

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

June 21, 2018

FINAL

A **Regular** meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, June 21 at the Hal Fraser Conference Room, 140 W. Pine, at 12:00 p.m. Those in attendance were as follows:

Board: Karl Englund, Ruth Reineking, Natasha P. Jones, Melanie Brock, Nancy Moe

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

Public: Jaylene Naylor, Property Owner; Ben Dawson, International Brotherhood of Electrical Workers (IBEW) and Missoula Area Central Labor Council; David V. Gray, DVG Architecture & Planning; Don MacArthur, MMW Architects; Mike Bryan, Berkshire Hathaway; Kraig Erickson, Woodbury Corporation; Jeff Smith, WGM Group; Martin Kidston, Missoula Current; David Erickson, Missoulia; Bob Moore, Citizen; Neil Wells, MCAT

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

May 17, 2018 Regular Board meeting minutes were approved as submitted.

PUBLIC COMMENTS AND ANNOUNCEMENTS

Reineking said the Missoula Midtown Association (MMA) is hosting a social event tonight from 5:00-6:30pm at onXmaps. She said it is open to anyone who is interested. She said she thought the Board might be particularly interested because MRA did help with some public infrastructure in front of the original onXmaps on Brooks Street as well as their major expansion on Stephens Avenue.

Gass said the ribbon cutting ceremony for the Bitterroot Trail will be on Wednesday, July 18th at 9:00am. He welcomed an MRA Board member to speak at the ceremony.

Behan said Garden City Harvest, who will be bringing a project to the July meeting, would love to have the MRA Board members visit the farm on River Road. He said it is a wonderful facility and if they have a heads up that a Board member is going to visit they will have someone there to talk about some of the programs they run. Behan said he is very impressed at the amount of work the small organization does.

Bob Moore, citizen, spoke about a dangerous intersection off Broadway Street turning onto Flynn Lane, and said since the MRA has the money to build a road for a shopping center with four roundabouts that it might want to look at making this intersection safer. Reineking said it is not in an Urban Renewal District (URD).

ACTION ITEMS

Former Uptown Diner – 120 N. Higgins Avenue (Front Street URD) – Request to Proceed Without Prejudice (Behan)

Behan said Karen and Brian Sippy recently acquired the former Uptown Diner at 120 North Higgins Avenue. It is located across the alley from the Merc building. He said the Sippys plan on removing the building and building a two-story art gallery with some mixed uses on the second floor. Behan said they are eligible for a few items under Tax Increment Financing (TIF) but are caught up in an issue that has dogged a lot of developments in this area for a long time. The issue is that they are trying to use the original power system in Missoula, which has inadequate power and strange voltages even though it has been upgraded over the years. This is why the Merc had to run new lines all the way to the power station. Behan said the Sippys are working on the power issue and would like to work with all of their neighbors to upgrade the whole area rather than just one building at a time.

Behan said the Sippys are asking for a Proceed Without Prejudice on this project because if they do get the electrical issues worked out then they need to start quickly on deconstruction of the building to meet their time schedules. Don MacArthur, MMW Architects, said they are really hoping to get under construction later this summer. He said they intended to come with a full application but got caught up with the utilities. They are hoping to move forward on the project with approval from the Board to Proceed Without Prejudice, knowing that MRA may or may not be able to give them money in the future.

Jones asked if there is an expected timeline for the project. MacArthur said they are trying to get the drawings done in July with the idea that they would start building in August. Brock asked if they had an idea of what they will be applying to the MRA for. MacArthur said they imagine they will be rebuilding the sidewalk out front, utility costs and deconstruction.

Reineking asked about the electrical extensions and asked if they were being coordinated. Behan said they will not have to go clear to the power station again. It has been brought part way up and needs to get moved across the alley and buried. MacArthur said there are a lot of players and they don't know exactly what it will cost. There are also communications lines on the poles and nobody knows who they belong to so it is very confusing. Moe asked if this was an issue with Conflux Brewing as well. Behan said no, they had some electrical issues and were able to work them out on that particular block. He said Conflux Brewing looked at the potential for upgrading the area they're in but they needed to upgrade to a much higher voltage and were able to bring it off Broadway Street easily. Behan said the Sippys may have to work out a deal where four property owners come in and do a joint application for part of this. He said it hasn't been done in a long time, but was done many years ago when MRA was doing fire safety in the Downtown.

