

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

May 18, 2017

FINAL

A **Regular** meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, May 18, 2017 at the Hal Fraser Conference Room, 140 W. Pine, at 12:00 p.m. Those in attendance were as follows:

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

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

Public: David Edgell, Builder; Peter Lambros, Southgate Mall Associates; Jeremy Keene, WGM Group; Jeff Maphis, JCM Architecture; Clint Burson, Missoula Chamber of Commerce; Jessica Morriss, City of Missoula Development Services/Transportation; James Grunke, Missoula Economic Partnership; David Erickson, Missoulian

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

April 20, 2017 Regular Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

Englund announced that there will be a dedication to recognize the service of former Missoula Redevelopment Agency (MRA) Board member Daniel Kemmis on Monday, July 17 at the City Council meeting.

ACTION ITEMS

Scott Street Village, Phase 2 (NRSS District) – Proceed Without Prejudice Request (Behan)

Behan said after MRA started the North Reserve-Scott Street Urban Renewal District (URD) there were three projects that came in so MRA bonded to assist them. They included the expansion of Bretz's RV and Marine building, the new Consumer Direct building, and an affordable home ownership for-profit housing project by Edgell Building, Inc., called Scott Street Village located at the former Clausen Manufacturing site at the corner of Scott and Rodgers Streets.

Behan showed a picture of the location of Scott Street Village, a three phase development. During the first phase, MRA assisted with a little over \$500,000 worth of infrastructure and demolition costs (water, sewer, streets). He said Phase 2 is more dense than Phase 1 with

the same type of housing as well as townhouses. Phase 3 will likely be apartments because of the lot size.

Behan said David Edgell, Builder, will be asking MRA for help with demolition of some of the remaining Clausen Manufacturing buildings for Phase 2. He said at this time, MRA is looking at the project in terms of putting together the potential for bonds. The applicant will bring in a purchaser for a bond because they are looking at around a \$550,000 application. Behan said Phase 1 has been successful, all units are either sold or committed with a waiting list of back-up purchasers. He said this shows that there is a need for more housing in the City. He said the public sector can keep tapping into more of the private sector being able to contribute to the effort because that's where the money, efficiency and creativity can shine easier than it can with federally subsidized projects.

At this time, Behan said staff is asking for the ability for Edgell Building, Inc. to move ahead with some demolition and the beginning of some of the infrastructure so that MRA is able to meet their timeline and bring it to the Board at the June meeting for final consideration. He said at that time staff will have all of the numbers back from the City's financial officer and the bank so they can look at the complete package.

David Edgell, Builder, said he wanted to emphasize the affordability of the project. He said they sold the first 28 units in just over six months and they already have a longer list than they will need for Phase 2. He said it is very difficult to find land, and any land they've looked at beyond this project is double the cost, nor is it in an MRA district, so with those two combinations there is no ability to do anything affordable. He said it's hard to believe that \$250,000 is affordable, but it's where the market is. Edgell said there's very little on the market of existing housing and if there is it sells almost immediately. There is a huge need for affordable housing and they'd love to find ways and places to do more.

Englund asked if the issues they had with the City in Phase 1 are resolved. Edgell said getting the design approved through the City was cumbersome. They wanted to get started in April and ended up starting in late September. Englund asked if all of that has been cleared up. Edgell replied yes. He said they have Phase 2 approved, most of it was done in the initial design. The City required them to improve the whole side of Rodgers Street on the northern side of the project which added about \$150,000 to the project. There was discussion regarding the streets and traffic flow.

MOE: I MOVE THAT THE REQUEST OF EDGELL BUILDING, INC. BE GRANTED TO PROCEED WITH SCOTT STREET PHASE 2 DEMOLITION AND INITIAL UTILITY WORK WITHOUT PREJUDICING THE ELIGIBILITY OF THAT WORK FOR FUTURE APPLICATION FOR PHASE 2 ASSISTANCE.

Reineking seconded the motion.

No further discussion. No public comment.

Motion passed unanimously. (4 ayes, 0 nays)

Moe thanked Mr. Edgell for persisting and said it's a great project. Edgell said it's been very well received and appreciates the help from MRA. He said it's what keeps things going in town.

**Mary Avenue West (URD III) – Request to Approve Purchase of Street Lights
(Marchesseault)**

Marchesseault said staff is waiting to get a contract signed with the contractor, Grant Creek Excavating LLC, until a bond resolution is in place as well as the 100% construction documents. She said that should be happening within the next month or so. In the meantime, there are some items in construction that have a long lead time for delivery. In this particular project the site lights are the only items that have a really long lead time and the contractor is unable to order them until he has a signed contract which won't happen for another month or so. She said staff is suggesting to deduct the cost of the lights from Grant Creek's Contract and have MRA purchase the lights directly and have them delivered to the site for installation. This will cut down on the lead time and not hold the project up.

Marchesseault said the contractor has provided MRA the cost of the lights which is \$55,905. Buchanan said MRA did something similar on Wyoming Street, there was a piece of drain pipe associated with the irrigation ditch that had a long lead time, so MRA just bought it directly in order to not hold up the project.

