

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

August 20, 2015

FINAL

A **Regular** 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: Karl Englund, Nancy Moe, Daniel Kemmis, Melanie Brock, Ruth Reineking.

Staff: Chris Behan, Jilayne Dunn, Tod Gass, Dee Andersen.

Public: Chris Anderson, DJA; Bob Moore, Citizen; Daniel Day, Back of Montana; Tom Swenson, Bank of Montana; Bruce Kramer, Consumer Direct; Dale McCormick, Professional Consultants Incorporated, Dale Bickell, City of Missoula CAO.

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES –

[June 9, 2015](#) - Regular Meeting-Approved

[July 9, 2015](#) - Special Meeting- Approved

[July 16, 2015](#) - Regular Meeting-Approved

PUBLIC COMMENTS & ANNOUNCEMENTS

None

ACTION ITEMS

South Reserve Trail Crossing (URD III) – Amendment to Professional Services Contract
(*Buchanan*)

Buchanan said DJ&A has requested to amend their professional services contract for design of the lighting on the South Reserve Trail Crossing. She said the original plan was to install the standard lighting that was used for the Milwaukee Trail last year. However, a desire to enhance the design of the bridge, and create a more aesthetic rather than utilitarian structure, the MRA is recommending the installation of architectural lighting to illuminate the roof canopy and highlight the arches along the center span. The cost estimate to accommodate this change will not exceed \$17,376.48.

Moe asked for an outline and dollar amount on the cost savings referred to in Buchanan's staff memo.

Buchanan said they didn't have the dollar amount yet, as it hasn't gone out to bid. She said initially, the bridge decking was going to be concrete. Instead they will use an insulated fiberglass panel that has all the strength of concrete, and can be heated to eliminate snow removal. It will also significantly reduce the weight of the structure, so the foundations and piers can be smaller. Other design elements such as the arches will also provide cost savings, but at this point, they don't have firm numbers.

Anderson said the product is a fiberglass reinforced polymer that is used for highway bridges but is also popular in pedestrian bridges as well. It will be one of the first pedestrian bridges that has a carbon fiber heating element that will keep the snow off the bridge. There will be a \$300,000 reduction in steel costs alone. For the overall project, a preliminary estimate of cost savings would be in the \$600,000-\$800,000 range.

Moe asked about bond sale.

Buchanan said they have met with their bond counsel and are laying the groundwork for the sale. If the bond is placed locally it will help speed up the process. She said they have had one local bank express interest in buying them.

MOE: I MOVE THE STAFF RECOMMENDATION.

[Staff recommends that the MRA Board approve an amendment to the Professional Services Agreement between MRA and DJ&A for the design of the South Reserve Trail Crossing in an amount not to exceed \$17,376.48 and authorize the Chair to sign the amended contract.]

Reineking seconded the motion. No public comment. No further discussion. Motion passed unanimously. (5 ayes, 0 nays)

Consumer Direct – 3750 Consumer Direct Way (NRSS URD) –TIF Request (Behan)

Englund recused himself from the discussion and voting on this item. Moe chaired this portion of the meeting.

Behan reviewed a brief history of this project. In February 2015, Consumer Direct made an initial presentation to the MRA Board. They proposed a headquarters project to be located in the North Reserve/I-90 area. At that time, their project site was adjacent to the North Reserve Street/Scott Street Urban Renewal District boundary (NRSS URD) but located in the County so their property could not be included in the district.

On July 6, 2015 the City Council annexed the project site into the City limits and on July 20, 2015 adopted Ordinance 3550 which modified the NRSS URD boundary to include the Consumer Direct project site. The boundary amendment is currently being reviewed for certification by the Department of Revenue and the results are expected soon.

Behan said Consumer Direct is a rapidly growing company that has been in operation for the past 17 years. They own 19 companies with 22,000 employees spread across 12 states. Their headquarters, with approximately 275 employees is currently located in multiple sites throughout Missoula. The proposed 73,077 square foot building would allow their headquarters to operate out of one location, provide room for new local services, and allow space for near-term growth.

Behan reviewed an aerial map of the NRSS URD and pointed out the proposed building site. Estimated construction costs for the four-story building are \$17,525,000 with total project costs estimated at \$23 million. The development master plan also includes a second building for mid-term expansion and an adjacent parcel that can accommodate long-term growth.

Behan said their request for \$630,000 of tax increment assistance is primarily to extend Howard Raser Drive and construction of Hobbs Drive along the west end. This project will not just allow access to the Consumer Direct parcel, but will extend the utility lines and Howard Raser Drive to the edge of the URD so when future expansion occurs, the utility infrastructure and street networks are in place and are the proper size to accommodate development.

Behan said the Department of Revenue provided a conservative estimate of tax generation to be \$235,000 per year. That is about a 1:28 ratio for construction versus assistance. There is no demolition on this project so there will be no net loss in tax increment value.

