

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

September 16, 2021

DRAFT

A Regular meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, September 16, 2021 via Zoom at 12:00 p.m. Those in attendance were as follows:

Board: Karl Englund, Nancy Moe, Ruth Reineking, Tasha Jones, Melanie Brock

Staff: Ellen Buchanan, Annette Marchesseault, Tod Gass, Jilayne Dunn, Lesley Pugh

Public: John Adams, City of Missoula Department of Community, Planning, Development & Innovation (CPDI); Dale Bickell, City of Missoula Chief Administrative Officer; Gwen Jones, Missoula City Council; Logan McInnis, City of Missoula Public Works & Mobility; Jane Van Fossen, Citizen; Missoula Access Community Television (MCAT)

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

August 19, 2021 Regular Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS AND ANNOUNCEMENTS

Englund wanted to fill everyone in on the resolution regarding MRA and Tax Increment Financing (TIF) that was introduced at City Council. It is still being discussed in the Administration & Finance (A&F) Committee. There was an A&F meeting a week ago on Wednesday that Buchanan, Dale Bickell, Chief Administrative Officer, and others attended. Englund said there was another A&F meeting yesterday that he attended. There are three parts to the resolution, two of which are fairly simple. One part would add three ex-officio Board members including a City Council A&F Committee member, a County Commissioner, and a Missoula County Public School representative. Englund said he felt the more people who see MRA's work, the better. He said MRA had a representative on the Board from the Historic Preservation Commission (HPC) for years and that person, Dorothy Ogg, came to the meetings. After she retired, there were a couple of HPC representatives that did not come to the meetings and the position went by the wayside. Englund said a few years ago there was a former City Council member that asked MRA to move their monthly meetings

from Wednesday to Thursday so that they could attend. MRA moved their Board meetings and Englund didn't think that person ever came.

Englund said the second non-substantive part of the resolution is that City Council wants to see a strategic plan that is jointly approved by the City Council and MRA Board. He said MRA and City staff started working on a plan after the last tax increment remittance was done in fiscal year 2020. This was done in part to address MRA's concern that maybe the City Council was thinking about the future of MRA differently than MRA was. Englund said he and Moe were the Board representatives in those meetings along with Buchanan, the Mayor's Office staff, City Council representatives and a few others. Englund said when they met and talked about what the future might look like they were all in agreement that infrastructure and affordable housing were the priorities. His opinion was that they were close to putting something on paper that was an outline of where they thought they would be going and what goals MRA would be working on. He said there was no real dispute about it. The group did not get back together to finalize that, in part due to them not being able to be in a room together and pass around paper, but also because there was no big divergence of opinion so there was no real need to keep pushing on it to solve a bunch of problems. Englund said the proposed resolution asks MRA to adopt a plan with City Council and he said MRA would be happy to do that.

Englund said the third and most substantive part of the resolution is a statement of intent that the City Council would cap MRA's resources when property within the urban renewal districts (URDs) has a taxable value greater than 9% of the total taxable value of the City. [Any amount above the cap would be remitted back to the taxing jurisdictions.]

Englund said at the first meeting, there was discussion about that as a concept, but it would take more work to actually put numbers on paper as to what that might mean. After putting the numbers in, what it might mean, particularly in light of projects that are already either approved (Fox Site & Riverfront Triangle development) or where it's clear where MRA is going (Scott Street housing project), that if those projects happen, MRA's districts would be significantly over the 9% taxable value of the entire City and there would need to be remittances back to the taxing jurisdictions. Those remittances, by necessity, would have to come largely from Urban Renewal District (URD) III. Englund said yesterday the City Council got to see what some of those numbers might look like on a spreadsheet, which was at this point speculative, but at least had more numbers on it than were on there before. There was some discussion yesterday about what a 9% cap might mean for something like the reconstruction of Brooks Street. Englund said there was good discussion about it. It is clear to him that City Council wants to continue to work on this and it is a work in progress. He doesn't know where it is going to end up, if anywhere at this point. There certainly is desire on the part of some people on City Council to make sure that not only MRA but also the rest of the City, have the resources they think they need and recognize that some prioritization might need to occur in that process.

Reineking said that was a fair characterization and added that while it is still in A&F Committee, Council is going to open it up for public comment on September 20th.

Buchanan said it's open for public comment on September 20th and 27th, at which time they may take some action. Brock asked if there could be a vote on the 20th or 27th. Buchanan said not before the 27th because the public hearing is still open. Brock asked if it appears to

be moving quickly down the road. Englund said yesterday was the first time City Council had an opportunity to see in real numbers what the cap might mean in terms of projects. He said a very important part of their process is to try and figure out what impact this would have. While the schedule is set out so there could be a vote after the public hearing on September 27th, he doesn't know that there will be. Buchanan said Bickell described the difference between his two presentations to Council at the A&F meetings. The first meeting's presentation was a look back at the historical performance of the URDs and the growth in taxable value City-wide. Yesterday's presentation and discussion was more of a look forward, such as if Council does this, here is what it means on the ground with real projects and real numbers.

