

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

November 5, 2008

FINAL

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

- Board:** Hal Fraser, Nancy Moe, Rosalie Cates, Karl Englund
- Staff:** Ellen Buchanan, Chris Behan, Kari Nelson, Tod Gass, Jilayne Lee, Lesley Pugh
- Public:** Jamie Lockman, Historic Preservation Commission; Linda McCarthy, Missoula Downtown Association; Mayor John Engen; Mae Nan Ellingson, Dorsey & Whitney; Tom Butorac, 1st Interstate Bank; Anne Guest, Missoula Parking Commission

APPROVAL OF MINUTES

October 15, 2008 Regular Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

Anne Guest, Director of the Missoula Parking Commission (MPC), announced that their regularly scheduled Board meeting will start at 1:00 pm on November 6th in the Jack Reidy Conference Room. They will be discussing the Parking Structure at that meeting.

ACTION ITEMS

Front St. Parking Structure Construction Method Resolution – Recommendation to City Council

Buchanan prefaced this item by saying that she got ahead of the MRA Board on this and got it to Committee probably before it should have been. She said there were a number of reasons for that which are addressed in her memo. Buchanan said as a result of conversations with Board members, Staff asked City Council to refer the item back to the Administration and Finance Committee.

Buchanan said the Board previously authorized Staff to act as project manager on behalf of the MPC. Staff has been in negotiations with Macy's to try and secure the piece of property on the corner of Front and Pattee. She said 1st Interstate Bank stepped in and assumed responsibility for those negotiations on the theory that corporation to corporation was a better way to go about it. She said Macy's decided they want to sell the property and the Bank responded in the affirmative. As a result of that and the Bank being as far along as it is in the construction process, Buchanan said Staff has been

talking about the possibility of using an alternative construction method which moves the project more quickly. She said when the referral was made, the understanding and expectation was that the Bank would act as a developer and build the structure and then turnkey it back to the MPC. Buchanan said after the referral was made the Bank was advised by their counsel that there were regulatory issues and the plan needed to be reevaluated and changed. Buchanan said they did get a unanimous vote from A&F to do the alternate construction method.

Buchanan said this legislation authorizes a couple of things to choose from. One is a design-build method. She said this involves a design team and contractor. They work together on the design, cost and construction of the project. Another method is construction manager at risk. Here, the contractors are hired separately from the design team but they work together through the design and construction of the structure, however they both answer separately to the owner. Buchanan said she's had experience with the design-build method and is comfortable with it. She said she doesn't have much experience with the other.

Moe asked who reviews the design besides the designer and contractor. Buchanan replied a team would be put together that would be the project management team. She said the major responsibility would lie with the MRA Staff and the MPC Staff. She said the permitting doesn't change and it will go through all of the building reviews just like any other project. Moe asked if the MRA or MPC review the design. Buchanan replied yes, they will review the design, but the permitting will be the same process that anyone has to go through.

Moe said the resolution states that the MRA made a preliminary determination that the structure provide a minimum of 200 new parking spaces to meet the demand. She asked if MRA made that determination. Buchanan said the MRA Board did not take action to make that determination. She said that number is driven by what they believe can be financed without any difficulties. Moe asked if the resolution should be changed since MRA did not make that determination. Buchanan replied the resolution can be changed or the Board can make that determination. Englund asked where the 200 number came from. Buchanan replied the Bank has identified a need for 150 spaces to service their building, Macy's will require 30 spaces for their employees and they anticipate the Holiday Inn will want 20 spaces for their employees. That's 200 spaces that need to be built as a minimum to satisfy the three businesses. The structure will be about four stories tall.

Moe said the resolution talks about potential costs and she doesn't have an idea of what they will be for a four-story parking structure. Buchanan said if 300 spaces are built they estimate the costs will be roughly \$7.1 million. She said they're using a number of \$20,000 per space. She said this is a little higher than the national average but they're trying to be as conservative as they can be. She said the land costs will be about \$1.1 million.