Behan said Consumer Direct is anticipating the creation of 120 new local jobs over the next four years. With their history of growth over the past 17 years, they will most likely meet or exceed that estimate. The new positions will be administrative in nature unlike their out of state jobs that are mental health and health care related.

One of the challenges Behan said they are facing is how to handle the financing of tax increment assistance if approved. Because the district is so young, there has not been much time to accumulate significant TIF resources. For FY2016, the completion of *My Place* hotel and some changes in value for the centrally assessed properties has yielded about \$58,000 in tax increment.

The preferred approach is to finance the project through a tax revenue bond based on the whole district. Behan said with the current financing package Consumer Direct has through Bank of Montana, it was difficult to plug in the tax increment portion of the financing. He said First security Bank has shown an interest in buying tax increment debt and has offered to put together a bond and combine the Edgell, Bretz and Consumer Direct projects with favorable terms. He said they have a preliminary commitment. When they get the final costs including any capitalized interest and bond counsel fees he will bring it back for MRA Board and City Council approval.

Kramer thanked the MRA staff and said he appreciated the work they have done for this project, and for access to this program. Without it, it would have been very difficult if not impossible to bring this forward. He said this is a big step for them and would allow them to take their business to the next level.

Kemmis said he heard that Consumer Direct was originally interested in finding a location downtown, but land costs may have been an issue. He asked Kramer how the creation of a new district and TIF assistance would make it possible for them to do what they wouldn't have been able to do otherwise.

Kramer said in the course of two years, they looked at locations in downtown and the Old Sawmill District at the same time they were working this site. Bank of Montana helped them identify this site early on knowing that the district was coming and there might be assistance available. He said they also worked with consultants to locate the best site for them. Land costs were a factor but more importantly was the infrastructure surrounding the site. Without this assistance, they could not get appropriate financing. The ability to expand is their primary focus.

They have to work with what their company can afford and if they leverage themselves too heavily, they would not have the means to expand. This site will be segmented into three parcels, once they expand and fill up the first structure they will build another.

Moe asked if Consumer Direct would be the sole occupant. Kramer said yes, their company would be the primary occupants, but it might be possible to lease space.

Moore asked if they were a public company.

Kramer stated that were a privately owned company.

Moore asked what their assets minus liabilities were.

Kramer said he did not have that information with him, but stated they are a low margin business. They do a lot of volume and are conservative on how they invest their money.

Moore asked if the Board considered the equity in his company versus the \$633,000

Behan said we look at their equity in the project and project feasibility. They are in the project for about 20%.

Moore asked if the Board looks at the equity in the companies they work with to determine whether they can afford to complete the project on their own.

Moe explained that the Board is not a lender. They finance infrastructure for a project that is financed by traditional lenders.

Moe asked if the amount paid by the bond will be spent before the building is constructed.

Behan said they are working on the timing of that. The standard practice is to pay at the end of the project. There is an agreement in the motion to address payment.

Moe asked about the conduit for fiber and telephone and if it is sufficient for Broadband.

Behan said the size of the conduit being installed is more than this company will need even with Broadband.

The Board discussed the new jobs that would be created and the salary ranges.

Moe asked for the bond total for all three projects.

Behan said \$1.3 million

Englund asked how much it will cost to issue the bond

Bickell said about 2.5% depending on the debt service reserve.

Behan said the largest cost would be capitalized interest.

Moe requested a change in the motion to state the vice chairman to execute the documents instead of the Chair.

KEMMIS: I MOVE THE STAFF RECOMMENDATION WITH MOES REVISION TO PART ONE.

[Staff recommends the MRA Board:

1. Approve \$630,000 in TIF assistance for eligible items within the Consumer Direct Grant Creek Campus LLC project and authorize the Vice Chairman's execution of related documents under the following conditions:

- **A TIF financing arrangement acceptable to the City, MRA, Bank of Montana, and First Security Bank (or other institution) can be negotiated with a final principal amount and other financing terms to be approved by the MRA Board prior to submittal to the City Council for final approval.**
- **The development agreement between MRA and Consumer Direct Grant Creek Campus state that assistance reimbursements will be made upon completion of discrete work items listed above and the reimbursement request will be based on paid contractor invoices and submission of subcontractor lien waivers for that work.**

2. Direct Staff to engage Dorsey & Whitney as bond counsel and the City's financial advisor, Springsted, Inc., to assist in analyzing TIF financing terms and to prepare related official documents which will be subject to approval by the MRA Board and City Council. The costs of the legal and financial services will be added to the bond principle.]

