

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

September 7, 2016

FINAL

A **Special** meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Wednesday, September 7, 2016 at the Hal Fraser Conference Room, 140 West Pine, Missoula, MT 59802 at 1:00 p.m. Those in attendance were as follows:

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

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

Public: John Engen, Mayor; Lori Davidson, Missoula Housing Authority; Randy Rupert, CTA Architects; Pat Corrick, Farran Group; Jim McLeod, Farran Group; David Erickson, Missoulian; Martin Kidston; Missoula Current; Tony Moretti, Gavin-Hanks Architects; Janna Moser, 534 E. Front St project; Jeremy Betty, 534 E. Front Street project; Rod Austin, Missoula Parking Commission; Jerry Petasek, North Missoula Community Development Corporation; Bob Oaks, North Missoula Community Development Corporation; Harlan Wells, Missoula Housing Authority

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

July 21, 2016 Regular Meeting Minutes were approved.

July 26, 2016 Special Meeting Minutes were approved.

PUBLIC COMMENTS & ANNOUNCEMENTS - None

ACTION ITEMS

[Department of Redevelopment, Housing & Economic Development – Memorandum of Understanding between City & MRA](#) – Request for Approval (Mayor Engen)

Engen said the Board may recall discussion at a prior meeting regarding a Memo that forms a new department at the City with Ellen Buchanan and Eran Pehan-Fowler. There has been a Memorandum of Understanding drafted for the Board's review that outlines the

relationship between MRA and the new department. Engen said this is a shared governance model.

Englund thought what was missing was a cancellation or opt out option if it doesn't work out. Engen said he didn't have an issue with a severability clause.

Reineking asked about the budget aspect of it and tracking of staff time. Buchanan said she would track her time and could reconcile that quarterly or whenever the Board desires. Buchanan said her understanding was that any time she spends under the housing and economic development areas would be paid with the entitlement grants the City receives.

Moe said she would think the staff activity reports would need to be timelier due to that tracking. She also asked if Buchanan could provide summary reports for the Board as part of her Director's report.

Brock asked about the Brownfields program. Engen said the administration of that program would be moved to the City under this new department.

Reineking asked about having an additional quarterly meeting. Discussion ensued.

Kemmis said this is probably a good effort toward clarifying what he thinks promises to be a difficult situation. He said he thinks the Memorandum as it stands recognizes but doesn't clarify the most difficult situations, especially around hiring and supervision. Kemmis said one clause says that Buchanan will report to the Chief Administrative Officer for some things and the MRA Board for others. He felt it's as clear as you can make the situation but it doesn't resolve the situation. Kemmis said it probably can't be resolved except in practice. He said he thinks the Memorandum of Understanding goes as far as this kind of instrument can go. Kemmis said he didn't understand paragraph #9 and wondered if there was a typo. Buchanan said there should be an "and" in between "housing economic development..." .

Englund asked about #7 where it states that "shared expenses will be considered annually". He asked what "considered" meant. Buchanan said at the end of the fiscal year, Dunn will reconcile among the three departments. Moe asked if it was more of a reporting function rather than a consideration. Buchanan said at the end of the fiscal year the staff time accounting is tallied and appropriate monies are allocated for the administrative expenses of the Agency. Buchanan said the same type of reconciliation would occur for the MRA, housing and economic development expenses. Moe suggested the language be changed to "...shared expenses shall be reconciled annually among the three budgets". Buchanan and Engen agreed. Discussion ensued.

MOE: I MOVE TO APPROVE THE MEMORANDUM OF UNDERSTANDING WITH THE CHANGE TO PARAGRAPH #7 REGARDING "...SHARED EXPENSES WILL BE RECONCILED ANNUALLY..." AND SUBJECT TO APPROVAL OF A CANCELLATION CLAUSE THAT WILL BE ROUTED TO THE BOARD.

Reineking seconded the motion.

Reineking said she has high hopes of MRA being able to participate in some qualifying housing projects.

No public comments.

Motion passed unanimously. (5 ayes, 0 nays)

Stockman Bank – 3601 Brooks Street (URD III) – Request to Proceed Without Prejudice (Buchanan)

Buchanan said Stockman Bank is building three new banks in Missoula. One location is being constructed downtown. Another site they own and intend to build on is the old Cinema 3 building. The cinema closed in 2006 and it's been a problem for the City Police Department and the current owners for quite some times. The Police Chief has asked for MRA to help facilitate the building being removed. Last year Stockman, through Randy Ruppert at CTA, asked if MRA could assist with demolition. Buchanan said she relayed the Board's position of considering demolition when a project is ready to go. Buchanan said she is recommending a Proceed without Prejudice instead of approving demolition now and deferring payment until there is a project. She said this seems to be the safest way to ensure we get a good project there. The building is attracting a lot of illegal and inappropriate behavior. The lot is also a dumping ground for abandoned vehicles, etc.

