

## MISSOULA REDEVELOPMENT AGENCY

### CONDENSED BOARD MEETING MINUTES

September 19, 2019

FINAL

A Regular meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, September 19, 2019 at the Hal Fraser Conference Room, 140 W. Pine, at 12:00 p.m. Those in attendance were as follows:

**Board:** Karl Englund, Nancy Moe, Melanie Brock, Tasha Jones

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

**Public:** Shem Weidow, Contractor/Developer; Jason Spencer, MSJ Properties; Emy Scherrer, City of Missoula Development Services; Melanie Morris, Jackson Contractor Group; Dr. Casey Kolendich, Western Montana Clinic; Matt Mellott, Sterling CRE Advisors; Joe Easton, Jackson Contractor Group; Rob Lindner, Central Street Ventures; Martin Kidston, Missoula Current; Madison Doner, KECI; David Erickson, Missoulian; Michael Priske, Developer; Brian Caldwell, THINKTANK Design Group; Kyle Gauthier, DJ&A P.C.; Jeremy Keene, City of Missoula Public Works, Cody Frey, Jackson Contractor Group

#### **CALL TO ORDER**

12:00 p.m.

#### **APPROVAL OF MINUTES**

August 28, 2019 Regular Board Meeting Minutes were approved as submitted.

#### **PUBLIC COMMENTS AND ANNOUNCEMENTS**

There were no public comments or announcements.

#### **ACTION ITEMS**

##### **Union Block Restoration – 127 East Main Street (Front Street URD) – TIF Request for Historic Façade Renovation (Behan)**

Behan said this has been to the Board twice over the last few months. One was for an informational presentation and the other was for a request for permission to proceed without prejudice for some testing and work on the building to figure out what the project will entail. He said Radio Central, LLC purchased the building at 127 East Main Street two years ago and started renovating the interior to Class B office space. Not long after, Missoula County leased the second floor for its Planning Department. At that time, Radio Central, LLC

figured they would spend up to \$500,000 on renovating office space and that would be all they would need to do. Behan said they quickly found out that the cost of renovating the upper floors would be millions of dollars, and they also started work on a new entrance to the offices. When they were working on the exterior, they found that there was another building underneath it that was built in the late 1800s and finished in 1900. It is a classic, Victorian style building that had been covered up with large metal and ceramic plates. Behan said it looks like the façade is recoverable. Some of the windows were buried between the new inside and new outside walls back in the 1930s.

Behan said this is an unusual tax increment request in that large-scale façade improvement has been done in the downtown area with Tax Increment Financing (TIF) money, but is not as common as some of the other TIF requests where MRA is making changes to an area. This is actually recovering something. He said the two projects that exist like this one are the Pharmacy building at The Merc and The Wilma building. Behan said his memo goes through the standard analysis for TIF requests. He said the project will generate even more interest in the area and create investment spinoff, possibly with CenturyLink doing something to the exterior of their building. Beyond that block, Behan said he hopes this will renew interest in additional historic renovations in the downtown. Behan said he thinks this building is a real treasure. He said the fact that it is a large piece that needs to get done, and is important to the viability of downtown and the fabric of the community, makes it important for MRA to be involved with the use of TIF funds and is necessary because there isn't the budget for Radio Central, LLC to undertake this large of a renovation to the exterior while they are also doing the interior. He said it will not happen without MRA assistance.

Behan said the total cost of the request is \$579,858. He passed out a letter from Emy Scherrer, Historic Preservation Officer, stating the Historic Preservation Commissions' support of this project. Moe noted that the Downtown Master Plan Update, although it has not been adopted yet, also encourages salvaging historic fronts such as this one.