JONES: I MOVE THE BOARD APPROVE KAREN AND BRIAN SIPPY'S REQUEST TO PROCEED WITH WORK ON CERTAIN PROJECT ITEMS ON THEIR PROJECT

LOCATED AT 120 NORTH HIGGINS AVENUE WITHOUT PRECLUDING THOSE ITEMS FROM BEING INCLUDED IN A FUTURE TIF PROGRAM APPLICATION.

Brock seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (5 ayes, 0 nays).

Naylor Building – 830 W. Central Avenue (URD III) – FIP Request (Behan)

Behan said this is one of the last buildings on this particular block to be worked on. MRA has participated in a couple of other projects there including The Women's Club and Red Willow. The other building on the block fixed themselves up without MRA assistance. Behan said the current building is 1970s style, is structurally in good shape, but is in need of some upgrading. If it is going to have a long future he said it will need better insulation, windows, and so on.

Behan said the proposed project without MRA assistance will basically resemble how it looks now. With MRA assistance the materials will be substantially upgraded. He said the total project is over \$262,000 which is eligible for Façade Improvement Program (FIP) assistance of \$50,000. FIP eligible items include siding and window replacement, stucco, window awnings, metal trims and cornice, façade design, asbestos remediation associated with window replacement, brick paint and exterior light replacement. Behan said staff feels this project fits very well within the FIP program and recommends \$50,000 in FIP grant assistance.

David Gray, DVG Architecture & Planning, showed some slides of the building. He said the building is ready for improvements and the area is starting to clean up. He said the building is right at the corner of URD III and there isn't much happening outside of the District so they are hoping this will help to spur activity and get other buildings in the area improved. He said the building will be brought to a more current style with good quality construction including aluminum, stucco, cement siding, and double-pane windows.

Moe asked if the materials are all approved materials under the new design guidelines. Behan said yes, including the metal being the appropriate thickness. Reineking asked if they were referring to the MRA guidelines or the City's guidelines. Behan said the project fits within the City's proposed design guidelines from Winter & Company. Moe asked if the renovations include concrete work and walkways. Gray said the sidewalks were replaced a few years ago. He said the parking lot is in rough shape and they looked at doing upgrades to the parking lot as part of this project but it more than doubles the cost of the overall project. He said there is still more life in the asphalt paving and when the parking lot has to be replaced the whole thing will have to be brought up to conformance so that will be the last thing they do. Gray said right now they can't do the siding and all of the site work together.

Brock asked if the Missoula Urban Indian Health Center (MUIHC) will stay the anchor tenant after the renovation. Jaylene Naylor, Property Owner, said the MUIHC has four more years on their lease and are a good tenant.

Englund asked about the URD III budget and asked what the uncommitted funds are. Dunn said under FIP there is \$150,000 remaining in the FY18 budgeted amount. She said \$300,000 is budgeted annually and if there are projects at the end of the fiscal year that haven't been completed then they are carried over.

REINEKING: I MOVE TO APPROVE UP TO \$50,000 IN FAÇADE IMPROVEMENT PROGRAM GRANT ASSISTANCE TO THE ADRASTEIA, LLC PROJECT LOCATED AT 830 WEST CENTRAL AVENUE AS PRESENTED TO THE MRA BOARD ON JUNE 21, 2018, SUBJECT TO PROGRAM CRITERIA AND TRADITIONAL CONDITIONS THAT MRA PLACES ON SUCH ASSISTANCE.

Moe seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (5 ayes, 0 nays).

Former Lucky Strike/Five Valleys Bowl – 1515 Dearborn Avenue – Phase III (URD III) – TIF Request (Marchesseault)

Marchesseault said Craig Erickson, Woodbury Corporation, came to the Board in early 2016 and asked for a Proceed Without Prejudice to take down the former Lucky Strike/Five Valleys Bowl building. In September of 2016, Erickson submitted a TIF application and at that point knew he wanted to sub-divide the site into three development parcels and knew the tenant on the east side would be Les Schwab. Marchesseault said the west side would be sub-divided into two parcels, but Erickson did not know at the time who the tenants would be.

Marchesseault said the Board was concerned because the parcel Les Schwab was occupying was being sold to Les Schwab, but the agreement the Board would have would be with Woodbury Corp. She said the Board wanted to have some control over assuring that the Les Schwab property would be developed in the way it was shown to the Board. She said staff worked with the developer and designers to enhance the appearance of the Les Schwab building to make it more appealing as it fronts on the Russell Street corridor. At that time, the Board approved a partial amount of reimbursement for demolition, asbestos abatement, utility relocation and right-of-way (ROW) improvements just along the Les Schwab property.