Ruppert from CTA spoke to the project. The building is constantly being broken into and there are animals living in there. He said Stockman's intention is to build a bank on the front corner and master plan the whole area.

Moe asked about the site post demolition and whether Stockman would be fencing or lighting the area to discourage future misuse. Ruppert said they would do a decomposed granite and maintain the site per City regulations. It will make it much more accessible for law enforcement.

Reineking asked about the timing. Ruppert said it would be about 4-5 weeks for demolition to occur and Stockman would like to bring a project to the MRA in about 24 months.

Brock asked about the fitness business in the area whether there have been any problems there. Ruppert said no because there is good lighting and they have open business hours. He said the problem with the old cinema building is that people know it's empty and they find a way to get in.

Moe asked about demolition and if they would be salvaging anything. Ruppert said yes, they will be recycling as much as they can. The seating has already been removed.

BROCK: I MOVE THE STAFF RECOMMENDATION.

Recommendation: Staff recommends that the MRA Board approve the request from Stockman Bank to proceed without prejudice with the removal of the building located at 3601 Brooks Street which formerly housed CINE 3 with the understanding that

such approval does not obligate the MRA Board to any funding for a subsequent project.

Moe seconded the motion. No discussion. No public comments.

Motion passed unanimously. (5 ayes, 0 nays)

110 S California Street – Missoula Housing Authority (URD II) – Request to Proceed without Prejudice (Buchanan)

The Missoula Housing Authority (MHA) was given some land by the City several years ago. MHA is going to build a six-plex there. It has taken about two years to navigate the state HOME program to get the funding needed to complete the project. MHA did not have time to complete a Tax Increment Financing (TIF) application before this board meeting. MHA has some items they need to start on in order to meet the timeline of the grant and make things work with winter coming. Buchanan suggested they request a Proceed Without Prejudice so they could start on the site work and come back in two weeks with a formal request. Staff recommends approval of MHA's request so they can get started on some site work and utility relocations that are required.

Davidson said thank you to Buchanan and the Board to allow them to come in. She said MHA has worked on this project for over two years. The rents will be at 50-60% of area median income (AMI). The plan is for six one-bedroom units. They need to get Northwestern Energy to relocate a gas line.

Reineking asked if the land is vacant. Davidson said yes. The City gave MHA three very small lots of surplus property on California Street. The other two lots have duplexes on them and they became part of MHA's subsidized public housing program. This lot is big enough to put a 6-plex on.

REINEKING: I MOVE THE STAFF RECOMMENDATION.

Recommendation: Staff recommends that the MRA Board approve the request from the Missoula Housing Authority to be allowed to proceed without prejudice on construction of the six-plex of permanently affordable housing at 110 S. California Street with the understanding that the approval does not obligate MRA to the provision of any TIF funds for this project.

Brock seconded the motion. No discussion. No public comments.

Motion passed unanimously. (5 ayes, 0 nays)

Lee Gordon Place – 503 E. Front Street – NMCDC (Front St URD) – TIF Request (Annette Marchesseault)

Marchesseault said the property at 503 East Front Street was bequeathed to the North Missoula Community Development Corporation (NMCDC). The existing structure is a combination of several structures built over many years. The very interior architecture is believed to be one of the original structures in the community. The structure is in disrepair and was condemned about one year ago. NMCDC plans to deconstruct the building and build seven townhouses of permanently affordable housing. They will engage a historic urban archeologist to record all of the historic elements of the property. The underlying property will be tax exempt but the townhouses will be taxable. Marchesseault reviewed the design plan. Three townhouses will front Front Street and one will bridge the entrance into a courtyard. All units will have a garage and the access will be from the interior courtyard. The architecture will be similar to that of Clark Fork Commons. Marchesseault said the request is for \$79,720 for deconstruction, removal of building, curb, gutter and sidewalk repair along Front Street. Marchesseault said staff recommends including two street trees, lawn repair and irrigation in the public right of way on Front Street.

Jerry Petasek, NMCDC, is the coordinator for the land stewardship program. Petasek has been with NMCDC for 14 years and was one of the first community land trust homeowners. Petasek said NMCDC is trying to do community land trust homes. NMCDC purchases the land and builds homes on it. NMCDC retains ownership of the underlying land and the homes are sold to qualified individuals, which are folks earning less than 80% of area median income (AMI). NMCDC focuses on first time homebuyers. Petasek said in this situation there will be a ground lease that defines the rights and responsibilities of both parties. Within the ground lease there is a resale formula that preserves the affordability of the home for the next purchaser but also allows the prior tenant some equity. Petasek said there will be seven units. Four of the units are two bedrooms. The layout shows garages are on the main floor, kitchen and dining rooms on the second floor and bedrooms on the third floor. There will be one two-bedroom unit that is single story and fully handicapped accessible with an oversized garage for a van. He said for the first time ever NMCDC is creating two four-bedroom homes. The price for the four-bedroom homes is \$150,000 and \$130,000-\$140,000 for the two bedroom homes.