Brock asked what the financially sound way to fund this is out of the three options in Behan's memo. Behan said in talking the bond option through with Buchanan, although it sounds like a good idea for cash flow, it might not be a good idea in terms of the staff's ability to get several projects together in time. Buchanan added that placement could also be an issue. Brock asked if it could be wrapped in with the Wren Hotel request. Buchanan said it could be, but the two projects will have different financial backing so if they could come up with a placement for it then it is feasible. Englund asked if that was enough to justify the cost. Buchanan said she did not know, that is why she wants to dissect and look at it. She said it might be better to reimburse the developer over two or three years. She said the two projects will hit in different fiscal years, which helps some, but between the two of them, their requests are the amount of gain MRA saw in increment this year over last year. Englund asked if \$1.6 million is the total. Buchanan said yes. Englund said that is a small bond. Buchanan said the rule of thumb is that if you get to \$1 million or more then the financing is efficient. If it is less than \$1 million it is not. She said with private placement she doesn't think those numbers apply because there are no front-end costs like there are with a public sale. Typically, those considerations are for a public sale like the City does for Special Improvement District (SID) bonds. Behan said if MRA is able to do it in one shot that would be better because there wouldn't be financing costs or obligations going into another year that MRA might have other projects coming in. He said that would be the most

difficult on a budget, so once everything is approved or disapproved and staff knows what the amounts are they can get together and flush out which one of the three funding scenarios is the best option. Behan said Buchanan is right and staff will probably opt for the middle option and try to do something over two or three years. In terms of the commitment, it would be a lien subordinate to the existing bonds and perhaps future bonds.

Brock asked if there are other big projects like this that may come to MRA this fiscal year in this District. Buchanan said not that she is aware of, but she hopes so. She said both the Wren Hotel and Union Block have applicants who understand the constraints on the District and have said they are fine with multi-year reimbursements if their project is approved. She said that is not an issue if the Board wants to do it that way.

Jones asked Behan if he is anticipating there will be additional requests from Radio Central, LLC. Behan said no, \$579,858 is the request. Jones said the amount contains a 30% contingency buffer to the extent some of the estimates are greater than anticipated. Behan said the 30% contingency is only on the north side of the façade, which is the part they really cannot see. Jones said the pledge would be no greater than what the request is, regardless of what the project costs. Behan said he hopes not. He said this is what the developer feels would be the “worst case” scenario with the contingency, considering they can’t see it. Buchanan said she and Behan talked and they have both been involved in projects like this where you don’t know what you’re into until you’re into it. She said between them they decided a hefty contingency was probably better than having to come back because they don’t know what they will find. At the end of the day, MRA wants to see that façade restored to the extent that it can be. Jones said the possibility of coming back, even in light of the contingency, is there. Buchanan said it is possible since it is such an unknown. She said the contingency and Board action sends the developer a message that this is what they are going to get. Moe noted that payment is based on submitted invoices.

Englund asked how this will work if MRA pledges an amount because staff will still have to come back with a decision on how MRA will pay for it, a Development Agreement and an easement. Jones asked if staff would come back to the Board for approval. Buchanan said staff would come back to the Board for approval of the payment methodology, or the Board can direct staff to figure out the way that makes the most sense and report it to the Board. Behan said the outstanding decision in the Development Agreement will be methodology of how it will be paid. Englund said also the terms of the easement. Behan said right now the developer’s attorney, Bill VanCanagan, is looking at that. Englund asked if the Wilma model fits. Behan said that is what VanCanagan is working off of. Behan said that model came from several different examples from around the country. Englund asked if MRA has learned anything through the Wilma process. Behan said he thinks things are in good shape. Buchanan said that process went very smoothly. Englund asked if the City holds the easement. Behan said yes, it is the City of Missoula. Englund asked who enforces it. Behan said the City.

