

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

September 21, 2016

FINAL

A **Regular** meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Wednesday, September 21, 2016 at the Hal Fraser Conference Room, 140 West Pine, Missoula, MT 59802 at 12:00 p.m. Those in attendance were as follows:

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

Staff: Ellen Buchanan, Chris Behan, Annette Marchesseault, Tod Gass, Jilayne Dunn

Public: Martin Kidston, Missoula Current; David Erickson, Missoulian; Bob Moore, citizen; Clint Burson, Missoula Chamber of Commerce; Eric Clemments, KPAX; Lori Davidson, Missoula Housing Authority; Tony Moretti, Gavin-Hanks Architecture; Alan McCormick, Garlington, Lohn & Robinson; Mike Haynes, Development Services; Jeff Smith, WGM Group; Kraig Erickson, Woodbury Corporation; Jeremy Keene, WGM Group; Rod Austin, Missoula Parking Commission; Heidi West, City Council Ward 1; Harlan Wells, Missoula Housing Authority

CALL TO ORDER

12:02 p.m.

APPROVAL OF MINUTES - None

PUBLIC COMMENTS & ANNOUNCEMENTS

Reineking said the third North Reserve Scott Street Urban Renewal District (URD) Master Plan meeting is tonight at Ruby's Inn on Reserve Street at 6:30 p.m.

ACTION ITEMS

[110 S California Street – Missoula Housing Authority \(URD II\)](#) – TIF Request (Gass)

Missoula Housing Authority (MHA) has been working for nearly four years on developing an affordable housing project in District II. As result they have been awarded a \$700,000 state Home Grant to construct a six-plex housing unit at 110 S California Street. This project was awarded a Proceed without Prejudice at the last board meeting. The MHA and MRA recognize there is a shortfall in affordable housing in the 60-80% area median income (AMI) due to several factors such as increasing construction costs, increasing utility expenses and

continued growth in the valley. Gass said this project will complete a 7,620 square foot six-plex housing unit with four units targeted at families below 80% AMI and two units targeted at families making below 50% AMI.

California Street appears to be a good location for an affordable housing project. It is within walking distance to downtown and public transportation, parks and trails are abundant in the area as well as employment opportunities. MHA will develop and manage the project. The budget includes MRA tax increment financing assistance, the parcel of land which was donated by the City of Missoula, the Home grant and long-term financing through the Montana Board of Housing.

MHA's TIF request is for improvements in the public right-of-way and electric utility extension:

• Electric Main Utility Extension.....	\$5,850
• Alley Paving.....	\$2,826
• Sidewalk Construction.....	\$5,946
• Boulevard/Right-of-way Landscaping.....	\$5,803
TOTAL TIF	\$20,425

Gass illustrated the improvements requested on the overhead map. The utility extension could be considered as a future investment in the area for properties to the south and east. MHA has received a letter of approval from City Development Services to defer curb construction on California Street. At this time there is not a comprehensive design for those California Street improvements. The plan is for those to be included in a larger more comprehensive project.

Gass said his staff memo goes through the established criteria for TIF applications. Geographically, this is an infill project centrally located in URD II. The Sweetgrass affordable housing project and the market rate Thompson Apartments project are to the north. The project appears to fit the housing trends in the area. The tax generation is status quo. The property was previously owned by the City so it was tax exempt and MHA property is also tax exempt. The total project cost is \$950,000 and the tax increment portion is 2.2%. This is a ratio of MRA funding to other public funding of 1:42. Job creation will be only through a number temporary construction jobs. This is an opportunity to help the project move forward to completion. The project appears to be feasible for MHA. They have completed several other housing projects including the Palace Apartments and the Garden District apartments. Staff feels MHA will complete this project as presented and therefore recommends the MRA Board move to approve a TIF grant not-to-exceed \$20,425 for the electric main extension to the property, public alley paving, public sidewalk construction, and landscaping in the public right-of-way with the final amount of the TIF grant based on the Developer submitting evidence of paid contractor invoices for the eligible items and approved by MRA staff, and authorize the MRA Board Chairman to sign the TIF Development Agreement.