Oaks said he has been involved for several years with historic preservation. He said NMCDC brought a lot of expertise in to look at the building. They have gone through the Section 106 process required by the National Historic Preservation Act and the Montana State Historic Preservation Office (SHPO) process, which was required for the Brownfields grant. The building had damage when it was donated to NMCDC. Beneath the lath and plaster walls there was a log structure. After digging around a bit, it is actually bigger than what they originally thought. The flume from Missoula mills is right behind the structure. The log structure was probably built around 1871, which makes it one of the oldest remaining in Missoula. The McQuirks owned the property and there were two brothers who had gardens between the original house and the river. These were the gardens that gave Missoula its nickname the “garden city”.

Englund asked if the property was located next to the path leading from Front Street to Kiwanis Park. Marchesseault said no, it's about five properties away from the path.

Reineking asked about the Lee Gordon name. Oaks said he owned the property and passed away. His two nephews donated the property to NMCDC under the condition that any development would be named Lee Gordon Place.

Brock thanked NMCDC for the project and said how wonderful it is for downtown. She said she appreciated having two affordable housing projects in one day.

Marchesseault said while a lot of the properties along Front Street are run down, they have some really wonderful architecture. She said this project's design fits within the architecture and neighborhood character of the street.

Brock asked if the Brownfields grant would completely cover the removal of hazardous material. Oaks said the Brownfields grant should cover everything.

Reineking asked if they have identified any salvageable elements. Oaks said there are some architecturally salvageable elements. He said he inquired at the Fort Missoula Museum but they weren't interested due to space issues. Oaks said there are some elements left, i.e. an original Eastlake staircase from the house that was built around the log cabin in 1882. Oaks said the interesting part is that it must have been brought in by ox cart because they weren't milling in Missoula yet and it was a year before the railroad came to town. They must have brought it over from Dillon, which was the closest rail line. Another interesting story involves Mary Angeline Thibeau McQuirk who was the second woman prisoner in Deer Lodge because she shot the sheriff.

Reineking asked about street trees and irrigation. Marchesseault said there is a gap of street trees in that area and the boulevard is very wide. Petasek said the property next door was recently purchased as well.

Kemmis said even though the boulevard is nice and wide now, he wondered if the two-way conversion would take some of the boulevard area. Marchesseault said she did look at the proposal for the conversion and she didn't think it modified the curb line. Buchanan said there would still be the large boulevard and on-street parking. Kemmis asked about bicycles. Buchanan said they will share the lane with cars and it will be signed with sharrows.

Moe asked about the handicapped unit if the project is three stories. Petasek said the accessible unit is one level and is on the ground floor.

Englund asked how the restrictions on the future sales price is working at Clark Fork Commons. Petasek said the formula is working well. The units are turning over and tenants are taking away a portion of the equity. Oaks said during the great recession, some people weren't able to sell and take anything away, but people didn't get deeply underwater because the units are subsidized to begin with. Oaks said the units are turning over again and people are seeing a profit.

KEMMIS: I MOVE APPROVAL OF THE STAFF RECOMMENDATION INCLUDING THE CONDITIONS.

RECOMMENDATION: Staff believes this project addresses Front Street URD redevelopment goals in terms of design and form. Therefore, Staff recommends the MRA Board approve TIF assistance in an amount of \$81,220 for building deconstruction, curb/gutter and sidewalk replacement and landscape improvements in the public right-of-way. Payments will be made on a reimbursement basis based on copies of contractor and vendor invoices showing the actual work completed and materials used.

Conditions:

- Final building design to be fundamentally the same as the conceptual design provided with this TIF application. Detailed site plan and final building design documents, including elevations indicating materials and colors, to be submitted to MRA Staff for review prior to distribution of TIF funds. Site design to include large stature street trees.
- Deconstruction documentation to be submitted to MRA prior to reimbursement.

Reineking seconded the motion.

Moe said she is in favor of the motion but she wanted to clarify that the recommendation is with the assumption that reimbursement is made after review and approval by the staff of paid contractor invoices. Oaks asked how fast the turnaround is on submittals for reimbursement. Behan said about two weeks.