Reineking said articles in the Missoulian and Missoula Current both pointed out, as did Buchanan at A&F yesterday, that MRA could see increased tax increment from the completion of the Riverfront Triangle project, which may come back on the table soon. But, it does not mean those funds would be available for a remittance because they would likely go towards debt service for the project. If the value of redeveloped property pushes the value of all the URDs beyond that 9%, the money for the remittance has to come from somewhere and it's not going to be available from the Riverfront Triangle URD. It is something MRA will have to decide. If they take money from URD III, which has cash, to cover the remittance, there are potential projects in that URD that will not get done.

Englund said that exact scenario was discussed at yesterday's A&F meeting and he made that point exactly. He said it was talked about in terms of capacity and what it might mean. He said capacity means cash. If there are remittances back to the taxing jurisdictions, MRA has to have cash and URD III is the district that has cash. It has cash because MRA has done so well building up the cash and MRA built up the cash because priority one in that district's urban renewal plan, from the very beginning, was to figure out what to do with Brooks Street. That is a huge ticket item and MRA may have the opportunity to do something about Brooks Street now and may need the cash. Englund said that is where the choice will have to be made. Clearly, MRA operates under City policy. In the budgeting process the City has to make choices. Englund said his understanding is that at the first meeting those kinds of choices were not really laid out in any particular detail. Yesterday they were laid out in some detail using projected numbers. Englund said his point is that he understands City Council will have to make some choices and wants them to do so with as much information as possible and to know exactly what the choices are before they decide on a number or a cap. One of the things that was shown to City Council yesterday in one of Bickell's spreadsheets was the difference between a 9% cap and 10% cap, which was significant. Englund said there are thoughtful people on City Council who understand that what MRA does has contributed significantly to the community. Englund said that Bickell started off by saying the most effective tool the City has to meet the goals and priorities of the City is MRA. Englund said this resolution is not meant to be punitive and is not meant to clip MRA's wings because some people don't appreciate the work that has been done. It is a question of whether the City has reached the point where it needs to start using the City's portion of MRA's tax increment revenue for other purposes. He said those questions can only be answered through a more thoughtful analysis of what purposes MRA would otherwise use the money, which would not be available if there was a remittance.

Buchanan noted the Montana Rail Link (MRL) Property action item will not be discussed or voted on today.

ACTION ITEMS

Bridge Apartments – 1205 West Broadway – Acquisition (URD II) – TIF Request (Buchanan)

Buchanan said at the September Board meeting the MRA Board was given a presentation about the potential for the City to purchase the Bridge Apartments. It is a 20-unit apartment building on West Broadway that currently houses low-income individuals, some of whom may have disabilities and receive services from Western Montana Mental Health Center (WMMHC) or other agencies. WMMHC built the Bridge Apartments and has owned it since the 1980s. The requirement for the low-income cap on rents has expired so WMMHC made the decision to divest themselves of a couple of pieces of property they own in Missoula. This was one of them and the other is on South 3rd Street. The City tried to be the purchaser of the Bridge Apartments, but WMMHC entered into a buy-sell with a private individual whose identity was never disclosed. That deal did not go through. The City came back to the table and entered into a buy-sell with WMMHC to purchase the property for their asking price of \$2,195,000. At the September meeting, the Board approved up to \$25,000 for a due diligence process. To date, \$10,700 of that has been spent for an appraisal and environmental assessment of the property. The property did appraise at the offering price and the environmental assessment did not turn up any deficiencies. There was also a building inspection conducted that identified some small, deferred maintenance issues but nothing that was pressing with the exception of three items: boiler, air conditioning unit, and discoloration in an area that needed to be addressed and remediated. The City got pricing on that and WMMHC set aside the required amount of money to make those corrections and they are underway.

Buchanan said if the Board approves today's request, there will be a referral made to the City Council Administration and Finance (A&F) Committee on Monday night. It will go to A&F for discussion on Wednesday, September 22nd and City Council will act on whether to purchase the property at its September 27th meeting. One of the requirements of the City is they have to close on the property before the end of the month. This project is a little bit complicated because it's not like Scott Street where MRA buys the property and redevelops it. The City is actively looking for a partner who will be a long-term operator of the Bridge Apartments or will purchase the property from the City. Buchanan said they don't know if this will be a financial encumbrance for a couple of months or for a couple of years or forever. What MRA has been asked to do by the Mayor's Office is to approve funding that would bridge any gap that exists, should the City find a buyer for the property who will maintain it as permanently affordable housing in perpetuity. They are certain there will be a gap between what the City pays for the property and what they will have to sell it for in order for the buyer to be able to support permanently affordable units in perpetuity. Or, at worst, the City retains ownership of the property because there is not a buyer out there and enters into an agreement for operation of the facility.

Buchanan said the request today is for the Board to approve the use of up to \$2,195,000 in tax increment financing (TIF) for reimbursement to the City for the purchase of the property, should that become necessary, or some portion of that in the event that the City finds a purchaser and there has to be a discounted sale of the property. The Mayor's office has

also requested that MRA approve an additional \$10,000 for project management of the property in the interim period – not managing the apartments, but managing the City’s process.

Dale Bickell, CAO, said this is a really critical opportunity for the City to keep 20 individuals housed and keep this facility permanently affordable. He said the City is confident they will find a partner in the future to help manage it. On the project management side, he said it has been assigned to John Adams, Community Planning, Development and Innovation (CPDI). As Brownfields Administrator, Adams’ position is federally funded; but to the extent he helps the City with projects outside of that grant, the City needs to compensate for that work. Bickell said the request is for up to \$10,000 for that work, not necessarily a \$10,000 allocation.

