

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

March 16, 2016

FINAL

A **Regular** meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Wednesday, **March 16, 2016** at the MRA Conference Room, 140 West Pine, Missoula, MT 59802 at 12:00. Those in attendance were as follows:

Board: Melanie Brock, Karl Englund, Daniel Kemmis, Nancy Moe, Ruth Reineking

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

Public: Jan Schweitzer; Anderson ZurMuehlen, Grace McKoy; Andersen ZurMuehlen, Gene Mostad, Kevin Slovarp; City Engineer, Jim McLeod; Farran Realty Partners, Katherine Foley; Gavin-Hanks Architects, Nancy Harte; Community Grants & Programs, Jeremy Keene; WGM Group.

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES:

January 5, 2016 Special Meeting Minutes Approved
January 20, 2016 Regular Meeting Minutes Approved

PUBLIC COMMENTS & ANNOUNCEMENTS - None

ACTION ITEMS

FY15 MRA Audit Report - Request for Acceptance (Dunn)

Schweitzer said this year's MRA Audit Report was a few months late due to the implementation of a new government accounting standard. The new standard affects all government agencies. It relates to pension liabilities which have been unfunded at the state level, and are now required to be included on each government agencies financial statement. She anticipates next year's audit report to be completed on time.

McKoy gave a brief overview of the FY15 audit findings. Due to the new accounting standard, the balance sheet reflects a \$394,000 liability which is MRA's share of the current pension liability as of 6/30/14. Each year that figure may be adjusted up or down. Also new this year, is the reporting of pension administration expenses, and the small portion of revenue the state pays on behalf of the MRA. McKoy stated there were no internal control deficiencies or material weaknesses found.

Englund confirmed that after the disclosure, the net result is a liability. Schweitzer said yes, and that number will go up and down each year. She said it's a bit of a paper liability that shows what MRA's obligation would be if the Public Employee Retirement System (PERS) collapsed. The liability was audited at the state level by the Legislative Auditor's Office, and Schweitzer feels confident in the reports produced.

McKoy said the pension liabilities were not being tracked on financial statements and bonding agencies needed to know how large the liability was. Currently, every state is under-funded in this area, but Montana is in a bit better situation. Buchanan asked what the liability is for the City as a whole. Schweitzer said it was huge and couldn't recall the exact number. She stated that MRA's liability is in the 8% range with five employees. McKoy explained that the allocation used to determine the 8% liability was based on current MRA's payroll contribution to PERS and could change if the staffing numbers change.

MOE: I MOVE ACCEPTANCE OF THE FY15 MRA AUDIT REPORT.

**Reineking seconded the motion. No public comment. No further discussion.
Motion passed unanimously. (5 Ayes, 0 Nays).**

Discussion ensued regarding the PERS pension system and the unfunded liabilities.

Lucky Diamond Plaza 3700 Brooks Street (URD III) – Reconsideration of FIP request. (Behan)

Behan said in January, Nancy and Gene Mostad submitted two applications for Tax Increment Financing (TIF) assistance. The TIF application included some demolition and sidewalks and was approved by the Board. The façade improvement application was reviewed, and although the Board was pleased with the overall design of the project, the sign package was not ready for review. The Board expressed concerns at how the signage might impact the look of the building and postponed their decision to give the developer and the architect more time to submit the sign package. Behan presented a rendering of the building showing the maximum sign possibilities permitted under the City of Missoula sign ordinance. He said MRA staff is still recommending a facade improvement grant up to \$50,000 for this project.

Reineking said that the proposed signs complimented the look of the building and asked if there were plans to change the large ground mounted sign. Mostad said they have no plans to change it as it would add \$80-\$90,000 to the project.

Englund asked if this type of rendering is how the MRA Board will get sign proposals in the future. Behan said this image shows the maximum amount of signs that would be allowed under the sign ordinance for that building. The general sign rule is, one sign per length of building or two smaller ones. Kemmis thought it was very helpful, and said moving forward this could be the standard way the Board reviews proposed facades.