Moe asked how maintenance of the easement is addressed. Behan said at the Wilma, ongoing maintenance is the responsibility of the grantor. General maintenance including cleaning, painting, repointing brick, changing windows, etc. can all be under regular maintenance. If they decide to change something (shapes, colors, sizes, etc.) they have to ask for permission and an amendment to the document. The Pharmacy at The Merc is

based on the same maintenance documents. Moe said she is more concerned about whether there has been an assessment of the quality of the brick that was used because some brick produced in Missoula was of low quality and so it was used for backs and sides of buildings and other brick was brought in for building fronts. She said she wanted to make sure the City doesn't get the bill for maintaining brick that may need more maintenance than some other brick. Behan said Moe's comment was really good because one of the renderings actually says where the brick is from and it's not Missoula. Behan said if it's fire rather than baked brick the patina on the outside has to be maintained with a sealant of some sort so it is important to address.

Moe said in the façade costs there are a number of items that indicate deconstruction. She asked if windows will be salvaged. Behan said he did not put it into the requirements in his memo, but it will be in the Development Agreement. He said they will have to salvage as much of the material as they possibly can. Behan said he knows the developer has already talked to Pacific Steel & Recycling about the panels on the outside because they are heavy metal and they are trying to decide if they're worth salvaging or not.

**JONES: I MOVE THE MRA BOARD PLEDGE UP TO \$579,858 FOR ELIGIBLE FAÇADE IMPROVEMENTS LISTED ABOVE (IN STAFF MEMO DATED SEPTEMBER 12, 2019) BASED ON THE FOLLOWING CONTINGENCIES:**

1. REIMBURSEMENT WOULD BE BASED ON PAID INVOICES WITH CONTRACTOR LIEN WAIVERS FOR ELIGIBLE ACTIVITIES.
2. PRIOR TO RECEIVING ANY REIMBURSEMENT, RADIO CENTRAL, LLC SHALL EXECUTE A FAÇADE RESTORATION HISTORIC PRESERVATION EASEMENT OR OTHER EQUIVALENT DOCUMENT AS ACCEPTED BY THE CITY. THE DOCUMENT WOULD BE FILED WITH THE MISSOULA COUNTY CLERK AND RECORDER.
3. WITHIN THE DEVELOPMENT AGREEMENT, THE DEVELOPER WILL COVENANT THAT ITS INVESTMENT INTO THE UNION BLOCK WILL BE AT LEAST \$3 MILLION.
4. THE PLEDGE WILL BE SUBJECT TO MRA BOARD'S APPROVAL OF THE FINAL PAYMENT METHODOLOGY.

Englund asked to add “AND SUCCESSFUL NEGOTIATION OF THE DEVELOPMENT AGREEMENT”.

**JONES: FRIENDLY AMENDMENT ACCEPTED.**

**Moe seconded the motion.**

**No further discussion. No public comment.**

**Motion passed unanimously (4 ayes, 0 nays).**

**Wren Hotel – 201 East Main Street (Front Street URD) – TIF Request (Buchanan)**

Buchanan said the Wren Hotel project is located on the corner of Pattee and Main Streets. It has been a hotel for over 50 years and most recently was the Days Inn. Prior to that, it was designated as gasoline and oil on the Sanborn maps dating back to the 1920s. Prior to

that, it was vacant. Buchanan said this is an interesting adaptive reuse project using the existing building. She said what is there now is not a stellar example of urban design or architecture; it is the antithesis of that in that there is ground floor with parking and upper floors with no windows. The Wren Hotel project proposes to go in and deconstruct the interior to the degree that is necessary to create a new, more current hotel. It will also repurpose the courtyard/parking lot underneath to house commercial enterprises. The applicant already has tenants lined up and committed for that. Buchanan said there will be glass on both the Main and Pattee Street facades, a greatly improved sidewalk area with curb extension, and a “specimen tree” in the courtyard area where the pool currently is. She said one of the desired features is also a small, Airstream-type RV that will seasonally house an ice cream parlor along the Pattee Street sidewalk. Buchanan said this is similar to a project the developer has done in Bozeman called The Lark, which has a taco/ice cream food cart in an older RV in their parking lot. She said it really engages the public in the space because people go there who aren’t necessarily staying at the hotel. She said one of the things that is exciting about this project and the AC Hotel and Conflux Brewing is that the City will get curb extensions on all three of those corners because of the projects. As her memo states, Mountain Line is going to put a bus stop by the CenturyLink building on the northwest corner. It will be a fully transformed intersection.

