

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

June 16, 2011

FINAL

A meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held at the MRA Conference Room, 140 West Pine, Missoula, MT 59802 at 12:00 PM. Those in attendance were as follows:

Board: Nancy Moe, Rosalie Cates, Daniel Kemmis, Karl Englund

Staff: Chris Behan, Jilayne Lee, Tod Gass

Public: Mark Richlen, Owner 806 Spruce St; Doug Stewart, Owner 806 Spruce St; Molly Skorpik, Morrison-Maierle, Inc.; Mike Morgan, James Hoffman Associates; Jamie Hoffman, James Hoffman Associates

APPROVAL OF MINUTES

May 18, 2011 Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

Behan said there was a request to extend the Fox Site RFP submittal deadline. MRA has extended the deadline to Thursday, July 28th. Behan felt MRA will get some interesting responses; he expects about six respondents.

ACTION ITEMS

Moe thanked Lee for providing updated Budget Status Reports. Moe said there is \$1,049,595 remaining in URD II contingency.

806 West Spruce St (Richlen/Stewart Partnership) – URD II TIF, CCP and Façade CRLP Request (Behan)

Behan said the Board approved a Proceed Without Prejudice a few months ago. He said this project is very complex; with several folks developing or moving their business to the site. One of the biggest discoveries has been that the building has never been put on sewer. The nearest line available is a couple hundred feet away in an alley.

Behan said the Department of Interior and the State Historic Preservation Office recently extended the Downtown Historic District to include a portion of this historic building. There is clearly an older warehouse portion with the rounded vaulted roof and

there is a newer section. This provided an impetus to the owners to go after some tax credits and it also changed some zoning requirements.

Behan said the partnership, Doug Stewart and Mark Richlen, has found some good tenants. They will be looking for more but this has allowed them to move forward with the renovation of the interior of the building.

Behan said what is happening in the area, starting with the Spruce Street Plaza project, is that developers are turning these industrial type buildings into something more fitting for an urban environment. At the same time they are creating and maintaining jobs.

The project includes a new sewer main, nearly 500 feet of new sidewalk, and parking improvements on the north and south sides of the building. Most of these parking spaces will be in the right-of-way and available to anyone.

The Bitterroot Branch Line Trail will be extended and improved from Spruce to Toole; completing another section in MRA's goal of completing the Trail from Broadway to Toole. There will only be about 100-150 feet of Trail remaining to complete from Pine Street to the alley north of Pine.

The owners have worked with Montana Rail Link regarding the railroad right-of-way and have determined that the property is truly theirs and they are willing to grant the City an easement for the Trail.

Behan said the exterior of the building will be reroofed and new entrances added for the new businesses. All work is being done under the oversight of the City's Historic Preservation Officer (HPO). The Officer has been intimately involved in the planning of the project to make sure the ambience and feel will be appropriate for the area and serve as a model for the warehouse mall and other similar buildings nearby. The exterior of the building will be renovated and the interior improvements include electrical, plumbing, life-safety code compliance and ADA compliance work. The owners will also be addressing the steep parking slope on the south side of the building. This used to be a loading dock area and they intend to remove the dock, raise the ground level and turn the area into a small parking lot.

A microbrewery, Draught Works, will be putting its equipment into its space in the building and installing a raised deck on the east side that will overlook the Trail.

Behan said he provided a breakdown of the project costs and what is being requested in his memo. The staff recommendation is for Tax Increment Financing (TIF) assistance for sewer, sidewalk and parking improvements in the amount of \$138,527. With the Trail improvements included, the TIF total is \$176,492. The Commercial Rehabilitation Loan Program (CRLP) is an interest write down program in URD II. The applicant's eligible activities are \$165,500 but the program maximum in URD II is \$25,000. Therefore, the maximum loan subsidy would be \$3,778.43. The Life-Safety Code Compliance Program

(CCP) is a 50% grant program in URD II and eligible activities total \$16,000 so the MRA CCP grant would be \$8,000.

Moe asked about the sidewalk section from the railroad tracks east to the Warehouse Mall. Behan said he spoke to the developers and they are willing to include it in the scope of work and are excited about the opportunity to make the whole project and neighborhood more accessible.

