

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

July 21, 2016

FINAL

A **Regular** meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday July 21, 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, Ruth Reineking

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

Public: Mayor John Engen via Skype, Scott Johnson, Missoula MFB; Jessica Allred, Missoula MFB; Aaron Brock, Missoula MFB; Mathew Larubbio, Western Cider; Michael Billingsley, Western Cider; Jon Clarenbach, Western Cider; Jim McLeod, Farran Group; Pat Corrick, Farran Group (via phone); Kraig Erickson, Woodbury Corp; Mark Anderlik, Missoula Community Benefits Coalition; Janet Fiero, Sierra Club & Missoula Community Benefits Coalition; Suzette Dussault, Missoula Community Benefits Coalition; Don Fisher, KPAX; Bill Pfeiffer, Mountain Line; Mike Haynes, Director of Dev. Services; Martin Kidston, Missoula Current; David Erickson, Missoulian

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

June 16, 2016 Regular Meeting Minutes were approved as amended.

PUBLIC COMMENTS & ANNOUNCEMENTS - None

ACTION ITEMS

MFB/SpectrUM - 207 North Catlin Street (URD II) - TIF Request (Marchesseault)

M. Brock recused herself from consideration and voting on this item.

Marchesseault said the Board approved a Tax Increment Financing request from the Missoula MFB (MFB) in May for site improvements in the right-of-way around their building. This second

request is for a space within the building. She said she would let Mayor Engen provide more details.

Mayor Engen said this request is about a partnership between the City of Missoula, MRA, the Missoula MFB, and SpectrUM. This partnership allows the City to invest in the community in ways it has not done before. Engen said what he has learned is when you are a young person waiting for your parents at the MFB to pick up groceries, there can be a stigma associated with that. The SpectrUM space would provide young people a learning environment where they can get a taste of science education while they wait. The space is designed to be open to the public to provide educational programs whether Missoula MFB is open or not.

Marchesseault explained the specifics of the request. The City would enter into a lease/purchase agreement with MFB for 1,233 square feet of their new building. MFB will provide the shell and the City will finish the space for an estimated \$298,300 including \$82,000 for educational exhibits. The City will sublease the space to SpectrUM. At the end of seven years, the City will purchase the space at fair market value, less the entire \$298,000 investment, or the \$216,000 cost of construction excluding the exhibits. If SpectrUM were to leave the space, the City would work with MFB to get a similar non-profit tenant.

A. Brock said he was very excited about SpectrUM being located in their new building. It is a very cool way to reduce stigma especially for young people. M. Brock asked if there was another kid's area in MFB or does the SpectrUM space become the kid's area.

A. Brock said MFB has a waiting area for individuals and families. The SpectrUM space is completely separate from the waiting area. It will be open during MFB hours so kids can access the exhibits with their parents, or under supervision from MFB volunteers while their parents are shopping. SpectrUM has a lot of ideas for intentional programming like Science Saturdays. SpectrUM can be open and have access to their area of the building even during times when the MFB is closed.

Kemmis asked if there might be examples of similar projects that the Board could reference. Buchanan said MRA has not done a project identical to this. The closest would be the Missoula Art Museum. The City owns the building and leases it to the Museum. The City also provides some janitorial services for that building and the City also owns the Civic Stadium and leases it to Mountain Baseball. Engen said other examples are the Carousel and Caras Park Pavilion.

Englund asked why there was no one from SpectrUM present. Buchanan said SpectrUM's Director is out of town. She said the MFB has been working on this deal with SpectrUM for nearly a year.

Englund said if the City purchased the SpectrUM space, what would the fair market value be. A. Brock said the fair market value cannot be assessed until the new market tax credit structure expires in seven years. Englund asked what the magnitude of the investment will be when the City desires to purchase the property in seven years. Buchanan said she has spoken to a prominent property appraiser to assess whether the \$300,000 would be

adequate to purchase the building in seven years. His assessment was it would absolutely cover it. She said the City would get credit for the purchase. Englund asked if the City gets credit for the \$216,000 or \$298,000. Buchanan said the number she had him assess was the \$216,000 in the event that the exhibits were gone. Reineking said the SpectrUM exhibits will consist of science, math, engineering, and technology information that could easily become outdated in a matter of years. Marchesseault said staff had that concern as well. At the end of the lease period, SpectrUM will assess whether the exhibits are worn out or outdated, and replace them at their expense. This is the main reason for funding in two pieces; one for the building, and one for the exhibits. She said there is also a resale market for these exhibits, if the City ever wanted to sell them they could. There is also a warranty on the exhibits for wear and tear.