**REINEKING: I MOVE TO APPROVE A FAÇADE IMPROVEMENT PROGRAM
GRANT OF UP TO \$50,000 FOR THIS PROJECT AND AUTHORIZE THE CHAIR TO
SIGN ALL REQUIRED DOCUMENTS. THIS RECOMMENDATION IS MADE WITH
THE UNDERSTANDING THAT FINAL COSTS WILL BE BASED ON PAID
CONTRACTOR INVOICES PROVIDED BY THE APPLICANT AND OTHER
STANDARD CRITERIA CONTAINED IN MRA'S DEVELOPMENT AGREEMENTS.**

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

Student Housing 301 East Front (Front Street URD) - Request to Proceed without Prejudice (Behan).

Behan said in order to meet their student housing project timeline, the developer, Front Street Partners, LLC, is requesting approval to begin demolition without impacting the projects eligibility for tax Increment financing assistance. The developers intend to submit a full project proposal to the Board at the next MRA Board meeting.

Behan said the *Missoula Student Housing Community* will be a 488 bed purpose-built structure on the 300 block of East Front Street where the First Interstate Bank drive-in kiosk had been located. The proposed project will be a six-story building with two levels of structured parking and four levels of residential units. Amenities include study rooms, a bike and ski maintenance room, a cyber lounge and a fitness center. The building will also have 6,000 square feet of retail space located on the street level. Construction is scheduled to begin in May 2016 and will be completed and ready for leasing by the University of Montana's fall 2018 semester.

Behan said the total project cost is estimated at \$30,000,000 with construction costs of approximately \$23,520,000. At this point, the developer is estimating a Tax Increment Financing (TIF) request of over \$1 million. Behan said he and Buchanan are currently working with the developers to determine exactly how much TIF assistance this project is eligible for.

McLeod said they are very excited about this project. He sits on the Downtown Masterplan Implementation Committee, where they have discussed a project like this for a long time. He said it will be great for downtown. The building will include onsite maintenance and great amenities. There will be a green roof on the interior courtyard. McLeod said he is working with Habitat for Humanity and Home Resources on the deconstruction and have spoken with Parks and Recreation regarding improvements to a small section of Kiwanis Park. McLeod said they received their project financing and

have all their equity in place but need to start construction immediately to be ready for fall of 2018.

Moe asked if the building will be using solar panels. McLeod said no. Englund asked about the unit sizes. McLeod said there will be studios, one, two and four bedroom units with private baths. They will be rented by the bedroom not the unit, so parents or students will only be financially responsible for their own bedroom.

Englund asked if he thought there was potential for similar student housing projects. McLeod said yes, but it depends on location. There are building constraints in the urban core and also parking challenges to deal with. It is expensive when you build two levels of parking with four stories above. Buchanan said she has seen plans for a small complex planned for the Old Sawmill District.

Moe stated that the project is using contractors from outside of the Missoula area. She asked McLeod what his thoughts were on the City Council moving forward to support local contractors and asked if it would have any impact on his projects. McLeod said their design team uses local contractors as much as possible. The mechanical/electrical contractor they are using now is located in Boise, but grew up in Missoula. Englund asked, if the City Council enacts a policy on using only local contractors how it would affect McLeod and his team. McLeod said he would not like it. The most challenging part of developing is construction pricing. It is very competitive. McLeod said if it became policy that contractors would have to be local, that would drive up construction prices. Buchanan clarified, the new policy would only be for when the City of Missoula issues an RFP. There would be one more criteria in the selection preference for local architects and engineers. It would not affect private development. She said it's a scale of 100 points, if there was a tie it could sway for the local design professional.

MOE: I MOVE THE STAFF RECOMMENDATION.

[Staff recommends that the MRA Board grant the developer's request to proceed with demolition activities without prejudicing the eligibility of that work in a full assistance application. This approval is made with the understanding that it is not approval of the project or any assistance that the developer may request in the future.]