Moe said there were a couple of questions left over from the last meeting. One is the question of dedicating the property as low-income affordability in perpetuity. She said she is hearing that has been resolved and asked for confirmation of that. Buchanan said MRA has done that with other projects including Sweetgrass Commons. She said it is called out in state law that MRA has latitude with respect to how it uses TIF when there is permanently affordable housing as a result, whether it’s multi-family or owner-occupied. Moe asked if that question has been resolved from the City’s perspective. Bickell said he doesn’t think there is any question on what the City can put in place once they own the property, such as a covenant that restricts it to being permanently affordable. What the City hasn’t done is create the specific definitions of what that means. Bickell said the City wants to make sure that any restrictions that are put in place, are done in the context of whatever partner they might have in the project, to ensure the goals of both entities are met as best as possible.

Secondly, Moe said there was a Phase 1 Environmental Site Assessment that had not been completed as of the last meeting. She asked if it has been completed and if there were any problems. Buchanan said the assessment has been completed with no findings. Englund said he saw that in the memo, but asked about the discoloration. Adams said the Phase 1 Environmental Site Assessment looks for environmental hazards to make sure the site was not a former gas station or former wrecking yard. He said the consultants look at historical records to ensure the City is not buying an environmental liability or any environmental hazards when they buy the property. The Phase 1 came back clean and there were no concerns. The discoloration was spotted in the building inspection and it needs to be taken care of in case it is some interior hazard. It is being taken care of in conjunction with the sale.

Englund asked for an estimate of the sale discount the City would need to provide moving from fair market value of the property to maintaining it as permanently affordable, if someone were to buy it. Buchanan said she has assumed it is somewhere between the City giving it away and a discount of as much as half of what they’re paying, but that is totally unscientific and what she hopes is worst-case scenario. Bickell said the discount will be driven by the process of identifying the partner. He said while there have been discussions with interested entities, the likely path forward for a procurement process of trying to find a partnership, is to do a limited solicitation to figure out the City’s goals and how an interested party can best meet those. The price would be set within a parameter and the City would want certain conditions met and to ensure the partner is set up for

success. He said it is hard to say what discount might be applied to this facility, but certainly the appraisal was a market-value assessment without any constraints related to affordability or the ability to charge rent. The City has to assume there will be a discount upon sale of the property.

Englund asked who will be doing the limited solicitation. Bickell said they are doing this as a City team with the Mayor's office, MRA and CPDI staff. Englund asked what type of property manager the City is considering; would it be someone operating the property on behalf of the City and collecting rents or someone who would pay the City to take over and manage the property and keep the rents. Buchanan said all of those scenarios are part of the solicitation. She said there are multiple different arrangements that could be made. She assumed the ideal arrangement would be the City sells the property to someone who is versed in managing low-income properties, multi-family properties and dealing with folks who may have special needs. In that case, the arrangement serves the purpose the City wants it to, which is to permanently housing 20 individuals who are in an income-qualified situation. Englund asked if those types of property managers or owners exist. Buchanan said yes, it's what Homeward does, for example. WMMHC has done it on this property, but it is not part of their mission any longer. Buchanan said there are also private entities that own and manage income-qualified properties. Englund asked why the property has to close by the end of the month. Buchanan said that clause was driven by the seller.

Brock said MRA is looking so closely now at capacities of the URDs. URD II does not have capacity for this purchase from existing cash. She asked if the URD II funds would be replenished only if it is sold to a partner. She said she understands the expediency, but wants to grasp how it relates to an URD that doesn't have the capacity to fund it. Buchanan said the request that came from the Mayor's office is clear that the proceeds of any resale of the property would come back to URD II. If the property doesn't sell, or if the gap is larger than MRA's capacity to handle with current resources (cash), MRA would have to issue debt. She said if MRA looks at everything it wants to accomplish for URD II between now and its sunset in 2031, the Agency will need to issue some debt. It will be very short-term debt compared to what MRA typically issues because the remaining term of the district is less than ten years now. Brock said affordable housing is absolutely the top priority for using the tax increment financing tool. Buchanan said this project certainly meets MRA's priority list, the City's strategic goals and the goals of the URD II urban renewal plan. She said there is every likelihood that if this building goes into private hands and becomes market-rate rental housing, there is probably nowhere for the current tenants to go.

Englund asked if URD II has the capacity to pay back a \$2.1 million debt. Buchanan said MRA has the capacity to issue bonds and debt service that amount but it does not have \$2.1 million in uncommitted cash. Englund said URD II has \$162,000 in contingency (unallocated) funds. [Englund was referring to the remaining contingency funds for fiscal year 2021. The URD II fiscal year 2022 Budget Report shows \$1.25 million in contingency funds. This was pointed out later in the discussion.]