Jamie Hoffman made comments on the project. Hoffman said a climbing gym is moving into the space previously occupied by a plumber's shop. They are showing the south side of the building space to potential office tenants. Hoffman said what's unique about this project is that it was a warehouse, with mainly trucks coming and going during its historical use. Because of this type of use, minimal parking area was available upon its conversion. Hoffman said this posed a challenge when designing the project. Hoffman said getting the historic designation provided some relief from having to meet current zoning requirements. He said working with the Office of Planning and Grants (OPG), they've got a plan that provides as much parking as possible.

Hoffman said the predominant, historic, east façade is what got the old portion of the warehouse on the Historic Register. His firm researched how other similar facades in Missoula have been treated in the restoration process. Hoffman said Philip Maechling, City HPO, and the State Historic Preservation Office (SHPO) both like how the project's designed and will be used. Hoffman felt this project has a great location and is a great adaptive reuse of a pretty cool building. He said the brewery tenants are very excited about the warehouse/industrial type atmosphere for their activities.

Cates asked about the old façade on the south side. Hoffman reviewed the improvements that will take place on all sides of the exterior of the building. Hoffman said there are really two buildings (one built in 1931, the other in the 1960s) that are married together. Both buildings will get reroofed and new paint, windows and doors. Landscaping is also included in the project. Discussion ensued.

Moe asked about the parking on Spruce Street; she's concerned about back-out parking. Hoffman said there will be no back-out parking on Spruce. Hoffman said the City wanted to keep the back-out diagonal parking on Toole, which is in the public right-of-way. Kemmis asked if the parking on Spruce will be private. Hoffman said there are only two spaces that are wholly on private property. Hoffman said the building's lessees would only have claim to those two spaces. Behan said the historic designation allows the developers to count public or on-street parking towards their minimum parking requirement. Discussion ensued regarding parking for the brewery.

Englund asked about the additional sidewalk work requested by the Public Works department. Behan said a sidewalk along Spruce Street will be installed as part of this project. He said the sidewalk east of the railroad tracks on Spruce Street goes up a steep hill. The grade has never been ADA compliant but there hasn't been enough gas tax money or a significant change in use at the Warehouse Mall that would allow or

trigger its replacement. Behan said the Public Works department came to MRA and said if you really want to make this project accessible, then you should consider addressing the folks that will be coming to and from this project on the east side. Public Works suggested MRA fund the sidewalk replacement and add it to the scope of work of this project if the developers agreed.

Moe said Behan's report said there was approximately 1000 square feet of landscaping included in the project. Behan said most of it is on the west end. Moe asked for clarification and confirmation that the trees and landscaping illustrated in the project drawings and elevations were all included in the project. Hoffman confirmed what was presented is included in the project.

Kemmis asked about the 1960s portion of the building. He said the staff memo indicates the plan is to extend the historic design elements to that building. Hoffman said the design plan along Toole is to restore the overhead doors, with glass included, similar to what Zip Auto has done downtown. Hoffman said currently, there is no daylight in that area of the building.

Moe asked Behan about getting the last 100-150 feet of Trail completed. Behan said he spoke with Geoff Badenoch, who represented the owner of the Spruce Street Plaza project. Badenoch had several conversations with the owner of that segment of the Trail. The owner understands that the pedestrian traffic that currently moves up and down that corridor is going to continue; so they would prefer to have the traffic focused on a public trail rather than have people moving all over the place.

Kemmis asked the developers why they believe there is a market for what they are proposing to do. Richlen said the building has been sitting more than half empty for several years. It had been mainly used for truck storage and trans-dock loading and those things have simply gone away. He said the space wasn't generating a lot of revenue either.

Richlen said the brewery approached us about doing something and it kind of went from there. He said things really got complicated when we scoped the sewer and found the sewer line didn't exist. They felt it was time to redo the building and the brewery has become the anchor in a larger project. With the word out that a brewery was going in, they've had a lot of interest in the building.