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

Burlington /Garfield Sidewalk Project (URD III) – Change order #1 – Request for Approval (Gass)

Gass said the sidewalk projects are starting up again. Last month, the Mayor's Office and City Council received a citizen request for a sidewalk to be installed at the corner of West Central Avenue and Holborn Street in URD III, which is about four blocks from the current Burlington/Garfield Sidewalk Project. Because of its proximity to Southside Lions Park, Missoula Manor and retail shopping centers, the pedestrian use of this area is

significant. Therefore, the City Engineering Division asked MRA if this section of sidewalk could be added to the current Burlington sidewalk work.

Gass reviewed a map of the proposed project area. He discussed the current ground surface which consists of rock mulch making it difficult for pedestrians to walk in the right of way and nearly impossible for wheelchairs.

Gass said the estimated cost for the additional sidewalk work is \$17,185.15. Territorial Land Works (TLI) professional services budget will need to be amended by \$3,500 for additional surveying, design and construction over-sight. He said the staff-recommended approval has two separate motions as listed on the memo.

Discussion ensued regarding possible landscaping.

Kemmis commented that a sidewalk is much needed here. He said he visited the area himself and there are sidewalks on all sides of this location. He agreed that this surface is a major barrier to pedestrian use.

REINKEING: I MOVE MOTION #1 TO APPROVE A BUDGET AMENDMENT TO THE MRA-TLI PROFESSIONAL SERVICES AGREEMENT IN AN AMOUNT NOT TO EXCEED \$3,500 FOR ADDITIONAL SURVEY, DESIGN, AND CONSTRUCTION OVERSIGHT FOR WORK RELATED TO CHANGE ORDER #1.

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

REINEKING: I MOVED MOTION #2 TO APPROVE CHANGE ORDER #1 TO ADD THE WEST CENTRAL & HOLBORN SIDEWALK CONSTRUCTION TO THE BURLINGTON GARFIELD SIDEWALK PROJECT IN AN AMOUNT NOT TO EXCEED \$17,185.15.

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

Scott Street Village – 1225 Rodgers Street (NRSS URD) Request to proceed without prejudice. (Behan)

Behan said this housing project is located on the old Clawson Manufacturing site at the corner of Scott and Rodgers Street in the North Reserve/Scott Street (NRSS) Urban Renewal District (URD). In July 2015, the MRA Board approved tax increment financing (TIF) assistance for this project which was bundled with two other projects and a TIF bond was issued. He said originally, the project was to be built in three phases.

Changes required during the City permitting process has led to completely redesigning the project four times. One of the primary issues has been the location of an alley that could provide trash removal and other services to the structures along Rodgers Street. Another issue is that the back of the housing units were butting up against and facing Rodgers Street which does not work well for access. The NRSS master planning

analysis has indicated the current Rogers Street should revert to its original platted status as an alley, and a new Rodgers Street would be constructed to align with Rodgers Street east of Scott, as originally platted.

Behan said the master planning process also changes the primary east-west transportation route moving away from current use of Rodgers to a new street extension of Palmer that ends up connecting with the current Main Street near the railroad right-of-way. The design changes to the street and alley led to amending the proposed housing mix, the location and, in some cases, the orientation. MRA staff feels the housing changes have been positive. There is now more space between the homes and they have been moved back away from Rodgers Street. Some of the units were also reoriented toward Scott Street.

The original cost estimate of \$4,571,000 for Phase I has increased because of the new plan, however, the TIF assistance is fixed because of the bond and small NRSS budget. The developer understands that the URD does not have a budget that can handle project changes and the bond cannot be amended. Therefore, Edgell Building, Inc. has requested that the increased demolition and site clearing costs in Phase I be eligible for a future TIF assistance application for Phase II. Edgell understands that if the request is approved, it does not indicate the MRA will approve a Phase II application or that the City Council would authorize financing Phase II assistance.

Moe asked if Rogers will stay a street. Behan said the current Rodgers Street will become an alley.

Discussion ensued.