Reineking asked if SpectrUM will be adding staff. Marchesseault said SpectrUM has existing staff and may add one additional position with some grant funding.

Kemmis asked if there were funds available in URD II. Dunn said she has not completed the June 2016 financial reports, but recollects an adequate cash contingency.

KEMMIS: I MOVE THE STAFF RECOMMENDATION

[STAFF RECOMMENDS THE MRA BOARD APPROVE TIF ASSISTANCE IN AN AMOUNT OF \$298,300 TO FINISH A 1,233 SQ. FOOT BUILDING SPACE AND PROVIDE EDUCATIONAL EXHIBITS TO CREATE A PUBLIC SPACE HOUSED IN THE MISSOULA FOOD BANK BUILDING LOCATED AT 207 NORTH CATLIN STREET, CONTINGENT UPON APPROVAL BY THE MISSOULA CITY COUNCIL FOR EVENTUAL PURCHASE OF THE SPACE. STAFF FURTHER RECOMMENDS THAT THIS FUNDING BE FLOATED OVER A TWO-YEAR PERIOD, WITH A PAYMENT OF \$150,000 IN FY17 AND A PAYMENT OF \$148,300 IN FY18. PAYMENTS WILL BE MADE ON A REIMBURSEMENT BASIS BASED ON COPIES OF CONTRACTOR AND VENDOR INVOICES SHOWING THE ACTUAL WORK COMPLETED AND MATERIALS USED, ACCOMPANIED BY LIEN RELEASES.]

Reineking seconded the motion. No public comment. No further discussion.

Motion passed. (3 ayes, 0 nays, 1 recused)

Building Design Standards Consultant - Request for Funding Assistance (Buchanan)

Mayor Engen said he is working with the City Council and Development Services to create some building design standards. As the amount of construction increases, the need for a consistent set of guidelines is becoming more apparent. Especially in light of the numerous complaints he received regarding certain recent retail building projects. Engen said working with a design consultant to establish reasonable design guidelines puts the City in a position to influence (within reason) the look and feel of our community.

Buchanan said this is the next step from the recommendations that came out of the Design Excellence workshop held in February by Winter & Company. She suggested that the MRA portion of the funding come primarily from URD III. Buchanan said Development Services is

taking this on as a project in FY17 and has proposed a budget of \$160,000. \$25,000 is requested from MRA.

Kemmis supports the idea of MRA providing some funding for a design consultant. He said it is a very worthwhile investment. There may be justifiable caution on the part of the City Council about going very far with design standards; perhaps for market, or legal reasons. Because MRA is in a proactive and not a reactive position in regard to so many projects. Kemmis said MRA could conceivably “beta test” some level of standards that the City Council itself would not be in a position to adopt. The Board could build them into MRA program criteria without the City as a whole having to adopt that level of standard. If it works for MRA, maybe it is something that could be extended or broadened. Or MRA could go ahead with the proposal as it stands and explore the cost for the consultant to give Staff some guidance. Buchanan said if that is something the Board would like to do Staff can find out if Kemmis’ idea would fit into the \$160,000 umbrella, or would be an additional cost.

Englund asked if what comes out of the public process is what will be turned into building code, or criteria for the Façade Improvement and Tax Increment Financing Programs. Buchanan said yes, that is the product that will become code. In the past, the Board has discussed adding a layer to whatever design standards the City adopts, requiring the developers to comply with the guidelines in order to qualify for TIF funding.

Haynes said Phase I will include a public process to determine if there is a need for design standards or guidelines, and how they fit into the zoning code. A lot will be revealed in that first phase. Phase II will be to implement those guidelines along the commercial corridors. Buchanan said the Board might want to examine references being made to *commercial corridors*, and instead reference *districts*. She said it will depend on how closely a corridor is defined. In URD III, there is a lot of commercial property throughout that district that needs the same level of attention as the Brooks Street corridor. What might come out of the public process, is that we don’t implement design guidelines on a corridor basis, but on a district basis instead.

Reineking said she would be supportive of the effort to strengthen design standards in all URD’s. She said one of the new City Council members had campaigned for increased design standards so she is confident there will be a level of support for this.