Marchesseault said she suggested the project be in three phases to make it less complicated. Phase I is the demolition and utility relocation. Phase II would be the Les Schwab improvements including demolition reimbursement and improvements along the Les Schwab ROW. She said when the Board made approvals for Les Schwab they wanted to have some influence/assurance over what was going to be happening on the west end of the site and said when the developer knew what would happen he could come back to the Board with a Phase III project. At that point, the Board would discuss potential reimbursement for the remainder of the demolition and any improvements within the ROW along the west end of the site.

Marchesseault said Erickson now has definitive tenants on the west end of the site. The tenant on the southwest corner is 3 Rivers Pediatric Dental and they have started construction on their building. The proposed tenant on the northwest end is Dairy Queen. She said they are proposing to move from their small facility on Brooks Street and expand as an eat-in and drive-thru restaurant. She said Woodbury Corp. is requesting assistance in the amount of \$175,580 for reimbursement for improvements within the public ROW on the west end. Marchesseault said the Phase III only ratio of public to private investment would be 1:15. She suggested the Board look at the entire development, all Phases, and that ratio comes in at 1:10 which is the general rule of thumb for MRA assistance so it does fit within the ratios staff is recommending.

Erickson thanked the Board for the opportunity and said it has taken longer than what they would have liked to see. He said Les Schwab is built and it turned out very nice with the upgraded façade and is a nice look on Russell Street. He said Woodbury Corporation's main focus was to take the blighted site that was the old bowling alley and closed down car wash with a parking lot that was falling apart, and make it a beautifully landscaped area with sidewalks.

Erickson said the demolition and abatement costs were lower than what they anticipated, but the utility relocation and ROW improvements were quite a bit higher. He said over a two year period the construction costs have increased 30-40% which makes it difficult, but the bottom line is that they are bringing in brand new buildings with new landscaping in the block like they said they would. He said MRA's assistance has been very much appreciated and what they are looking to do is finish out the project. Erickson said other folks that were present to speak to the project were Jeff Smith from WGM Group, who has assisted them throughout the project and Mike Bryan, Berkshire Hathaway, representing the owners of the Dairy Queen. He said the Dairy Queen is a relocation from a smaller facility to a full Grill & Chill restaurant.

Smith spoke to the ROW along Les Schwab and said they had an approval last year from the Montana Department of Transportation (MDT) for the general layout and bulbouts along Russell Street. He said negotiations have gone on and on and there are indications that the draft maintenance agreement is being coordinated from the City and will come together soon. Marchesseault said she spoke with Dale Bickell, Chief Administrative Officer (CAO) for the City of Missoula, and he feels that all of the maintenance criteria is in place and there are just some ROW negotiations left between the City Engineering Department and MDT. Erickson said doing this project in three phases has been difficult, but driving by it today, he said it really enlightens the area when you look at the difference between the improved portion of the site versus the unimproved portion. He said the goal is to complete the project and meet the pro forma he is required to get for that particular site. The City will get an enhanced Midtown area with three new buildings, landscaping and a parking lot.

Jones asked what will happen to the old Dairy Queen. Bryan said he hopes to sell it. The owners own both the building and the land and he thinks it will be a coffee shop or something small. The lot is triangular and less than 10,000 square feet. Bryan said if the owners don't build on Woodbury Corporation's lot they still want to be somewhere else because the Grill & Chill is the direction Dairy Queen has gone the last several years. Jones asked if their deal with Woodbury Corp. is contingent on the sale of the property.

Erickson said no, Dairy Queen is moving forward with relocation no matter what. Englund said Marchesseault's memo reads that Woodbury Corporation is currently in negotiations with Dairy Queen to develop the Grill & Chill and asked if they were done negotiating. Erickson said they are not done yet. They have an agreement on pricing with Dairy Queen. He said part of that is considering TIF assistance in order to make the agreement work. Bryan said there is a binding agreement that is contingent on ROW improvements. Englund asked if the Dairy Queen will commit once the MRA approves TIF assistance. Erickson said yes. Bryan said they will still need to go through the City and make sure that everything is approved. He said they are using OZ Architects and if it isn't approved they don't want to spend the money. There is a 30-day window to make sure there won't be any issues with zoning, signage, and the other traditional things required for a development.