Moe asked if the lights would be installed when they arrive. Marchesseault replied yes. She said the lights will be delivered directly to the site and the contractor will install them. Moe asked if there will be any storage required. Marchesseault replied no; however, if there is it will be at the contractor's site. Buchanan added that all of these street lights have an incredibly long lead time so they must be popular. Brock said with the Madison Avenue bridge lights going up she loves that the look is being carried across town. She said it's consistent and such a modern, good looking light which shows that Missoula is really investing in its infrastructure. Buchanan said the downtown lights are a little more traditional and the Brooks Corridor has something a little more contemporary and uses the same pole but a different luminaire than downtown. Marchesseault said all of the lights are in the same family. The logos on the Mary Street lights will have "City of Missoula" and "Midtown" on them.

BROCK: I MOVE TO APPROVE THE STAFF RECOMMENDATION TO DEDUCT THE COST OF THE LIGHTS FROM THE CONTRACT AND AUTHORIZE STAFF TO ORDER THE LIGHTS THROUGH THE ELECTRICAL SUBCONTRACTOR AND APPROVE TIF FUNDS.

Staff recommendation: Staff recommends the MRA Board direct staff to deduct the cost of twelve (12) site lights in the amount of \$55,905.00 from Grant Creek Excavating's construction contract, authorize staff to order the lights through the electrical subcontractor, and approve TIF funds in the amount of \$55,905.00 to pay for the lights when they have been delivered to the site for installation.

Moe seconded the motion.

No further discussion. No public comments.

Motion passed unanimously. (4 ayes, 0 nays)

Mary Avenue West (URD III) – Recommendation to City Council to Approve Bond Resolution (Buchanan)

Buchanan said staff has worked out an arrangement with First Security Bank who wants to buy the bonds under similar conditions as when they bought the other two URD III bonds. She said the interest rate is a little higher and the term is a bit shorter because the URD is limited to 25 years when it was extended at the end of 2015 so every bond issue that MRA does in this District will be a little bit shorter term because they all have to end when the District ends. She said this will be a 23 year bond. Buchanan said the bond resolution attached in her memo is for \$1.6 million. A reimbursement resolution was done on this project earlier so MRA will be able to reimburse the District for all of the engineering fees spent to get the public process and design done. She said staff hopes to have it approved by City Council by June 5th if the Board chooses to make the recommendation to them. Buchanan said this will allow MRA to enter into a contract with Grant Creek Excavating LLC and for them to begin construction mid-June. This will dovetail with the completion of Mary Avenue through Southgate Mall and also the completion of the Clark Street sidewalk project.

Moe asked if there was an estimate on what funds have been advanced to this that MRA will be reimbursed for. Buchanan said it's about \$400,000 in engineering fees. She said the bid price is a little over \$1 million and MRA will have cost of issuance. She said that amount will give the project a little bit of a contingency and if there is any excess money, it will be used for debt service for the bond. Englund asked if the cost of issuance is lower than normal. Buchanan replied it is always lower when there is a private placement and to a certain extent, because of the other bonds that have been done in URD III, the groundwork has been laid and a lot of the work has already been done. This results in lower bond counsel fees and financial advisor fees. She said First Security Bank is pretty easy on MRA in terms of origination fees. She said it's also lower because of the percentage of the size of the bond issue. This is the smallest one MRA has done in URD III.

MOE: I MOVE THE STAFF RECOMMENDATION.

Staff recommendation: Staff recommends that the MRA Board forward a recommendation to the City Council to approve a Bond Resolution authorizing the issuance and sale of \$1,600,000 of Tax Increment Urban Renewal Revenue Bonds, Series 2017A in URD III to finance the design and construction of Mary Avenue West.

Brock seconded the motion.

No further discussion. No public comment.

Motion passed unanimously. (4 ayes, 0 nays)

Moe said she was pleased to see the financial advisors analysis included with Buchanan's memo. She also thanked Dunn for having the Budget Status Reports included with the Board packets.

Wayfinding Signage (URD II & URD III) – TIF Requests (Buchanan)

Buchanan said the City is moving forward with the next phase of implementation and installation of the Wayfinding system that was designed a couple of years ago. The downtown pedestrian-level signage is in place and they are working on the vehicular signage. She said the downtown pedestrian-level was pretty straightforward because there are groups in the downtown who have a vested interest and money to commit and pay for it, such as the Business Improvement District (BID) and Missoula Downtown Association (MDA). She said vehicular is trickier because it's city-wide. There is nobody other than the City who represents areas like North Reserve Street and the Brooks Corridor. She said the Midtown Association exists, but they are fledgling and have no money. A number of years ago after the Curbs & Sidewalk Needs Assessment was done, MRA budgeted \$250,000 in URD III for several years for signage which would further solidify the identity of Midtown. She said the City then got into the design of a city-wide system. She said now that some of the signs have been bid and fabricated the estimates have come down. MRA carried \$250,000 in this Capital Improvements Program (CIP) project budget for several years and in FY16 it was dropped to \$175,000. Now the estimate is \$125,750 so it will represent a cost savings to URD III. Buchanan said instead of MRA showing it as a CIP item, all of the vehicular-level Wayfinding signage is shown in one CIP item under Development Services Transportation Division with MRA as a funding source.