Buchanan said the current building is three floors with 52 guest rooms and a manager’s quarters. The lower level is parking and swimming pool. Moe asked how many parking spaces there are now. Brian Caldwell, THINKTANK Design Group and developer, said there are no parking spaces that meet Missoula’s community planning documents as far as aisle width and depth. He said there are 20 parking spaces that are currently being used there by construction workers, even though the building is vacant. Jones asked if the new design will get rid of some of the current parking and replace it with other parking. Caldwell said yes, in THINKTANK’s review of the community’s goals and objectives for new construction and redevelopment, there is a prohibition of parking within the first 20 feet of any street public right of way (ROW). In that instance it removes 85% of what was parking. In looking at the proposed site plan, the only spaces that would have otherwise been allowed to exist are where they have parking currently shown. The maximum number of parking spaces required under the current community plans and regulations is three. Buchanan said the new proposed project will add a floor and increase the total square footage to just over 39,000 sq. ft. There will be three on-site parking spaces provided on the ground floor. The plaza with the specimen tree will be surrounded with retail and commercial development.

Buchanan said this project was the first real guinea pig under the Design Excellence review for an adaptive reuse building. The AC Hotel was the first large project that was reviewed for downtown under Design Excellence guidelines. This corner of downtown Missoula has been the guinea pig for the two types of development that might occur and need to be reviewed under the new regulations. Buchanan said given the circumstances it was a fairly complicated review process. One of the reasons for that is the panels on the exterior of that building. They are actually structural and it created limitations as to where there could be openings and how much opening and glazing the building could have. She added that the project will increase the number of hotel rooms to 73.

Buchanan said the only eligible costs in this project that would qualify for TIF assistance are work in the public ROW including curb, gutter, sidewalk, trees, and pedestrian-scale lighting. She said the alley is going to have to be reconstructed and done in concrete like most of the alleys in downtown. Relocation of utility lines is another TIF eligible item. The request is for TIF assistance not to exceed \$587,212. Buchanan said THINKTANK Design Group has a great track record. They did The Lark in Bozeman, which was an old 1960s era hotel that sat empty for seven years before they transformed it. The total estimated project costs are \$8,750,000. That makes the ratio 15:1, 15 private dollars to every one public dollar that will be invested if it is approved.

Buchanan said the most impressive piece of the project is the perspective looking east on Main Street. It will drastically change the look and is an impressive transformation. Much like the Union Block Restoration project, this request is for a large percentage of the revenue that is currently available in the Front Street URD. She said Caldwell understands that and has suggested that he would not object to it being a multi-year reimbursement if that's what it takes to get it done. In her memo, Buchanan said staff would come back to the Board for approval of whatever financing method makes the most sense for the district. Today's recommendation is for approval of the request not to exceed \$587,212 in TIF assistance and direct staff to analyze the best method for structuring the financing.

Caldwell said he has enjoyed working with every employee that works for the City. He said he has never experienced a Design Review team meeting with over 27 people in a room, all representing various aspects of every portion of the City's Planning and Engineering department. He was impressed with the thoughtfulness and understanding of what it takes to deal with an adaptive reuse because it is a peg that does not fit into planning documents as smoothly as everyone would like.