Buchanan said the City will not know how much TIF funding is needed for this until they know what the disposition of the property will be. Englund said MRA still has to plan on \$2.1 million. Buchanan concurred. She said if it is \$2.1 million, MRA will need to go to City Council and ask them to approve a bond issue. Englund asked what the sequence is of that

action. Buchanan said if the MRA Board approves the request today, the City is going to acquire the property with the understanding that TIF funds will be used to reimburse the City; either in full for the purchase if the City ends up owning it permanently, or for whatever gap might exist if the City finds a buyer for it that can't pay the \$2.1 million and make it work as permanently affordable housing. She said the TIF funds will be used as a reimbursement to the City. If the amount is \$2.1 million, MRA will need to issue debt. Englund asked if all of this is going to the City Council now. Buchanan said yes, it will be referred to City Council on Monday night. Englund asked if it will include the authorization to issue up to \$2.1 million in bonds. Buchanan said no. The City Council is aware that bonding is the only mechanism available to MRA if they want to use TIF for the entire purchase price if they are unable to sell the property. She said a tax increment bond resolution is not being taken to City Council for approval at this time.

Moe said Buchanan's memo refers to unexpected discoveries during the due diligence period. She asked where they were in the due diligence process and if there have been any unexpected discoveries. Buchanan said they have completed due diligence and found the three items she identified earlier that WMMHC has agreed to correct (boiler, air conditioner and discoloration).

Moe said she is in support of this project. She said she would like to make sure that there's a written commitment that the money will come back to URD II if bonds have to be issued and then there is a sale of the property. She wants that part of the procedure to be clear. Englund asked if it is fair to ask for some commitment that City Council will approve a \$2.1 million bond. He said it sounds like MRA will be on the hook for as much as \$2.1 million and since they don't have it right now, and in order to make this work, there will have to be a bond issue. Yet, MRA can't do a bond issue approval right now in order to ensure that the money is there. Englund said the money from a bond issue will go back to the City towards the purchase, so it is in the City's interest to approve such a bond sale.

Jones said her point is exactly what Englund is saying, which is that it is almost assured MRA will need to do a bond issue no matter the amount, whether it's \$2 million, \$1 million or \$200,000, because of the lack of cash in the district. She said MRA needs to be clear in its approval of this that the only way MRA is able to participate along the lines that are being requested, is to do a bond issue of some number up to the entirety of the purchase price. Jones said she is okay with that, but she also sees that in terms of when the City is looking for partners in management or ownership, even then there may be a potential need for MRA to do a bond issue to make it work. Moe said she has some amendments to the motion and will make the motion when the time comes. She asked for input when she makes the motion if anyone has changes.

Jones said it is important to her that MRA preserve some capacity in URD II to do other things. She said she fully supports this request and it is squarely within MRA's current mission to support affordable housing. She said if that means this is all MRA can do in the district that is okay, but to the extent MRA can, she would like to reserve the ability to participate in other projects if possible. Englund asked if that decision is made when a bond is sold. Jones said to her, it is made right now. She said she thinks today's approval needs to be clear that any MRA participation, at any level, would require a bond issue, otherwise URD II has nothing left.

Buchanan pointed out the budget status report referenced earlier was for fiscal year 2021. The current fiscal year 2022 budget report shows \$1.25 million in URD II contingency.

Moe said the Department of Revenue (DOR) is on a two-year assessment now, so these figures will change in the next two-year period. She said there are additional revenues that could come into the district aside from what they see right now. Buchanan said next year it will presumably stay the same because it will be the second year of that two-year process, unless there is new growth in the district. For instance, the office buildings coming out of the ground at the Old Sawmill District will come on the tax rolls at some point before the next reappraisal.

Englund asked Bickell how long he envisions the process of looking for a manager/buyer will take if the purchase goes through at the end of the month. Bickell said the City will act quickly and he anticipates the process will be three to four months.

MOE: Recognizing that the Bridge Apartments project is low income housing, I move that the MRA Board make a recommendation to Missoula City Council urging the acquisition of the Bridge Apartments and approve the use of TIF funds from URD II as follows: (1) to bridge any gap between the City's purchase price (\$2,195,000) and a resale of the property as permanently affordable apartments; or (2) through the issuance of debt, that is TIF Revenue Bonds as approved by Missoula City Council, reimbursement to the City of the purchase price if a subsequent purchaser cannot be found; and (3) to fund up to \$10,000 for project management. Also, that the MRA Board authorize the Board Chair to sign the appropriate agreements. (Final motion below)

Jones had a friendly amendment to reword “or” to “and” between (1) and (2). She said even MRA’s participation to bridge the gap may necessitate the issuance of debt.

Moe accepted the friendly amendment.

Jones seconded the motion.

Brock asked if the reimbursement to the City means and guarantees that the funds go back to URD II, or do they just go to the City. Moe said the reimbursement to the City would be if the City initially paid the purchase price for the Apartments and they are not resold immediately. MRA would be funding the reimbursement of the purchase price by the issuance of bonds, or whatever funding source MRA has. Buchanan said she thinks the question is whether or not the Board wants to memorialize the idea that if there is a resale of the property down the road, the proceeds from that sale would come back to URD II. Moe said probably not in this motion. Jones said MRA could make that a condition of their approval process and the Board should discuss whether or not they want to do that. Englund asked if that scenario depends on whether or not MRA is called upon to fund the purchase. He said if the City fronts the money for the purchase and then turns around and sells it, MRA will not have any funds into the project other than the \$25,000 approved last month for due diligence, and up to \$10,000 for project management. Discussion ensued

regarding purchase and resale of the Bridge Apartments, timing of the transactions and repayment to URD II if MRA contributes funding.