Brock said MRA just invested \$30,000 into the Dairy Queen on Brooks Street in 2015. She said it's not like you have to keep the same use of the building forever, and there is no "one and done", but since MRA just put money into it she wondered if they know if it will be torn down. Bryan said he is highly confident it won't be torn down because it is similar to other older buildings in Missoula like Tower Pizza where The Bridge is going into. He said they keep one stick up and call it a remodel because if it's torn down it would have to be rebuilt into something the size of an outhouse because of all the setbacks. Bryan said he envisions the building is useable and there are a lot of different uses that can go there so the building and the improvements will stay. Brock asked if it was mostly curb work that MRA paid for. Behan said there was façade work and landscaping in it too. He said MRA was moving away from participating in anything that was very strictly corporate identity design, and this wasn't, so somebody else can move into it and it won't look like a traditional Dairy Queen. Bryan added that the Grill & Chill will employ a lot more people because it is a full restaurant.

Reineking asked if 3 Rivers Pediatric Dental is a new business. Erickson said yes. The owner is coming out of another facility she has been working in for the past seven years to create her own. Reineking said she thinks it is great that there will be both of those businesses there that are particularly beneficial to the residential neighborhood in that area.

Englund asked about the numbers. He said page 2 of Marchesseault's memo states "Contingent upon the Board's approval of the Phase III TIF application, up to \$157,172 for the balance of demolition/asbestos abatement/utility relocation costs, in addition to the amount approved in the Phase III request." Marchesseault said the \$157,172 is the balance of demolition that was withheld until Erickson came in with a Phase III project. She said the Board does not need to take action on it because it has already been approved, it just wasn't approved to be released until if, and or when the Board approved Phase III.

Englund said the Dairy Queen deal won't close until the MRA Board approves TIF assistance, but the Board doesn't want to approve it without assurance that Dairy Queen gets built. He asked how that gets done. Marchesseault said this is a similar situation to Les Schwab in that Dairy Queen would own the parcel and then do the development themselves. Behan said projects are paid upon completion and they have to bring MRA a Certificate of Occupancy (CO) for two buildings (Dairy Queen and 3 Rivers Pediatric Dental).

Moe said improvements in the ROW are all dependent on the Dairy Queen design. She asked what happens if they are put in and it's not a Dairy Queen. Marchesseault said her understanding is that the north end of the site has been subdivided in two parcels and they are responsible for the ROW improvements regardless of who the client is. She said they are required to do them because they are in the public ROW. Moe asked what happens if it isn't Dairy Queen, but another tenant that goes in there, and they feel they need access that changes the configuration of the driveway access points. Marchesseault said whatever happens on the parcel would be the responsibility of the tenant, regardless of who it is. That tenant would need to get approval from the City before they did any sidewalk improvements. She said it is her understanding that the work in the ROW will not be completed before the tenant comes in for approval with the City. Bryan said there are cross-access easements and maintenance agreements in the parking lot and access in and out. In that city block there are four in and outs. He said he doesn't think there needs to be more access and doubts the City would let somebody cut in another one. Erickson concurred. Behan said it is a good question because it does happen where one driveway is eliminated and another is put in.

Englund said if for some reason the deal with Dairy Queen falls through, then the MRA doesn't have a deal that meets the contingencies and therefore isn't obligated to pay. Erickson said MRA's approval will allow them to go ahead and complete the deal with Dairy Queen. He said if that doesn't happen then the MRA is not obligated.

Moe said she didn't understand the answer given about Phase II being completed but not paid out because of the ROW improvements on the east end of the site not being done because of negotiations with MDT. She asked if the negotiations include a roundabout at that corner and if trees were going to be planted in the ROW. Marchesseault said a roundabout is not part of it but there will be trees planted. Marchesseault said they anticipated that sometime in the future, there could be a roundabout at Russell Street and Fairview Avenue so staff worked with Les Schwab to set up their site design so there is space for it to happen if it does. However, she said, it is future, long-term planning and not part of this. Moe asked about an easement for the roundabout. Marchesseault said it has not been put in place and would have to be negotiated with MDT and Les Schwab if the roundabout were to move forward. Erickson added that they are just waiting on agreements with MDT to be able to complete the ROW improvements including the sidewalk, curb and street trees.