Buchanan said the other piece of the Wayfinding is in URD II. Staff is requesting that the MRA Board approve \$77,750 in URD II TIF funds. This will get the vehicular-level signage. She said the Missoula Chamber of Commerce has stepped up to raise funds for the big "Welcome to Missoula" signage which are the largest components size-wise and cost-wise incrementally of the Wayfinding system. Buchanan said Jessica Morriss, Development Services/Transportation, was present to elaborate on any aspects of the Wayfinding and/or speak to design, placement, etc. She said maps were included with her memo for the Wayfinding signage and placements.

Morriss said she presented the CIP item to City Council yesterday as part of their overall CIP initial review. They saw the funding amounts from URD II and URD III, Missoula Parking Commission for parking signage, the Road District funding from the City which would cover a substantial portion of the signage which is outside of the URDs, and the MDA/BID funds for the downtown area. She said the first phase of pedestrian signs was small compared to the next phase which is upwards of \$900,000 for all of the signs that will go in at the same time. She said it's a big project and will get the city much closer to finishing the Wayfinding program overall. The only thing remaining after this phase will be park and trail signage.

Moe asked if there will be an additional request coming to MRA for funds for the next phase. Morriss replied that is not anticipated, but she can't say with 100% certainty it won't. Moe asked if it's being covered by the Parks and Recreation Dept. budget. Morriss said that is

what was originally discussed. Buchanan said it could be a CIP item for Parks & Rec that comes out of Park Impact Fees just like a lot of this is coming out of Road District Fees.

Morriss said this is a city-wide, branded, cohesive project and everything will be uniform. She said it will be a big help to visitors. She said they want to do it as one big project so everything is in place at the same time rather than chip away at it area by area. Buchanan said the Public Works Dept. takes ownership of the signs once they're in place.

Moe asked if there was coordination between the names on the signs and what someone might put in their smart phone to see information about what it is they might want to go to. Morriss said yes. She said during the planning process that was part of the design of the signs. What they would say and where they would go was all part of the initial process. She said there was a very comprehensive process figuring out what the destinations would be because only so many destinations can fit on a sign. The pedestrian signs can fit more but the vehicular signs can only hold three based on travel, speed and likeliness of being able to read what the traveler sees. They have to be very intentional about what they say and what the destinations are to make sure it's consistent with what you would find in your phone. She said they will revisit the destinations because it's been about four years. Most will stay the same but Morriss said something that wasn't really solidified then was the Conference Center, so something like that would be an addition. They will revisit the signage names to see if there is anything new or different over the last few years. Reineking said it is difficult because if they add the Conference Center then they have to decide what to drop. Morriss concurred and said there is a criteria system that was drafted as part of this with different tiers such as eligibility, importance, frequency of visits, etc. Reineking asked if there will be a continuing process for that. Morriss said yes. She said they are also going to put together an application process which will be more relevant to the pedestrian signs. She said other cities have an application process that is managed by their Tourism/Visitor's Bureau where they have criteria and someone can apply to be on a sign. The Bureau makes a determination of whether or not it's eligible and should be on there. Morriss said the signage is not to private destinations, it's for cultural, institutional, government, parks, and public spaces most of the time. There are a few exceptions where something is privately owned and a very large tourist draw. Reineking said she was glad to hear there's going to be objective criteria. Morriss said they are thinking about forming a committee for the sign reviews. Moe said it seemed like the Chamber of Commerce would be a good entity to involve in that process.

BROCK: I MOVE TO APPROVE THE STAFF RECOMMENDATION.

Staff recommendation: Staff recommends that the MRA Board approve \$77,750 in URD II TIF funds and \$125,750 in URD III TIF funds to implement the City Wayfinding Project in those two Urban Renewal Districts.

Reineking seconded the motion.

No further discussion. No public comment.

Motion passed unanimously. (4 ayes, 0 nays)

Façade Improvement Program – Consider Suspension Pending Design Guidelines/Standards (Buchanan)

Buchanan said the City has embarked on the process of determining what kind of design standards/guidelines/regulations/design excellence it will have for the community. She said one of the things the MRA Board has been clear about is that regardless of what becomes a regulatory or a standard for the City as a whole, it would like to see a set of standards that exceeds that baseline in the URDs where there is a Façade Improvement Program (FIP). She said Nore Winter, Winter and Co., is working on that and understands that clearly. She said MRA has had some really good façade improvement applications and some that were more challenging. She said in URD III the investment in the FIP has enhanced the aesthetics of the District; however it hasn't always enhanced the aesthetics to the degree that anyone feels really comfortable with, depending on the project.

Buchanan said in discussions with staff it occurred to her that the program should be suspended in URD II and URD III until the City and MRA have the design standards in place and something tangible to approve or deny the proposals. Buchanan said if the Board chooses to take a hiatus from the FIP she wants to find ways for it to be viewed as less of an entitlement and more of an incentive to do something better. She said absolutely there have been projects that have done something way better as a result of the FIP and sometimes exceeded what they would have done by a multiplier over MRA's FIP contribution of \$50,000. Buchanan said the staff recommendation is that the FIP is suspended until it has something from the Design Excellence project that gives MRA something objective to look at and by which to judge the applications. She said there are two projects, former Tower Pizza and the former Sears Building/Lucky's Market, that are in the pipeline even though they haven't done applications yet. It is up to the Board how they want to deal with them. Buchanan said with any change of this nature, something that is already in process or being actively looked at maybe shouldn't be subject to the suspension. Buchanan said she wanted to hear the Board's thoughts because it is something that hasn't been discussed in the past.

