

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

October 19, 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, Daniel Kemmis, Karl Englund, Rosalie Cates

Staff: Ellen Buchanan, Chris Behan, Jilayne Lee, Tod Gass

Public: Jeremy Keene, WGM Group; Trevor Iman, WGM Group; Patty Kent, WMMHC; Ruth Reineking, First Interstate Bank; Doug Stewart, 806 West Spruce Street; Molly Skorpik, Morrison-Maerle

CALL TO ORDER

Meeting called to order at approximately 12:00 p.m.

APPROVAL OF MINUTES

September 21, 2011 Board Meeting Minutes were approved as submitted.

September 30, 2011 Special Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

Buchanan distributed a flyer regarding the operation analysis of Mountain Line. This will include discussion about the Urban Streetcar Study. She encouraged people to attend if they'd like to have any input to those discussions.

Englund said the Board is delighted that the Mayor has forwarded a recommendation to City Council for the appointment of Ruth Reineking to the MRA Board to fill the remainder of Hal Fraser's term. Englund apologized to the Staff for the time MRA has been down one board member. Buchanan said the appointment is on the Administration and Finance Committee agenda this afternoon at 1 p.m. and should be on the Council Agenda next Monday night.

ACTION ITEMS

Western Montana Mental Health Center – URD II TIF Request (Behan)

Western Montana Mental Health Center (WMMHC) and MRA have partnered several times for projects. Behan summarized some of the history in his memorandum to the Board. MRA has been involved in WMMHC projects in the California, Russell and Wyoming street area.

In the past, MRA has evaluated WMMHC projects on the basis of whether they have a positive impact on the district and community rather than through the payment of taxes. Behan said their finished projects have changed attitudes regarding what WMMHC does.

The particular property they are looking at for this project is a portion of a rather large parcel that had previously been occupied by a sheet metal business. It is located on California Street between Wyoming and Dakota streets. It was decided that WMMHC would acquire the property after MRA worked with the previous owner to clean it up. That work was completed several years ago and WMMHC subsequently purchased the property and sold a portion of it (southern 2/3 along Dakota Street) to Ken Ault for apartments. Since then WMMHC has been looking at developing a large treatment center at Fort Missoula. Due to a variety of complications, that plan is now delayed and they are looking to build a smaller treatment center on the remaining portion of the California Street site.

WMMHC intends to build a 9,000 square foot structure for a 16 bed in-patient treatment center. The total cost is estimated at \$2.3 million. The tax increment request is for \$97,773 for the extension of a water main and putting in curbs, sidewalks, etc. Behan said these are the types of items MRA has helped WMMHC with before.

Behan said he and Patty Kent have discussed how that water main might be utilized by future developments. There are two directions that the water line could come from. One is from the west along Wyoming and the other line comes from the mill site. Either would work and benefit the neighborhood and provide opportunity for future expansion for other developments for obtaining fire flows and potable water. Currently, all properties north of Wyoming Street are on individual water wells.

The public to private investment ratio on this project is 1:24, well in excess of the target of 1:10. The private funding includes other sources of grant funds. The tax generation will decrease about \$1,000. The jobs created would be construction jobs plus highly skilled staff for the Center. Payroll would be about \$1 million per year.

Behan said Staff recommends approval of tax increment financing assistance to WMMHC in the amount of \$97,773 contingent on MRA receiving evidence of grants and loans sufficient to complete the project.

Patty Kent said her written summary provided to the Board really shows the need and the costs. Missoula and the entire State are paying millions and millions of dollars every year in untreated addiction impacts. Kent said the Center for Disease Control (CDC) came out yesterday with the statistic that \$2 for every drink sold is going to the impacts of untreated addiction. Kent said until you need treatment yourself you don't realize there aren't any options for treatment in Western Montana. Driving to Rimrock Treatment Center in Billings is not a great option. She said WMMHC's plan is premised on accessibility and affordability for all Montanans, insured and uninsured.