M. Brock said she would like to know where the other sources of funding are coming from. Haines said from Development Services; \$60,000 is coming from accrued savings, a general fund request for \$25,000 in FY17, and a \$50,000 request in FY18. He said in working with the City Council on this project, they have shown a unanimous commitment, and have given it top priority.

Public Comment: Suzette Dussault said she fully supports design standard ordinances in our community. She has seen incidents where development does not match the neighborhood plans and concepts even though the building plans stated they must be compatible or in-line with the neighborhood. She asked what in the future City Ordinance would make developers comply? What penalty would be imposed? Englund said this action will engage a design consultant who will be working on these issues and that would be a

really good question for that person. At MRA, they wouldn't get funding if they didn't comply. Hayes said the implementation strategy will work on those details as well.

REINEKING: I MOVE THE STAFF RECOMMENDATION.

[STAFF RECOMENDS THAT THE MRA BOARD APPROVE THE REQUEST FROM THE MAYORS OFFICE TO PROVIDE \$25,000 IN TIF FUNDS FOR BUILDING DESIGN STANDARDS CONSULTING SERVICES WITH THE FUNDING COMING FROM URD III AND AUTHORIZE THE STAFF TO ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH DEVELOPMENT SERVICES.]

M. Brock seconded the motion. No public comment. No further discussion.

Motion passed unanimously. (4 ayes, 0 nays)

Western Cider Company - 101 North California Street (URD II) - TIF, CCP, & FIP Request (Behan)

Western Cider Company, owned by Michael Billingsley, Jon Clarenback and Matt Larubbio have leased the Bakke Building at 101 North California Street and plan to renovate the building into a cider production and retail outlet. Behan said Western Cider has submitted applications under the Tax Increment Financing (TIF) Program, Life Safety-Code Compliance, Program (CCP), and Façade Improvement Program (FIP). Behan gave a brief background on the building's history which was built in 1952 by Henry Silver for the Pacific Hide and Fur Company. Over the years, it also served as a tire company, construction storage, and a retail canoe location. For decades the building and land at this location has received very little maintenance or repair. Its poor appearance has been an issue as far back as 1990 being specifically mentioned in the blight study that led to the creation of Urban Renewal District II. The owner of the building is pleased it is going to be occupied and used again.

Behan said Western Cider plans on renovating the interior of the building to accommodate a 2,000 square foot tasting room and a 5,000 square foot production area. He said the building will need to be brought up to current building code and made ready for food production. The FIP assistance will paint and add new doors, add exterior lights and a metal awning over the tasting area. An outdoor deck and seating area will be constructed on the south side of the building facing the Clark Fork River. On-site parking will be added and large portions of the former storage yard will be landscaped with native grasses and trees. Behan said sidewalks, curb, and boulevard landscaping will be installed on the property running along California Street connecting to the California Street Bridge. In addition to increased pedestrian safety, it will provide better access for the mobility impaired residents who travel in that area. Behan said the landscaping plans will come back for Staff approval. Although a fence is not eligible for MRA assistance, Staff will work with Development Services and the business owners on a fence design that will provide the needed security, and enhance the façade.

Billingsley said he is really excited about this project. It's been something he has worked on for a very long time. When he started his Bitterroot orchard six years ago, this was his goal.

He said it took 12 months just to find a building in Missoula that would work for production and have space for a tasting room. Billingsley said they see a lot of potential in the location. He said it's our "forever" location because the building and surrounding land can accommodate any future expansion. Clarenbach said the area is perfect for development. It's close to Silver Park and the Old Sawmill District, and it connects to the Westside Neighborhood that keeps developing. He said there are similar businesses moving our way. We feel our business can be an anchor for that area. We have an acre of land near the river to develop for commercial use. It will improve the riverfront corridor. Larubbio said they have some unique ideas for the surrounding land. They want to create a green space that will include a demonstration orchard with the same trees Billingsley has in the orchard in Stevensville. He said the project will be done in phases as an acre of land is a lot to manage. The outdoor environment is really different and unique and sets them apart from other breweries or distilleries in Missoula. Buchanan said it will certainly improve the experience for the people using the trails, particularly along the California Street Bridge.