MOE: I MOVE THAT THE BOARD APPROVE TIF ASSISTANCE AND AUTHORIZE THE BOARD CHAIR TO SIGN A DEVELOPMENT AGREEMENT IN AN AMOUNT NOT TO EXCEED \$175,585 FOR ELIGIBLE CURB, GUTTER, SIDEWALK AND LANDSCAPE IMPROVEMENTS IN THE PUBLIC RIGHT-OF-WAY ON THE WEST END OF THE SITE, WHEN THE DEVELOPER PROVIDES DOCUMENTATION THAT DAIRY QUEEN HAS SUBSTANTIALLY COMPLETED CONSTRUCTION AS SHOWN IN THE DRAWINGS PRESENTED TO THE BOARD, HAS OBTAINED A CERTIFICATE OF OCCUPANCY FROM THE CITY OF MISSOULA, AND HAS COMPLIED WITH MRA'S ORDINARY CONDITIONS FOR ASSISTANCE.

Reineking seconded the motion.

Englund asked if there was a reason the motion doesn't include the Dental Clinic. Marchesseault said it is substantially complete. She said it could include requesting a COO for the Dental Clinic, but beyond that it is substantially complete. Marchesseault said the amount of \$175,585 includes both developments on the west side that are incurring costs for the ROW improvements. Erickson said Phase II is for the remainder of the demolition, asbestos abatement, and the utility relocation. The Phase III ask is the ROW improvements on the west that weren't part of the original ask.

Jones said out of an abundance of caution she thought the motion should include a Certificate of Occupancy related to the Pediatric Dentistry.

Moe and Reineking accepted the amendment.

No further discussion.

Public comment

Bob Moore, citizen, said MRA has several criteria to follow when reviewing applications. One of the criteria is to review the financial situation of the applicant to determine if they need the funds, not that they would like or want the funds, but really need the funds to do a project. He said he asked Peter Lambros if he would have completed the work on the Shopping Center if he didn't receive a dime from MRA and he said yes. He said he asked the same question to the developer of The Merc/Marriott Hotel and he also said yes, the project will be completed whether MRA gave them money or not. Moore said the criteria says MRA has to look at an applicant's financials and determine if they need the funds to complete the project. He asked if the MRA Board looked at the financial statements of Woodbury Corp. to see if they need the money to do their completion.

Englund said everyone has a right to make comments but nobody has the obligation to answer.

Ben Dawson, International Brotherhood of Electrical Workers (IBEW) and Missoula Area Central Labor Council, said he has driven by the project and it looks great. On behalf of the Missoula Area Central Labor Council, he said he wanted to reach out and ask the developer to consider using as many union workers as possible. He said they have state-approved apprenticeships so the more workers they can put to work here can help solve the worker shortage they are going to have in the future as people start to retire out of the trade. In addition to that, Dawson said if they don't hire union he encourages them to take a role in talking to the guys on the job site to see if they have health care, retirement, etc. because if they hire a union contractor they have all of that coverage.

Motion passed unanimously (5 ayes, 0 nays).

Brock exited the meeting.

FY19 Budget – Request for Approval (Dunn)

Dunn said her memo summarizes MRA's budget process. She said staff tries to get as close as it can on the estimate of MRA's cash carryover. The City is changing its process a bit this year, whereas they are going to wait for the taxable values to come in because it is

easier and there is more clarity to the public on that process. She said MRA is a little different; the taxable values are required but MRA also needs mill levies and those are not completed until October. She said with this new process the numbers will be more accurate early on with less work on the back end doing amendments. Dunn reviewed the FY19 budget with the Board and answered their questions. All twenty funds were reviewed, including the individual URDs and debt service funds.

Englund asked for a motion to approve the FY19 budget.

MOE: SO MOVED.

Jones seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays).

STAFF REPORTS

Budget Reports

COMMITTEE REPORTS

OTHER ITEMS

Moe asked when the Fox Hotel group will be presenting an update for the Riverfront Triangle. Behan said they are planning to come to the August meeting because they are swamped with other projects right now. Moe said the Board has heard similar comments like that before and the developer is past all of the planning so she would like a report.

Moe asked when the Civic Stadium item that was tabled last month will be back for discussion. Jones said as she understands it there is continuing dialogue with the baseball club so it will be something revised that will come back. Behan said it is possible it will come back in July, but he suspected August would be more likely.

ADJOURNMENT

Adjourned at 1:53 p.m.

Respectfully Submitted,



Lesley Pugh