Motion passed unanimously. (5 ayes, 0 nays)

Helen Apartments – 534 E. Front Street – Jim Betty (Front St URD) – TIF Request
(Annette Marchesseault)

Marchesseault said property at 534 East Front Street, which is on the corner of Front and Madison Streets, is owned by Jim Betty. His son and daughter are here as Jim is out of town. There are 16 apartment units and seven parking spaces. Betty has undertaken a pretty complete gut renovation of the property. The work includes electrical and plumbing upgrades, new windows, and radiant heating in the floors. They are also upgrading the parking area. Improvements were started in spring 2016. The intent of the project is to give the final building the appearance of an English cottage. She said there will be white siding, black shutters and Juliet balconies. This is an interior improvement project but City of Missoula Development Services visited the property and suggested sidewalk improvements and pavement of the alley. The applicant is requesting \$22,216 in tax increment financing (TIF) assistance for enhancements in the public right-of-way. Marchesseault said staff recognizes it is MRA's policy that developers submit an application before a project gets underway. This project didn't go that way. Marchesseault said because this is such an important corner and because the improvements are strongly recommended by Development Services, staff is recommending approval of the request.

Jeremy Betty said his father apologizes for not being at the meeting. Jeremy Betty said they did sit down with the MRA staff early on but there wasn't any funding available for façade elements. He said what started out as a face lift project has turned into a major renovation. Betty said they are very excited about the project. The area needs a lot of work and they are

hopeful they will see more and more happening in the area. Jana Betty said they are really excited about the new look of the building and all of the improvements.

Reineking asked about the sidewalk improvements. Marchesseault said the sidewalk on Front Street is in pretty good shape. She said the bulk of the site work will be along Madison Street and the public part of the alley. Jeremy Betty said there is also a tree along Madison Street in the request. The private steps would be paid for by the developer and would be red brick to match other brick elements in the project.

Marchesseault discussed how the Front/Main Conversion would affect the sidewalk along Madison. She said even if they are replaced at such time a conversion occurs, the condition of the current sidewalk is such that it's important to replace it now. Moe asked about the timing of the Front/Main conversion. Buchanan said it's a matter of finding funding. She said sufficient capacity has to be built up in both the Front Street and Riverfront Triangle Districts in order to leverage other funding. Buchanan predicted it would be several years.

Kemmis said this is a very exciting project and thanked the Bettys for bringing it forward. He said the handicapped addition on the corner doesn't function at all. He asked if this could be an opportunity to reconfigure the sidewalk ramp so it would function better. Marchesseault said when the Front/Main conversion happens, there will be a lot more real estate available. This would provide an opportunity to make an under 8% slope sidewalk ramp that wouldn't require a railing. It would be an opportunity to make something more graceful. The railing is required for the ramp. Buchanan said maybe the path could be formalized.

Englund asked about the timing of the application. He felt the policy is to ensure that there is adequate coordination between MRA and City staff. He asked the staff to elaborate on how the process occurred. Buchanan said she spoke to Jim Betty about the timing. She said if the request was for anything other than for public improvements, staff probably wouldn't have brought it to the Board. Buchanan said the developer has put a lot more money into the project than anticipated and this is an opportunity to make some public improvements. Behan said MRA has approved funding for public improvements in the past in very similar situations. Behan said downtown façade projects are a good example.

Englund asked about the particular sidewalk panels that were disrupted for the utility work. Marchesseault said a couple of panels were removed for the work and the replacement is included in the request to MRA. Marchesseault said the private portions of the alley are not included in the request.

Moe asked about the irrigation of the boulevard. Jeremy Betty said they are putting the irrigation in. Moe asked about the MRA funded landscaping. Marchesseault said MRA funded improvements would be to the boulevard along Madison Street and the installation of a second tree. Moe asked if the Front/Main Conversion would disrupt the new sidewalk and landscaping. Marchesseault said since the conversion has not been engineered, it's hard to say. There may be a wider boulevard in the future.

Englund asked about the timing again and expressed his concerns. Kemmis said this project is very close to his home so he doesn't feel he can be objective. He doesn't want to vote on it at all. Moe said considering the developer is not required to make these

improvements, she feels this is different. These items are related to, but distinct from, the apartment project. Buchanan said one distinguishing element about this project is that replacing the sidewalk is not a requirement of the City because the project is a renovation and is not expanding its footprint.

REINEKING: I MOVE THE STAFF RECOMMENDATION.

RECOMMENDATION: Staff recommends the MRA Board approve TIF assistance in an amount of \$22,216 for alley paving, sidewalk replacement and landscape improvements in the right-of-way. Payments will be made on a reimbursement basis based on copies of contractor and vendor invoices showing the actual work completed and materials used.

Brock seconded the motion.

Moe said she considers these items distinct from the apartment renovation itself. MRA has an opportunity to eliminate blight and further enhance development in that district. Moe added that the reimbursement is not based on simply submitting invoices to staff; the invoices have to be reviewed and approved by the staff.

Reineking said she liked the listing of the district on the staff memos in the subject line and asked that it be standard policy to include it.

No public comment.