Brock asked how long the moratorium would be in place if the conversation is still happening in the fall. Buchanan said the schedule is that Winter and Co. will be back mid-summer and again in the fall with tangible suggestions and recommendations. She said the process with the City could take some time, but if MRA has a set of standards higher than that to aspire to with the programs, then it will need to talk about the programs it applies to. Buchanan said she thinks MRA will be quicker than the City on that because it can adopt those incentive-based standards. Buchanan said she hoped MRA would have something in place this calendar year. Englund asked if Winter and Co. would have recommendations in the fall. Jeremy Keene, WGM Group, said his understanding is that they should have at least the initial recommendations that MRA could look at as incentive-based standards. Buchanan said MRA's are less complicated than the City's because staff is not looking at regulations. Moe said MRA has the opportunity to use its experience with initial projects and it's easier to make changes to MRA criteria than whatever the City adopts for itself. She said MRA should be flexible about that and make changes as it sees them. Buchanan said she's talked to some people who were looking at buying buildings who thought they might want to take advantage of the FIP. When she explained what MRA was

recommending to the Board she said they absolutely understood and concurred that it makes sense.

Brock asked if the Board will be seeing projects for Proceed without Prejudice or not seeing them at all during the moratorium. Buchanan said she thinks that MRA wouldn't accept FIP projects, minus the two already in the pipeline.

Englund said when MRA adopted the façade section of the Commercial Rehabilitation Loan Program (CRLP) downtown it was different because it was based on interest rates and preserving the historical nature of the buildings. Behan said it was a priority for the downtown but not exclusive. Englund said the MRA had standards for the façade projects downtown; when the FIP was adopted in URD III it was early on in the process and it was done to encourage people to think about design and to encourage people to start investing in URD III. He said he also remembers MRA being very clear that it didn't have criteria because it wasn't developed and it would be a fairly subjective process. At the time, he said there was a discussion about MRA not necessarily being comfortable with that, but in order to get the FIP rolling and have people think about design, it moved forward with the program. Englund said he thinks this is the natural evolution of the program and was in favor of a moratorium. He said the more criteria the better. Buchanan agreed and said right now there are only things that say what people can't do, but doesn't say what they have to do.

Reineking said she is anxious to get some design excellence criteria, whether they're standards or guidelines, especially for the commercial corridors around town and for the Urban Renewal Districts. She said she was not sure she wanted to discourage anybody from making an application under what MRA has now so she isn't sure she wants to suspend the Program or any project that comes along.

Moe said for her it seemed more straightforward to say the program is suspended until it has guidelines in place. Englund said fall is not that far away. Buchanan said the applicant would lose one construction season. Behan said most contractors are spoken for at this point for this construction season.

Moe said she was a little surprised that staff has agreed to have guidelines in place this fall. Buchanan said Winter and Co. is a strong consultant team with a tremendous amount of experience in all sized communities.

Reineking said she has heard some City Council members say they are not always crazy with what the City gets as a result of using FIP money. She said she really does want to see standards or guidelines and improvement in the design criteria in the City, she just doesn't think MRA needs to suspend the program.

Englund said he has wondered if MRA is getting the worth of the public investment in some of the projects. He said in his mind he has gotten more and more skeptical about the FIP projects and wondered if others felt that way and if so, if they don't suspend the program, are they really holding out hope for somebody when there is no hope for them to get assistance. Moe said that makes sense to her.

Behan said Jeff Maphis' firm, JCM Architecture, has used FIP and asked if he had any input. Maphis said the hardship he sees with someone applying and being told there is a moratorium is that a lot of the businesses have schedules and commitments so a moratorium would be difficult. He said he was in agreement with Reineking. He believes in standards but thinks shutting it down is challenging and said in reality it will probably be longer than the fall before there are standards or guidelines in place. He said so many projects are time related. Englund asked if the projects that are time related between now and fall are already scheduled. Maphis said a lot of them are, but there is a lot going on too. Buchanan said MRA doesn't have people lined up requesting FIP assistance right now so it also seems like a good time to do this. Reineking said the flip side of that is that if there aren't a lot of people asking for it then there won't be a lot of requests so a suspension isn't needed. Buchanan said she feels pretty strongly about the moratorium and letting the other process take its course, but staff will do whatever the Board decides.

Brock said she's doesn't want to miss a "diamond in the rough" and sees Reineking's point. She said there is open-endedness to this in case what the City sees from Winter and Co. in the fall isn't what it wants and they are asked to go back and do more work. Buchanan said the City is part of the process as it evolves. Englund said MRA could end the moratorium before there are standards and guidelines if it gets requests. Discussion ensued.

MOE: I MOVE THE STAFF RECOMMENDATION FOR SUSPENSION.