Moe referred to the funding and said it looks like it will be funded mostly by bonds. She asked how they expect to sell the bonds. Buchanan said the parking revenue bonds are not anticipated to be difficult to sell publicly because of the capacity the MPC has right now in terms of their inventory and revenue streams. She said the Bank has expressed an interest in looking at buying both the tax increment and parking revenue bonds. Moe asked what the amounts anticipated for each of those is. Buchanan replied their financial advisors are running numbers for the MPC and they're not certain what their capacity is, but the number they've been using is \$2.7 million in bonding capacity. She said the increment generated by the new office building will be in the neighborhood of \$3-\$4 million. She said the Bank has expressed the desire to have some of the costs they've incurred that are eligible for tax increment be reimbursed. Buchanan said two years ago the MRA Board granted them a Proceed Without Prejudice for that project. Moe asked what the cash contribution from the MPC is. Anne Guest said at the MPC Board meeting tomorrow they will decide the amount to commit to the project. Fraser asked if Guest has a recommendation she's giving to the MPC Board. Guest replied she will recommend approximately \$1 million. Discussion ensued.

Buchanan said if they don't have all of the money then they will build what they have the money for. Moe asked how the design handles more or less parking spaces and how the contractor deals with that fluctuation. Buchanan said one of the advantages to either of the alternate construction methods is that they identify the parameters in the Request for Proposals and at that point they have the flexibility to work with the contractor and design team to tie down the cost of a certain number of parking spaces.

Moe asked Tom Butorac from 1st Interstate Bank if he had any input on the idea of the Bank purchasing the tax increment bonds. Butorac replied they are willing to consider it very strongly. He said they are in this and will try to do everything possible to assist the project. He said for banking operations they only need about 60 spaces. However there are condo floors and the prospective buyers are saying they won't buy unless they know what the answer is to the parking. Moe asked if the \$7 million includes purchase of the land. Butorac replied yes. Guest said the land is approximately \$1.1 million. Buchanan said the land has not specifically been appraised. She said they've used comparables to reach that number.

Mae Nan Ellingson from Dorsey Whitney talked about a parking project that was constructed in Bozeman. She said the design-build works so well to get a project started, get the design team going and knowing as the project developed if they had more money and could build additional spaces. She said it's important with the time constraints to be able to do this method. Discussion ensued.

Change Tape 1 s1/s2

Buchanan said thanks to the Montana Community Development Corporation there is now access to New Markets Tax Credits in Montana. She said their application was structured in such a way that this project was one that could fit within it. She said if another revenue source can be brought in as Tax Credits, it gives them time to work through the

process and if they get another one or two million dollars from Tax Credits they can build more spaces.

Fraser asked how the architects, engineers and contractor are chosen. Buchanan said the State has outlined a process to follow. They have to decide which method they want to use first and her inclination was that it would be design-build. Englund asked who will make the decision as to what method is used. Buchanan replied they could write it so it comes back to the MRA Board and the MPC Board. Ellingson said part of Buchanan's strategy is that they would have the consultants, Carl Walker Parking, be a part of the City's design team and they would give recommendations to Buchanan and Guest along the way as to which of the methods best serves the community. She said Buchanan and Guest could rely on Carl Walker's advice on how to structure the RFP because they've done this kind of work before and will be on the City's side.

Moe referred to the Resolution and said the process seems to be directing the MRA and MPC to do certain things, except for paragraphs b and e, where the City makes direct tasks specifically to the Directors of the two Agencies. Moe said it seemed consistent to her that the direction should be to the Agencies rather than to the Directors of the Agencies so that those Directors will come to their Board for a recommendation. Ellingson said it could be structured however the Board feels comfortable. Moe said if you look at a chart, it's the City Council assigning to the Agencies and then the Director is the Agency's employee that the Board assigns tasks to. Therefore, Moe said it seemed clear to her that direction from the City should be to the Agency, not directly to the Director. It was decided that in paragraphs b and e the words "Director of the" would be removed.