Discussion:

Reineking said she was sorry that the curbs are not going to be installed at the same time. Wells said MHA has had initial conversations with the Urban Forester about the timing of the tree installation. Wells said they don't want to put in trees that would be potentially damaged in a future California street improvements project.

Moe asked if staff knows when the California Street improvements will be done. Buchanan said she believes Development Services has this as a CIP item but she doesn't know the timing. She said they will be looking to MRA for assistance and currently URD II doesn't have any capacity. MRA is trying to be sensitive to potential gentrification in the neighborhood so anticipates assisting with a larger project when tax increment revenues allow.

Moe asked if the idea is that the electrical main extension would be available to others in the future. Gass said yes. Moe asked if the alley or lines should be extended even further. Gass said he didn't think it was necessary at this point. Wells said the MHA project is about one-third of the alley extension. Then it runs into the Hart refinery site.

REINEKING: I MOVE THE STAFF RECOMMENDATION.

STAFF RECOMMENDATION: Staff recommends the MRA Board move to approve a TIF grant not-to-exceed \$20,425 for the electric main extension to the property, public alley paving, public sidewalk construction, and landscaping in the public right-of-way with the final amount of the TIF grant based on the Developer submitting evidence of paid contractor invoices for the eligible items and approved by MRA staff, and authorize the MRA Board Chairman to sign the TIF Development Agreement.

Moe seconded the motion. No discussion. No public comments.

Motion passed unanimously. (5 ayes, 0 nays)

[Caras Park Loading Zone \(Front Street URD\)](#) – TIF Request (*Buchanan*)

Buchanan said this proposed project takes advantage of another project going on in Caras Park. Historically, during events in the Park, patrons and vendors park along Caras Drive. In conjunction with the Caras Park Stormwater project, Buchanan said it seemed to make sense to move the south curb line to the south by about six feet to create a loading zone that is legitimate. It would not disrupt the trees or the lights that are there. The additional space will provide access for the Fire Department in case of a fire. In the past vendors and patrons parking along the road caused a public safety issue by blocking proper access to the area for emergency vehicles. Enforcing no long term parking in the loading zone area is difficult for activities on the weekends and in the evenings.

Buchanan said the staff recommendation is to approve up to \$20,000 for this project. It would be added as an alternate in the bid documents for the Storm Water project.

Brock asked what stretch of Caras Drive it would affect. Buchanan explained it would be designed as a curve into the Park area on the south side and then curve back out again to meet the existing curb before it goes underneath Higgins Street Bridge. She said there was

discussion about keeping it wide all the way under the bridge, but the thought was that design might encourage persons to drive quicker. Buchanan said the decision was made to bring the new loading zone curb line back out to the existing curb line. She said the loading zone will be nearly as long as the length of the Wilma. It should accommodate delivery trucks, vendors loading in and out for events in the Park and larger buses for concerts at the Wilma.

KEMMIS: I MOVE APPROVAL OF THE STAFF RECOMMENDATION.

STAFF RECOMMENDATION: Staff recommends that the Board approve the request from the Missoula Downtown Association and the Missoula Fire Department to provide funding in an amount not to exceed \$20,000 to widen Caras Drive and authorize the Chair or the Director to sign a Memorandum of Understanding with the MDA, the Fire Department or both.

Brock seconded the motion. No discussion. No public comments.

Motion passed unanimously. (5 ayes, 0 nays)

**[Missoula Mercantile – 110 N Higgins Ave – HomeBase Montana \(Front St URD\)](#) –
Proceed without Prejudice Request (*Buchanan*)**

Buchanan said MRA has received a request from Mercantile, LLC to be permitted to Proceed without Prejudice to begin the remaining environmental abatement in the Mercantile building. Last month City Council approved a development agreement between Mercantile, LLC and the City that allowed them to move forward with abatement that did not adversely impact the integrity of the building. The demolition permit could not be issued until a number of conditions were met, i.e. historical inventory of the building, inventory of what materials could be reused or salvaged, what materials could be given to other entities that might archive such materials such as the Museum at Fort Missoula. The developer also has to present a structural plan of how the pharmacy building will be protected during deconstruction and reconstruction. Buchanan said there are a number of items that the developer will have to get done before they can get a full demolition permit, but the Council did not extend that to continuing the abatement that Octagon started a number of years ago. Therefore the developer has asked to be allowed to proceed with that. Their intention is to come to the Board with a full request for deconstruction and abatement, possibly at the October Board meeting depending on what happens with potential litigation. Buchanan said Alan McCormick is here representing the Mercantile, LLC.