Staff recommendation: Staff recommends that the MRA Board suspend consideration of applications for the use of the Façade Improvement Program until after design guidelines have been established and adopted with the exception of consideration of possible assistance for Lucky's Market and Tower Pizza in URD III.

Englund seconded the motion.

Peter Lambros, Southgate Mall Associates, asked that the wording be changed from "Lucky's Market" to "Former Sears Building" because there are a number of applications that could take place in that location.

Moe and Englund accepted the name change.

No further discussion. No public comment.

Motion failed. (2 ayes, 2 nays with Reineking and Brock voting nay)

FY18 CIP Projects – Request for Approval (Buchanan)

Buchanan said the City is in the budget process and MRA has identified two new CIP projects this year: Johnson Street park project on the MRL property and Hotel Fox conference center and parking purchase. She said one project that is continued in the CIP is the Clark Street sidewalk project. The North Reserve Signal & Intersection project associated with the relocation of Costco has been deleted. Buchanan said staff is asking for approval of the two projects to be added to the CIP.

Moe asked if the funds on the Johnson Street park project include possible relocation. Buchanan said the project will be four phases: land purchase, construction of the missing trail segment from North to Livingston, the park, and what happens with the tenants. She said she doesn't see any immediate relocation of any of them until the City knows where it's going and what it wants to do. She said the drywall company's lease ends in October and the City will likely end up renewing the lease for a year while it goes through a process of how to redevelop the land. Buchanan said her vision, along with the Mayor and Housing and Community Development (HCD), is to redevelop that piece as a model mixed-use, mixed-income housing project with mixed housing type. Buchanan said they have to go through that process and it will determine what happens with some of the tenants. She said she can see how Camp Make-A-Dream could stay there because of their small size and small footprint. She said the church is tough because they lease three acres. Moe asked when their lease is up. Buchanan replied they can be asked to vacate any time because the City inherited MRL's leases, but their lease isn't technically up for renewal for a couple of years. Englund asked if the money in the CIP is for the park and the trail. Buchanan replied it's for the purchase and the trail. The park amount is not defined yet and will likely show up in a Parks and Rec Dept. CIP with some MRA funding.

MOE: I MOVE THE STAFF RECOMMENDATION.

Staff recommendation: Staff recommends that the MRA Board approve the CIP projects identified in this memo, the Johnson Street park project and the Hotel Fox conference center & parking purchase, with a recommendation from the MRA Board to City Council for approval for inclusion in the FY18 Budget.

Reineking seconded the motion.

Reineking said she is so excited to get the trail finished and get the connection across South Avenue.

No further discussion. No public comment.

Motion passed unanimously. (4 ayes, 0 nays)

FY18 Budget – Request for Approval (Dunn)

Dunn said she did not have the budget finished, but wanted to review her memo so the Board understands what the FY18 Budget entails. She said MRA is conservative with its revenues and uses the prior year's revenues because the taxable values and mill levies don't come in until later. She said this is a revaluation year so staff is hopeful that with the construction MRA has had in the districts there will be positive results with taxable values. With respect to the budget status reports, Dunn said when she was going through the revenue side and valuations from the state for FY17 there was a subsequent settlement with NorthWestern Energy that adjusted some of the values in the districts. Therefore, she said she has to go back and adjust the spreadsheet numbers. Dunn said there will be a decrease to URD III of approximately \$30,000 on the final taxable values. She said \$200,000 was moved from the South Reserve Pedestrian Bridge bond to the contingency

line in anticipated of excess bond funds reimbursing the district. Moe asked if that is the best estimate of all the reimbursement MRA will get or if the reimbursement is a larger figure. Buchanan replied it is a larger figure of approximately \$700,000-\$850,000. Moe asked if this figure includes the \$200,000. Buchanan replied yes.

Dunn said the Wayfinding figures approved by the Board were in the URD III budget so there's about \$50,000 worth of savings there. She said the Wayfinding was not in URD II so it will be an adjustment for next month.

Dunn said the revenue numbers on the Budget Status Reports are pretty close to accurate.

Reineking asked if it is anticipated that City Council will approve some cost of living increases for City staff. Buchanan said it is currently in the budget.

Dunn will bring the item back next month for approval. Englund said he really appreciates the reports and update on the budget.

No action was taken on this item.

NON-ACTION ITEMS

Southgate Mall – Status Report: Former Sears Building (Lucky's Market) Demolition & Façade Improvements

Buchanan said Peter Lambros, Southgate Mall Associates, and Jeremy Keene, WGM Group, were present to have a discussion with the Board on the project, where it's at and what they would like to see happen. Keene said they talked about this in their 2015 application to the Board. He said at the time they did not know what was going into the former Sears building, they didn't have enough information about the architecture of the building or how it would be reused, nor was it part of URD III at that time. Since then, the District has been amended and Southgate Mall Associates have signed a key tenant, Lucky's Market, which will occupy about half of the former Sears building. Southgate Mall Associates is still working on finding tenants for the other half of that building. Keene said they have plans drawn for Lucky's Market and they are going out to bid this week so they will have better cost information which could lead to a possible discussion about either Façade Improvement Program funding or TIF funding to help out with that portion of the project. He said he recognizes the dilemma both with the façade program and with a project like Southgate Mall where it is a different scale and magnitude than the projects MRA typically deals with. He said they are looking for guidance from the MRA Board on how they can best fit within the program and what they would like to see Southgate Mall Associates submit as far as an application.