Cates asked if it was confusing to name two Agencies. Englund asked if it was worded like that because both will have money in it. Ellingson said she'd relook at it. She said the MPC is going to be issuing bonds and owning the facility so it's hard to not include them in the Resolution. Buchanan said part of the thought process in the language that refers to both Agencies was predicated on the fact that the MPC and Mayor Engen came to the MRA Board and asked that MRA be designated project manager to solve the parking problem. Buchanan said they felt like that relationship was somewhat defined and that MRA is the lead Agency on building a parking structure. Moe said the request is that MRA take on that role and so she was trying to preserve that direction be given to the MRA and not establishing a pattern of the City Council giving direction to Staff. Cates said she thought the Resolution was written in a way that's a little ambiguous as to who would authorize different acts as an Agent. It was discussed and decided that Ellingson will revise the document and everyone will receive a final copy for review with a final sign-off by Moe.

Moe asked what the Bank is doing with its drive through window. Butorac said the building they're in right now will come down and under the current plan they're going to attach a couple of drive through lanes to the new building. The old drive through will be torn down, the land will be sold and developed. He said their back up plan, if the parking structure doesn't go through, is to use the drive through as parking. Butorac said they

really don't want to do that because it's too great a resource to the community. Englund said MRA is going through a process that helps the Bank in terms of its parking. He said when all of that is said and done, a few blocks down there will be a piece of property that might be very valuable piece of public property. He said it might be something the City wants to do something with. He wondered if MRA was giving up an opportunity to preserve that option by moving quickly on the parking before locking up some options the City might want. Buchanan said they have not used that piece of property as a bargaining chip. She said in the Downtown Master Plan, that is the proposed location for a Performing Arts Center and/or the University's Art Museum. She said the Bank has been very involved in those discussions. Fraser said he felt the Bank project itself is funding a lot of this through its own increment and he didn't know if this property should be used as a bargaining chip and felt it would complicate things.

Cates declared a conflict because the Missoula Community Development Corporation may participate in funding of the parking structure down the road. Fraser said he didn't know if that was a conflict. Ellingson said this is just a recommendation for a method of construction and wasn't related to funding. It was decided that Cates did not have a conflict in voting on this item.

MOTION

ENGLUND: I MOVE THAT WE APPROVE THE PROPOSED RESOLUTION RELATED TO THE USE OF AN ALTERNATIVE PROJECT DELIVERY CONTRACT FOR THE PARKING STRUCTURE, AS AMENDED TODAY, AND SUBJECT TO HAVING THE AMENDMENT CIRCULATED AMONG THE BOARD. Cates seconded the motion. 4 ayes, 0 nays. Motion passed unanimously. Kemmis absent.

Change tape 1/tape 2

Hip Strip URD Finding of Blight – Discussion and Recommendation to City Council

Gass said Staff conducted a study of blight to determine if there was sufficient blighting conditions that exist in the area of the Hip Strip to warrant an URD. Gass said part of the study area was in URD I which sunsetted in June of 2005. Through URD I, over \$2.1 million was invested in the Hip Strip area through various public and private partnerships out of the \$23.1 million invested in that District over its lifetime.

Gass said the study found that the area was adequately served by water, sewer, storm water, curbs, gutters, sidewalks, and other utilities. He said most of the commercial structures appear to be in good condition and well maintained. The transportation system is adequate, although he said there are certain aspects that could be improved to provide better circulation of all transportation modes. He said there were no significant instances of inappropriate land or building use or lot layout. Gass said Staff talked to the Missoula Police Dept. and they reported that crime is elevated in the study area and is mostly criminal mischief in nature. He said the higher crime rate can be attributed to its proximity to Hellgate High School, the University, Downtown Entertainment District, and nature of the Hip Strip night life and higher rates of student housing in the area. Gass said an urban renewal plan could be limited in its effectiveness at addressing crime issues

as the area is already open and well lit. He said the tax base in the study area is appreciating, although it's at about half the rate of the city as a whole.