Brock asked if the alleys are maintained by the city. Buchanan said no. It's a public right-of-way and privately maintained Brock asked if the developer will maintain the alleys. Behan said yes they will keep the snow removed for garbage removal and access.

Englund asked if the new design has been approved. Slovarp said it is in the works and will happen very quickly.

Reineking thanked Keene for the master plan review and for the Scott Street Village project into context which helps to explain the need for the change.

Moe asked if this project came to the Board before it was ready, since it has gone through four iterations so far. She asked if there is something to learn here. Behan said the Townhouse subdivision review is a different way of dividing property, we thought we were close to a final product and it turns out we were wrong. Building in areas without streets have also been challenging.

Buchanan reminded the MRA Board and Staff that the timeline on this was being driven by the Consumer Direct project. She doesn't think MRA would handle a project in this way aside from this circumstance.

MOE: I MOVE THE STAFF RECOMMENDATION:

[Staff recommends the MRA Board grant Edgell Building, Inc.'s request to proceed with certain demolition work planned for Phase II of their project without prejudicing the eligibility of that work for a future application for Phase II assistance]

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

NON-ACTION ITEMS

North Reserve/Scott Street URD Master Plan Presentation – Discussion (*Behan*)

Behan said last year at this time, the MRA Board directed staff to develop and issue a Request for Proposals to develop a master plan for the then newly created North Reserve/Scott Street Urban Renewal District. (NRSS URD). In June, 2015 the Board approved an agreement with a team led by WGM Group to create the plan. The planning team also included Winter and Company, Urban Design and Planning Studio of Boulder, Colorado and the economic analysis from Urban Advisors from Portland, Oregon.

Behan said there have been two community outreach workshops held that were very well attended. There have also been dozens of interactions between the consultants, the land owners and neighborhood groups. At this point, the team has enough input to draft a preliminary concept that will be refined and presented at the next community workshop.

Keene said after examining the existing conditions in the North Reserve Scott Street plan area, the design team developed a map that framed what could actually be done in that area. The analysis has shown there are three distinct areas:

- A commercial/retail area along Reserve Street.
- An industrial area near the Roseburg Plant.
- A residential/ light industrial area connected to the Northside neighborhood along the railroad corridor.

According to market advisor projections on land use, the current demand for retail space is a short term boom and will not be sustainable. The big demand is for residential. Industrial use is hard to predict, but the outlook is not very good. The idea of attracting other big industrial users like Roseburg, may be unrealistic however, there are opportunities for light industrial, small manufacturing, or storage yards.

Keene reviewed the map of the NRSS district, and said there is a proposed road connection that would be an extension of Raser Drive that runs along the highway

through the Roseburg property. At this point, it will stay a placeholder until Roseburg is ready for anything like that to happen, as they are unwilling to consider it at this time.

Brock asked what Roseburg's major concern is. Keene said Roseburg purchased the surrounding property as a buffer. Anything that increases their visibility or invites people on their property is a problem for them.

Moe asked if the road has enough right-of-way. Keene said the only road out there now is the one that goes past the City Cemetery along the railroad tracks, and there is very little right-of-way. Currently, the only right-of-way is where Grant Creek Road connects to Cemetery Road which connects to Rodgers Street.

Buchanan said Roseburg may be agreeable to a trail through that land with a conservation easement. Behan said few private entities have contracted Roseburg about a connecting Grant Creek Trail to the Northside greenway via a trail that would go along the north side of their property. Buchanan agreed and said Consumer Direct has had conversations with Roseburg about a trail because their employees expressed interest in biking to work.

Keene reviewed the residential zone of the plan and said the cemetery owns property that runs into a section of the residential zone, but they are not interested in developing it. The Cemetery Board and management have been cooperative and very good to work with. They wrote the MRA Board a nice letter explaining their concerns. The Cemetery Board feels it's important to preserve that land to keep it a peaceful place for visiting families, and have it available to accommodate their future needs. Keene said it is currently being used for storage by the City Street Department. He proposed a plan for a land trade that would allow the cemetery continuous open greenspace and allow the city to have land for residential development. He said the Cemetery is very interested in that idea. A private land owner would be involved, but there is a possibility for some negotiations. Keene said the analysis for this area also suggests an alternative truck route other than Rodgers Street that would connect to Cemetery road.