Molly Skorpik said she felt compelled to make a testimony. She lives nearby and so do many of her friends who are also young professionals. Skorpik said when they heard about the brewery going in they were all very excited to have someplace to gather after work and socialize. She said it will enhance the community business network in her neighborhood.

Cates asked some financial questions about the project. Behan and the owners/developers answered her questions. The total project investment at this point from the owners alone is \$358,000; Draught Works is putting in an additional \$352,000

of improvements. Behan said in the past, the Board has asked “what is the total investment in the building (project)?” Behan said the total investment in this building is a series of partners, through lease, doing interior and exterior work. Behan said the total investment in this building is estimated at \$1.4 million, which includes the \$358,000 plus the work all of the other partners are doing. Richlen said the \$352,000 from Draught Works doesn’t include equipment. Englund clarified from Behan’s memo the \$352,000 is in leasehold improvements and there is an additional \$230,000 from new equipment. Behan said the tax increment analysis he did for this project is exactly the same as he did on the Spruce Street Plaza project.

Cates said that puts the public to private investment ratio at about 1:9. Behan said this is slightly lower than some other projects MRA has participated in. He said the Spruce Street Plaza project investment ratio was about 1:20 public to private dollars. Cates asked about the “rule of ten” and Behan said it’s a guideline that MRA gives people when they come in looking for assistance. Behan said if applicants want that ratio to be different, MRA tells them they need to show additional public benefit in their project, such as historic preservation, job creation, etc.

Hoffman said the City recently purchased some trail easements in another project he is working on. He said Richlen/Stewart are granting the City the Trail easement in this project but the value of that, using the other recent purchases as a guide, would be about \$26,000. Hoffman felt although Richlen/Stewart may be low in then investment ratio, they are also giving the City a trail easement with some value.

Cates asked if financing was in place and if MRA had verification. Behan said yes and that he has verification from the bank. Cates asked about the Draught Works financing. Behan said he doesn’t have the ability to demand their financing plan or approval since they are not the applicant; but he is comfortable with their financing because the owners are moving forward. Discussion ensued. Behan said he’d ask for verification of financing from Draught Works to see if they would provide commitment papers from their bank.

Moe asked if the Board had any questions for Jil Lee on the financial report for URD II, which shows a contingency of over \$1,000,000. There were no questions.

MOTIONS:

ENGLUND: AS TO THE PROPERTY AT 806 WEST SPRUCE STREET, I MOVE APPROVAL OF TIF PROGRAM APPLICATION IN AN AMOUNT NOT TO EXCEED \$138,527.

Cates seconded the motion. No discussion. Motion approved unanimously. (4 ayes, 0 nays)

ENGLUND: AS TO THE SAME PROPERTY, I MOVE APPROVAL OF REIMBURSEMENT OF UP TO \$37,965 FOR DESIGN, CONSTRUCTION SUPERVISION, CONSTRUCTION AND LEGAL COSTS OF A PEDESTRIAN TRAIL ALONG THE MRL BITTERROOT BRANCH LINE BETWEEN SPRUCE STREET AND

TOOLE AVENUE, CONTINGENT ON THE OWNERS' PRESENTING AND THE CITY ACCEPTING A PERMANENT PEDESTRIAN AND BICYCLE EASEMENT AND DESIGN APPROVAL BY THE APPROPRIATE CITY DEPARTMENTS.

Kemmis seconded the motion.

Discussion: Moe asked if these costs are starting now or if they are previous costs that were accumulated in getting MRL to agree to this. Behan said the legal costs will be a reimbursement and about 90% of the design costs will be a reimbursement. Cates asked if Moe was satisfied with the landscaping. Moe said they are meeting what is required.

Hoffman said they are including more landscaping that what is required. He said Bill Caras designed the landscaping plan and it was submitted with their permanent application to the City, which will be inspected as part of the process to get their certificate of occupancy.