Kent said WMMHC is still pursuing a much larger facility at the Fort Missoula site. She said that is a multi-million, multi-year effort and the need is immediate. WMMHC owns the site on California Street, it is immediately adjacent to services at their existing campus and there is housing in the area. Therefore, they decided to move forward with a 16-bed facility. 16 beds is a Medicaid threshold. If Healthcare Reform goes through, Medicaid will cover addiction treatment services as long as the person is in a 16-bed facility or smaller. Kent said this potentially brings another resource to the table.

Kent said WMMHC is asking MRA to be first to commit funds to the project. WMMHC is submitting for a \$420,000 Community Development Block Grant Program (CDBG) grant next Monday. Kent said WMMHC can carry a loan but then they wouldn't be able to serve the uninsured. The entire point of bringing in grant funds to the construction cost is to minimize debt so WMMHC can maintain affordability and ultimately get to a 1:1 ratio of insured to uninsured patients.

Kent said currently the ratio goal is 2:1 insured to uninsured assuming the \$1.3 million debt amortized over 20 years. With more grant funding WMMHC may be able to pay off the loan in 10 years and then they would be at their ideal ratio of 1:1.

Moe asked about the time period. Kent said they would like to start construction in June. Kent felt they could do construction in June because they can carry a construction loan and might have the MRA and CDBG pieces too. They have a letter of commitment from one donor for \$25,000-\$50,000 and they have letters of interest from a couple of other foundations. Moe asked if WMMHC would have their contingent funding in place since that's in the MRA staff recommendation. Kent said yes and her goal is to get construction drawings done this winter and break ground in June 2012.

Kent said in her research there are very few foundations that will consider donating to addiction or capital campaigns. Therefore, WMMHC is focusing more in the private sector and on families who've been personally affected by addiction. Kent said this center will be a true co-occurring unit, which doesn't exist at all in the State. Most individuals who have an addiction also have an underlying mental illness. The existing centers do not treat the mental illness so this center will be a model that can be replicated throughout the state.

Moe asked about the ongoing need for funds for operations. Kent said operations are not a problem assuming WMMHC can limit their debt to \$1.3 million. Kent said their pro-

forma is set up to assume two months of zero revenue, four months of 50% occupancy, and then six months of 70% occupancy within the first year. This allows them to meet their loan obligations and still maintain their 2:1 ratio of insured to uninsured.

Cates asked about the corporate structure. Kent said a separate 501(c)3 sub-entity will be formed under the non-profit WMMHC. Kent said they are looking for board members who are committed to the cause. Cates said she wanted to confirm that the center was non-taxable. Kent said if you look at the anticipated payroll of the center, it pays back the public funds within a year. Kent said maintaining employment is another economic public benefit. Cates asked if the center could be flooded with insurable patients. Kent said if they accept CDBG funds, they have a 51% low to moderate income obligation.

Moe asked about the use of this facility if the Fort facility is developed. Kent said the Fort facility is anticipated to be 10 “step down” apartments or about a 40-bed unit. The 16-bed center would stay as the true co-occurring unit, essentially treating both mental illness and addiction. Behavioral health is moving towards treatment of the whole illness, not just segments of it. The Fort facility, in Kent’s opinion, would be WMMHC’s opportunity to partner with a larger organization to treat all types of addictions. Kent said opiates or pain killers are the fastest growing segment of addictions. The Fort facility could create a special program for this segment.

Kemmis asked about the 16-bed Medicaid ceiling. Kent said she thought it had to do with the definition; for example if it’s over 16 beds the government considers it a nursing home or other so it’s not Medicaid eligible for addiction. The Fort facility would not be Medicaid eligible for this reason. Kent felt the State is heading this way; doing smaller community based models. Currently, WMMHC serves 15 counties. This smaller center is a pilot project in that respect also.

Englund confirmed that the other funding is what really makes the uninsured piece work. Kent said the WMMHC board is committed to making this smaller center work, even if there was no money given and they had to do a \$3.5 million loan.