Jones said the question is where the money would go if there is any excess at the point when the Apartments are resold. Reineking said it sounds like the Apartments are unlikely to sell for the price they will be purchased for, and because they will be permanently affordable, they are likely to sell for less. Englund asked if the proceeds from a potential sale of the Apartments down the road would automatically go to the bond holders if a bond is issued and then after the bond is issued, the property is sold. Jones said the bond holders would have first priority on a secured interest in the bond. She said she does not think MRA should put any stipulations on its assistance at this point in time because there are too many unknowns. She said the City and MRA, who are interested in a partnership, need to maximize flexibility in order to stimulate interest in creating a new ownership or management partnership. Jones said the Board could address the specifics of MRA's assistance at the time of a bond issuance.

Dunn said she wanted to be clear from the financial aspect of the project, that the way the motion is proposed would allow the Board full flexibility regarding repayment, and if the gap was an amount MRA could pay from cash, MRA would not be required to bond. Englund said the only problem with that, is it doesn't let the City Council know that unless it is a pretty small amount, MRA is going to be bonding to reimburse the City. Englund said the motion should take care of that because most likely bonds are going to be issued to repay the City's general fund. Bickell said if City Council decides they are not going to support a bond issue later on for this, that is his problem, not MRA's.

Moe said the Board can also address this by amending the motion at the beginning of item (2) and just say "if necessary".

Jones accepted the amendment.

FINAL MOTION:

MOE: RECOGNIZING THAT THE BRIDGE APARTMENTS PROJECT IS LOW INCOME HOUSING, I MOVE THAT THE MRA BOARD MAKE A RECOMMENDATION TO MISSOULA CITY COUNCIL URGING THE ACQUISITION OF THE BRIDGE APARTMENTS AND APPROVE THE USE OF TIF FUNDS FROM URD II AS FOLLOWS: (1) TO BRIDGE ANY GAP BETWEEN THE CITY'S PURCHASE PRICE (\$2,195,000) AND A RESALE OF THE PROPERTY AS PERMANENTLY AFFORDABLE APARTMENTS; AND (2) IF NECESSARY, THROUGH THE ISSUANCE OF DEBT, THAT IS TIF REVENUE BONDS AS APPROVED BY MISSOULA CITY COUNCIL, REIMBURSEMENT TO THE CITY OF THE PURCHASE PRICE IF A SUBSEQUENT PURCHASER CANNOT BE FOUND; AND (3) TO FUND UP TO \$10,000 FOR PROJECT MANAGEMENT. ALSO, THAT THE MRA BOARD AUTHORIZE THE BOARD CHAIR TO SIGN THE APPROPRIATE AGREEMENTS.

Englund said there's not a question that the Board supports the project. He said there's no question about the fact that it fits in line with everything MRA is supposed to be doing and the priorities indicated informally from City Council. The intent is to make sure these

properties remain affordable for this group of tenants and their successors. Bickell said he appreciates the support very much.

No further discussion. No public comment.

Motion passed unanimously (5 ayes, 0 nays).

Flynn-Lowney Ditch – Acquisition (URD II) – TIF Request (Buchanan)

Buchanan said this is a really exciting opportunity because through the effort of Logan McInnis and Jeremy Keene at Public Works, the City has secured the ability to purchase the Flynn-Lowney Ditch. It is the diversion ditch at West Broadway Island, which MRA purchased a number of years ago and have invested a fair amount of money in. The back channel that separates the island from the bank where Imagine Nation Brewing is located is the Flynn-Lowney Ditch. It winds its way along the edge of URD II. The place where this acquisition will have the biggest impact is the development of the Sx^wtpqyen area west of Reserve Street in the Mullan Road area. A tremendous amount of expense was going to be needed in order to build the culverts and crossings of that ditch as it wanders through this area that is ripe for development. A large portion of the purchase price is a trade off of not having to spend that money as the Sx^wtpqyen area develops. It will also give the City more flexibility in terms of what happens to the river in that area between Silver Park and the West Broadway Island. The removal of the ditch diversion structure will benefit fish habitat, water quality and will get rid of the problem of fish getting trapped in the irrigation channel, which is a perpetual problem. Staff believes this diversion structure is a contributor to the bank erosion on the south bank and removal of it may also open up the opportunity to make the boat ramp easier to access and open it up to folks with different levels of boating skills.

Buchanan said Public Works has been working diligently to put together the \$990,000 needed to purchase the Flynn-Lowney Ditch. They have talked over the course of this fundraising about the use of tax increment funds, should there be a need for that, and there is. Public Works said a piece of the acquisition involves how to deal with the water rights. It will require hiring a couple of consultants to take care of that piece of work. The request today is that MRA pay for the water rights transfer piece of the acquisition, rather than contributing money for the straight up purchase. Buchanan said it's a pretty amazing coalition of folks that have come to the table to help put the funding together. She said there will be two consulting firms necessary to close the deal. Newfields will be doing the groundwater monitoring required. WGM Group will be handling primarily the water rights change applications and water rights permit applications.

