

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

June 16, 2016

FINAL MINUTES

A **Regular** meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on June 16, 2016 at the MRA Conference Room, 140 West Pine, Missoula, MT 59802 at 12:00 pm. Those in attendance were as follows:

Board: Melanie Brock, Karl Englund, Daniel Kemmis, Nancy Moe, Ruth Reineking.

Staff: Chris Behan, Tod Gass, Jil Dunn, Dee Andersen, Annette Marchesseault.

Public: Mayor John Engen; Martin Kidston, Missoula Current; Rod Austin, Missoula Parking Commission Director; Dave Erickson, Missoulia; Leah Johnson, Wendy's; Martha Newell, Garden City Harvest; Jean Zosel, Garden City Harvest; Jessica Holden, Forefront Design; Pat Corrick, Farran Group.

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

April 20, 2016 Regular Meeting approved as submitted

May 11, 2016 Regular Minutes approved as amended

May 24, 2016 Special Board Meeting approved as submitted

PUBLIC COMMENTS & ANNOUNCEMENTS

ACTION ITEMS

1. Call to order
2. Introductions
3. Public Comments and Announcements:

Moe said she read the Board minutes from May 11, 2016 and found the discussion regarding the MRA Relocation Policy very interesting. She asked what the status was of the residents along the block of Main Street adjacent to the Public Library, and if they are in month-to-month leases. Behan said he has heard that about 90% of the folks who live in that area are renters and the property is owned by one family. Moe said when this project comes to MRA for discussion, she would like more detailed information on how this would affect the cost of relocation.

Behan said the Burlington Sidewalk Project is coming to an end. It spanned 2 years, and was very complex. There were dozens of individual land owners with their own specific issues. The project came in very close to budget. He said he would like to acknowledge Tod Gass for all the work he did on that project keeping it on time and on budget.

4. Action Items:

City Housing Initiative – (Engen)

Mayor Engen said for the last decade he has placed a lot of emphasis on housing in Missoula but has done little to bring a policy or program forward. Up to this point, the City has largely relied on its non-profit partners to address housing needs in our community and they have done so with small individual housing complexes comprised of between 10-30 units. Engen said Missoula needs a policy on housing and feels that the best approach is to have a team dedicated to creating that policy and executing it. Engen said Eran Fowler-Pehan, the current Director of the Poverello Center, is the perfect person for a newly created position of Housing Director for the City of Missoula. Engen said Fowler-Pehan is a licensed clinical social worker, and “a bit of a miracle worker”. Building a new Poverello Center was a controversial and complex project. It required a complicated funding package, and many community partners working together. Engen said Fowler-Pehan has trained herself on how public investment in housing operates and what models work. Now that the Poverello Center is completed and financially stable, Fowler-Pehan is comfortable taking on new challenges.

Engen said the Housing Director position will fall under the supervision and guidance of MRA Director Ellen Buchanan. Buchanan will maintain her position and duties as MRA Director, and will also serve as the Deputy CAO of Housing. He said Buchanan is in a great position to be a mentor and leader, and she is very interested in housing policy. Engen said Buchanan’s pay increase and Fowler-Pehan’s salary will come from reallocated funds from the existing grant program. Fowler-Pehan will start in mid-July, and her first order of business will be to establish the Housing office and help bring the Brownfields and Community Development Block Grant (CDBG) programs back into municipal operation. Moving forward Engen said Fowler-Pehan would take responsibility for the Program to End Homelessness, and draft a housing policy that will address our need for housing in Missoula and ways to meet that need. Engen said he just needs to find a location for her office and is currently working on that.

Englund asked what division of time Engen anticipates Buchanan splitting between MRA and the Housing Department. Engen said Buchanan will need to devote more time to the Housing Department initially. He said there would be more discussions with Buchanan to work out a plan that the MRA Board is comfortable with. Moe asked Engen about the staff’s time, and if the MRA staff would be supporting the Housing Director. Engen said it would be more conversational and project related, than dependent. He said eventually the Housing Office would have its own staff and that will be determined at a later date. Moe asked if the Housing Director would be submitting grant applications or is this just to be an administrative position. Engen said the Housing Director position is a leadership and policy position, with some management. Grant writing could be a possibility in the future to capture additional funding, but the

grants Fowler-Pehan will bring back over from the County are entitlement grants and pass directly from Housing and Urban Development (HUD) to the City of Missoula. Engen said the City receives roughly \$1 million a year between both programs and currently contracts with the County for those services.