KEMMIS: I MOVE THE BOARD APPROVE TIF ASSISTANCE TO WMMHC, DOING BUSINESS AS GARDEN CITY COMMUNITY HOUSING DEVELOPMENT CORPORATION, IN AN AMOUNT NOT TO EXCEED \$97,773 CONTINGENT ON THE APPLICANT PROVIDING MRA EVIDENCE OF GRANTS AND LOANS SUFFICIENT TO COMPLETE THE PROJECT IN ACCORDANCE WITH DESIGN PLANS.

Cates seconded the motion. No discussion. Motion passed unanimously.

806 West Spruce Street (Richlen/Stewart) – URD II Additional TIF Request (Behan)

Behan reviewed the prior Board action, which included TIF, CCP and Façade CRLP assistance.

Behan said the area is very complex regarding putting in public improvements along Spruce Street at the railroad track crossing and along the trail easement. During construction some issues came up. A different kind of ramping was needed to meet ADA requirements of the sidewalk and the Public Works department is now putting the responsibility for painting the curbs on the developers. Behan said the MRA Board has looked at the high cost of epoxy paint as part of the bid specs for the URD II and III sidewalk projects. Behan said it was also discovered that a retaining wall was needed to make the trail work along the tracks.

Behan said all of the changes are to the public benefit in the project. This obviously changes the ratios somewhat but this project is somewhat of a landmark in the area of creating new business space in an old industrial warehouse.

Staff recommends approval of an additional \$13,700 in public improvement funding for 806 West Spruce Street project.

Cates asked about the proportion of additional assistance; whether it was about one-third of the \$13,700 for each of the items Behan mentioned. Behan said most of the requested assistance is for the sidewalk improvements.

Molly Skorpik, Morrison-Maerle, said they originally asked for an amount that included only a 10% contingency; in part due to their optimism and because they were trying to minimize the request. Skorpik said in hindsight it would have behooved them to go with a typical 20% contingency for the project.

CATES: I RECOMMEND MRA AMEND THE DEVELOPMENT AGREEMENT BETWEEN STEWART-RICHLIN PARTNERSHIP AND MRA TO INCLUDE THE ADDITIONAL \$13,700 FOR PUBLIC IMPROVEMENTS ASSOCIATED WITH THE 806 WEST SPRUCE STREET PROJECT.

Moe seconded the motion.

Englund said MRA rarely gets these requests. He said MRA wants developers to sharpen their pencils before they come in so projects don't need to come back for more and more money. Englund asked Behan to address this and explain how this situation is unique before the Board votes on it.

Changing Tape – tape 1, side 2

Behan said the Public Works department actually asked MRA to add \$10,000 to the project for work on the sidewalk east of the railroad tracks. According to the Public Works department that section was the worst example of an inaccessible sidewalk in the whole city. That work has also gone over budget and the Public Works department is picking up the overage with gas tax money.

Behan said he doesn't know how the developer could have foreseen these other changes to the project. Kemmis asked if MRA had a rule of thumb or standard for what project contingencies should be. Behan said no. Typically developers start out with a 20-25% contingency and come down as they refine their plans.

Buchanan said contingencies are varied from project to project depending on the complexity. Behan said Staff can look at this in future applications.

Motion passed unanimously.

Discussion ensued regarding inconsistencies with respect to what is approved and when by other City departments.

NON-ACTION ITEMS

URD III Sidewalk Needs Assessment – WGM Presentation (Gass)

Gass reviewed the study and how it came about. He summarized what the MRA asked WGM to do:

- quantify remaining sidewalk deficiencies in URD III
- provide an estimate of construction cost
- provide implementation strategy and funding options
- provide a holistic view of transportation system and how it could be improved

Gass said WGM has provided a baseline of what is remaining for sidewalk work in URD III but also a menu of ideas to look at for improving connections to the Missoula Midtown area.

Jeremy Keene said WGM is ready with a draft report. The next step would be to take it to the stakeholders such as public works and the neighborhood groups to get their feedback and make sure the report is consistent with what they want.

Keene said the study was a two-part effort; one was to summarize the remaining sidewalk needs and two to look at the broader vision that started when the Urban Land Institute folks were here and did the Midtown report. Goals were to assess basic infrastructure (curbs, sidewalks, drainage) that contribute to livability; identify missing links and credible connections and finally to look at opportunities to invest strategically to incentivize development or redevelopment.