Reineking said she supports this project. She asked what the term of Western's lease is. Larubbio said they have a five year lease with an option-to-buy, and first right of refusal. He said they would like to buy the property as soon as possible. Reineking said she has concerns about their fence blocking the façade improvements. Larubbio said he is trying to create a fence design that has the cider/beer garden style and still provide security for the location. Currently there is chain link and barbed wire there and they have not moved it yet because it's essential. There are dozens of people who sleep down there at night. He said he has seen some crazy things when he shows up at seven am. He said if they are going to have outside seating and a demonstration orchard they need some kind of security. They decided on a cedar fence because it seems hard to climb, but are open to suggestions. Behan said Staff will work with the developer to accomplish their needs and increase visibility.

Brock asked if they can be open after 8:00 p.m. Larubbio said yes, cider falls under wine regulations and they can be open until 2:00 a.m. Clarenbach said they can also serve food and will be serving meat & cheese that compliments the cider.

Behan said City Parks and Recreation and the Police Department are concentrating on the adjacent riverfront and island corridor. The Parks Department will be clearing the vegetation and lifting the tree canopy on the West Broadway Island to increase visibility.

Suzette Dussault said she is supportive of this project. It's using sustainable agriculture and fits in with the neighborhood plan. She said it will be an asset to that area. She is also French and loves good cider.

BROCK: I MOVE THE STAFF RECOMMENDATIONS.

[STAFF RECOMMENDS THE MRA BOARD APPROVE UP TO \$17,203 IN TAX INCREMENT FINANCING PROGRAM ASSISTANCE TO WESTERN CIDER COMPANY FOR ITS PROJECT LOCATED AT 501 NORTH CALIFORNIA STREET FOR, CURB, GUTTER AND CURB RAMP, AND RIGHT-OF-WAY LANDSCAPING IMPROVEMENTS IN THE NORTH CALIFORNIA STREET RIGHT-OF-WAY SUBJECT TO THE TRADITIONAL CONDITIONS MRA PLACES ON SUCH ASSISTANCE.]

[STAFF RECOMMENDS THE MRA BOARD APPROVE UP TO \$50,000 IN FAÇADE IMPROVEMENT PROGRAM GRANT ASSISTANCE TO WESTERN CIDER COMPANY FOR THE ACTIVITIES LISTED HEREIN ON ITS PROJECT LOCATED AT 501 NORTH CALIFORNIA STREET SUBJECT TO THE TRADITIONAL CONDITIONS MRA PLACES ON SUCH ASSISTANCE. FURTHER, STAFF FEELS THE APPROVAL SHOULD BE CONTINGENT ON STAFF APPROVAL OF A LANDSCAPE PLAN ADJACENT TO THE BUILDING ALONG NORTH CALIFORNIA STREET AND A STAFF APPROVAL OF A FENCE DESIGN ALONG NORTH CALIFORNIA STREET AND THE RIVERFRONT TRAIL.]

[STAFF RECOMMENDS THE MRA BOARD APPROVE A 50% MATCHING SUBSIDY FOR LIFE-SAFETY CODE COMPLIANCE PROGRAM ELIGIBLE ITEMS UP TO \$9,315 SUBJECT TO THE TRADITIONAL CONDITIONS MRA PLACES ON ASSISTANCE.]

Reineking seconded the motion. No public comment. No further discussion.

Motion passed unanimously. (4 ayes, 0 nays)

Lucky Strike Bar & Five Valley's Bowl - 1515 Dearborn Avenue (URD III) - Proceed without Prejudice Request (*Marchesseault*)

Marchesseault said Woodbury Corporation, represented by Kraig Erickson, is working on a development proposal for 1515 Dearborn Avenue. It would remove an existing bowling alley and car wash and construct a new development that will include a Les Schwab tire business and up to two more tenants. She said Woodbury is requesting to proceed without prejudice for the deconstruction and will come back to the Board as soon as possible with a development proposal.

Erickson said they have purchased the site and the former owners have removed a lot of things. He said the place is not in the best shape. He said the Les Schwab store from Brooks Street will move over to the Dearborn location and they need to move forward as soon as possible. The new location will allow Les Schwab to increase the services they provide and add additional employees. Woodbury has plans to create two additional business pads for future development until they can secure new tenants. Erickson said they will need future assistance with the relocation of utilities.

Marchesseault stated that Woodbury has agreed to deconstruction rather than demolition and is following the MRA deconstruction policy.

