

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

January 16, 2020

FINAL

A Regular meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, January 16, 2020 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, Melanie Brock, Tasha Jones

Staff: Ellen Buchanan, Chris Behan, Annette Marchesseault, Jilayne Dunn, Lesley Pugh

Public: Kaitlin McCafferty, Development Services; Martin Kidston, Missoula Current; David Erickson, Missoulian; Will Parnell, Anderson Zurmuehlen; Jan Schweitzer, Anderson Zurmuehlen; John Adams, Housing & Community Development; Nick Checota, Logjam Presents; Miles McCarvel, Montana State Building Trades; Missoula Community Access Television (MCAT)

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

December 19, 2019 Regular Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS AND ANNOUNCEMENTS

There were no public comments or announcements.

ACTION ITEMS

FY19 Audit Report – Request for Acceptance (Dunn)

Will Parnell and Jan Schweitzer from Anderson Zurmuehlen (AZ) reviewed the Fiscal Year (FY) 2019 audit report for the Missoula Redevelopment Agency (MRA). Schweitzer thanked the MRA staff for getting information together and being thorough and responsive.

Schweitzer said she was the “partner” on the audit and Parnell was the “in charge” on the audit. There were additional AZ staff members working on the audit as well.

Parnell also thanked the MRA staff for being professional, helpful and resourceful during the audit. He reviewed the opinion and new accounting pronouncements. He said the MRA staff does an amazing job of providing detail in the Management’s Discussion & Analysis (MD&A) section.

Englund thanked staff for their work on the audit. Schweitzer said it is one of the most informative and comprehensive MD&A's they see. She said they really appreciate that because it puts everything else into context when you look at the financial statements. Dunn said staff does that because MRA is required by state law to complete an annual report on its activities including financial information and have it available for anyone that wants to look at it.

Reineking thanked the staff and said she appreciates all the work that went into it. She said she was particularly struck by the incredible list of all of the projects that have been completed in FY19. She said it is very impressive and she appreciates the work the MRA Board does for the community. She said sometimes the projects get listed based on what their final use is, so it might be called "The Mercantile", but if you read the description it is clear MRA is reimbursing for the public benefits that are associated with that. She said it is not just giving money to a developer, which is sometimes misunderstood. Jones said members of the press or public that are interested would be well served in looking at those pages, starting at 28.

Englund: We need a motion to approve the audit.

Reineking: SO MOVED.

Dunn said the Board needs a motion to accept the audit.

Reineking: I AMEND MY MOTION TO ACCEPT THE AUDIT.

Brock seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays).

Parnell also reviewed the "Letter to Governance" that is part of the audit scope. Schweitzer said most of it is boiler plate language, but AZ is required under their auditing standards to impart that information. Englund referred to page 2 of the letter and asked why there was a "passed" entry report. Parnell said it was not an error on MRA's part, it was an entry that the City of Missoula elected to pass on that affected the MRA. Dunn added that it is an entry regarding payroll. She said MRA is reimbursed by the City's Office of Housing and Community Development for Buchanan's time spent overseeing that department because her salary is paid out of MRA. There were some staff changes on the City's side and it got missed when an employee left. Dunn said she pointed it out at the beginning of MRA's audit, but the City had already submitted their trial balance. The amount is immaterial for the City, so they chose to "pass" on the correcting entry. Dunn said it has all been corrected, the City just chose to pass on reopening their financial records for fiscal year 2019.

Missoula International School – 800 South Third Street West (URD II) – Request to Proceed Without Prejudice (Marchesseault)

There was no discussion or action taken on this item.