Brock said when the AC Hotel and The Merc came to the MRA Board they already had something planned with the Missoula Parking Commission (MPC). She asked Caldwell if he was in conversations with MPC. Caldwell said Missoula has a robust supply of structured parking and the way in which it's managed has not been a requirement yet to consider how the resource might be optimized. In Bozeman, there is a singular garage that is being over-clocked, parking at well beyond what one might view as the number of spaces available. He said with Bozeman having a lack of resources, they've been more creative in how they manage the spaces, whereas Missoula has better foresight in providing supply of parking with collection of fees on the street and treating it all collectively as one solution. He said THINKTANK'S thought is that as that transitions, and how spaces are managed, there will be availability for them to use parking in the Park Place parking garage. Buchanan said The Merc has leased what it can over time. They inherited 30 spaces by buying The Merc property. They have leased another 50 spaces. They also have the parking lot on the corner of Broadway and Pattee Streets. Brock asked if that lot was planned to be used by AC Hotel too. Buchanan said AC Hotel construction is being staged in that lot right now, the balance is being used for parking. Once the hotel is built it will all become parking until such time as it redevelops into something besides asphalt. Brock asked if MPC anticipates there being a big opening in Park Place moving forward. Caldwell said anywhere between 30-40% of Missoula's parking can be over-parked based on hours of use, in that a hotel typically parks customers when the garage would otherwise be empty. He said historically over time the number of nights stayed in a hotel has gone from three and a half nights per

stay down to a singular night's stay. He said people are more coming in and leaving; when they stay for greater periods of time they typically look for Vacation Rentals By Owner (VRBO) and other longer-term leases. Caldwell said THINKTANK has found that the use of vehicles is also diminishing. 60% of their rooms require vehicles and during peak times when there are large groups they find that during the driving months the hotel patrons rent two or three rooms and show up in one car. He said needing cars less and using the existing facilities more efficiently are THINKTANK'S approaches to how they can satisfy the parking. He said the one thing that Bozeman and Missoula have in common is a more aggressive developer's approach to monopolizing parking. He said his biggest regret is not establishing their parking needs in advance of their project. They believe in time, before completion of the project, they will have a relationship with Park Place. Buchanan said in the Downtown Master Plan a lot of the recommendations, with respect to parking, speak just to this issue of how you get more efficient use of what is already out there. She said if you were to drive through Park Place you would see a 50% vacancy because they are lease spaces and aren't necessarily being used. Moe suggested that staff communicate to MPC what comes up at the MRA Board meetings about parking. There are some things that need to be worked through and figured out.

Caldwell said there are only 40 or so transient parking spaces that are reserved that are full. He said the entire garage should be transient "free for all", with lease and transient use, and you just keep track of things. He said if there is a consistency of overuse then lease holders can have a priority. He said THINKTANK is not concerned about it because they inherently know how they would use the garage and are very much wanting to be available to help relay or communicate any experiences they have seen. Englund asked Caldwell what he meant when he said "inherently". Caldwell said the reality is that at Park Place the gates go up at 3:00pm or 4:00pm and they can just go in and use it. They pay less than \$1 if they are out by 8:00 or 9:00 the next morning. He said that would represent the use of half of their hotel guests' use of a parking garage. Therefore, without doing anything, they can use Park Place. Caldwell said they do want a more formal way to explain to their guests how to manage their vehicle.

Englund asked if there is a permanent agreement to have "x" number of spaces as transient spaces. Joe Easton, Jackson Contractor Group and MPC Board member, said yes. Englund asked if that meant that THINKTANK can't have those no matter what. Easton said not without rewriting the documents and going through the process and verifying with the financial instrument holders that they're willing to do that. Buchanan said one of the challenges with Park Place is that it was a publicly sold bond. That means there is a lot less flexibility than when there's a private placement with a local lending institution. Brock asked what ROAM parking was. Buchanan said it was private placement. Englund said there is still a commitment to provide spots to the public. Buchanan concurred. She said there are Internal Revenue Service (IRS) regulations that govern how much of that can be leased out to private businesses. It has to do with the taxable versus tax exempt bonds. Tax exempt are much more restrictive. Caldwell said the basic pitch that you can increase revenue is a positive story for a bond holder that few will argue with. Englund said the basic pitch, to the folks of Missoula that the City will hear from, is that if you take away public parking then you'll be taking away public parking so they have to be careful with that. Caldwell said "utilize existing infrastructure versus inefficient use of it" is the other way to say that.