Englund asked if Les Schwab owned their current location. Erickson said yes. Englund asked if Erickson was interested in purchasing that building. Erickson said yes but it is a complicated site to develop. Reineking said she was glad he was interested because she does not want to see another empty building on Brooks Street. Erickson said as soon as Les Schwab is established in the new location, they intend to list their property on Brooks Street for sale.

KEMMIS: I MOVE THE STAFF RECOMMENDATION.

[STAFF RECOMMENDS THE MRA BOARD APPROVE THE REQUEST FROM WOODBURY CORPORATION TO PROCEED WITHOUT PREJUDICE WITH BUILDING DECONSTRUCTION AND SITE DEMOLITION ON A SITE BOUNDED BY RUSSELL STREET, WASHBURN STREET, DEARBORN AVENUE, AND FAIRVIEW AVENUE (1515 DEARBORN AVENUE) WITH THE STIPULATION THAT APPROVAL GRANTED DOES NOT OBLIGATE THE BOARD TO APPROVE ANY SUBSEQUENT REQUEST FOR ASSISTANCE.]

Reineking seconded the motion. No public comment. No further discussion.

Motion passed unanimously. (4 ayes, 0 nays)

NON-ACTION ITEMS

Hotel Fox (Riverfront Triangle URD) - Update (Behan)

Behan said the Fox Site Working Group have been meeting and things are moving along. They have worked out a major portion of the development agreement which should be concluded by the next MRA Board meeting. The major items that have been in question are being handled in a couple of different ways. The development agreement will be an umbrella or "hub" to facilitate several other corollary agreements. Once the corollary agreements are in place, the development agreement will be able to be phased out. The other agreements include addressing parking and its management, deficit assistance, land use, etc. Two processes that will begin very soon are the rezoning of the property and vacating portions of Front Street between Owen and Broadway Street.

Jim McLeod said they have been working on this project for several years. The development agreement is going to be a summary of all of these other agreements. The development partners are excited to get back together with the working committee over the next few weeks and back in front of the Board, hopefully in the next few months.

Mark Anderlik asked how the "hub" agreement would work. Behan said it would describe the project and the relationships of the parties and then it would list out the corollary agreements and the key points that each one addresses. Anderlik said it sounds like an enabling agreement. Englund concurred. He said because the project involves so many pieces, it made sense to divide them up into different agreements.

Janet Fiero, said she represents the Sierra Club on the Missoula Community Benefits Coalition (MCBC). She said they met with Fox Partners last week and their sense is that Fox Partners don't really see MCBC as representing the community's desires on this project. MCBC gathered a lot of data back in 2012-13. This is MCBC's first big project in Missoula and the Coalition is meant to influence. She said the Fox Partners look at MCBC as an irritant; although after last week's meeting she felt there was more of a spirit of collaboration. Fiero said she didn't know if the development agreement would constrain some of the content in the MCBC agreement that they would like Fox Partners to agree to. Fiero said the MCBC agreement might include more of the details that will go beyond the "hub" agreement. She said she hopes the Board will encourage the Fox Partners to sit down

with MCBC and go over the items they gathered that the community wants to see in the project.

Englund asked McLeod if he wanted to give an update. McLeod said he and Pat Corrick live in this community and they want to hear from the entire community. McLeod said Fox Partners has met with MCBC several times, even though it's not required, and they have some very good input. He said a lot of that input is already regulated and required. There are items that can be built upon. Fox Partners are listening to everyone. They believe there is a public process for the public to be involved and give their input. There are 11 or 12 items on their list and the majority of them will be required by existing state and local regulations and codes. McLeod said they don't believe another layer of public oversight is necessary when there is already local, state and federal jurisdiction. McLeod said they are willing to continue to talk and try to incorporate some of MCBC's concerns.

Englund said Mark Anderlik and the MCBC came to the Board early on and were promised a public process, as it must be. He said because it is so complicated and because it does involve so many aspects of City government, the Board put together a working group to discuss the process. Englund said throughout the working group meetings, we promised this would be a public process. He doesn't sense there is any hesitancy from Fox Partners in meeting that public process. Discussion ensued. Englund said he has been present at most working group meetings and there hasn't been any discussion of precluding any ideas the MCBC has brought forward. Behan said the project architect has the MCBC list and he will go forward and prepare a response for those.