Scott Street Redevelopment Project – Feasibility Due Diligence (North Reserve-Scott Street URD) – TIF Request (Buchanan)

Background info – excerpt from Buchanan’s memo:

The City has been successful in securing a Buy-Sell agreement on approximately 19 acres of land on Scott Street adjacent to the current City Shops property. This is the property formerly owned by Huttig Building Products and currently owned by Scott Street LLP which has been undergoing environmental remediation for the last several years. The eastern portion of the property fronting on Scott Street, consisting of 9.8 acres, has been cleaned up to residential standards. The western portion consisting of 9.33 acres is still in the process of being remediated to commercial/industrial standards and will not be suitable for residential development. The back property, being adjacent to the City Shops, will allow the City to consolidate operations in a more efficient manner. This will free up land east of the City Cemetery, currently being used by the Streets Department primarily for storage and stockpiling materials, for more appropriate redevelopment. For years there has been a desire by the residents of the Northside neighborhood and by the City to develop the Scott Street property as housing. If the City is able to secure ownership, that will open up the possibility of attracting a private or non-profit partner, or both, to move forward with putting this land into productive use once again. The area is in the City's only Opportunity Zone. This acquisition will provide the City and MEP with a tract of land that can be marketed to developers who want to take advantage of that tool.

Buchanan said the City has been successful in securing a buy-sell agreement on the Scott Street Partners property on Scott Street. It is a little over 19 acres, located on the former Missoula White Pine Sash property, and has been undergoing remediation for the last several years. This is a desirable area for redevelopment since the frontage on Scott Street of about 10 acres (eastern portion) were cleaned up to residential standards and there is a “record of decision” from the Department of Environmental Quality (DEQ). She said this location is strategic for the City because it is contiguous with the City Shops operation. Buchanan said north of the Scott Street property is an area of land that belongs to the City and has been loosely associated with the City Cemetery. It has been used for years as part of the City operation - the Streets Department has a lot of material stored there. Buchanan said the back portion of the land will never be cleaned up to residential standards, but it will be cleaned up to commercial/industrial standards. That will become part of City Shops operations and frees up the property to the north that is easily developable as residential, mixed-use or other things. Buchanan said this was a key location and piece of the North Reserve-Scott Street URD Master Plan.

Buchanan said the City needs to do some due diligence on the Scott Street property. MRA has been asked to fund that work. She said it is similar to the work on the Montana Rail Link (MRL) property where the Board approved an amount “not to exceed” for due diligence. She said most of this work will consist of expanded Phase I environmental. This way the City will really know what it is getting into, see all of the documents and have an expert look

at them. It will also include an appraisal of the property. Buchanan said the request is for an amount not to exceed \$55,000.

John Adams, Office of Housing and Community Development, is overseeing the due diligence along with a member of staff from the City Attorney's office. Buchanan said the way the buy-sell agreement reads today is that the property will close on May 20, 2020. Adams said there are 20+ years of history on this site. It has been administered by the state since the mid 1990s before it closed and there is a lot of data to go through. He said they won't be able to afford for someone to go through the entire record, but they can high-grade the most recent documents and information to try and identify what kind of risks the City takes on with what might still be in the ground and with taking on a state superfund site with potential liability concerns that could arise in the future. Adams said this will help the City make a well-reasoned, well-informed decision on acquiring the property.

Buchanan said there are some conditions the City is in discussions with DEQ, current and previous owners (Huttig) about. She said some deed restrictions were placed on it when Huttig sold it to Scott Street Partners. Those deed restrictions need to be modified or removed in order to move forward with redevelopment, should the City buy it and should the opportunity present itself. Brock asked if the developer would have to duplicate the due diligence if those "shoulds" happen. Adams said that will be up to the developer. He said at that point the developer should be close to a "Letter of No Further Action" from DEQ which reassures financing. Englund asked if there is a "Letter" on the front 10 acres. Adams said no, DEQ will not divide the site up and sign off on things. He said the facility is kept as a single entity until it is all clean. Englund asked if the City is agreeing to indemnify Scott Street LLP as part of the Buy-Sell. Buchanan said the City is asking to be indemnified by Huttig and Scott Street LLP. Adams said all signs are good that they will indemnify the City for any future findings on the site.