Discussion ensued.

Keene said another idea that would affect future development and economic opportunities is a Russell Street connection to the Interstate. Initial traffic modeling has shown a demand for it. It would create a traffic shift and direct traffic off of Reserve Street. It has been discussed in the past but the Westside neighborhood has expressed strong opposition. It would have impact on the cemetery so there would be some big obstacles to overcome, but it makes sense from a transportation point of view. The design team is not recommending it, but wanted to open up discussion on whether to include it on the master plan. Keene said it would take a lot of traffic off of Reserve Street and other arterials. If the City is serious about ever making that connection to the interstate at any point in the future, it should be included on the transportation plan.

Englund asked if there was a need for this freeway connection.

Buchanan said it would be the only connection to the interstate besides Reserve Street that goes all the way through Missoula. It makes sense. It has been discussed for a long time and has been met with a lot of controversy, as the Westside neighborhood does not want a freeway skirting their neighborhood.

Slovarp said there is a desire in Missoula to have a grid road system so the City would not have to build big roads. A Russell Street freeway connection would provide that. It would be a challenging project, but the City wouldn't have to build any major roads to accomplish it. He said the local Department of Transportation (DOT) Director, recently stated that DOT is looking at increasing the width of Reserve Street. If the City decreased traffic on Reserve, it wouldn't need to be widened. He said he would like to consider the long term visions of what Missoula's transportation system could look like and feels the Russell Street connection needs to be on this plan.

Keene said the main frustration expressed during the community outreach was over the Reserve Street congestion. The reason the Russell Street interchange is not on the transportation plan is that a lot of these infrastructure improvements will happen only as development occurs. He said Broadway Street is Missoula's only major street that is under-capacity and under-utilized. An arterial corridor from Broadway up Russell to the Interstate would make sense and there is a lot of land use potential there. This corridor has a lot of opportunities for development.

Slovarp said he just wants to make sure Missoula's future transportation needs are being identified in these planning documents. He said if a plan is created that doesn't include a Russell Street highway connection, then subsequent plans wouldn't include it either. There would be no corridor preservation, development would occur and the connection that we may need in the future would never be implemented. He would like more analysis done on the future transportation needs for Missoula.

Discussion ensued

Moe asked if these proposals are taking into consideration that the County already has long term plans to make another major arterial street west of Reserve and have acquired right-of-way in that area. It would come in on the west end of the airport property and hook up to Broadway and run through the industrial park to the freeway. She asked if anyone knew what the status was on this.

Behan said it is called the Westside Bypass. Slovarp said he was not sure of the current status. He said knows there has been a resolution to set aside for collector roads near the airport. But until development happens those roads will not get built. He does not think there is a plan to connect those roads south of the river to Blue Mountain Road or Highway 93. Russell Street is part of the urban core that connects north to south.

Discussion ensued.

Keene said the Board does not need to make a decision today, but one will need to be made eventually. The question is, do you show a future corridor for Russell Street as

preservation for that future connection, or decide against a future Russell Street connection and allow this area to develop. He said the consulting team is currently in the feasibility stage to analyze what it would take to support this land use. He said they can model both options for a future connection; the direct to Russell Street option, or the connection that uses West Broadway.

Discussion ensued.

Moe requested a map with the current ownership of the cemetery area.

Reineking asked Keene when the next public meeting for the NRSS master plan was scheduled.

Keene said there is no date set yet.

STAFF REPORTS

Director's Report: Buchanan reported that over the next two summers there will be some major construction projects in downtown Missoula and there will be a huge disruption.

Budget Status Reports: Dunn provided the FY16 expenditure to date reports and two of the rainbow reports. She said she was still working on the others and would email them out when ready.

ADJOURNMENT

Adjourned at time p.m.1:48 pm

Respectfully Submitted,