Anderlik said we all want this project to be developed and he looks forward to hearing more at the next meeting between Fox Partners and MCBC. Englund thanked everyone for working together to figure out the details of this project. Kemmis said he appreciates the hard work that is being done and the work by the working group. The Boards ultimate decision will be much stronger as a result of that work. He appreciates the attention the MCBC has given to the project. Kemmis said it would make his role easier if there were truly good faith discussions and a genuine effort to hear each other be responsive when it's possible to be responsive.

Pat Corrick joined the meeting by phone.

East Front Street Student Housing & Parking (Front St URD) - Update (Behan)

Behan said the large memorandum he distributed at the start of the meeting is the beginning of his attempt to address the questions the Board asked the staff to research at the June Board meeting. There were two questions addressed in June regarding the East Front Student Housing project.

- 1) How much do we want to prioritize parking in Front Street URD?
- 2) Should the TIF investment in projects, be at or below the project's investment. e.g. should MRA bond for an amount of debt that would require the full amount of anticipated tax increment for the debt service or should some increment go back to the district for future projects?

Behan said one of the Board's requests at the June meeting was for Staff to go through the various planning documents that might cover this area. He went through the Growth Policy, Downtown Master Plan (DMP), Front/Main Conversion Study and the Front Street Urban Renewal Plan and summarized his findings in his handout. He summarized some of the other questions the Board had.

Behan said in his memorandum, he covered how the HomeBase project might develop and its potential TIF generation. He also discussed the library. When you go through the plans, some of the plans were very specific about parking locations and how parking might happen. The documents also discuss how to develop additional parking through redevelopment. The Downtown Master Plan suggests at a minimum 535 spaces be located on Front Street and Pattee Street. Later conversations suggested up to 700 for this area. 322 spaces were built in Front Street Park Place.

Behan said this project introduces nearly 500 people to this part of downtown, many of the new residents do not need to drive and will look to downtown for eating, shopping, entertainment, etc. One thing mentioned in the DMP is that for downtown to grow and thrive, an increase in customer base is needed. If you can create a 24 hour 7 days a week customer base, it makes a big difference. Tim France is particularly vocal about how having access to an additional 500 customers would make a big impact to the entire downtown business community.

The project will allow the University to market a unique housing model to potential students. The rooms are like a dorm but with more space and freedom. The plans that were reviewed call for higher density housing and additional light commercial in the neighborhood.

Jim McLeod offered some comments. Referring back to that concept of "untying the knot", when he refers back to the Front Street URD plan, in Chapter 4 under Goals & Strategies, it says the "...lack of available public parking and the high cost of developing private structures are ranked by interested developers, property owners, and business owners, as being the greatest impediment to investment consideration in the District."

McLeod said when Park Place was constructed, the City was hoping to get 540-550 spaces and they got just over 300. This is an opportunity to get more spaces downtown. McLeod said when they looked at student housing, what excited them about this site is while students may have cars, they won't feel the need to use them. They can walk to school or bike to school and the development will have oversized indoor bike storage. They are planning on having a car share program and Mountain Line goes by every 15 minutes on two different routes. They can walk downtown or over to Albertson's to get their groceries. McLeod said they have contracted with Grand Campus to manage the housing. Grand Campus manages 18,000 beds throughout the country. They have one other project in Montana that they manage and it's in Bozeman. 75% of the students in that facility drive and although it is close to the university, it is not close to shopping, etc. McLeod believes Front Street Housing will have 50% or less of students driving. If we didn't have any parking, pressure would be put on Park Place. McLeod said in terms of cost magnitude, when they did the Corso apartments back in 2011-12, that project cost less than half of this proposed project and there are 224 units in Corso and only 168 in the East Front Student Housing project. What is being proposed is an urban development that will fit well in downtown Missoula. McLeod said when they look at their capital stack, if they didn't have one investor

who was bringing in 1031 money, he is not confident that they would be able to raise the other money. When discussions first began with MRA, they were making some assumptions, but now they have their costs and their contracts ready to sign. He said costs are escalating every day, particularly with steel because of the new tariff recently put on China by the federal government. McLeod said this project is teetering a little bit and so they are looking for assistance in a public/private partnership.

Corrick re-emphasized what McLeod was saying that we have seen 10%-15% increase in construction pricing in the last 15-24 months. He said as of this week, they will see a half-million dollar increase in steel prices. They want this project to happen and they need some help on the parking to make it work.