Lambros said when Southgate Mall Associates came to the Board two years ago they had a story that said retail centers, such as Southgate Mall, are changing and if they don't change with the times they won't continue to serve their communities with the productivity they had in the past. He said Southgate Mall Associates highlighted two efforts on their part that made sense to support this commercial entity: 1) Recognition of change of use. 2) Connectivity with the neighborhoods.

Lambros said Lucky's Market isn't just another grocery store in Missoula. He said Southgate Mall Associates really looked and tried to find something to connect with Missoulians. He said Lucky's is known for an "organic for the masses" process and service. They also have a foot in the local economy and they work with local ranchers for their butchery, etc. He said they believe it's something that provides a unique service to Missoula. In short, Lambros said they wouldn't have signed a deal or been able to negotiate with department stores had the City and MRA not taken the steps that it did to put a road in. Lambros said he is happy to report that the AMC Theater will be open before Thanksgiving and they are looking at Lucky's Market to open sometime during the first quarter of 2018.

Lambros said in terms of the retail/commercial world in the past couple of years, the rate of change has accelerated and the deterioration of the old formula has fallen through the ground as well as the finance-ability and feasibility of these type of projects. He said one-third of shopping centers that have not changed their formula will be gone or will go through a slow process of repurposing in their community. He said one-third of shopping centers are doing better than they ever have. The other third are somewhere in the middle of which direction they will go and Southgate Mall is in this category. Lambros said he doesn't know what will happen with the Mall as the forces of change unfold. He said he can only say that whatever it evolves into under Southgate Mall Associates stewardship or future stewardship, with the connectivity that has been added and the anchors invested in, they will give it an advantage over what would have otherwise happened had they not taken the steps they have. He said he would like to see the great tenants they've assembled over the coming years attract new tenancies that make it a vibrant center and inevitably an evolution into a mixed-use multi-family development. He said the reason for a grocery is the connectivity to immediate neighborhoods, a service for people who can walk to the Mall, and inspire the vacant acreage to the south. He said as economics allow, all of the parking lots should be filled in with dense multi-family housing over the next twenty years. He said without the grocery at the hub of that it doesn't stand a chance.

Lambros showed renderings of what Southgate Mall Associates would like the former Sears building to look like. He said given the financial support of shopping centers right now, pulling it off will not be easy. The economics remain tough and doing a deal with Lucky's Market means they have to build a store for them. Lambros said Lucky's Market will accept a wide range of outcome and Southgate Mall Associates are shooting for an outcome that makes it look really cool and is something the community is proud of for the next twenty years. He said that's not a foregone conclusion and the MRA Board can make a big difference. He said they realize there's not an endless amount of money and there are other projects competing for the dollars in URD III.

Keene showed photos of the progress happening on the site and welcomed the Board to take a tour. He said the former Sears building has been a challenge because it has asbestos and the box-style construction doesn't lend itself very well to redevelopment. He said everything they've looked at is very expensive and construction prices are steadily increasing which makes it difficult to make the images a reality. Keene reviewed the design for Lucky's Market and said once they get the bids back they can decide what they can afford to do and how much of it is feasible. They are also looking at how to redevelop the

rest of the former Sears building. Englund asked what percent of the building will be used for Lucky's Market. Keene replied it's about 50% or 30,000 square feet of a 60,000 square foot building. It will be where the old Sears Auto Center was. Englund asked if Lucky's goes into the mall and can be accessed from the inside. Keene replied yes, there is an interior connection. Maphis said it's close to the existing connection but it will be a new one.

Englund asked what the tenancy for the other half of the former Sears building will look like. Lambros replied their ideal tenancy is small shops facing outward with a common access through area. From a cost perspective, Lambros said they have space with non-frontage and just to build a common area through there is \$2 million. He said they have some letters of intent with small tenants, but until they know the driving tenant of the space it's difficult to pin down. Lambros said it's a challenging climate and retailers are conservative about making moves in towns this size right now. Englund asked if it's the transportation costs for store goods or retail space itself that makes retailers nervous. Lambros said he thinks there's a shift in the publicly held company space. He said most of the top tier retailers (Nordstrom, Pottery Barn, etc.) are on a growth plan to open about eight stores a year, invest more in internet, and play a wait and see attitude on smaller markets. He said because so many tenants have been caught off guard and gone bankrupt, it's not necessarily a reflection of Missoula's economy, it's Wall Street freaking out over an industry. The number of bankruptcies this year in the retail space is the highest he's aware of in any decade he's participated in. Lambros said Missoula has a lot going for it and they can make the pitch of its stability, the fact that it's a University town, it has a bright future and doesn't go through the wild swings a lot of other markets do. He said they've pulled it off and gotten a lot of great tenants over the years. Englund asked if the deal with Lucky's Market depends on the space next door being occupied. Lambros said no, the deal is inked and done. He said how it gets finished is up to Southgate Mall Associates and they are pushing for design. Englund asked where the closest Lucky's Market is. Lambros replied it's in Billings. Keene showed photos of other Lucky's Market storefronts across the country.