**Brock seconded the motion. No further discussion, No public comments.
Motion passed (4 ayes, 1 recused)**

URD III Burlington/Garfield Sidewalk – Request to Award Construction Contract (Gass)

Gass said in January 2015, staff presented this project to the MRA Board. The Board directed staff to select an engineer. In April 2015, MRA entered into a professional services agreement with Territorial Landworks, Inc. (TLI) for design, engineering and contract administration services. The preliminary designs were presented to the Rosepark and Southgate Triangle neighborhood council leadership teams. In June, an open house was held for the residents and business within the project area to review and make comment. He said TLI has completed the final design and construction is planning to start in September and will be completed in the spring of 2016.

Gass said HM concrete of Frenchtown submitted the lowest bid in the amount of \$535,482.21. Their bid was \$122,899.02 below the engineers estimate. TLI has reviewed this bid and found it to be complete and accurate. HM concrete is confident in their bid number and has been informed that they will be held to it. TLI recommends awarding the Burlington/Garfield Sidewalk Project construction contract to HM concrete.

Gass said they will have to relocate a fire hydrant. It is located in the middle of the sidewalk alignment. Mountain Water will bid that work. He does not have the final number but it will be in the \$5,000 range. If it is below that amount, Ms. Buchanan can award the bid and if it is above, he will bring it back for Board approval. Either way he will inform the Board of the cost.

Brock asked when the work would be done.

Gass said it will get started in about three weeks. There is about six weeks of work this fall and then it will be finished this spring.

Moe asked what comments they got from open house.

Gass said everyone has been accepting of the project. They worked with people to align their drive way access. Doug Harby, City Development Services, went out and met with people. He said they also met one-on-one with Beach Transportation and the owner of the Subaru lot. Overall everyone was welcoming.

Englund asked if Subaru and Flanagan's were parking vehicles in the area where this project was taking place.

Gass said yes, they are using the right of way up to the curb but they will move back. The lights on the Subaru lot will be relocated by Northwester Energy.

REINEKING: I MOVE THE STAFF RECOMMENDATION:

[Staff recommends the MRA Board:

Move to award the construction contract for the Burlington Garfield Sidewalk Project to HM Concrete, in the amount of \$535,482.21, authorize the MRA Board Chairman to sign the contract, and authorize Staff to sign the necessary documents to execute the contract (Notice of Award and Notice To Proceed).]

Brock seconded the motion. No public comments. No further discussion. Motion passed unanimously. (5 ayes, 0 nays)

Non-Action Items

MRA Program Workshop – Discussion

Behan said there is an interest in replacing the Commercial Rehabilitation Loan Program (CRLP) in URD II with an expanded Façade Improvement Plan that exists in URD III. Because of low interest rates that program is of no assistance at this time. He said perhaps it would be a good idea to meet and review the programs so the Board can officially set up programs for some of the new URDS.

The Board members agreed and asked for a time frame.

Behan said this autumn.

Director's Report

Buchanan said the Wayfinding Program for Downtown is making progress. They found funding for an architect and have contracted with Jenn Cleary to finalize and manage bid documents for the pedestrian signage downtown. The bids are scheduled to open on September 8, 2015. If this project is well received the hope is to fund the installation for the entire city.

The Brooks Street Redesign is with the Department of Transportation. Buchanan said she hopes to bid this project in the next 2 months. If so, she would like to roll it into financing with the South Reserve Trail Crossing, but that will be a Board decision.

Buchanan said the Missoula Midtown Association has reformed, elected officers and established bylaws. As a result of current or completed MRA projects in the Brooks Street Corridor, there is a strong interest in extending the life of the district through the issuance of debt.

Buchanan said she was working with Jeremy Keene and Peter Lambros on the Southgate Mall project. There will be a revised proposal presented at the September 16th MRA Board meeting. City Council authorized staff to move forward on amending the district boundaries so that is underway.

Englund expressed interest in discussing the taxable values.

Buchanan said in URD III, staff did not see the increases that they hoped to see. Kohl's and Cabela's were added, but they lost the church and theater, so it could be a matter of timing. She said we they are about half way back from where they were before Kmart was torn down which is about \$1.6 million in total revenue. She said URD II performed as expected. Front Street went down possibly due to the removal of First Interstate's drive- thru building. The biggest surprise was almost \$60,000 increment in NRSS district due to the new hotel. Something may be going on with the centrally assessed properties but they are not sure what it is yet. Hellgate lost almost \$65,000 in incremental value and they can't pinpoint exactly why.

Buchanan said part of the design team for the NRSS URD, Nore' Winter, who has decades of experience with design guidelines and design controls is willing to donate some time to examine the possibility of design criteria for the City. She said she will put together a coalition of people to meet with him for discussion and review in October. If there is sufficient interest in implementing design controls, he will come back in January and conduct a workshop.

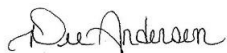
Kemmis said he wants to reinforce the importance of being involved in this. The lack of design guidelines could undermine the good work this agency accomplishes. He said he encourages this.

The Board reviewed and discussed the Budget Status Reports.

ADJOURNMENT

The meeting adjourned at 1: 20 p.m.

Respectfully Submitted,



Dee Andersen