Keene said the ULI study outlined the needs for the Midtown area: Identity, Connectivity Desirability.

Keene said by drawing a one mile radius (a 5 minute bike ride or a 15 minute walk) or a two mile radius around Midtown, we can focus on Midtown's desirability with respect to location. Keene said zoning is primarily commercial. There are a few spots of residential zoning. Industrial and vacant lands are also included.

The UFDA study that OPG did identified underutilized lands. Keene said WGM went the next step and identified lands that might be ripe for redevelopment. Many of these properties are adjacent to the railroad.

The Assessment report gives MRA some ideas regarding infrastructure investment. Large parcels are discouraging to walkers. Bus routes are also shown in the report. WGM worked with Mountain Line to look at serving Brooks Street with bus service.

Basic Question: how much sidewalk is left to build in the district? WGM broke the District up into eight sub-areas. Different conditions exist, such as non-existent sidewalks, deteriorated sidewalks, and non ADA compliant sidewalks.

WGM also looked at land uses and what opportunities exist. WGM suggested some concept projects for MRA to consider. Keene said what is missing is a good network of sidewalks and trails. Specific suggestions covered in WGM's presentation included:

- Bitterroot Branch Trail Extension
- Bitterroot Branch Reserve Street Project
- Johnson/Mary Extension
- Fairgrounds Improvements
- Connection from Stephens to Fairview thru the Fairgrounds
- Playfair Park Trail Connections
- McDonald Bike Route (connects to Playfair Park and Bitterroot Branch Trail
- McDonald Improvements
- Dore Land Improvements
- North/Oxford Bike Route

Keene said identity is something the Missoula Midtown Association has discussed for some time. Keene said WGM identified where some pocket parks could be created to offer a gateway point, a median refuge crossing, etc.

Estimated cost to put sidewalk in where sidewalk is missing: \$3,023,729

Estimated cost to replace sidewalk infrastructure: \$1,633,805

Total: \$4,657,534

Changing Tape – tape 2, side 1

Keene suggested MRA consider partnering with other entities, i.e. MDT to facilitate improvements.

Kemmis said he was trying to get a better sense of all of the players. Kemmis said a large scale approach is great but it seems a consensus would need to happen. Kemmis asked where the other players are in the process, i.e. MDT, Public Works. Keene said WGM's next step is taking the draft report to the stakeholders. He said other partners would be private property owners. Buchanan said MRA wanted WGM to bring the draft report and study findings to the MRA Board first, before talking to other stakeholders.

Discussion ensued regarding URD III's potential and how MRA should proceed. Buchanan said URD III will sunset in 2015 unless there is outstanding debt in the district.

Cates gave some suggestions to WGM on how to move the study results into a strategic plan. Keene said the next step in their scope was to come up with an implementation strategy. Gass said Keene will also be taking the draft report to the neighborhoods in addition to the public stakeholders.

Kemmis felt WGM was on track with the assessment.

STAFF REPORTS

Directors Report

Buchanan updated the Board on the Front/Main Street one-way conversion process. She will manage the project unless there are objections from the Board. California Street is another project that MRA will be involved in moving forward. The Scott/Toole Roundabout engineering will start soon. The State awarded the Downtown Association a \$50,000 grant for Caras Park Improvements.

Moe asked about the Fox Site and the Russell Street Intermountain project. Behan said the Fox Site proposal from Hotel Fox will go to Administration & Finance Committee next Wednesday. Behan said they've had some changes in their financing stack so they are reworking it.

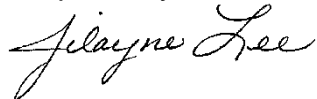
Cates asked if MRA is satisfied with the work being done on the Old Sawmill District. Englund suggested doing a special meeting to bring Ruth Reineking and the rest of the Board up to speed. Reineking said she appreciates the Board's support and was happy to be here today.

Budget Reports – URD II; URD III – No questions.

ADJOURNMENT

Meeting adjourned at approximately 1:25 p.m.

Respectfully Submitted,



Jilayne Lee