Motion approved unanimously. (5 ayes, 0 nays)

Front Street Student Housing – 301 E. Front Street – Farran Group (Front St URD) –
TIF Request (Chris Behan)

Behan said we have discussed this project several times over the last year. Behan reviewed the parameters of the project.

- 488 bed, six story, purpose-built student housing building
- two floors of parking - lower floor of parking enters from Kiwanis Street; upper floor enters from Front Street
- Approximately 310 spaces of parking total
- 6500 square feet of commercial at Front Street level

Amenities: large study lounges, entertainment area, laundry, bike repair, etc.

Close to: Missoula College, UM, Eastgate Shopping Center, downtown, and is on a Mountain Line bus route

Financing: There is an equity partner in the project that contributed the residential land to help make this work.

Demolition has already started and the buildings are down. There will be an official ground breaking on September 9th. Completion is anticipated in spring 2018 so they can begin leasing for the 2018-19 school year.

Proposed Project Financing Stack:

- Commercial Debt
- Bridge financing
- Developer Equity
- Tax Increment Financing (TIF) funds requested

Behan reviewed his analysis of the project. The following plans were reviewed by staff with respect to the project's importance, fit and how MRA can contribute: Front Street URD Plan, Downtown Master Plan, Front/Main Conversion Study and City Growth Policy. All of the documents, except the Conversion Study, specifically mention the need for density of housing and expanding full services with the primary challenge being parking. The Growth Policy states parking should be thought of in terms of the entire transportation system and cautions that there should be forward-looking analysis to ensure the City is looking at how people are moving around in the transportation system and how that fits with the current culture. Behan said younger millennials are looking at transportation in a different way, particularly in an urban area.

TIF Analysis:

Behan said staff traditionally looks at the projected economic impacts of a project.

- Taxes: Anticipated to generate \$320,000-\$340,000 in new taxes
- Investment Ratio: In the 1:10 to 1:12 range of public dollars to total investment ratio
- Job creation: Approximately six within the building and 10-12 associated with the retail on Front Street
- Development Spinoff: Addition of neighborhood retail center supports residential, gives a segue from highly commercial to residential neighborhood and more dense residential to less dense residential
- Effects/Impacts: Increase in population in area, negative physical impact on parks and public infrastructure due to higher use. Downtown retailers are excited to have additional consumers in the area. Combined with proposed Mercantile and Hotel Fox projects, this project will really give downtown retailers a boost.
- Successful Downtown: Need to have continued use of office space and parking to support commercial and residential.
- Financing: Financing stack is in place
- Feasibility: The project has been vetted by more than one national expert both from the perspective of the University and overall community. Costs are escalating but they have been able to order some materials after the Board approved their Proceed Without Prejudice request.
- TIF is essential for the project to be built as designed and proposed. If TIF funds were not available Behan said the project would change with respect to quality of materials and it would not include parking. Parking is not required since it is in the Commercial Business District (CBD).

- Ability to Complete Project: The developer team has a lot of experience in residential housing. One of the partners has experience in large scale development, both in commercial and housing. The architect specializes in multi-unit housing including military and student housing. All of the contractors involved have experience in large projects.
- Timely Completion: Spring 2018 so they can lease up for 2018-19 school year

Behan said the large part of the staff discussion has been parking. This is the key to opening the door to quality development in the District. The Growth Policy recommends over 500 spaces for the Park Place structure. Affordability limited that to about 325 spaces. More recent analysis suggests there should be 700 at that location. The DTMP discusses having 1900 spaces over time in the greater downtown. Behan said parking becomes key to increasing customer base for downtown retail and serving the office use.

Behan said staff has discussed with the Board the magnitude of assistance that should be available for this project. He said for this project, it might be appropriate to put it all into the project. He said his prior memo addressed the model of where revenue is coming from and where the assistance is going. Loss of revenue into the District has been associated with demolition and lower valuations by the Department of Revenue, i.e. moving toward an income model versus market value. Behan said this makes for a somewhat unstable tax increment flow. Staff desires to be cautious in estimating tax increment return. The staff recommendation is to cap increment assistance at what amount of money \$300,000 can amortize per year, which is about \$3.2 million. Behan said if all of the aforementioned plans indicate the key to success in this area is parking, and part of that key, as indicated by the Growth Policy and Urban Renewal Plan is to create partnerships to generate that parking, this is the opportunity to make one of those partnerships. The MRA, using TIF funding, would partner with the Missoula Parking Commission and the private entity (developer).