Discussion ensued.

Kemmis said he has some concerns regarding how this would affect accountability between the Housing Director and the Mayor's Office, and the MRA Board. He said the organization chart as presented, raises questions as to who is in charge of hiring and evaluating the Housing Director. Kemmis said in the interest of moving forward, would it be possible to bring Fowler-Pehan on board under the Mayor's Office initially, giving the MRA Board time to consider any items of concern.

Engen said absolutely, he thinks this model is very attractive, but it doesn't need to start here. He said the Board could consider alternatives to this organizational structure as well. He discussed implementing a check and balance system and memorializing it for the future. Englund said for the protection of all parties involved, and to ensure the Board that MRA revenue is being used for purposes that the state statute requires, MRA would need to have a policy in place. Englund said it makes sense to do this before mid-July, but due to scheduling, he said he didn't think the Board would be able to accomplish it that soon. Engen said that would be fine.

England said with all of the major projects MRA has going on he wanted to hear the Staff's input. Behan said he has spoken to Buchanan about how Staff could make this happen. He said there is no model set yet, but they have discussed working better internally and working on the projects in teams.

Kemmis asked if this new position will be added to the FY17 budget. Engen said yes. The City has budgeted between \$150,000-160,000 toward grants administration, and the grants themselves provide about \$150,000 in administrative revenue so in total there will be \$300,000 to work with.

Reineking asked if the MRA Board of Directors' would have any direct involvement with the Housing Director other than Buchanan would be working on both MRA projects and Housing projects. Englund said not unless a housing project became an MRA project.

Englund stated for the record that the Board will continue these discussions, and the Mayor will memorialize an agreement. When the agreement is completed the action will take place. All Agreed. Engen said he will have the City CAO, Dale Bickell, and Buchanan begin working out the details. He said he is very excited about this new initiative.

Garden City Harvest - 1657 River Road (URD II) –TIF Request (*Behan*)

Behan said for several years Garden City Harvest (GCH) has been working to purchase land adjacent to its River Road location to expand operations and build a facility that can accommodate their rapidly growing programs and staff. He said they currently run

their operations out of an 800 sq. ft. building on Hickory Street that was relocated there from somewhere else. *The River Road Farmstead Redevelopment Project* plans to demolish an existing structure on River Road and construct three new buildings including a multi-use barn, large office space, and a storage shed. Curb, gutter and sidewalks will be installed along River Road. Behan said in total it will be a \$2.4 million project. Garden City Harvest is requesting TIF assistance in the amount of \$53,000.

GCH Executive Director Jean Zosel said she was very excited about their project, and appreciated the Board's support. Brock asked about the timeline. Zosel said first they have to have asbestos and lead abated from the structures, then proceed with the deconstruction. The ground-breaking will take place in August.

Reineking said she would recuse herself from the voting.

Kemmis stated that Garden City Harvest is a real Missoula success story.

KEMMIS: I MOVE THE MRA BOARD APPROVE TIF ASSISTANCE FOR GARDEN CITY HARVEST'S RIVER ROAD FARMSTEAD REDEVELOPMENT PROJECT IN THE AMOUNT UP TO \$53,000 FOR THE PURPOSES OF DECONSTRUCTION OF A FORMER RESIDENTIAL STRUCTURE AND GARAGE, AND CONSTRUCTION OF SIDEWALK, CURB, GUTTER AND RELATED WORK IN THE RIVER ROAD PUBLIC RIGHT-OF-WAY SUBJECT TO MRA'S TRADITIONAL CONDITIONS. STAFF FURTHER RECOMMENDS THAT THE BOARD CONDITION THE APPROVAL ON GARDEN CITY HARVEST'S SUBMITTAL OF EVIDENCE OF GRANTS, LOANS, AND IN-KIND DONATIONS TO FULLY FINANCE THE PROJECT.