Brock welcomed Caldwell to Missoula and thanked THINKTANK for doing this project. She said she is very excited to have this blighted corner look better and serve the community and visitors more. Caldwell said they have felt welcomed. Brock asked if this is their first project in Missoula. Caldwell said yes.

Moe asked Caldwell about his knowledge of the Downtown Master Plan. Caldwell said the only missed opportunity is that there was so much energy in that Plan put on what Pattee Street can become, but the projects are happening in advance of that Plan being in place. He said it called for a curbless and event street that existed on Pattee that could be a place that could be closed down for the community to enjoy. He said THINKTANK saw that and tried to respond with the food truck and trying to make it be an active thing. Moe asked how he sees the Wren Hotel fitting into that area that has other hotel accommodations. Caldwell said he thinks there is a lot of synergy ability. He said he knows there is a desire to make a conference center type facility, and having the concentration between the Holiday Inn, Wren Hotel, The Merc, AC Hotel, and others constitutes enough density of rooms. He said for a conference center there is a 500 room count that seems to be the sweet spot for larger regional conferences. He said it also spurs retail sales.

Moe asked if there is anything in the Wren Hotel project that encourages recycling in the complex itself. Caldwell said yes. They use glass and wash everything instead of wrapping everything in plastic. They cut down on consumables in general. Their local partners who will be in the commercial spaces also internally have their best practices on how they approach sustainability. Caldwell said the changing of the impervious surface to landscape surfaces has helped with stormwater runoff. He said there were also great comments at a Design Review meeting to make changes to what they were planning on doing to make it better, so they are going in the right direction.

Moe asked Buchanan what the sewer and water capacity is in that area with all of the hotels. Buchanan said it is capable. There have been upgrades done over the years. Caldwell said there was a forced main down Pattee Street that was a big deal. Buchanan concurred. She said one of the things the Downtown Master Plan recognized was that the water/sewer infrastructure downtown is more than adequate for now. The market analysis done in the Plan also calls for 500-700 new hotel rooms in downtown for the short term. The Merc was already in the count of existing rooms when that number was generated. She said Missoula is not over building according to the market analysis.

Moe asked if THINKTANK is making plans to salvage anything during deconstruction. Caldwell said what they are removing doesn't have much usefulness. How it's removed is something they are looking into. For instance, he said they've seen where you can wood chip the gypsum and use it to amend soil and different things. Caldwell said he thinks they will have better success in how they manage the new construction waste stream. Caldwell said from a sustainability standpoint, the most singular beneficial environmental response to anything is the adaptive reuse of a structure. There is hands down no other thing you can do from a sustainability lead perspective that is more beneficial than using what you already have. In that regard they are adding life to a structure that has met the end of its usefulness.

Englund asked if the project cost of \$8.75 million includes the lease. Caldwell said no. Englund asked if there will be commercial on the ground floor. Caldwell said yes. Englund asked how many. Caldwell said Black Coffee Roasting Co. will be on the corner with 1,100 square feet. There's a 2,400 square foot space that will be a curated gift shop and a men's clothing store.

**BROCK: I MOVE THE MRA BOARD APPROVE AN AMOUNT NOT TO EXCEED \$587,212 IN TIF ASSISTANCE FOR THE WREN HOTEL PER THE REQUEST FROM IMPERIAL SIX HUNDRED LLC FOR THE ADAPTIVE REUSE OF THE PROPERTY LOCATED AT 201 EAST MAIN STREET, DIRECT STAFF TO ANALYZE THE BEST METHOD OF STRUCTURING THE FINANCING, AND AUTHORIZE THE CHAIR TO SIGN A REIMBURSEMENT AGREEMENT WITH THE CONDITION THAT NO REIMBURSEMENT WILL BE MADE UNTIL THE PROJECT IS COMPLETE, THAT FINAL REIMBURSEMENT SHALL BE DETERMINED BASED ON PAID INVOICES ACCOMPANIED BY LIEN WAIVERS FOR ELIGIBLE ITEMS IDENTIFIED IN THE STAFF MEMO USING THE FINANCIAL STRUCTURE DETERMINED TO BEST BENEFIT BOTH THE PROJECT AND THE FRONT STREET URBAN RENEWAL DISTRICT.**