McCormick said Buchanan covered the request well. The developer would like to get the deconstruction started by October 3rd. An abatement contractor has been selected. There is a full abatement report available. McCormick said there has been litigation filed and the developer is currently evaluating that action. Buchanan said the developer is fully aware that the Proceed without Prejudice is not a commitment of funds.

Kemmis said he assumes the abatement work would not do anything to compromise the integrity of the façade. McCormick said it should not. He said most of the asbestos is in the multiple layers of membranes in the roof. There are multiple other compounds in the building

that contain asbestos such as the tar used on the roof, the glazing on some of the windows and some of the wall boards. None of those, except a little window glazing, has anything to do with the façade. Buchanan said she believes the language in the development agreement would not allow removal of the roof until a deconstruction permit is issued.

BROCK: I MOVE THE STAFF RECOMMENDATION.

STAFF RECOMMENDATION: Staff recommends that the MRA Board approve the request from Mercantile, LLC to proceed without prejudice on the abatement of the environmentally hazardous materials in the Missoula Mercantile building with the understanding that such approval constitutes no commitment of tax increment funds for the project.

Reineking seconded the motion. No discussion. No public comments.

Motion passed unanimously. (5 ayes, 0 nays)

[Lucky Strike/Five Valleys Bowl – 1515 Dearborn Avenue – Woodbury \(URD III\)](#) – TIF Request (*Marchesseault*)

Marchesseault introduced Kraig Erickson of Woodbury Corporation and Jeremy Keene and Jeff Smith of WGM Group who are representing the developer. Marchesseault said the property has been purchased by Woodbury Corporation and bounded by Russell, Fairview, Dearborn and Washburn Streets. It is close to Brooks Street and is across from the Fairgrounds. The property includes the old Five Valleys Bowling Alley and Lucky Strike casino, which has been closed for nearly a year. A lot of the finishes inside have already been removed. There is also a car wash that is closed on the site. The developer is proposing to remove all of the buildings on the site and build a Les Schwab tire center and two restaurant pads. The tire store would be relocating and expanding from across Brooks Street to this location.

The developer is requesting \$735,000 in TIF assistance for demolition and site clearing, asbestos abatement, relocating utilities, and right-of-way improvements. Marchesseault said when the developer originally came in MRA had some concerns. Due to the potential of a future roundabout the developer agreed to pull the tire center to the north side of the site. The developer is proposing bulb-out curbs on all four corners of the site. They are also proposing a bulb-out curb on the east side of Russell that would provide safer crossing into the Fairgrounds.

Two primary concerns were expressed by staff after the original request:

1. Size of the request - \$735,000 is over one-half of the district's annual revenue
2. Façade of tire store – as it is sited, the front faces the interior of the site and the back of the building faces Russell Street.

The developer has agreed to add some architectural columns, metal trellis and ornamental screening. There will also be landscaping.

With regard to the size of the funding request, staff looked at ways to reduce costs. Demolition rather than deconstruction would save \$70,000. In addition, staff is recommending spreading the funding over two years. Staff also recommends that construction is completed on the Les Schwab building before any reimbursement is made to ensure the façade is completed as presented in the plans.

Erickson said he appreciates the opportunity to present another project. They had great success with the South Crossing project. He said they are also looking at other projects in Missoula. He said with this project, they researched what assistance they could get from MRA and what part they could sell.