Moe seconded the motion. No public comment. No further discussion.

Motion passed unanimously. (5 ayes, 0 nay)

Front Street Housing - 301 E. Front Street (Front Street URD) – Policy Direction
(Behan)

Behan said as staff has worked through this project with the Developers, the estimated construction costs have increased by millions just since March. He said parking is the big challenge and obstacle. In the Front Street Urban Renewal Plan, it identifies the lack of parking as the main reason for the absence of private investment in that area. He said in considering the Front Street Housing Project, he would like the Board's direction on whether parking should be a top priority in the district, in terms of the ability to incentivize, and become a mechanism for substantial investment in the District. Behan said he would also like the Board's direction on whether to use all, or most of the incremental taxes derived from a project, to the project itself, or to assist the District with other projects.

Englund asked for a cost breakdown on the \$4 million TIF request. Behan said \$250,000 is deconstruction, \$325,000 is right-of-way landscaping/sidewalk, \$35,000 for utility work and the remaining \$3.2 million is for parking, which is roughly the cost of 50% of the parking being built. Englund asked if it would be private parking. Behan said

no, the portion paid for with Tax Increment Financing (TIF) would be public parking and managed by Missoula Parking Commission (MPC). Corrick said there will be two decks of parking. The top deck off of Front Street, will be owned by the City of Missoula and leased to the developers, then leased back to, and managed by, MPC. The lower deck would be privately owned by the developers and may be managed by MPC too.

Brock said she wants to discuss the conversion of Front and Main. She said this project can't be put off much longer. It's dangerous in its current configuration and will become more dangerous as traffic increases due to the construction on Front Street. Behan said the conversion study has been done and the conceptual design is finished. How the conversion will be funded, and if there will be any State funding available is something that needs continued work.

Discussion ensued.

Brock asked if managing a private development parking lot is something that MPC is interested in doing. Austin said MPC is already doing that downtown. He said in the Front Street District, he thinks there are other areas that may be developed with TIF funds and could become the catalyst for the Front & Main Street conversion.

Moe said she is not hearing anything about creating any new parking spaces that are not already dedicated to this student housing complex or the Library.

Austin said there are ways to utilize the parking that is developed in a new and efficient manner, such as sharing those same spaces for different uses throughout the day and week. Englund asked the 150 parking spaces out of 300 created for this housing complex would be used for purposes other than for the 400 residents that are living above the parking deck. Moe asked why the lot was being be leased back to the owners. Behan explained that is the mechanism that makes it taxable for State property tax. The 150 public parking spaces must be managed as public parking; first come first serve, leased or short term.

Moe asked if the Park Place structure could be expanded by adding another floor of parking. Austin said he was not sure if that was possible. Behan said that structure would have to be taken out of service for two years to add another floor of parking so it was not designed to be expanded

Kemmis asked what the preliminary plans are for additional parking for the Library. Behan said he had not seen anything yet. Austin said he plans to reach out and start a conversation with the Library Board. He said they have opportunity to add more parking than they have now and maybe even some underneath the new Library building.

Moe asked where the lease revenue goes from parking at the student housing lot. Behan said that income would go to MPC for managing the lot.

Englund asked if the increment from the building covered the entire \$4 million dollar bond. Behan said he used \$4 million as a rough figure, as Staff needs to determine the capacity.

Englund questioned, if it's costing more than the bond to build the parking, how would that work? Corrick said if we start with 150 parking spaces and the bond capacity is only good for 125 spaces then the Parking Commission have 125 spaces.

Englund asked about the cost per parking space. Corrick said it's in the \$22,000-\$24,000 per space range which is consistent with Park Place. Corrick said construction costs in general have increased 18% to 20% in the last 18 months. The whole northwest is building and Montana is especially busy.

Kemmis said at the start of the discussion Behan had asked for some guidance on a few related issues. The first item was parking and the question was, if MRA is going to invest TIF dollars in parking, does the Board want to see an improvement in the overall availability of parking exclusive of the needs of the project itself. Kemmis said yes, as a Board member he would expect to see an overall improvement, but he was not sure how MPC would keep the tenants in that building from absorbing all the parking spaces. He said the Board needs to know what the Library's plans are for parking.

