

City Council Work Session

Date: 07/21/2025
Title: Urban Renewal District Legislative and Operational Modifications
Presented by: Wyeth Friday
Department: Planning & Community Services
Presentation: Yes
Legal Review: Yes
Project Number: N/A

RECOMMENDATION

City Administration, PCSD, Finance and Legal staff recommend the City Council hear the presentation, consider the solutions provided to address the new state legal requirements and operational changes, and hear from representatives of the three District advisory entities. Based on feedback and direction from the Council at this Work Session, staff will prepare appropriate action item(s) for a future business meeting.

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

At the June 23 City Council meeting when it adopted the FY26 preliminary budget, City staff presented information to the Council about the need for compliance with Legislation (Senate Bill 3 (SB 3)) that passed the 2025 State Legislature regarding advisory boards for urban renewal districts. Council on June 23 also approved extensions of all of the MOUs with the three District advisory entities until October 1, 2025 with the expectation that changes would be made to meet the new state law by that date. October 1 is the date the new state law takes effect.

Legal Compliance

The legal requirements of SB 3 are black and white, and are not driving the operational and budgetary questions that are also part of this discussion. The City Attorney has advised staff that the City must comply with state law (SB 3) and BMCC 2-500, but exactly how the Council approaches this change and what needs to be considered to do it, are solutions City staff have provided in this memo.

SB 3 requires that the Mayor and Council "shall appoint an advisory committee to advise the local government about the administration of the urban renewal area or targeted economic development district. The committee must include at least one representative from each incorporated city or town, county, or school district with boundaries that overlap with the urban renewal area or targeted economic development district. The committee may include representatives of other taxing bodies with boundaries that overlap with the urban renewal area or targeted economic development district" (SB 3).

When creating this advisory committee, the City must also comply with the requirements of BMCC 2-500 Boards, Commissions and Committees. This city code section outlines how these advisory boards, commissions and committees operate. Some highlights of 2-500 applicable to entities like Urban Renewal Advisory Boards include:

- Sec. 2-506 -- each permanent advisory board shall have a designated staff liaison appointed by the city administrator.
- Sec. 2-507 -- all boards shall comply with this article and specific meeting processes, rules and procedures.
- Sec. 2-509 -- the Mayor and City Council have the authority to direct, supervise, and oversee the activities of any board.

Board Recommendation

Staff recommends the Mayor and Council specify the membership of the three advisory boards in a very similar fashion to the current board composition as follows:

- *East Billings Urban Renewal District (EBURD) Advisory Board* - 7 members: 1 County representative, 1 SD#2 representative, 1 City representative, and 4 individuals who represent business and/or property interests within the district boundary.
- *South Billings Boulevard Urban Renewal District (SBBURD) Advisory Board* - 9 members: 1 County representative, 1 SD#2 representative, 1 Elysian SD Representative, 1 City representative, and 5 individuals who represent business and/or property interests within the district boundary.
- *27th Street Urban Renewal District Advisory Board (Downtown District)* - 7 members: 1 County representative, 1 SD#2 representative, 1 City representative, and 4 individuals who represent business and/or property

interests within the district boundary. In consideration, the new board's make-up may also take advantage of the fact that the downtown has several other boards that you could tap into by using 1 District business owner (DBA Board Member?), 1 District property owner (BID Board Member?), 1 District business/organization representative (Downtown Billings Alliance Exec. Director?), 1 District resident.

Mayor and Council may establish the qualifications and the makeup of these three advisory boards as recommended above by resolution in accordance with BMCC 2-500 or by amending BMCC 2-500. We have also briefly discussed having one advisory committee rather than three separate committees. We will be prepared to discuss this further on Monday, including whether it would be in compliance with state statutes.