Gass said Staff found that there are certain conditions of blight that do exist within the area, such as minimal life-safety standards in specific areas of the building stock and site specific transportation issues. He said additional growth in the area will put pressure on the limited parking there, however lack of parking is not listed as a condition of blight in state law.

Gass said tax increment financing could alleviate the blighting conditions identified in the study and also benefit the area through greater control against undesirable changes. However, Staff concluded the conditions of blight identified in the study area do not rise to levels requiring them to be addressed in the near future through a tax increment financing district. He said at this point Staff is looking for a recommendation or motion from the Board to take to City Council to accept the findings of the study; or if they vote that down they can proceed with a resolution to create a district.

Moe asked if the specific items from a presentation made to MRA were considered for the purpose of the findings. Behan replied they primarily had to do with street infrastructure, buildings and the possibility of water and sewer problems. Gass said Staff couldn't come to the conclusion that the problems there were widespread. Buchanan said the biggest problem is parking. Discussion ensued.

Jamie Lockman, MRA representative to the Historical Preservation Commission, said it doesn't appear there's been a formal historical survey of the area. Gass said the study area is actually part of two existing historical districts. Linda McCarthy from the MDA said at the last property owners meeting she attended last month there was mixed emotion about whether or not they wanted a study of blight in that area and conflicting emotions about whether or not it was blighted.

MOTION

Gass: Staff requests the MRA Board recommend that the City Council accept the Hip Strip Study of Blight conclusion that there are inadequate findings of blight in the study area to warrant the creation of a Hip Strip Urban Renewal District.

ENGLUND: SO MOVED. Moe seconded the motion. 4 ayes, 0 nays. Motion passed unanimously. Kemmis absent.

NON-ACTION ITEMS

City Administrative Services Budget

Buchanan said historically, the City did a cost allocation study in 2002 and at that point the MRA's contribution for City Services was \$20,000/yr. and the study indicated it should be significantly higher. She said Geoff Badenoch, former MRA Director, met with Brentt Ramharter, City Finance Director, and put a value on the services MRA provides the City and arrived at a point where MRA would pay \$40,000. She said this was done, with a 3% yearly escalator, through the end of URD I and when it terminated, MRA's resources were impaired and the number was reduced to \$25,000/yr. That

number has been escalating by 3% yearly. Buchanan said five years later another cost allocation study was done and it demonstrated that MRA's fair share should be \$121,000. She said this was implemented last year but MRA continued to pay the \$25,000 with its 3% escalator per year and sold bonds in the meantime. Buchanan said when the City's finances ended up not being as strong as anticipated and the revenues aren't coming in at the anticipated pace, MRA was asked to step up and start paying something closer to what the cost allocation study indicated it should be. Buchanan said they arrived at a figure of \$100,000. She said she wanted to make the Board aware of this and said the budget hasn't been approved yet but it will be reflected.

Mayor Engen said a piece of this negotiation really tries to recognize all the great work the City gets out of MRA Staff. He said in tougher times the City tried to make sure MRA had the breathing room it needed to survive and thrive. He said now that the City is having a bit of a struggle they're either looking for savings or revenue and he thinks this becomes MRA's contribution because finding the savings is tough. He said the City is happy to have a conversation with Buchanan about the cost allocation piece. He said the City does a management fee for all of the enterprise funds.

Moe said since this is part of MRA's budget she wants to see the figures the City puts on the services that MRA provides so the Board can see what the City is recognizing.

STAFF REPORTS

OTHER ITEMS

ADJOURNMENT

Meeting adjourned at 1:20 pm.

Respectfully Submitted,



Lesley Pugh
Secretary II