Moe said on page three, paragraph two, under alternate uses for money it would be helpful to have a dollar figure on those items and a timeline, or a best guess. If staff anticipated projects coming in over a period of time and could conservatively estimate more increment coming into the District, maybe some of the smaller projects could be handled out of increment that is not attributed to this project.

Englund said we know what the parking requirements are for the Student Housing Complex. He asked how many of the 488 residents would have cars. Corrick said about 75%. In regards to parking management, he said the complex will have a couple of shared cars available for residents to use for errands. U of M is encouraging new students not to bring vehicles to campus. They can walk to downtown, bike or take the bus for free, and use the shared cars for errands. Moe said that leaves 366 residents that will need parking. Corrick agreed and said the complex is under parked. He said they can't construct more parking as they are already struggling with the cost of development. Austin said one good thing is that the day it opens the garage will be completely full. He also suggested pricing the leased spots so that it discourages students from bringing vehicles.

Kemmis said he would like to get back to Behan's question regarding the use of TIF on one project within a District. Reineking said she is hesitant in putting all TIF funds into parking, because there are other uses for it. Kemmis asked whether the Board makes policy expecting that investment in this project would produce more increment than can be devoted to itself. The theory of TIF is that there is something additional to invest in the District. When looking at the impact of traffic on Front Street he can't imagine support for this project unless there are some additional resources to address Front and Main.

Behan read Dunn's budget analysis of the Front Street District.

Englund said it's very tight. He said in the past, MRA has approved projects where it looked like all the increment was going toward the bond. Behan agreed.

Moe referred to the Front Street URD status report. She asked about the contingency fund and if that would remain in the district. Behan said yes. Part of the analysis needed now is how taxes will increase over time.

Reineking said she feels it would be better if not all of increment went to paying the debt. She hopes that there would be other income streams for achieving these goals and eliminating blight in the district.

Kemmis listed several items that would help the Board evaluate a TIF request from the Student Housing developer:

- What are the identifiable externalities that come from the project – both positive and negative? Example of negative would be increased traffic on Front and Main.
- The student housing project's overall impact on parking market in District and Downtown.
- What is the expected impact of the hotel and other potential projects on parking? Any professional analysis?
- Provide a picture of overall parking situation and how it is ameliorated by this project. What professional opinions back up the analysis?
- What are the library's plans for parking?
- How does the HomeBase project impact parking in the area?
- What is the dollar figure and timeline for other developments (both private and public) and projects in the area and how do they impact parking. What is the potential for usable TIF growth from those projects?
- How does the Growth Policy link density and urban activity with parking?
- Provide an analysis of TIF from the project over time (assumes taxes generally increase).
- Provide arguments why MRA should apply all of the increment to the project. Such arguments should relate to public benefit. For example: new

redevelopment potential, increased public resource, how the District as a whole benefits from the project and activity, impact on UM enrollment (?), etc.

- Present a TIF needs assessment for the project. What happens if TIF isn't given or is approved in a lesser amount than requested?

Additional discussion ensued.

Englund said as stated above the Board needs more information before a policy decision can be made. He said no action would be taken today. Behan agreed to do more research on the issues raised by the Board and revisit the issue at the next meeting.

Wendy's - 3011 Brooks Street (URD III) – TIF Request (Gass)

Gass said MRA received an application for Façade Improvement Program (FIP) assistance from Wentana, LLC, who owns Wendy's restaurant at 3011 Brooks Street in URD III. Wentana is headquartered in Billings, and operates 17 Wendy's restaurants with 14 of them located in Montana. Wentana would like to update their Brooks Street location with a new look to help them remain relevant, and match the continued growth and expansion that is happening along the Brooks Street corridor. Gass said within the Wendy's corporate system there are a variety of design upgrade schemes available. Wentana was planning to move forward with the standard upgrade remodel design. However, with MRA assistance, Wentana would have the budget for the Ultra-Modern Flagship Design. A complete rendering is attached to the staff memo. Gass said Wentana will finance the remodel with company cash flow. By applying FIP assistance to the façade on the existing walls, Wentana will expand the front of the building out 10 feet with floor-to-ceiling windows. This addition will add approximately 300 square feet to the building footprint and increase seating capacity by 20 seats. (The cost of the addition is not part of the FIP request.) Gass said the glass-front addition will increase the natural light entering the interior space reducing the need for artificial lighting, and combined with LED lighting upgrades on the building exterior, will reduce energy consumption. The total project cost is \$269,500 the applicant is requesting \$50,000 in FIP assistance and landscaping to be approved at a later date.