Motion approved unanimously. (4 ayes, 0 nays)

ENGLUND: AS TO THE SAME PROPERTY, I MOVE APPROVAL OF A COMMERCIAL REHABILITATION LOAN PROGRAM (CRLP) SUBSIDY IN AN AMOUNT OF \$3,778.43 TO BE PAID TO THE PROPER ACCOUNTS OF THE BITTERROOT VALLEY BANK CONTINGENT ON THE BITTERROOT VALLEY BANK ENTERING INTO A CRLP PARTICIPATION MEMORANDUM OF UNDERSTANDING, WHICH DETAILS THE ACTIONS OF THE MRA AND THE BANK PURSUANT TO THAT PROGRAM'S REQUIREMENTS.

Cates seconded the motion. No discussion. Motion approved unanimously. (4 ayes)

ENGLUND: AS TO THE SAME PROPERTY, I MOVE APPROVAL OF LIFE-SAFETY CODE COMPLIANCE PROGRAM PARTICIPATION TO ADDRESS CURRENT FIRE CODE ISSUES IN AN AMOUNT NO TO EXCEED \$8,000.

Kemmis seconded the motion.

Discussion: Kemmis remembered this program from District I, but didn't recall that MRA had approved it for District II. He also wondered about City Council's involvement in the approval process. Behan said yes, MRA extended it to District II sometime ago and in there are specific approval limits for Staff, Board and City Council.

Motion approved unanimously. (4 ayes, 0 nays)

Moe confirmed that he owners know that the MRA assistance comes in at the end of the project as a reimbursement. Behan said yes. Behan said there is the additional sidewalk piece that was requested the by Public Works department. He said he didn't have the

cost at the time he wrote the memo but the estimated cost is \$10,000 and MRA would need Board approval for that. Cates added that she wanted the commitment of financing included in these motions. Behan said it was on his list to request it.

Englund confirmed the \$10,000 requested would cover demolition of the existing sidewalk, design, construction and construction administration for the section of sidewalk east of the railroad tracks on Spruce Street.

Molly Skorpik said she used a unit cost of \$8 per square foot for the sidewalk, which would total about \$5,600; demolition would be about \$1,500; earthwork would be about \$1,500; design would be about \$800 and the rest is for contingency and staking, etc.

ENGLUND: I MOVE A NOT TO EXCEED AMOUNT OF \$10,000 SUBJECT TO THE USUAL CONDITIONS AND ACTUAL INVOICES RECEIVED.

Kemmis seconded the motion. No discussion. Motion approved unanimously. (4 ayes, 0 nays)

Moe asked Behan who is responsible for maintaining this section of sidewalk. Behan said it's the adjacent property owner's responsibility. Behan said the existing sidewalk is not ADA compliant and not in great condition but it isn't beyond the threshold that Council feels is appropriate to order a new sidewalk be installed at the property owner's expense.

Budget Status Reports

Moe wanted the Board to look at the URD III Budget Status report, which shows a contingency remaining of a negative \$188,030. Lee reviewed the report for the Board, explaining the Budget, Adjusted Budget, Committed, Expended to Date and Remaining columns. She said the Board has committed more than the contingency amount that was budgeted (adjusted column) for FY11 by \$188,030. The contingency number is arrived at by assuming MRA receives all of the revenue that is budgeted, minus the budgeted expenditures. Lee said there is a difference between what is budgeted, subsequently approved and MRA's cash flow situation. Historically MRA has had high contingency numbers but since we have committed to and expended a significant amount on sidewalks and other projects in URD III, the contingency number is down and we need to be cognizant of cash flow. Lee said although fiscal year 2012 starts July 1, 2011, MRA will not see the first half of the revenue for FY12 until December. She said she went back to the FY11 budget to see where money had been set aside for department generated projects that ultimately did not need funding in FY11 (uncommitted). She also went through and calculated the savings from projects that have been completed. Lee said this money can be considered additional contingency and as available for cash flow purposes until FY12 revenues come. Lee also said MRA's cash flow will depend on when the projects that have been approved get completed. Lee did an additional analysis on the right side of the Budget Report showing what amount of money could still be considered available for commitments.

Lee said she estimated what MRA would need to pay administrative costs through December and the amount still available is \$312,230. Lee said the FY11 budget already had funds set aside for the Brooks Street Commercial Sidewalks in an amount of \$500,000.