McGinnis said the City is funding the purchase in a variety of ways, and not having to build large culverts under the roadways is the biggest source of funds. Missoula Water is contributing funds because they are interested in drilling a production well on airport property. The City has successfully obtained a Future Fisheries of America grant from Fish, Wildlife and Parks (FWP), local and state chapters of Trout Unlimited, and Clark Fork Coalition (CFC). Down the road, CFC is also working on an in-stream water rights deal that could bring significant funds in to help with Phase 2 of the project. Phase 1 is getting the assets of the ditch company purchased. Phase 2 will be removal of the ditch structure and reshaping of the river to eliminate hydraulic pressure along the south bank. McInnis added they are also in conversations with The Max Wave folks, so they are involving as wide a

group of folks as they can with this. McInnis said they are still a little short with their funding and thanked Buchanan for bringing this request to MRA. He said it is just what they need to push it over the finish line and get the assets purchased.

Buchanan pointed out that on the bank erosion issue, being able to remove the diversion structure is probably going to save the City a fair amount in TIF dollars and other funding. She said the City is worried about starting to lose trail and maybe even having the stadium impacted if the bank on the south side isn't stabilized. She said this investment will save money down the road to protect the investments MRA has already made.

Reineking asked who will do the water rights permitting and if they have been contacted already because this project will move quickly. McInnis said at the end of the month Public Works will take the project to City Council for approval of the purchase. Public Works will then immediately kick off the water rights consulting work, including the application work. Reineking asked who the water rights application will go to. McInnis said it goes to the Department of Natural Resources and Conservation (DNRC). He said Public Works has had an initial meeting with the DNRC. Reineking said it appears DNRC could at least approve that application and it could be done separately from the in-stream application. McInnis said there are a lot of moving parts to this project. The City had a good meeting with DNRC. Some of the irrigators that are close to the river can be done with a water rights change application. Those that are further away require new permit applications and a mitigation plan. Public Works is estimating that 20 cubic feet per second (cfs) of the 40 cfs ditch water right, will be available for in-stream flow and that will be a separate application. Reineking asked how long the water rights process is. McInnis said it will likely be 12-18 months. Reineking said, so on MRA's budget documents, the \$57,576 TIF requested won't actually be expended within the next fiscal year. McInnis said actually most of the work happens up front. The groundwater modeling work will be done within a month or two and the water rights permits will take longer.

Englund asked if the water rights are replaced by an underground water right. McInnis said the ditch company currently holds all of the water rights. Individual ditch users who end up with a well will actually end up with a water right in their name. There won't be water flowing in the ditch anymore so people that are active users will get new wells drilled and a water right will be put in their name. Englund asked if the active users have consented to this. McInnis said yes. He said there are issues with the ditch currently, and the ditch company really struggled getting water into the ditch; so the big irrigators are really supportive and like the idea of turning on a well and pumping clean water. McInnis said having a more reliable water source was a big seller for them.

Moe said there is a big culvert where the ditch is. She asked if those will be filled in so the hillside will be sloped down to the river, possibly creating a beach area adjacent to the river. She also asked if the north side of the West Broadway Island will be filled in. McInnis said that will be part of Phase 2. All the City is doing right now is buying the ditch company assets and planning to shut the head gate off. Once water is no longer in the ditch, then anything could happen. McInnis said he doesn't think the City will do anything with the big culverts crossing West Broadway and Reserve Street. He said certainly people will want the ditch to be filled in and that is another aspect of fundraising. Certain properties are going to benefit considerably from having what was a ditch running through their property to

now a place they can build lots through the ditch easement. Public Works feels some of the land owners should contribute and are continuing to work on that. At this point the City will hold the easements and try to do fundraising around that. Moe asked if this may not be the last request to MRA for property that is adjacent to some trails. McInnis said the City doesn't know yet what the cost of Phase 2 will be, but he doesn't doubt the City will need some help in the future with work to be done. Buchanan said one of the pluses with this is that it gives the City a lot more flexibility in terms of how they treat that side channel that is the ditch right now between the Island and the north bank of the river. There have been a lot of ideas tossed around about how to turn that into an asset. For instance, it could become a controlled area where you could teach kids how to kayak without having to be out in the middle of the river.

Englund asked if City Council has approved the purchase of the ditch. McInnis said it is going to them later this month for approval. Englund asked if a TIF expenditure would be conditioned on approval. McInnis said yes. Englund confirmed that this water rights work won't be done if the City doesn't own the ditch. Buchanan said that is correct, there would be no water rights to mess with. McInnis said they aren't planning to kick off any of the consulting work until City Council approves the purchase.

MOE: I MOVE THAT THE MRA BOARD APPROVE AN AMOUNT NOT TO EXCEED \$57,576 TO PAY FOR NECESSARY WATER RIGHTS PERMITTING REQUIRED AS PART OF THE FLYNN-LOWNEY DITCH ACQUISITION BY THE CITY AND AUTHORIZE THE CHAIR TO SIGN THE APPROPRIATE AGREEMENTS.

Reineking seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (5 ayes, 0 nays).

Montana Idaho Water & Sidewalk Project (URD II) – Request for Authorization to Enter into a Memorandum of Understanding for Design (Gass)

Gass shared his screen to present a map of the area. In June, the MRA Board approved the URD II Water Network Program in the MRA Capital Improvement Program (CIP) and fiscal year 2022 Budget. Staff has been working with Missoula Water to identify deficiencies in the municipal water delivery system in URD II and prioritizing the build-out of those deficient areas. The focus of the URD II Water Network Program over the next three years will be in the Montana, Idaho, Inez and California Streets area between Russell Street and the west side of the Old Sawmill District.