Leah Johnson, Director of Operations for Wentana, LLC, thanked the MRA Board for their consideration and said she was looking forward to this project.

Reineking asked what the difference in cost is between the standard and ultra-modern design. Johnson said the FIP grant allows them to add the floor to ceiling glass exterior and that is about \$58,000.

Reineking asked if there was any increase in property taxes generated. Gass said it was minimal; under a \$1,000.

Gass said he looked at Wendy's buildings across the country. He said Wentana has been really great on modifying some design features. He discussed the "blade feature"

and the placement of the Wendy's logo. Johnson said they are in compliance with the City of Missoula sign ordinance.

Discussion ensued.

Englund asked about reduced energy costs by using LED lighting. Gass said it will take 40% less energy to light the building.

Kemmis asked what features come with the ultra-modern design.

Johnson said the typical package includes the red blade and white Exterior Insulated Finishing System (EIFS). This is how they are now branding Wendy's. It is actually an earlier version of the building design that Wendy's is going back to.

Gass said he backed out the cost of the EIFS from the request as that is not an eligible material.

Englund said he appreciates Johnson's efforts to work with MRA and modernize their building, but he has two concerns. The first is when the FIP lists materials that are not eligible, yet they still wind up on the façade. He said it makes more sense if a material being used as a prominent feature on a façade is not eligible under the FIP criteria, it should be removed or replaced with a material that is eligible. The other concern is, he is having a hard time seeing the \$50,000 public benefit between the Standard and Ultra-modern design. Reineking said she agreed with Englund regarding ineligible materials. She asked if there were options for different materials.

Gass said he would check with Wentana and see what they can come up with. Johnson said they can go with the Standard Design if it's not cost effective to do the Ultra-modern design. We have not priced those materials. Brock asked about the recent fast food restaurant remodels MRA was involved with and if materials that were used were congruent with the FIP. Gass said Brock makes a good point. This is the first time he has come across a project proposing to use ineligible materials. He thought the solution would be to back it out of the request.

Kemmis said he agreed with Englund's analysis and for acknowledging the good work on Wentana's part to see whether this program can make their project more attractive. He said he thinks it is more attractive than the Standard design option, however, like Englund, he is not sure the public benefit is worth \$50,000.

Gass said if Wendy's were to remodel and then vacate, what was left would be a really nice retail building.

Englund asked for a motion

Reineking asked if the Board voted against the application today could the applicant reapply with different materials. Englund said the applicant can reapply. MRA has no rules against that. Gass asked Johnson if it would work within her timeline to bring this

back to the Board next month. Johnson said it was possible, but they also have to work with the City and she is not sure how long that might take.

REINEKING: I MOVE THE STAFF RECOMMENDATION.

[Staff Recommends the MRA Board move to approve a Façade Improvement Program grant to Wentana, LLC in an amount not to exceed \$50,000 for the Brooks Street Wendy's renovation project, with the condition that Wentana provide a landscape plan to the MRA staff for approval, and the understanding that the final amount of the FIP grant will be based on the amounts of paid contractor invoices and lien waivers submitted by the applicant, and authorize the MRA Board Chairman to sign the FIP Participation Agreement.]

Brock seconded. No public comment. Moe stated she would not support the motion.

Motion Failed (0 ayes, 5 Nays)

5. Staff Reports:

Budget Status Reports - [URD II](#); [URD III](#); [Front Street URD](#); [Riverfront Triangle URD](#); [North Reserve/Scott Street URD](#)

6. Adjournment

The meeting was adjourned at 2:23pm

Respectfully submitted,