Solutions for Operations Compliance

Staff have discussed extensively the operational side of management of the three Districts and developed two solutions for complying with SB 3 and making associated operational adjustments to accommodate the change. Goals of any changes should consider:

- The solution should identify the approach that best carries out the implementation of the Urban Renewal Plans for each District
- The solution should best manage the TIF application and program review and approval processes
- The solution should be as efficient as possible with the funding allocated for operations of all three Districts. Staff has experienced inefficiencies in the oversight, administration and support of the three districts, especially in the SBBURD and EBURD. This partly is due to the difference with the Downtown where there are several long-standing organizations that have pooled and coordinated their efforts to provide the most impact on the redevelopment, safety and sustainability of Downtown Billings. However, any solution should determine what, if anything, is lacking in the current operations, and what change could support better implementation of urban renewal activities.

With these goals in mind, staff has provided two solutions to consider:

#1 - Hybrid District Management Solution -- Comply with new state law and follow BMCC 2-500 with a TIF Coordinator position in the City (staff liaison) (See Paragraph #1 under Other Considerations below), and through new agreements, Council could delegate authority to another entity to manage the advisory boards for each or all Districts. The City could contract with the entities to come to mutually agreeable terms/conditions. In this scenario, Mayor and Council would appoint board members with proper representation as mentioned above and according to the requirements of state law and city code. New agreements would have to be negotiated to allow each entity to run board meetings in compliance with state law and city code and perform other operations and processes similar to today. District budgets would be modified for city staff oversight to accommodate a dedicated TIF Coordinator (See Paragraph #1 under Other Considerations below).

Under this scenario, for example, the entity managing the EBURD Advisory Board would solicit TIF applications, provide them to the advisory board for review and recommendation to Council, manage the board functions, oversee the proper legal notifications and meeting conduct for the boards, work on business recruitment and outreach for the district and report those activities to the advisory board, City staff, and City Council on a regular basis. This scenario does have efficiency and oversight challenges that exist today, as the City's TIF Coordinator would still need to ensure the entities were running the processes per the contracts, the TIF applications and recommendations, and any program ideas, met the applicable Urban Renewal Plan, City TIF Policy, state law, and any other local regulations that apply - all tasks PCSD, Finance, and Legal are involved in today.

#2 - City-Supported Districts and Advisory Boards with Separate Economic Development Support -- Upon expiration of all three MOUs, comply with new state law and follow BMCC 2-500 with a TIF Coordinator position in the City and most operations for District support are City-managed. Budgets would be modified to redirect funds for the TIF Coordinator and Finance and Legal oversight, and some funds might be returned to the Districts for projects and programs. Under this solution, staff recommends the Mayor and Council consider if the economic development activities for the SBBURD and EBURD, like business retention and recruitment, business development, outreach, etc. be managed by an entity with the capacity to address activities not covered by the City TIF Coordinator. The Downtown District has a robust network of organizations carrying out this work now to provide the most impact on the redevelopment, safety and sustainability of Downtown Billings.

Operational approach:

- One FTE housed in PCSD
- Full support of Districts and Council Appointed URD Advisory Boards
- Boards would meet at City Hall, use City web platform, use City Legal Notice tools, use City Finance staff, etc.
- Manage intake, review, and processing of TIF applications

- Work with City Departments on TIF supported Infrastructure and Programs (Administration, Finance, Public Works, Planning, Parks, Community Development, City Grant Manager Position)
- Present TIF applications to City Council
- Provide information on URDs to community members, businesses, and organizations as needed
- Assist Finance in development of annual URD Budgets
- Work with City Council on TIF Policy updates and changes to process as applicable
- Work with City Council on any District expansions, considerations of new URDs, etc.
- Pursue grants and outside funding sources for projects, P3s, etc.
- Maintain URD information on City website

Economic Development Activities:

As noted above, the City should consider contracting with an outside entity that has the capacity and experience to handle business retention, recruitment, development and program management in the SBBURD and EBBURD, or all three Districts. A city employee is not well suited to lead the economic development activities within any of the districts. Therefore, this could continue with three independent efforts (one for each district) or any combination of two or all three districts consolidating their economic development efforts.