Erickson said this is a corporate investment. He said MRA staff was concerned with the façade on Russell Street so they went back to Les Schwab and then came back to MRA with improvements to the façade. Erickson said the site is blighted and Woodbury would like to make the site better and meet the standards that the City desires. The current buildings don't work and are not compatible to use. Woodbury would like to raze the buildings and create a marketable site.

Erickson said they have some concerns with the conditions the staff is proposing. He said he would like to meet and discuss these conditions. Keene said he would like to go through the renderings. Keene said setting the tire center building back allows for more buffer landscaping and gives it a better streetscape. Also, the additional facade fenestrations give it a better look.

Erickson said they consider the MRA funding a vital part of the project. He said they were hoping to be able to get reimbursement for the demolition and abatement after that is completed and not after construction of the building. Erickson said the disbursement of the funds over two years will probably happen anyway.

Discussion ensued about the components and timing of the TIF request.

Erickson said he believes South Crossing has brought a lot of interest in redeveloping the Brooks corridor. He said he needs to demolish the Five Valleys/Lucky Strick buildings in order to clear the site for Les Schwab and to market the restaurant pads. Smith said the phasing would be abatement, demolition and moving utilities now and then Les Schwab would start construction in the spring.

Erickson said originally one restaurant was interested in the site with all of the parking. This was a good complimentary use with the tire store because parking would be available in the evenings. Erickson said he's not sure if the future development will be one or two restaurants. Discussion ensued.

Brock asked about the timing of the reimbursement. Buchanan said if the Board wanted to allow reimbursement for the abatement, demolition and utility work now, and the site work later, the district would have the capacity to make the payments since they would occur over two fiscal years. Buchanan said the bigger concern for staff is that Woodbury is selling the property to Les Schwab and there isn't an obligation from Les Schwab to build what is being presented in the renderings. Discussion ensued.

Erickson said he appreciates the staff's concerns. He said they want to continue doing work in Missoula and where possible get MRA participation. He said Woodbury is comfortable with Les Schwab's commitment in making the additional façade improvements and Woodbury is willing to pay for the upgrades if necessary.

Brock asked if condition #3 is to protect the MRA investment so it has some assurance the building will be completed as it was presented. Marchesseault said yes. Erickson said he is hoping Woodbury has some credibility from the South Crossing development. He said they have every intention of meeting the integrity of continuing to do nice projects in Missoula.

Buchanan asked if Woodbury would retain ownership of the balance of the site. Erickson said that is the intent. Buchanan said that is what made the difference at South Crossing because there was not an intent to spin off the out parcels. MRA could put conditions on the assistance at South Crossing because the development agreement was with Woodbury.

Moe asked if there was a breakdown for the curb, sidewalk and landscaping. Marchesseault said yes there was a breakdown in the application. Moe asked who was putting in the irrigation for the landscaping. Smith said it's in the request to MRA. Moe asked about the roundabout radius. Smith said the 150 foot diameter area would accommodate a roundabout the same size as the one on Higgins and Beckwith. Moe said there have been issues in the past with buildings being too close to the right of way. Smith said the 150 foot plan includes a buffer.

Kemmis asked Marchesseault to go over the dollar figures again.

Initial Request:

Building Deconstruction & Site Clearing **\$306,030**
Asbestos Abatement during building deconstruction \$101,000
Utility Line Relocation \$75,600
Curb/gutter, sidewalk, landscaping in public ROW \$253,013
TOTAL TIF REQUEST **\$735,643**

Amended Request (9-21-16):

Building **Demolition** & Site Clearing **\$235,030**
Asbestos Abatement prior to building demolition \$101,000
Utility Line Relocation \$75,600
Curb/gutter, sidewalk, landscaping in public ROW \$253,013
TOTAL TIF REQUEST **\$664,643**

Woodbury would like to see the assistance disbursed as:

Phase 1 - \$411,630
Phase 2 - \$253,013
TOTAL \$664,643

Kemmis asked if the recommendation to move from deconstruction to demolition is primarily to save costs and keep the ratio better. Marchesseault said yes, but as staff understands it,

there is not much to save in the buildings. Most of the finishes have been removed so it is basically a block building. Staff felt it was a good compromise to bring the request closer to the desired ratios and given there is minimal amount of salvageable material left inside. Discussion ensued.