Buchanan said Public Works is undergoing a master planning process of their own facilities and needs. They are looking at moving Missoula Water to this location and consolidating all of Public Works at some point. The West Broadway location is not the highest and best use for that enterprise, so the timing on this is important and fortuitous. Englund asked if the front 10 acres are developable without a "Letter of No Further Action". Adams said yes. He said a developer needs to be comfortable with it and it is less desirable than a clean site. He said DEQ is saying it is clean to residential levels and that is something people can get comfortable with. Englund asked if it requires an Environmental Protection Agency (EPA) checkoff as well. Adams said DEQ is the lead and it is a state superfund site, so the federal agency does not get involved.

Adams said one complication and reason they need to do due diligence is that there is still a hot spot (near the current Zip Beverage building) where Huttig used to take window sashes and doors and dip them in a mixture of diesel fuel and pentachlorophenol to preserve the wood. He said the area has not been cleaned up. This summer DEQ will excavate the hot spot and truck it to a portion of the Scott Street property and put it into a pit to remediate it before it goes to various locations. Adams said the City needs to have its consultant look at the likelihood that it will be completed in a timely fashion or what complications could arise once the excavation is started.

Jones said she thinks this is a fabulous turn of events, given that it opens potentially two properties in the Opportunity Zone (OZ) and allows the City to have them available for the OZ showcase, or whatever is deemed appropriate through that process. She said this is really exciting and she fully supports the effort. Buchanan said it potentially gives the City a couple of sites to potentially market nationally as being in both an Urban Renewal District (URD) and an OZ. She said there are developers that are actively looking for that combination. Jones said the potential to forward some of the City's community goals and values through partnerships with developers on some low-income housing, and other multi-use developments in these areas, could be a great benefit to the community.

JONES: I MOVE THE MRA BOARD APPROVE UP TO \$55,000 TO BE USED TO CONDUCT THE DUE DILIGENCE NEEDED FOR THE CITY TO MAKE A DECISION ABOUT THE ACQUISITION OF THE 19.14 ACRES FROM SCOTT STREET LLP.

Reineking seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays).

Behan said the Board will be receiving some results and recommendations within the next couple of months from the master planning process underway from Public Works and the Cemetery. He said they should have a good picture of what the area can become, how to market it and find developers.

NON-ACTION ITEMS

Hotel and Event Center (Riverfront Triangle URD) – Update

Nick Checota, Logjam Presents, updated the Board on the Drift project located in the Riverfront Triangle URD. He said they just completed the 100% schematic design set. Their engineering team is engaged and going through that set. Then they will go into the next level of detail including mechanical, engineering, plumbing, structural, and so on, to develop drawings. Checota said the Drift is still on schedule for construction to start late summer.

Checota reviewed slides of the project design. He said it is complex and there are many components. Drift will have two levels of parking on the bottom with 350-360 stalls. Above that on the plaza/Front Street level, there will be the performance venue/event center with a capacity of 5,500 standing and 3,000 fully seated. It can also host about 1,000 in a banquet setting. He said on the first level of the hotel tower there will be a hotel lobby. Checota said they have been traveling around the country to see what they think are the most interesting lobbies. Their whole goal is to create a community-oriented space that opens up to the plaza. He said it is not meant to be a stiff hotel that is only for guests. There will also be a chef-inspired gourmet food hall concept. It is not a food court, it is 7-8 local chefs who can do niche, interesting concepts that they could never do as a stand alone. They are aggregated into one space and they all create different dishes. They are not fast food concepts, but more along the lines of sushi, Asian fusion, southern comfort food, etc.

The second floor will be a private event center with break out space. There is one large room that can be subdivided into three rooms. At full capacity it can seat 440 at rounds for dinner. It can also do 600-700 seated in an auditorium for a presentation format. There will be a second room that can hold up to 180 seated at rounds. It can also be divided into two rooms for different presentation levels. Checota said there will also be a large pre-function space of about 2,500 square feet. Englund asked if it is designed to be extra space for the large event center or a stand alone. Checota said a stand alone, mini conference center that can handle day to day events.