Behan said there is a section in his memorandum that address TIF timing and 1031 money, which is the basis of the equity in this project. He said another question was how will taxes increase in the future and how will that affect the amount going into the district over above what might be pledged to a bond. In the very back of his memorandum, there is a series of graphs that show tax growth. Over 25 years, general growth of overall taxes is a pretty smooth line. Individual mills have moved around but overall there is an average of 2% growth. Behan summarized the growth in the individual urban renewal districts.

Bill Pfeiffer, Mountain Line, said he believes a lot of students will ride the bus. People tend to use transit a lot when it's frequent and convenient and this project is very well situated for that. He said it will be important to have transit amenities at this site. He said he believes there is a stop there now. This is currently Mountain Line's second busiest route. Pfeiffer said he is not sure how the proposed two-way conversion might influence transit in this location. He asked that Mountain Line be included in future discussions. Anytime there are buses running both ways they need amenities on both sides of the street.

Behan asked the Board to look over his memorandum outside of the meeting and let him know what else they may need to help them with their analysis of this project before the Board meeting next month.

McLeod asked the Board if a vote next month would be possible. Corrick said they have a couple of issues on the construction side. One is the steel prices and the other is prefabrication of the concrete and the overall timing of the 1031 money. He said the sooner they could get going the better. Corrick said a Proceed with Prejudice approval that covers everything would be helpful. Behan clarified that the project currently has a Proceed without Prejudice approval for deconstruction only. Corrick said there are challenges with the project that are not insurmountable but they are much less challenging with TIF participation. Corrick said he hopes the \$2.9 million that they are requesting for parking and other improvements could be broken down so they can get a true cost for the parking. He foresees that Rod Austin from Missoula Parking Commission and Behan would be involved in that work. Corrick said he is advocating that the entire amount of TIF generated from the project be allocated for the constructing the parking on the site because there is a possibility of the project not happening without it; and then there would be no additional funds to the district from this project.

McLeod asked if it was possible to ask for a Proceed without Prejudice approval today. Buchanan said no since it is not on the agenda. Timing options for various approvals (MRA and City Council) were discussed. McLeod said for them, the sooner the better.

Corrick asked if there were any fundamental concerns from the Board. Englund said he felt the Board needed some time to read the material that Behan distributed today. Englund said he felt the Board was supportive of the project. He said the ultimate question is the amount of the request and whether MRA can commit all of the increment to the amortization of the debt. Buchanan said the Board has done that before. She said she believes this is the way the City should build public parking. It helps the developer leverage their project while alleviating the parking pressures downtown. Englund said he thought as a result of the discussion the Board had last month, was that everyone is positive about the project but there were some questions that were asked. McLeod said he will work with Behan to see what all was approved with the prior Proceed without Prejudice and get back to the Board if necessary.

Reineking thanked Dunn for the Staff Activities reports.

Missoula Mercantile

Kemmis said he mentioned to Englund earlier about the article in the Missoulian regarding the Mercantile project and that he had concerns about the decision sequence. Kemmis said he worries if MRA sits on the sidelines and waits for the Historic Preservation Commission and then the City Council to have reacted, MRA may be presented with a take it or leave it proposal. Kemmis said, to him, that doesn't feel particularly inviting. He wondered if there was any way that the MRA Board could have some active involvement earlier on. He said he didn't mean official involvement. Kemmis said he and Brock attended a few meetings early on and he felt that was very helpful, but that has sort of been suspended in the meantime. He asked if there was a way that one or two Board members could be part of an ongoing working group or if there was another suggestion. Kemmis said he didn't think having the MRA make the last decision without having some input is a good place to be.