Kemmis asked what accounted for the range between the project being a \$5.63 and \$10.1 million project. Smith said the range is entirely dependent on the final tenants on the site. Les Schwab accounts for \$2.5 million. A single use restaurant is likely a large building so the cost will most likely be equivalent or higher than the Les Schwab building. Smith said two restaurant pads would put the estimate closer to the higher end range. He said there were 15 different potential tenants for the site from which building cost estimates were used to put the range together. Kemmis said he is concerned about the departure from MRA policies, one having to do with deconstruction, and the other having to do with the ratio of public to private investment in the total project. He said another approach would be to establish some reasonable threshold of public investment and hold to the deconstruction approach and just let the ratio that we agree on set the maximum for public investment in this case. Kemmis said this is a substantial request and previous questions have indicated some real concerns about how much control or influence MRA might have over the final look of the site.

Reineking said she understands the concerns and agrees. She said she doesn't question the integrity of Woodbury. Erickson said Woodbury is putting significant improvements to the site that they otherwise wouldn't do such as landscaping, facade and other improvements around the site.

Englund said he understands the deconstruction point. He feels that the usable parts have already been removed. Englund said he believes MRA needs to have greater assurance for the final outcome with the use of public funds. Englund said the MRA Board needs to act as a fiduciary for the City. Erickson said Woodbury has a development agreement with Les Schwab. He asked what the Board was looking for. He suggested the City could look at the building plans. Erickson said the second payment could be contingent on Les Schwab being built the way it was presented.

Buchanan said there are a couple of ways to proceed. One would be to require reimbursement from Woodbury if Les Schwab doesn't build what they say they will. The only way to enforce that would be a lien against the property they own and not what they are going to sell to Les Schwab. The other possibility is to put a condition on the sale of the property that they have to build what is represented and that would be between Woodbury and Les Schwab. Buchanan said at the end of the day, all that the City can require is what meets building codes and zoning. Discussion ensued.

Moe said some of the funding benefits Les Schwab but she wasn't sure if MRA could leverage anything. She suggested talking to Jim Nugent. Erickson said Woodbury does have a development agreement with Les Schwab so he could have their real estate attorneys look into it. He said Les Schwab has been very cooperative.

Englund said he wants something that the Board is comfortable with. Keene suggested MRA consider it in two parts. The first part would be the demolition and second part would

be the public improvements. Englund said he is not interested in approving a \$411,000 grant without having the assurance of getting the proposed building.

Moe said there is an inducement to MRA to spend public money in this situation and it's not only that Woodbury has been a good reliable partner but it's also that Les Schwab is going to come in and construct a building that is acceptable for the funding. Englund said that is the first issue and the other is that the second half of the site is unknown and therefore the total ratio is unknown.

Brock asked if the City is guaranteed to get what is being presented if Les Schwab gets to the building permit point. Buchanan said she wasn't sure to what degree a building permit can commit a developer to a superficial façade. It can ensure a developer builds the mechanical, etc. but she wasn't sure it would enforce the pilasters, screens and awnings that are being presented on the rear façade. Buchanan said a developer could come in and amend their building plan and move on. Buchanan said for the size of the request and the location of the building across the street from the Fairgrounds on Russell Street, which is a main arterial in the District, she felt MRA needs assurance that the façade is going to be constructed as presented.

Reineking asked if something could be figured out in a development agreement. Buchanan suggested that Woodbury be allowed to come back with something that works for them and MRA.

Discussion ensued regarding the ratio question. Demolition of the entire site is needed to market the site. Moe suggested the approval be contingent on a ratio tied to current proposed construction and if the future development is valued at more, they be allowed to request additional reimbursement for expenses incurred. Brock asked Erickson if his project would die if he wasn't able to front load the costs of the demolition. Erickson said it would probably change the project. He said they may choose not to expend extra funds on the façade or landscaping.