Moe asked if the \$312,230 was a certain number. Lee said no, that is her estimate based on MRA receiving the entire second half of its estimated FY11 revenue. The Budget Report is current through May 31, 2011 and URD III has only received 42% of the estimated revenue. Lee said the actual cash on hand for URD III as of May 31 is about \$1.5 million, but the district has more than that committed so it will be a timing issue. Lee said there is the potential that a majority of the projects committed to will be completed between July and December, which would deplete the cash on hand amount.

Overall, Lee said the URD III budget is very tight now. There is money set aside for the sidewalk project and there is an estimated \$312,230 remaining unbudgeted to cover any amount over what was set aside. Lee recommended the Board consider not approving any additional projects until after December 2011, or specify the project would be paid from FY12 revenues after they are received.

Englund inquired about the \$100,000 for the bond services. He said Lee is considering that amount as uncommitted and using it to increase the contingency to \$312,230 but Englund felt MRA is going to incur some costs for bond services. Lee said often Mae Nan Ellingson's fees are rolled into a bond issue when bonds are sold. She said she doesn't have a number from Ellingson for her work for FY11 or what specific projects she has been working on. Lee said Buchanan was not here to tell her if a dollar amount should be set aside for bond services but if Ellingson is working on an URD II project, those costs could be paid out of that district.

Kemmis said this is the first time he can remember that MRA has been this tight with its contingency. Kemmis asked how MRA approached the fiscal year 2012 budget. Lee said MRA has to submit its next year's budget to the City in March. She said MRA doesn't get its taxable values until late July and mill levies are not set until August or September. Therefore, Lee submits the same revenue projections as the prior year, i.e. she used FY11 revenue projections for the FY12 budget submittal. As far as expenditures, because so much work has been completed and there have been subsequent project approvals by the Board, the Budget Reports more accurately reflect what the FY12 expenditures will be. Kemmis thought MRA might consider budgeting future years with a different approach so it doesn't get into a tight contingency situation again. Behan said one of the things that makes this situation a little different than a district with tight cash flow due to its newness or the payoff of a large project, is that it happened so fast. Behan felt in subsequent MRA budgets this should be addressed and when Staff brings a project to the Board they need to indicate where the money is coming from and what will remain. Discussion ensued.

Englund felt this situation is a combination of big expenditures on sidewalks, big expenditures on projects and potentially lower revenues after a tax reappraisal year.

Lee felt the slight lower revenue could be attributed to reappraisal but it's a pretty good number. She said the City considered a delinquency rate of about 8% before the recession. Behan said there could have been changes in the centrally assessed properties in the district that were affected by the recession.

Behan said MRA has done a lot more public infrastructure work in URD III in the last two years than solely income producing projects.

Brooks St Commercial Sidewalk - Phase 2 – URD III Request to Award Construction Contract (Gass)

Gass said in sum, two bids came in for the sidewalk project. Knife River had the low bid of \$527,415.80. He said WGM has gone through the bid tabs and certified Knife River's number. The recommendation would be to award the contract to Knife River in the amount of \$527,415.80. Gass said the URD III budget has \$500,000 set aside for this phase of the project and the bid is over that by \$27,415.80. Gass said there is a \$50,000 contingency built into the construction contract number and he felt pretty comfortable it would not all be utilized. Gass said the contingency number was increased for this phase since there were so many little changes that needed to be addressed in Phase I. MRA had a \$25,000 contingency in Phase I and it got used up. Gass said he anticipates the Phase II plans being better since WGM had experience from Phase I and knew what to look for.

Moe asked what the construction timing was. Gass said the work would be done this summer; it's a 90 day contract. He said the concrete work would be done in September and then the landscaping, about 90 trees and over 300 shrubs, would be completed. Moe inquired about the engineer's estimate. Gass said it was \$531,777 so the lowest bid is about \$4,000 below the estimate. Discussion ensued.

MOTION:

KEMMIS: I MOVE THAT THE BOARD APPROVE THE AWARDING OF A CONSTRUCTION CONTRACT TO KNIFE RIVER FOR THE BROOKS STREET COMMERCIAL CORRIDOR CURB AND SIDEWALK PROJECT PHASE 2 IN AN AMOUNT NOT TO EXCEED \$527,415.80.