The third floor will have a spa indoor/outdoor soaking pool concept. He said Logjam Presents is working with a firm out of Kalispell called Blue Spa. They are one of the largest spa designers in the United States. There are also 19 hotel rooms on this floor. The next four floors are hotel rooms for a total of 135 rooms. Above that there will be three floors of condominiums. They have targeted space for 27 condominiums right now, but Checota said it all depends on what the market wants.

Checota reviewed the site plan renderings. He said the service/delivery/load-in area will be centralized somewhere along Front Street. He said it will have an architecturally attractive façade. He said they also created a lot of plaza space to interact with the river because they feel it is what makes the site and project special. They have created steps and terraced areas leading down to the river for access. Checota said the entrance for the parking garages is also centralized into the plaza area. It is efficient because there is one ramp leading into either garage. Also, using the roundabout on Front Street creates a nice flow into the parking garage.

Checota said they are about to engage a landscape architect. There will be a lot of streetscape. He said there are four parcels and they would like to create a campus-like feel for the area. Logjam Presents is working closely with Riverfront Triangle Partners on doing that. Checota said another huge benefit to the design is the American's with Disabilities Act (ADA) accessibility to the trail system. He said there is no other place in the City with ADA access to the river trail system. They also worked in a 12 ft. pedestrian ramp that goes through the parking garage. It gives ADA access from Front Street down to the river system. It also gives great bike access out of the river trail system.

Checota said Logjam Presents is entering into a partnership with Riverfront Triangle Partners for a portion of their parcels. Checota said his background is in commercial real estate development and theirs is more residential. Riverfront Triangle Partners are going to do about 200 residential units at their location. Logjam Presents is going to partner with them and do a 50,000 square foot building for a tech tenant whom they have a letter of intent from. It is a Missoula based company with 500 employees.

Reineking asked if the local chefs have been identified and if they will rotate. Checota said they have visited about six food courts so far around the country. He said one they have found interesting is a company called Time Out. They have one area they rotate chefs through and the rest are permanent. Checota said they have not decided yet, but are in the process of doing interviews. It is a great opportunity for a local chef to incubate a concept and then move on and start a restaurant. It is a risk-free environment. Checota said Logjam Presents will build out the kitchen, centralize cleaning of the kitchens, centralize

dishware along with pickup and removal, etc. Checota said the chef just walks into this set up situation and can bring fairly creative concepts. He said Missoula doesn't have the population for a chef to do a small, niche, creative concept on their own. However, when you aggregate it into this concept it works because you have the volume and together it creates the full menu.

Brock asked how much of the underground parking will be used by the residential condos. Checota said there are 27-29 stalls reserved for the condos (1 per unit). Checota said the way it is structured, Logjam Presents will buy the land and build the parking deck. They will sell the parking deck to the City, which they will use revenue bonds to buy it, except for the 27-29 condo stalls. Logjam will maintain ownership of those. He said whether the condo units will own those separately or the condo association leases them is still a detail they are working out.

Checota said the hotel will be owned by Logjam Presents and it will be an unbranded concept. He said the benefit to being independent is that he can design it the way he wants to and can make it really cool and has the ability to work with local artists. He can do a lot of things that a branded hotel restricts. Checota said Logjam Presents sell 200,000+ tickets a year and 45,000 of those are out of market, meaning more than 200 miles away. He said they are in a unique position and have a great feeder system into the hotel.

Checota said the project also incorporates a lot of bike parking on Front Street and on the river side. He said they anticipate huge volumes of bikes at some of their events. Plus, all of the river trail access. He said they are still developing what the plaza will look like. Their intent is to have it very activated with the river trail system. He mentioned a potential bridge over the Clark Fork river that connects to the south side. That bridge is yet to be determined. He said they will be putting in the piers and infrastructure to do the bridge with this project because once the project is built there will be no more access down there.