Buchanan said she can tell the Board what she knows about the process, but it changes daily. The directive that was given to the parties at the end of yesterday's Land Use and Planning (LUP) Committee meeting, is that the preservationists and the developer need to get together and see if there is any common ground. Buchanan said City Council was trying to design a building; the developer was talking business decisions and the preservationists were talking about preservation, so it has been very confusing. Marilyn Marler said she was not sure if all of the parties understand what the other party is saying. Buchanan said she believes the preservationists' architect will work on what they would like to see and HomeBase's architect will work on some suggestions from City Council, e.g. to preserve the pharmacy building on the northwest corner and to incorporate certain elements in the design. Buchanan said that she believes Emily Bentley, who chairs the Land Use and Planning Committee, is working on revised findings of fact. She said she thinks there is a hope that it will be resolved next Wednesday as far as the recommendations to City Council. Buchanan said Council can recommend total demolition, partial demolition or denial of the application. She said she heard strong support of the proposed project from Council. She said Council wants something to happen on that corner, but she's not sure what it is going

to look like. Buchanan said she was asked to try to quantify what could be available for TIF assistance and she said \$3 million based on what MRA has estimated could come from the student housing project. The terms would be similar. The big difference is that the hotel would be taxed as commercial property and the student housing will be taxed as residential. Commercial property generates more tax increment than residential because the tax rate is higher.

Reineking clarified that if even though the project could generate enough increment to bond for \$3 million, that doesn't necessarily mean they could use \$3 million on the façade. Buchanan concurred. Reineking asked if Council is anticipating making a decision next week, what opportunities the MRA Board would have to participate before that time. Buchanan said it's hard to answer that because the MRA Board hasn't formulated a decision on the project because they haven't been asked to. MRA doesn't have a project, and the developer doesn't know if he has a project yet. Buchanan said she thought it would be helpful if the Board could come to the LUP Committee meeting next week to express their thoughts.

Buchanan said she doesn't believe there is any solution that would require \$3 million of tax increment bonds. She said deconstruction is estimated at less than \$1 million. Buchanan said she hasn't heard any discussion of numbers for the façade that were in the neighborhood of \$3 million.

Brock asked when the Committee meeting is scheduled. Buchanan said it is the Land Use & Planning Committee, and they meet next Wednesday at 1 p.m. Brock said she wants to make sure that MRA has the money to complete the Front / Main Conversion project. Buchanan said the Library may come to MRA too and we may not have the capacity to help them. Reineking said that if the Board does go to the Committee meeting, she wants everyone to know it's because we are interested in the project and not because we are being critical. Englund agreed, but was worried about a situation where Council makes a decision that assumes there would be funding. Englund said if the project does come to MRA and there isn't funding, then the Board is put in a very difficult position.

Brock asked about what the discussion has been with respect to the façade. Buchanan said it has run the gamut of total deconstruction to saving portions of the façade to saving all of it. Brock asked if attending next week's meeting is the best way to be involved. Buchanan said yes.

Englund said this is not a matter of protecting turf but rather the MRA Board acting responsibly according to State law and policy. He said MRA has an obligation to review a project according to set criteria and the MRA has not been presented with a project in any way. Englund concurred with Kemmis after reading the Missoulian article, that there was a possibility that decisions were being made that were basically commitments.

Buchanan said she thinks the Council's intention is to identify a possible source of revenue that could be brought to this project. They will make a decision of whether to approve demolition, no demolition or partial demolition. She said it will be up to the developer to figure out how to fund that. Buchanan said she has not heard anyone say "You are entitled to this money, HomeBase". She has heard MRA funds referred to as a resource. Buchanan

said she has been asked if MRA funds could be used for historic preservation and she said "yes". MRA has already spent funds on historic preservation on the Mercantile building, as well as the Wilma. Buchanan said the City Council is looking for every resource they can find to bring this process to a conclusion that is going to benefit Missoula, particularly downtown.

Dussault said she had a couple of clarifying points. She is speaking for herself and not any group. The rumor was that MRA had been in formal discussions regarding \$800,000 to \$1 million for demolition. Dussault said that Preserve Historic Missoula has solicited legal advice and they have set up a legal fund. Many of those persons who wanted to contribute to the building, were not comfortable contributing to a legal fund.

Englund said to be perfectly clear, MRA has had no formal discussions whatsoever because we have no application for a project. HomeBase made a joint presentation to MRA and the Missoula Downtown Association early on that covered what they intended to do. It was the same presentation that HomeBase made to the Historic Preservation Commission. Englund said he recalls asking the developer what expectations they had for MRA and their response was they didn't even know if they had a project yet so they didn't know.

STAFF REPORTS

Directors Report - no discussion.

ADJOURNMENT

Adjourned at 2:37 p.m.

Respectfully Submitted,

The image shows two handwritten signatures side-by-side. The signature on the left is "Dee Andersen" and the signature on the right is "Jilayne Dunn".

Dee Andersen & Jilayne Dunn