TIF Recommendation

Behan said his recommendation focuses on creating a partnership as recommended by the plans. He said staff recommends committing \$300,000 to amortizing bond debt and in exchange the City wants a deed to one level of parking, the Front Street level, so that is about 150 spaces. This is about \$21,000 per space, which is in the range of what structured parking costs. He is also recommending a draw schedule to ensure there is enough tax increment revenue to pay the bond debt service. The debt would be subordinate to the Park Place parking structure bond. This would give MRA greater flexibility as far as bond coverage to undertake other projects in the district, i.e. the Front/Main Conversion project. Staff is also planning on refinancing the First Interstate Bank (FIB) Note at the same time. This saves MRA a full percentage point on interest. This will take the remainder of the principal amount due and stretch it out over a 25 year term. This will also give MRA more increment to respond to current and near future projects. Behan said the Missoula Mercantile project may come together with a specific request in time for any approved assistance to be included in a bond, but it's really hard to say at this point. The actual bond would include at least two issues, one would be tax exempt and one taxable. The Front Street housing project is a tax exempt bond but the FIB Note refunding would require a taxable bond for that portion of the principal remaining associated with the private benefit portion of the assistance provided, i.e. for the demolition.

McLeod passed around a couple different renderings of the project. He reiterated the points the various planning documents make with respect to parking and partnerships. McLeod said it's exciting to see how those can be helpful in a real example. McLeod said without the public private partnerships, these types of projects don't pencil. He said in 2012, Mayor Engen and The University of Montana (UM) President, Royce Engstrum, signed a Community Quality of Life initiative, which called for 1000 units of housing to be built around the University and downtown. McLeod said this project brings in 500 beds. He said the initiative is important for the students but also for the entire community because it frees up other housing. McLeod and Pat Corrick both live in Missoula and raise their families here. McLeod said when doing a project, they always ask themselves "would you live here?" McLeod said he lived in Jesse Hall in 1984 and his niece lived in Jesse Hall two years ago and the rooms haven't changed. He said student's needs have changed. He said this project is different than any other student experience in Missoula. It will be safe, livable, have secured access and the rooms will include their own bathrooms. He said they try to look beyond our lifetime and design something that will be functional and to be proud of. McLeod said they could have done a less affordable project but they wanted it to be a good fit for downtown and have a positive impact on Front Street.

McLeod said they have talked to Rod Austin with Missoula Parking Commission (MPC) and he reiterated how critical parking is for both the project and downtown. Austin said MPC is ready to go and has been working with the Farran Group on both the Front Street project and the Hotel Fox project. The plan is that MPC would manage both floors of parking, one owned by the City and the other by the developers.

Moe asked if the public parking floor would be all dedicated to commercial use. Austin said 40-50 spaces would be short term parking for retail and other uses. The rest of the City's floor and the bottom floor would be lease space. Austin said he anticipates the lease spaces would fill up very quickly. There are approximately 150 parking spaces on each floor.

Englund asked about the preliminary terms of the bond.

Tax Exempt Bond: 1.25 coverage, 4.5% interest rate, 25 year term, and subordinate debt to the Park Place bond.

Taxable Bond: 1.25 coverage, 5.4% interest, 25 year term, and subordinate debt to Park Place bond.

Englund asked if the lender has agreed to purchase both taxable and non-taxable bonds. Buchanan said yes.

Englund asked why the project is constructed in two phases. Corrick said there is essentially two types of construction going on, a concrete parking garage phase and a stick built residential phase on top of that. McLeod said it is also a timing issue. They do not want to open in January 2018 but in May of 2018 so they want to time their construction to be complete at the ideal lease period. The most it would be delayed would be a couple of months. This saves the project money since they would not be paying interest on the construction loan for a period of time prior to accessing a revenue stream.

Buchanan said staff is recommending MRA buy one level of parking for the City for an amount the tax increment generated by the project can support. The amount would be

about \$3.2 million. If there is money left over after the purchase, it could be used for other public improvements such as sidewalks or the park. Discussion ensued. Buchanan said ideally, anything paid for with bonds in this project should be tax exempt such as parking, sidewalks, and the park.

Buchanan said MRA wasn't sure who would be interested in buying the bond for the Mercantile. She said one of the reasons First Security Bank is interested in buying these bonds is because they are doing the construction financing for the project.

Behan explained the mechanism of the bonds. There will be at least two different bonds, one taxable (including taxable portion of FIB project Note that is being refinanced) and one tax-exempt (including tax exempt portions of FIB project Note that is being refinanced and one level of parking for Front Street Housing project). Discussion ensued. Staff is recommending the Board approve and recommend to City Council for approval a bond in the amount that can be amortized with the estimated annual tax increment revenue of not to exceed \$300,000. The estimated net bond proceeds for the Front Street project would be approximately \$3.2 million. The remaining FIB principal to refinance is approximately \$1,415,000.