MRA and Missoula Water are proposing a multi-phase Montana Idaho Water & Sidewalk Project. Phase 1 of the project will involve extension of the Idaho Street water main and the build-out of curb and sidewalk improvements on Idaho Street along with curb and sidewalk improvements along River Street. MRA's water and sidewalk improvements will coincide with a private housing development project that is being discussed and moving forward on a piece of property on the south side of Idaho Street. It involves constructing 12-14 townhomes. Because that project is in URD II, it is eligible for TIF for things such as utility extensions and right-of-way (ROW) improvements. Gass said the Montana Idaho

Water & Sidewalk Project gives a “two for one” by providing public improvements for the housing project and further implements two of MRA’s programs.

MRA and Missoula Water will work as partners under this combined project. The administration of the program will be structured with Missoula Water holding the Professional Services Agreement for design and engineering of the improvements. They will also hold the construction contract for building the improvements. MRA and Missoula Water will then enter into a Memorandum of Understanding (MOU) for the design and engineering and later upon MRA Board approval will enter into another MOU for constructing the water and sidewalk improvements.

Missoula Water has selected IMEG as the project engineer. They were picked from a pre-qualified list of engineering firms in which they solicited Statements of Qualifications and ranked those qualifications in accordance with the City Procurement Policy. IMEG has submitted a scope of services which consists of a Schedule A and a Schedule B. Schedule A will deal with the design, engineering and construction services for the water side of the project. Schedule B will be concerned with the curb and sidewalk improvements side of the project. The way it is structured, Schedule A (water) will be taken to final design for the entire water network in the area so they can go through one City and one Department of Environmental Quality (DEQ) approval process for the design of that system. Missoula Water will build out the water lines over the next three years. Schedule B (curb and sidewalk) will involve the preliminary design of the entire Idaho to River Streets sidewalk project and also a public process for the properties in the area that are affected by the sidewalk project. It will focus on final design and construction services for the Idaho Street curb and sidewalk improvements and also the curb and sidewalk improvements on River Street. Gass said staff anticipates coming back to the Board next year to amend the Professional Services Agreement to bring in Phase 2 of the project which will be construction services to build out the Montana Street water main, and final design and construction services for the curb and sidewalk on Montana and Dakota Streets. After construction is complete, the sidewalk work in the area will be done and the sidewalk program can move on to north of the river. Staff will likely come back to the Board a third time to amend the agreement to bring in the Phase 3 construction services to build the Inez and California Street water lines.

Gass said the recommendation to the Board today is to authorize MRA to enter into a MOU with Missoula Water to provide TIF funding for the IMEG scope of services and budget in Schedule A and Schedule B as identified in his memo for an amount not to exceed \$172,785. Gass said Logan McInnis, Missoula Water, is available to answer any questions about the water side of the project.

Englund asked where the existing water line is. Gass said there is an existing water main on Wyoming Street that was put in a couple of years ago in a similar type of combined project. There are also water mains on Russell and California Streets. Gass said there is a big hollow area to build out the water delivery system in the proposed area. Staff feels the lack of a water main has been an impediment to redevelopment in this area. McInnis added the water main running down Russell Street stubs out to Montana Street. Englund asked if once the water lines are built the areas will be fully watered. Gass said that was correct. He said it will tie in and will have redundant circulation.

Englund asked about Prince Street to the east of Russell Street and wanted to make sure they weren't skipping blocks. McInnis said there are a lot of wells in the area and there could be the need for other mains in the area at some point. He said Missoula Water just stubbed a water main line north of Inez Street with the Wyoming Street project. McInnis said the parcels on Prince Street have access to water either on Montana or Wyoming Street. Jones asked about River Road. McInnis said there is neither a main there, nor a plan for one. Gass said he had planned for a main in River Road originally, but in discussions with Missoula Water they decided there wouldn't be a water main constructed on River Road and that the properties would access the water main out of Idaho, Russell or California Streets. Buchanan said staff has been in several meetings with large developers of that area. The developers are planning a large parcel development that will be high density and will have access to water via Idaho Street, the way it is being looked at right now. Jones said getting rid of the private wells in such close proximity to the river would be beneficial, but it sounds like it will be taken care of through Idaho Street. Buchanan said the other consideration is that when the Old Sawmill District was cleaned up, one of the covenants that came out of that was that no new potable water wells could be drilled in the area west of the development. Buchanan said getting those parcels on water and off of wells is a huge benefit. McInnis said he doesn't necessarily think use of the existing wells will go away. The new developments will utilize City water, but he imagines most of the existing properties will continue wanting to use their wells. Buchanan said she thinks the City will see redevelopment in the area, which will force the switchover. Gass added the water mains will provide fire flows that will be needed for the anticipated density that goes in there.

Moe asked if the Street Department is doing anything on River Street north of Inez Street. She said the street is really a patchwork of patches and if MRA is going in there and tearing it up she wondered if the Street Department had plans for the street. Gass said it will be something the engineer will assess as they go through and scope out the project. At that point the engineer will determine if a mill and overlay of the street is needed.