Cates seconded the motion.

Discussion: Englund asked the Staff if they were comfortable with approving the additional \$27,415 in light of Lee's Budget presentation on URD III. Behan said he was comfortable with it and had discussed it with Staff. He said URD III doesn't have any more savings so this will probably be the last large public works project we do for awhile in that district.

Englund said he assumes there isn't a private project that the Staff has heard about that the Board will have to say "no" to because MRA doesn't have any more money to spend at this time. Lee said the Board granted First Security Bank a Proceed Without

Prejudice for a façade improvement grant for their project on Catlin. The maximum grant amount under that program is \$50,000. Lee said after deducting the \$27,415.80 from the \$312,230 revised contingency, there is \$284,814 remaining. Discussion ensued.

Englund asked Kemmis if he was comfortable since he's had experience with large budgets. Kemmis said it's good that the Board is taking a closer look at this and he felt MRA has enough wiggle room to approve it. He said MRA has been investing in public works during a severe recession and he supports continuing to do that.

Cates commented that at a prior meeting the Board said MRA needed to tell Public Works that the well was dry and now it really is dry.

Lee said she printed the revenue detail report from the City's accounting system for URD III and MRA budgeted \$1.8 million in tax increment revenue; to date it has received \$906,000 so that's closer to 48%. The difference is the Budget Status Report includes all revenue budgeted and received to date. URD III is budgeted to get repaid by URD II for its share of the administrative costs of the Agency. The amount budgeted is \$250,000 and the transfer is done at the end of the fiscal year.

Motion approved unanimously (4 ayes, 0 nays).

Officer Elections

MOTION:

CATES: I NOMINATE KARL ENGLUND FOR CHAIR AND NANCY MOE FOR VICE-CHAIR OF THE MRA BOARD.

Kemmis seconded the motion.

Discussion: The Board thanked Moe for acting as Chair for several months.

Motion passed unanimously. (4 ayes, 0 nays)

Cates left the meeting.

NON-ACTION ITEMS

All American Auto – 2340 Old Hwy 93 (Ken Meriwether) – URD III FIP Request Discussion (Behan)

Behan said this project was going to be a façade improvement but after several calls to Mr. Meriwether it appeared he didn't understand the project very well, or it was still changing. Behan said Mr. Meriwether thought his project had a greater potential for MRA funding than it really did. Behan said he put it on the Non-Action Items for two reasons; one to talk about the URD III budget situation, if the Board hadn't already, and two, to let the Board know the Façade Improvement Program is being touted by bankers

and architects, etc. Behan felt that many of the projects coming in will not necessarily be on Brooks, Mount, Russell and Stephens. All American Auto is off Reserve Street and is a used car lot. Behan felt the project would be a major improvement in the appearance of the business but its contribution to the overall ambiance of the district would probably be minor. Behan said MRA may see some of these smaller projects coming in and it gives the Board an opportunity to mold the Program as that happens.

Englund said when the Program was set up; he hoped MRA was successful in keeping the approval process entirely subjective to the Board's discretion. Discussion ensued.

Moe reminded the Board of the Special Board meeting next week on June 23rd. Moe said one of the reasons she asked that the meeting be postponed is she felt it was important to have all Board members present. She asked if Cates would be available by phone. Lee said she wasn't sure but would find out and let the Board know. Englund asked how much prior to June 23 would the Board be getting information to review. Behan said Buchanan's memo is done and can be given out today but there could be changes as negotiations go back and forth. Moe agreed that she would like to have some information before the weekend. Moe said if Cates isn't going to be available for the meeting, she'd like to get her questions and concerns so they could be addressed at the meeting. Englund directed Staff to determine Cates availability for June 23 and when they would be getting information to review. He said the Board could decide via email whether to postpone the meeting. Lee will get Buchanan's approval to send out her Staff memo.

STAFF REPORTS

OTHER ITEMS

ADJOURNMENT

Meeting adjourned at approximately 1:45 p.m.

Respectfully Submitted,



Jilayne Lee