Kemmis said he is trying to understand the bigger picture, particularly the "transition zone" Behan referred to between the heavier commercial downtown to the residential area to the east. He asked Behan to explain how this proposal deals with that particularly in terms of parking. He said he didn't think he has a personal conflict since he has his own off street parking. He is concerned about the residential area and the impact this project might have. He said if this project moves forward and the fairly rosy scenario of the using alternative transportation doesn't work out, it would seem that the net effect would be more cars on the street. Most of the students will have cars and will want to park as close as they can. Not all of the residents can park on site. Kemmis asked doesn't that put additional pressure on the residential area. He said if the answer is yes, then is there any possibility of another residential parking area. Kemmis said the bigger question is simply, if our urban plan values the residential area, is MRA really doing that area any favors?

Behan said the plans discuss transitional uses of downtown and how those move from heavy commercial to light commercial to dense residential and less dense residential. Parking is a component of those uses. Any change is going to impact parking. Currently we have a surface lot and we are going to replace that with two floors. There is a lot of pressure for parking in that area. Behan said some relief to that pressure will be Park Place and its accessibility 24 hours a day. This project is very large. The Urban Renewal Plan specifically states this site should be used for dense housing.

Austin said Clay and Kiwanis Streets are heavily used for parking but is also heavily abused in the sense that cars never move. Examples were given. Austin said once ground breaking takes place, MPC will start to manage Clay Street. Several apartment buildings down there have residents concerned about where they will park. Austin said if Missoula wants a downtown that is going to continue to grow, parking pressure will occur every time. It's not going to be just this project. Austin said he is meeting with the City Council representative from that area to talk about a parking permit program. McLeod added that Park Place passes are for 9-5pm but when that goes to 24/7 some residents can use their car during

the day and then park there at night. He said they are also going to educate the students and parents about all of the options in the area, i.e. Park Place, biking to school, bus routes, pedestrian trails, car sharing, etc. Austin said he is also having a conversation with a Council member about creating a local non-profit car sharing program.

Moe asked about the projected occupancy for the school year and summer session. Corrick said they will lease for 11.5 months. Corrick said they are projecting 95% occupancy, which is pretty standard in the industry. McLeod said when he is in Bozeman he drives through the Stadium View project, which is the first purpose-built student housing project in Montana. He said in the summer their parking lot was at about 45% capacity. This will relieve some pressure from other parking areas in the busy summer months, when for example, a hotel at the Mercantile site might be at 100% capacity.

Buchanan said Kemmis' question is a real fundamental one as we see this pressure push out into the older urban neighborhoods. She said MRA should find a way policy-wise to allow residents to continue to park there and address the additional pressure.

Austin discussed other parking pressures in the downtown, i.e. East Pine Street. Seventeen spaces, both short term and long term, are disappearing with the construction of the Art Park. Austin said there will be less residential parking opportunities on the street with the continued growth in downtown.

Reineking asked about the parking revenue. Austin said MPC would use the revenue to manage the publicly owned floor and possibly the private floor of parking at the project. Austin and Corrick both said they are in discussions about MPC managing the other floor. Austin said the private floor would be a lot of easier to manage with similar access controls and MPC software. McLeod said they would construct the private floor with the access controls that Austin recommends. Buchanan said she views this partnership a lot like that of Central Park parking structure. Tax increment was used to service the bonds that were sold to build Central Park, which allowed MPC to build capacity so when Park Place parking structure was constructed, it was a joint venture; 60% MPC and 40% MRA servicing the bonds. This will allow MPC to build capacity again to service parking projects where MRA funds might not be available. This project proposes to use the tax increment generated by the project to service the debt on the parking.

Austin said the changes happening on Front Street will dramatically change how the MPC will function, i.e. more employees, 24/7 coverage in the garages, types of structures that are managed, etc. The MPC Board will be looking at a lot of new things moving forward. Austin said Missoula Midtown, the Sawmill District and going out past St. Patrick Hospital are all areas that MPC is looking at.

Reineking asked about the retail tenants. McLeod said they have not actively marketed the space yet. One group has approached them. He said there is 6200 square feet available and they are envisioning three to four retail entities. Corrick and McLeod said the retail would probably include a pizzeria, bike shop, a boutique exercise operation, etc.

Oaks asked if any consideration had been given to making a small percentage of the units available to students from low income families in light of the large public investment being

considered. McLeod said based on the market study, on average, the unit pricing is lower than market rate is. They will be charging lower prices than Corso, Copper Run and much of the student housing in the University area on a per bed basis. McLeod said they can do this by bundling the entire package, i.e. rent, water, garbage, internet, etc. McLeod said he felt their proposed rents are pretty affordable.

Englund asked who would manage the facility. Corrick said Grand Campus will manage the facility and they are out of Dallas, Texas. They are a subsidiary of Lincoln Property Company, which is one of the larger commercial real estate companies in the nation. Corrick said they manage about 18,000 beds in the United States (US). They interviewed five firms and Grand Campus came out on top. Corrick said the management agreement is year to year, which is typical in the industry. There are dozens of quality property management firms in the US.