Brock said this is always a busy, high foot traffic area. It is busier than ever and she is really excited to get the sidewalks in.

REINEKING: I MOVE THE MRA BOARD AUTHORIZE MRA TO ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH MISSOULA WATER TO PROVIDE TIF FUNDING FOR THE IMEG SCOPE OF SERVICES AND BUDGET, SCHEDULE A AND SCHEDULE B, AS DESCRIBED IN THIS MEMO FOR AN AMOUNT NOT TO EXCEED \$172,785.

Brock seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (5 ayes, 0 nays).

NON-ACTION ITEMS

STAFF REPORTS

Director's Report

Scott Street Property

Buchanan said the project planning for the 9.8 acres on Scott Street that was cleaned up to residential standards is moving forward aggressively. MRA is partnering with Ravara on a redevelopment planning process for this area. The project will have to go through some subdivision permitting even after the City does the right of way (ROW) dedications that create the big tracts of land. The City will do a ROW exemption by dedicating Shakespeare Street, which is north/south, and will separate the public works parcel from the rest of it. There will be two east-west streets – an extension of Charlo and an extension of Palmer. That will create two tracts for redevelopment; one is three acres and one is six acres. The six-acre tract will house approximately 230 multi-family workforce housing units with a large mixed-use component. The development will include a child care component, which is one of the requirements of the partnership between Ravara and the City. The three-acre parcel will be owned by a Community Land Trust (CLT) and will house 70 units that are for sale and will be owner-occupied and permanently affordable. It will be a combination of townhomes and condominiums in order to achieve the desired density. Gass is working with Public Works and CPDI to get the ROWs dedicated so the big parcels are created. In the meantime, the developers will be putting together a subdivision application for the three-acre parcel. The parcel will need some zoning variances in order to be done. Buchanan said there is a fair amount of regulatory stuff to get through, but it is moving forward. Ravara and their design team will make a presentation to the Board at the October meeting.

Front/Main Two-Way Conversion

Buchanan said there have been meetings with key stakeholders, particularly in the Kiwanis Park area. The engineers held the first public open house last week at the top floor of the Library, which is a spectacular space and something to be proud of. She said it was well attended and there was a lot of interest from folks on the east end of that project because it is primarily residential. There were also business owners in attendance.

Higgins Avenue

Buchanan said this planning effort is not MRA's project, but staff is deeply involved in it. The planning effort is from Broadway Street to Brooks Street. Consultants are meeting with steering and technical committees and working through cross-sections of the plan. A lot of public outreach is also going on with this because many businesses will be affected. The Hip Strip area is highly engaged in the discussions.

West Broadway Corridor Master Plan

Buchanan said there will be one more public meeting utilizing a group that calls themselves CREW (Community Rising for Equity and Well-being) which focuses on community outreach. They have been an integral part of the process on Scott Street and the turnout was terrific on that. CREW wants to do more outreach in the westside area around what is going to happen with West Broadway and try to get more neighborhood discussion involved. Marchesseault said they hope to meet in early October. MRA would like to have the entire Master Plan completed and adopted by City Council, the MRA Board and other entities before the end of the year. Buchanan said MRA did get a Big Sky Trust Fund (BSTF) grant

for \$25,000 as part of the funding for the Dover, Kohl & Partners contract. Staff had to ask for an extension on the completion of the work in order to accommodate the further interaction with the neighborhood residents and property owners. Staff is highly confident BSTF will grant the extension, but they do not know for sure yet. If for some reason BSTF doesn't grant the extension, the project will likely come back to the MRA Board for that request. Marchesseault added that in order to meet the grant deadline they would have needed to have a final plan by October 8th. Staff felt that given this level of engagement from the westside neighborhood and CREW group, that having it done by October 8th was rushing it too much and would be a disservice to the Master Plan. Buchanan said putting together virtual public meetings is more time consuming and challenging than going to the top floor of the Library, for instance, and having a public meeting.

FY21 Budget Status Reports for June 2021 – Updated 9/1/2021

Dunn said she attached a summary memo of high points of the Budget Reports. For those of the public listening, there are links to the reports on the Agenda. There are two sets of budget reports, one is MRA's June Fiscal Year (FY) 2021 reiteration. There are updates still being made to those reports and they are near completion.

FY22 Budget Status Reports

Dunn said her memo speaks about the taxing jurisdictions and how those taxes are collected. MRA is using the final budget that was submitted to City Council for their adoption as part of the City's budget on August 23rd. That budget includes the updated taxable values from the State of Montana, but is still using last year's mill levies because not all of the taxing jurisdictions have set those yet. The seven taxing jurisdictions are also listed in her memo. These reports can be found on MRA's website on the Records page. They can also be found on the MRA Agendas for each Board meeting. She pointed out that "contingency funds" are unallocated funds in each of the URDs and are usually highlighted in yellow on the reports. MRA is still expecting tax appeals to come in from the State of Montana. Those numbers come in November. Dunn noted that MRA's audit has started and she will be working on that over the next couple of months.

COMMITTEE REPORTS

OTHER ITEMS

ADJOURNMENT

Adjourned at 1:57 p.m.

Respectfully Submitted,



Lesley Pugh