Behan noted that there will be a lot more landscaping in the final drawings. Checota said they have proposals from three landscape architects. It will be the last consultant they hire. Jones asked if there is a rooftop space. Checota said there are two rooftops. The one is for the spa concept and garden area. The residents will also have a private rooftop. He said most of the condo units will have balconies as well. Jones asked if they will enjoy access to the hotel amenities as part of their ownership. Checota said absolutely, they will have access to room service, cleaning services, and can have the hotel manage an Airbnb if they are an out of town owner.

Checota said Logjam Presents are in the process of designing the utilities with WGM Group. Those will go out to bid, get permitted and constructed before the project starts. He said the goal is to have all of the underground utility completed by August 7, 2020. They are also working through design development and construction documents. The building permit will go in on August 3rd and they hope to start construction on September 11th.

Checota said Logjam Presents hired two full-time, local architects in house. They also have a development team and external team. Checota said they do not have a single partner on this project that is not a Montana based company and they have only one that is not a Missoula based company. Jackson Construction is their contractor. WGM Group is their

civil engineer. Geotechnical is TetraTech. SMA Architects are their Helena partner and are doing the shell architecture. The Structural Engineer is Beaudette Consulting Engineers. Mechanical, electrical and plumbing is Associated Construction Engineering. Englund asked what shell architecture is. Checota said when you construct a project like this with the schedule they are on, they may not have 100% of the interior finishes designed by the time they want to go under construction. He said it is a huge undertaking to design all of the rooms and interior finishes. Therefore, they go out with a package that is the “shell building”, meaning not all of the rooms, but the common areas, core, elevator, the full exterior building and the parking deck. That goes out to bid, gets permitted and is followed by a second package of all the interior design out. Checota said it lets them maintain a schedule and they are able to get going on the project and lag behind with the interior design. SMA Architects will also be designing the interior.

Buchanan asked Checota to talk about the environmental approach to the project. Checota said every single one of their properties are zero waste venues. They have no plastic at any of their venues. Logjam Presents partnered with Philipsburg Brewing and have water from their spring in a 100% recyclable bottle. He said it's an expense, plastic bottles are \$.10/unit and these are \$1.00/unit. They did not change the pricing to their customers and they do about 80,000 units of water per year. Checota said all of their venues compost, recycle, have no plastic and nothing goes to the landfill. He said Drift will be a green venue. They are also looking at environmental strategies including solar, cooling with underground water, and others to make it environmentally friendly. Drift will not do Leadership in Energy and Environmental Design (LEED) certification. It will probably be a LEED Gold Building, but Checota said the process of going through the paperwork and certification is a waste of money and time. He said it is more important for them to achieve the standard than it is to document the standard.

Englund asked where the possible hang-ups are. Checota said getting the underground utility designed, out to bid and in place is critical. Behan said the City will be contracting that through the Public Works Department. Checota said the City will do what is called a Latecomers Agreement, so immediately upon Drift starting construction they will pay their pro-rata share of that and as the developers come on they will pay their pro-rata share. He said the City gets reimbursed for those utility costs under the Latecomers Agreement. Checota said that lets them put all of the infrastructure in at once without Logjam Presents absorbing the infrastructure costs of these properties. He said everybody should pay their pro-rata share of that. He said that is one potential delay. There are cost risks with shoring or not shoring the underground utilities. If it isn't shored there could be a lot of logistical challenges to the site, which could have dollars attached to it. If it is shored, there are big dollars attached to it. Checota said Jackson Contractor Group is weighing those options for them.

Checota said another big decision out there is whether or not they want to build the whole parking deck at once or not. He said it will come down to potential tenants coming on board. He said it makes sense to build it if they come on board, if not that is a decision the City will have to make. Checota said it is much more efficient and cost effective to build it all at once.