Englund suggested this item be deferred to the next meeting. Discussion ensued. Kemmis said the curb, gutter, sidewalk and landscaping is a public benefit regardless of the overall project. Englund said then you would be comparing a \$2.5 million building against just the first phase of the request of \$411,630.

Buchanan said if the Board is looking for a 1:10 ratio the staff will look at some options and bring them back. She said Moe's suggestion of tying the reimbursement amount to the development as it progresses might be one way of looking at it. Moe said ordinarily MRA doesn't consider multiple requests but this could be a special circumstance. Discussion ensued.

Buchanan said she would like some direction on the demolition versus deconstruction. She suggested MRA could ask Western what is salvageable out of the buildings and provide a comparison. She said the policy does include provisions for buildings that don't have value for deconstruction.

Erickson asked if the Board was looking from some type of assurance agreement between Les Schwab and Woodbury. Buchanan said yes.

No action was taken.

Clark Street Sidewalk – RFP for Engineering, Design and Contract Administration (URD III) – Request for Approval (Gass)

Gass said staff is looking for authorization to go out for a Request for Proposals for a new sidewalk project in URD III. The proposal is to go into the area of the District that was amended into the District boundary last year. The residents that are west of Eaton Street asked why their sidewalks weren't being done. Gass said those residents were not eligible to benefit from a sidewalk project because they were outside of the District. Now those residents are eligible for this benefit. Gass said this is a large contiguous project and the thought is to phase this over two construction seasons and that would spread the cost over two to three fiscal years. The construction cost estimate is \$500,000.

MOE: I MOVE THE STAFF RECOMMENDATION.

STAFF RECOMMENDATION: The Board authorize staff to issue an RFP for engineering, design, and contract administration services for public improvements related to the URD III Clark Street Sidewalk Project including curb, gutter, sidewalk, and related infrastructure with the understanding that staff will later present a Professional Services Agreement and Scope of Services to the Board for consideration.

Kemmis seconded the motion. No discussion. No public comments.

Motion passed unanimously. (5 ayes, 0 nays)

NON-ACTION ITEMS

Englund said he thought more about the East Front Street project. He hoped the City and MRA would continue to address the issues that might come up with the new development that is happening in the Front Street district. He said he realized how large the project really is when he attended the ground breaking. Discussion ensued.

Buchanan said two primary issues that will arise are traffic circulation and parking. Englund said MRA has been instrumental in making an impact there and he felt if MRA can facilitate further discussion about how to develop the greater area and address impact concerns, he likes the idea of doing that. He said the Lambros family said they would love to participate in something like that.

Behan said he thinks a good start would be to ask residents what they like about the area or what makes it charming to them. He felt for many it would be Kiwanis Park and that area will be greatly impacted by having another 500 residents nearby. He believes there is an opportunity now to have some input on how Kiwanis might change and how it will connect

with the new development. Behan said Missoula Parking Commission and the Parks and Recreation department are involved in those discussions already.

Buchanan said the Downtown Master Plan Implementation Committee has decided to revisit the Plan. She said the parking piece is done but the retail strategies need to be re-evaluated. The area we are discussing is viewed as a cultural district and most likely will continue to be with the library and Missoula Children's Theater as anchors. She said focusing on this neighborhood and similar neighborhoods might be an appropriate piece to the review of the Master Plan. Discussion ensued. Brock said she liked the idea of having the Implementation Committee overseeing any desired outcomes that might come out of the review.

STAFF REPORTS

Budget Reports – [URD III](#), [URD II](#), [Front Street URD](#), [Riverfront Triangle URD](#), [NRSS URD](#)

Dunn said the biggest change on the FY16 year-end reports is the revenue number. The revenues for August were just received and have been added to the total. There are still year end journal entries being done in preparation for the annual audit.

Englund asked when the new Administrative Assistant would be starting. Dunn said Lesley Pugh will be starting on Monday, September 26, 2016.

Buchanan said the next open house meeting regarding the Mary Avenue West design process will be October 12, 2016. Buchanan said DJ&A has done a good job on the public outreach process.

ADJOURNMENT

Adjourned at 1:52 p.m.

Respectfully Submitted,



Jilayne Dunn