Keene said the challenge for them is that the Lucky's Market piece of the former Sears building is \$1.1-\$1.4M for demolition and re-façade of the building. He said it's a difficult fit in MRA's façade program because \$50,000 is probably not going to make or break the project. He said the demolition piece is perhaps also eligible under the TIF program, but it's not something MRA has done before. MRA has typically done complete demolition or a minor façade piece so they aren't quite sure where they fit. Behan said it's tough because the statute is demolition and removal of blighted structures. He said a conservative read of that is "structures". He said staff can check into it across the state and see what people are doing as well as talk to bond counsel. Behan said there was kind of a partial demolition with the Iron Horse building, but they did run into some issues afterwards. Englund asked if Missoula Nissan wanted to do a partial deconstruction when they were doing a project and MRA told them it couldn't assist. Behan replied yes. Buchanan said a lot of that is derived historically from Dorsey & Whitney.

Keene said there's language in state law that talks about reducing and abating pollution, so that could potentially be applied to the asbestos. He said there's language that talks about improving or preparing a structure for redevelopment, which he thinks is where the façade program is based, in that the structure is getting repurposed and prepared for

redevelopment. Keene said MRA also has a policy of doing deconstruction and trying to salvage as much as possible. He said this falls into that intent of trying to be as sustainable as possible. He said unfortunately what happens in applying the programs is that they end up either getting money to demolish the whole building or a small amount of money to do the façade, but there is no in between. He said it kind of steers people toward demolishing the whole building rather than trying to repurpose it. He said cost-wise it may not be any cheaper to repurpose it and they have discussed whether or not it would be cheaper just to tear the building down. Keene said the Lucky's Market tenant fits well in the building and it has a lot of features they need.

Buchanan said the tough thing is finding the line between private benefit and public benefit. She said when there's an existing building and the façade is clearly part of the public realm, and if public funds can be used to upgrade what happens with the façade both visually and from an urban design standpoint and from the standpoint of energy efficiency and all the things MRA has spoken to in the façade program, there is some public benefit to that just like there's public benefit to doing the rehab projects downtown by writing-down interest rates. She said when demolition is applied to specific parts of a building which is in private ownership and being used for private use, she thinks they need to be very thoughtful. She said she doesn't want to see MRA get caught in a situation where it can't defend what it is doing. Englund said MRA will not get caught in a situation where it can't defend what it is doing. He asked if the numbers would require a bond. Buchanan said she's not sure how much is being asked.

Moe asked how this fits into the larger situation that the Mall was in. She said Lucky's Market is a small part of a real big project and she said she doesn't know that MRA has the information on the success and survival of the real large project that is Southgate Mall. She said she does see the importance of having a grocery store and thinks it's great for that area. Englund said that is a significant question. He said to the extent that Southgate Mall Associates is asking MRA to identify the issues, he said they identified one and Behan's idea of talking to bond counsel and other places in the state is the only thing they can do at this point. He said Moe's question is another point that needs to be addressed if there is an application.

Reineking said part of MRA's mission is preventing blight and she sees a lot of what is happening at the Mall as being related to that part of the mission. She said MRA has limited tools to do that and thinks legal guidance is needed.

Lambros said technically, if they are talking about environmental cleanup as opposed to demolition, the majority of the façade work is removing asbestos because the brick is asbestos-bearing brick. He said if there is a pathway towards environmental cleanup that also creates the public benefit of façade improvement then that might be a more navigable question for the MRA instead of interior demolition. Englund said that is possible as pollution abatement is in the statute. Lambros said that is something for them to collectively look at. He spoke to Moe's question and said no one knows what is going to happen to the Mall. He said they are going into it knowing the world is a changing place right now and the mentality has been that if Southgate Mall Associates builds the best pieces they can right now they will be the anchors of whatever the site becomes over time. He said he thinks of it

less in its present form of is the Mall going to be “saved” or survive. He said there are so many things that are out of the control of the operator. He said what they do have control over is putting some really cool pieces in place and a road network. Lambros said the mentality of development has been doing quality work with the few pieces they do control, do quality work and connect with the neighborhood to plant good seeds for the future.

Englund asked Keene and Lambros if the Board provided enough feedback. Keene said it was a very helpful discussion and he would appreciate if they can follow up with Buchanan and Behan to see where they go from here. Lambros said it sounds like they need to find out what is possible and then once they have a context to contemplate and ask, the MRA Board can expect Southgate Mall Associates to put on the table what they hope for. He said hopefully with the clarity of knowing what MRA is able to do they can find out what can be done together. Englund said that makes sense.

Buchanan asked when Lucky's Market is scheduled to open. Lambros replied the first quarter of 2018. He said they are in the bid process of their plans right now so they will need to settle on a design. He said if MRA tells Southgate Mall Associates there's an opening for contemplation then MRA can expect to hear from them next month.