Kemmis said he wanted to recuse himself from the voting process on this project. He said he has listened to the conversation, which has been good and informative, but he realizes it is hard for him to be as objective as he should be. He said looking at the photo on the screen, he feels the residential area is getting squeezed in a sense. The new library project is going to take a whole block of residential away. Kemmis said he understands what Austin is saying about how almost anything you do can put pressure on parking. He feels this is quite a bit of pressure and a lot of it will make it more difficult to make the neighborhood work as a residential neighborhood. He doesn't personally have a concern but the Jim Betty project is the kind of project that MRA would probably like to see happening if we want to preserve a residential district in this area. Between putting quite a bit of pressure on parking and a lot of pressure on East Front Street, without being in a position to reconfigure East Front Street, he thinks the time is wrong for this project. Kemmis said he recognizes that conclusion probably arises from some self-interest. He asks that MRA think more generally about what it might take to maintain that residential enclave.

Englund said he understands Kemmis choosing to recuse himself although the bylaws are clear that it is not necessary unless there is a direct financial benefit. Englund said he understands because Kemmis is an incredibly ethical person.

Englund said he gets a little upset about what he feels is an over emphasis on parking in the United States. He said there are places all over the world where people don't have a parking place and they seem to manage and prosper. Englund said in some respects, he agrees with the Oregon model, which has very limited parking. He said he feels a lot can be done to preserve the residential character of that piece that is left. He said things beyond MRA such as zoning and other could be used to do that. Englund said he is always impressed by Farran Group and the projects they bring forward; they are quality and well thought out and address what he presumes is a market need. Englund said he is in favor of moving forward. He confirmed that the bond amount is for the purchase of one level of public parking and other eligible items and if the bond proceeds are not enough, the developers could come back and ask for additional TIF funds outside of the bonds. Buchanan said yes. Buchanan said the Board might want to consider how much is given to any one particular project. She thought \$3.2 million was pretty substantial but it's to purchase public parking. Englund clarified that the prior Proceed Without Prejudice approval covered any other items in the project the developer may consider asking assistance for.

Moe asked about the funding for the Mercantile. Buchanan said the Mercantile project might come before the Board on September 28th. Discussion ensued. Buchanan said if the bond purchasers are different, then it would be two different bonds. Buchanan said the priority is to fund this project and take out the First Interstate Bank Note and refinance it with better terms.

Behan reviewed the approval steps the staff is looking for from the Board:

1. Approve the East Front Street Housing Project.
2. Make a recommendation to City Council to issue bonds for the TIF assistance up to the limits discussed today.
3. Make a recommendation to City Council to issue bonds to refinance the First Interstate Bank Note.

STAFF RECOMMENDATION: Staff recommends the MRA Board approve TIF assistance to the project and recommend the City Council issue bonds for the assistance capped at the principal amount that amortizes the bond using tax increment of \$300,000 (approximately \$3.2 million) and that the net proceeds may be used for the eligible items and the costs of bond issuance (professional bond analysis and bond counsel). However, the assistance must result in a condominium deed of the Front Street level of parking excluding the commercial area (approximately 150 spaces) to the Missoula Parking Commission when it is completed pursuant to standards and specifications provided by the Missoula Parking Commission.

BROCK: I MOVE THE STAFF RECOMMENDATION.

Discussion ensued: Buchanan said maybe an additional motion could be made to issue additional debt to take out the First Interstate Bank Subordinate Lien Note and make a recommendation to City Council to approve those bonds. Buchanan said the details of whether it would be one or two bond issues will be worked out with MRA's financial advisors and bond counsel.

Englund said there is a motion on the floor.

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

Motion passed (4 ayes, 0 nays, 1 recused-Kemmis)

Kemmis left the meeting.

REINEKING: I MOVE THE MRA BOARD RECOMMEND TO CITY COUNCIL TO INCORPORATE THE FIB DEBT INTO THE NEW FRONT STREET DEBT TO SAVE MONEY ON FINANCING AND EXTEND THE TERM.

Moe seconded the motion.

Englund asked if the staff is satisfied with the proposed action. Buchanan said yes.

Motion passed (4 ayes, 0 nays)

Board Officer Elections

REINEKING: I MOVE ENGLUND SERVE AS CHAIR AND MOE AS VICE CHAIR FOR THE FOLLOWING YEAR.

Brock seconded the motion. Motion passed unanimously. (4 ayes, 0 nays)

Ron's River Trail (Front St URD) – update (Tod Gass)

Englund asked if the Board had any questions on Gass' memo. The Board did not and commented that it sounds like a great project.

STAFF REPORTS - None

COMMITTEE REPORTS - None

OTHER ITEMS – None

ADJOURNMENT

Adjourned at 2:49 p.m.

Respectfully Submitted,



Jilayne Dunn