Brock thanked Behan for taking this project on solely for the next six months or so. Checota said the City has been great to work with. He said Kaitlin McCafferty in Development Services is their point person and has been helping them through the entire process. They have already had several meetings with the Parks and Recreation Department too. He said it has been a really collaborative process with the City. Checota said they are doing a lot of early meetings and a lot of meetings just to make sure that when the City gets the building permit they know what is coming, understand it, and can move through it fairly quickly. Englund asked if they can do the same with MDT. Checota said not really. Buchanan said they have already met with the new District Manager and talked about this so it is on his radar. Behan said the big thing for MDT is the vacation of Front Street. Checota said they are staying on top of the big issues.

Checota said as far as financing, Logjam Presents is in discussions with two local banks that would co-partner on this project. He said Logjam is putting around \$4 million into the project and will bring in equity partners. They are in discussions with three equity partners - one is local, one is a traditional equity firm, and the third is one of the national unions. Englund asked if this was financing only. Checota said yes. He said Logjam Presents will operate the entire facility including food, beverage and hotel as part of an extension and an evolution of their business, which is entertainment, into more of just the overall experience of lodging, entertainment, food and beverage.

Englund asked how many of the 5,500 capacity is balcony seating. Checota said there are different configurations. In a full general admission standing show there would be about 3,000 on the floor and remaining 1,500 in the two balconies. There are two levels of balconies.

Martin Kidston, Missoula Current, said five years ago, Convention, Sports and Leisure did an economic analysis of what a conference center would do based on different sizes. He asked Checota if he'd done any economic analysis. Checota said he has read through that report. He doesn't have exact findings on what the impact would be, but said it will be significantly more because they are moving significantly higher volumes through this facility than a conference center would have ever moved through it. He said while a conference center is great and does bring in people from outside the market into the market, the event center serves the Missoula market as much as the outer market. It is a place where Missoulians can go and see entertainment.

David Erickson, Missoulian, asked for a ballpark number on the number of permanent and temporary jobs as well as what the annual property taxes might be. Checota said it will create hundreds of good paying construction jobs to build the facility. Just on the engineering and design they have at least 40 people working on the project. Once it is in service he ballparked there will be around 200 employees. He said taxes are to be determined, but probably around \$800,000-\$1.1 million in property taxes being paid by this project.

STAFF REPORTS

Director's Report

Brock asked if the parties involved with the turf at the ball field are hopeful that everything will coexist there. Buchanan said yes, they think there are ways to do that. Englund asked

if she knew any updates on baseball. Buchanan said they are confident Missoula will continue to have baseball. She said there is a lot of discussion going on right now between Minor League Baseball and Major League Baseball. She said some markets that have sub-standard facilities will lose their franchises. Missoula isn't one of them. Brock asked Checota if Logjam is doing shows at the Civic Stadium this summer. Checota said they have holds on the calendar and are working through figuring out what needs to happen to the field to be able to handle the drainage, loads, weights and all the things associated with those type of events. Englund asked if it's a day in/day out problem or the result of a worst case problem. Checota said they had a worst case situation with the Mumford and Sons concert. The field does need some consideration to be able to handle those types of events. The events that were done there before were much smaller than what Logjam Presents is doing. As a result, it is a different type of setup.

Buchanan said an engineering firm has been engaged that was involved with the original design. A geotechnical firm has also been engaged and have drilled the field. She said it will take about a month before there are any results. Jones said improvements were needed on that field even just as it relates to baseball. Buchanan concurred. It's been played on for sixteen years and never did drain properly.

Dunn passed around a report of MRA's fiscal year expenditures to date by fund. She said she was happy to answer any questions.

COMMITTEE REPORTS

OTHER ITEMS

ADJOURNMENT

Adjourned at 1:24 p.m.

Respectfully Submitted,



Lesley Pugh