Other Considerations:

1. A given in both solutions, and something that continues to be an efficiency issue today, is that while BMCC 2-500 requires a staff liaison for the boards, there are already staff liaison(s) at the Director level now (PCSD Director, Finance Director and sometimes City Attorney) for all 3 Districts. So, there is an inherent overlap of work that always includes the City staff, as all the work of supporting the districts and managing applications can't ever be totally passed to the District entities under the advisory board/entity model. That operational challenge has always existed and has been difficult off and on throughout the years of managing the Districts. City staff are recommending funding be allocated to have a staff person (TIF Coordinator) manage much of what the PCSD Director does now and coordinate with Finance and Legal no matter what solution is chosen by Council. This will include consideration of the current allocation to PCSD to fund the Director position and resources for support of the three Districts as is identified in the FY26 Budget (See Fiscal Impact section), but will be focused to fully fund a position and some PCSD oversight. This would also be an efficiency improvement as it makes more sense for the PCSD Director to oversee these tasks and have a separate staff member focused on the Districts and only require Legal and Finance participation as applicable.

2. Also, as part of the solutions drafting, staff have provided the operational information for each District and the Urban Renewal Plans for each District (see attached). The idea is to show what added value, or deliverables, or economic development activity might be outside the "standard" operations of TIF. Standard operations include city infrastructure and private application solicitation, submittal, review, drafting and presentation and processing for Advisory Board and City Council actions, etc. This is discussed above in relation to the coordinated approach Downtown uses with its multiple organizations to achieve a broad support of revitalization, safety and business support in the Downtown.

Much of what the operational costs demonstrate is that if the advisory boards and a City TIF Coordinator operated within the City organization, many of the operational costs incurred would be reduced and combined for a lesser overall cost. For example, having three entities utilize UR funding to pay for office space, meeting space, website maintenance, and accounting services, is redundant when the City has office space, meeting spaces, a web platform, and financial services. Again, this is organized in Downtown in a non-siloed approach where multiple organizations share resources and so any savings would need to be balanced against the existing savings the organizations achieve by operating together now.

Next Steps

Council direction on what information it would like further details on, or what solution it would like to pursue to meet state law and adjust operations will provide staff an approach to coordinate with the existing District entities and begin the process to bring back corresponding action items for Council to enact the changes formally. Staff will work to move this ahead steadily to meet the October 1 deadline as closely as possible. The process of Council adopting a resolution or amending City code to determine the advisory board membership, preparing advertising for candidate applications through the City Administrative staff and coordinating those applications for Mayor review and Council action is expected to be time consuming. Other elements of the operations as far as any new or revised contracts or MOUs, City TIF Coordinator hiring, budget amendments, and any other actions can be accomplished along with the advisory board work, but do not all have to be enacted on October 1.

STAKEHOLDERS

The City, the three URD entities currently advising on urban renewal activities and implementation of urban renewal

plans, and the Billings community are all stakeholders in this process. The City must comply with the oversight of the three District advisory boards as required by SB 3, while also ensuring efficient and successful operations of its three urban renewal districts.

ALTERNATIVES

This is a Work Session, so Council alternatives include discussing the information provided, asking questions, and providing direction to staff for next steps.

FISCAL EFFECTS

The FY26 Urban Renewal District (URD) budgets, per the preliminary adoption by Council at its June 23, 2025, meeting, will continue to be implemented until the Council provides direction and budget amendments are developed per the solutions described in this memo.

Currently, the City utilizes URD TIF funds annually for support and operations of the three Districts as follows:

-Downtown District - allocated to the DBA - \$326,105; PCSD Support is \$36,481; Finance & Administration Department support is \$66,632

-SBURA - Allocated to the SBURA - \$160,000; PCSD Support 36,481; Finance & Administration Department support is \$76,518

-EBURD - Allocated to BIRDworks - \$179,750; PCSD support is \$36,481; Finance & Administration Department support is \$46,347

-Total DBA, SBURA and BIRDworks support is \$665,855

-Total City staff support is \$189,497. City staff oversight in PCSD of a TIF Coordinator and Finance for the City's fiscal responsibilities would continue under any solution but may be modified based on the TIF Coordinator position responsibilities.

Attachments

SB 3

BMCC 2-500 Boards, Commissions and Committees

SBURA Operations Budget

SBBURD UR Plan

BIRD Operations Budget

EBURD UR Plan

Downtown Operating Budget

Downtown Operating Budget Detail

Downtown UR Plan