Missoula Economic Partnership - Update (James Grunke)

James Grunke, Missoula Economic Partnership (MEP), gave the Board an update of what MEP is doing and thinking about. He said his biggest hurdle right now is finding space for a new data center in Missoula and unless MRA is going to be getting into the spec building business he said he can't envision he will ever come to the MRA to ask for anything. He said the MEP is always in different cycles and just like every business, in the spring they deal with a lot more inquiries from outside areas looking at Missoula. He said the biggest pressure they have right now is on data centers looking to enter into Montana. Grunke said they are predominantly looking to enter into Montana because of the availability of cheap power, which is the key for data centers. He said Missoula has an absence of buildings between 5,000-20,000 square feet, making part of the success of the community also a barrier for growth. Englund said he thought there was a lot of that downtown. Grunke said there is and the MEP would like to create demand for more. Englund asked if that was good news. Grunke said yes, MEP thinks that is good news for a new anchor business that would ideally look at the downtown as a location. However, downtown is not the ideal area for a data center. They would want to be set next to a substation because it's all about energy.

Grunke handed out a list of companies that have been awarded job creation grants in the Missoula community. He said there are more grant dollars being deployed in Missoula than anywhere else in the state for job creation. Grunke said part of the reason for this is that MEP is fairly proficient at grant writing and only tries to write them for programs they think will get funded.

Grunke said MEP is partnering in two major plans. One is the State of the Workforce Study. He said they are about halfway through the study and their goal is to present it to the public in September. He said they have also partnered with the Missoula Organization of Realtors (MOR) and others on the Attainable Housing Study. Grunke said unless Missoula

addresses where people can come and live, it can't attract the workforce. Englund referred to Grunke's handout and asked what Project Spokane is. Grunke said it is a data center that is out at the Bonner millsite. He said they started less than a year ago, currently have over 25 employees, and by the end of the year should have about 80 employees. Grunke said to see more people out at the millsite working today than the day it closed is a great success story for the community.

Brock asked what a data center is. Grunke said it's thousands and thousands and thousands of servers. Brock asked if it is more equipment than people. Grunke said yes. There are some software and maintenance people but it's mostly servers. He said the jobs have to pay a certain amount to be eligible for the Big Sky Trust Fund grant. He said they are really hot and really loud when you enter them. Englund asked if they are a data center owned by somebody or if they are a data center open for anybody. Grunke replied it's both. Brock said they like Missoula because there are no natural disasters. Grunke concurred and added that the cool winters matter. Their electrical bills are not only the servers but also the cooling of the servers. He said the reason it's noisy is because of all the fans and in Bonner they vent it outside. Grunke said the Bonner data center site uses about the same amount of energy as the city of Anaconda. He said there are only four states you can ideally put the large scale data center in: Washington, Oregon, Idaho, & Montana. The reason for this is because they are dependent on cheap hydropower. The power here is provided by the Confederated Salish & Kootenai Tribe out of Kerr Dam. Grunke said another advantage is that they buy power directly from the Bonneville Power administration which is also cheaper. Grunke said there is a bill to incentivize more data centers to come to Montana. The bill calls for a reduction in the data center's income and personal property tax liability. He said if it passes they will continue to see more come into the state. Englund asked what the pay range is on the data center jobs. Grunke replied the high end is six figure incomes and the average is around \$60,000. Moe asked if a data center qualifies as technology and can go out where DirecTV is. Grunke replied yes.

Englund asked what MEP had identified in its day to day work that they wish MRA had done or should do. Grunke said he can't think of any circumstance where he's talked to Buchanan about something MEP is working on or thinking about that she hasn't been entirely responsive as to whether or not it's something that MRA can do. He said he feels like if there was something to talk about or collaborate on, they would. Grunke said MEP views MRA as a vital partner and it would be rare for MEP to not look at trying to locate a business within an URD just because of the ability to have public participation.

Moe said in the past there have been discussions about whether the programs that MRA has are well known in the business community. She said it sounds like MEP and other groups are talking to their constituencies or people who contact them about MRA's programs. Moe asked if there are things MRA should be doing in that area. Grunke said at MEP if they spent all of their time communicating what they do, people would still have no idea what they're doing. He said that's the nature of it. He said it's surprising to him the number of people in an URD that don't know they exist. Clint Burson, Missoula Chamber of Commerce, said any time they have people visiting and looking at relocating, they direct them to MEP. Englund said MRA is always looking to improve what it does and encouraged

Grunke to be on the lookout and come to MRA if anything comes up because sometimes MRA isn't aware of the bigger picture things MEP is dealing with.

STAFF REPORTS

Director's Report

Buchanan said the Mercantile would like to come to the Board in June and will probably require a Special Board meeting. It could include Southgate Mall as well. She said staff will have some items for the June 15 Regular Board meeting.

Buchanan said the old pharmacy building at the Merc is still standing. She said a Request for Proposals (RFP) went out at noon for the Brooks Street Corridor. She said it looks like Transportation Investment Generating Economic Recovery (TIGER) will be funded for next year and at a much larger amount. Marchesseault said infrastructure has been one of the Administration's stated top priorities and TIGER has been a very popular program.

COMMITTEE REPORTS

OTHER ITEMS

ADJOURNMENT

Adjourned at 2:27 p.m.

Respectfully Submitted,



Lesley Pugh