Plans and Policies, if applicable)

On 12/07/2022 City of Billings signed a contract with NAI Business Properties with Matt Robertson acting as supervising broker for this transaction.

Legal ads were placed in *Yellowstone County News* on 11/04/2022 and 11/11/2022. Property owners within 300' of subject Property were mailed notification of the potential sale, disposal, or lease on 11/04/2022. The approval of the resolution is the first step in the process to make Properties available if City Council approves.

On 11/14/2022 a public hearing was held, and City Council approved resolution 22-11083 authorizing City staff to advertise the sale and disposal of Park 1 ground retail space on 3rd Ave N. Park 1 is also described as BILLINGS ORIGINAL TOWNSITE, S03, T01 S, R26 E, BLOCK 56, LOT 7 - 17, LTS 7-17 & 200 X 100' VAC ALLEY ADJ TO LTS 9-16 BLK 56 BILLINGS ORIGINAL TOWN (I-140,I-684,I-649,I-78B,I-650 & I-651) in the City of Billings, Yellowstone County, Montana, according to the official plat on file in the office of the Clerk and Recorder of said County.

Administration Department advertised a Request for Proposal (RFP) for the subject Property on 04/14/2023 and 04/21/2023 in *Yellowstone County News* and on the City's website. Additionally, the RFP was broadcast nationally by NAI.

Two (2) proposals were submitted by 06/16/2023.

On 06/28/2023 the City Council Operations Committee recommended Staff and NAI to negotiate with Journey Willow Cottage LLC to achieve the best agreeable sale price for the City for subject Property. The sale price was negotiated from the original submittal price of \$700,000.00 to \$750,000.00.

City Staff recommended moving forward with the offer from Journey Willow Cottage LLC, to purchase subject Property due to a number of reasons:

- Quality of proposal
- Experience of proposer
- Financial capacity to complete transaction with pre-qualification letter from lender
- Proposed development and use of spaces
- Proposed development schedule
- Increased tax base and economic growth to Central Business District
- Total price competitiveness as Journey Willow Cottage offered the highest price for the subject Property
- Crime reduction to the surrounding area

Building area to be sold is 16,503 square feet and currently there are six demised suites, four are occupied on a month-to-month basis (Volunteers of America, Crime Prevention Center, Budget Instant Print, and Yellowstone County Self Help Law Center), and two are vacant. The City of Billings Parking Division manages all hard and soft services for the Property and there is a net-negative operating income.

In the proposal submitted by Journey Willow Cottage LLC they have outlined their desire to develop the subject Property into a multi-use space with a diversity of tenants, such as restaurants and retailers. They have previous experience with rehabilitation of rental property throughout the midtown area and are committed to bringing that same approach to the subject Property. At the time of proposal and negotiations, Journey Willow Cottage LLC did not request any TIF funds.

On 09/14/2023 City Staff and NAI met with Council Operations Committee to discuss the sale of Park 1 ground level retail space to Journey Willow Cottage LLC. The Committee believes that the negotiated sale price is below market value and that a higher sale price could be obtained by relisting the Property. City Staff is working on bringing a new ordinance to amend existing Billings Montana City Code article 22-900 for the sale, exchange, or donation of city real property in January 2024, to Council for approval. This will streamline the sale of Property and allow Staff to forego the RFP process which inherently comes with more obstructions that submitters must negotiate.

ALTERNATIVES

City Council may:

- Reject all proposals; or,
- Approve to enter into a Purchase and Sale Agreement with Journey Willow Cottage LLC for \$750,000.00, and reject DBP proposal

Approval would begin the due diligence period for the Buyer. The PSA includes a Development Agreement and a Council contingency that must be approved by City Council prior to close of sale.

FISCAL EFFECTS

The following offers were received:

Submitter	Price
Journey Willow Cottage, LLC	\$700,000.00
Downtown Billings Partnership*	\$2.00

*Note that the DBP proposal was only for purchase of two Suites.

After negotiations with Journey Willow Cottage the agreed upon sale price is \$750,000.00.

Currently, subject Property is a net negative operating income for the City and sale of this Property for \$750,000.00 will be used to offset construction costs at New City Hall.

Costs to City associated with sale of subject Property will include closing, condo'ing, and broker fees. Total costs for these services are estimated to be about \$50,000.00. Additionally, the Crime Prevention Center does not pay rent which is an estimated value of about \$40,000 per year.

Assuming sale of subject Property and CPC occupying their Suite until construction completion of new City Hall in September 2024, coupled with broker fees the net sale price to City is estimated to be \$670,000.00.

Attachments

Resolution 22-11083
Journey Willow Cottage Submission
DBP Submission