**Jones seconded the motion.**

**No further discussion. No public comment.**

**Motion passed unanimously (4 ayes, 0 nays).**

**1901 Maple Street – MSJ Properties Housing (URD II) – TIF Request (Marchesseault)**

Marchesseault said MSJ Properties LLP purchased the lot at 1901 Maple Street. They intend to remove a deteriorated, dilapidated house currently on the property and construct two residential buildings that will include a total of 12 new housing units. One row will be four townhouses with garages and the other will be an apartment building with eight rental units. Marchesseault said all of the units are two to four bedrooms with the intent to provide housing for larger families. She said it's a great use of the site with infill development the way the City of Missoula has envisioned growing inward. It's also on a bus route. The owner of this property owns the apartment building, Maplewood Apartments, across the street to the north. They have run it for 18 years. MSJ Properties is asking for assistance with site preparation, paving a portion of the alley that would provide access to the apartment building, and some landscaping in the ROW, which they have agreed to maintain. Marchesseault said the overall development costs for the project is about \$2 million. The TIF request is for \$69,885, making the ratio about 1:30.

Mike Priske, MSJ Properties, said he owns the property directly across the street. He built it 18 years ago and it includes 21 units. He also has several properties around town and takes pride in caring for them. The previous owners of 1901 Maple Street removed several mobile homes that were on the property and also boarded up the house there. Priske said it was a huge negative for the people living across the street. Priske now owns that property and would like to clean it up and make it nice. He said he has done quite a few projects around town over the years and has noticed that because of the way the zoning is done, most of the units being built are one and two bedrooms. He said there is a big segment of the market that's not being met for three bedroom units and larger. Priske said the

apartment complex will have two three-bedroom units and six two-bedroom units. The townhomes will be four bedroom, two and a half bath units. He said he is really excited about the project. He said it originally did not make sense to purchase the property and develop it with what they were asking and what they could get the property for. He said he has done one other project in the past and received MRA assistance, which really helped him out. Priske said one of the things that tipped him to think the project would work is the fact that it is in an Opportunity Zone. He said the land on the east side is 40'x100' and the City owns it. Right now it's just a big weed patch, but Priske said he would really like to landscape it and add trees. He said he wanted to put in a garden area for the residents, but with the slope of the land it won't work. Marchesseault said she did not include the landscaping plan with her memo but it includes removing a pine tree and adding four street trees, grass or native grasses and irrigation. There is an existing Norway Maple tree that is in good shape and will stay. Marchesseault said because the City has such a wide ROW there it creates a gap in the street edge and street trees will begin to help define that, provide a buffer and give greenery to the site.

Priske said they will be tearing down the small house on the property. He said he contacted Waste Less and they will reuse any of the things that they can. There are a few large trees on the west side of the property that will be removed and he is going to have Bad Goat Forest Products make them into slabs to be used for bar tops. He said he is very into sustainability and reusing resources.

Englund asked when the mobile homes were removed. Priske said they were removed within the last year. Englund asked if they were occupied. Priske said he did not know the history of it as the previous owner is the one that had them removed. Englund asked if MRA was getting into one of those deals they've found themselves in before where somebody has done stuff to avoid relocation. Buchanan said she didn't think so. She said what typically triggers any obligation MRA might have is when it is made aware of the project before the units are removed and in this case it's not even the same owner. She said she didn't see how you could reach back and have responsibility for it. Englund said he knows MRA doesn't, but he said there have also been discussions about how MRA doesn't want to encourage owners to remove people and then come and ask for assistance because they know relocation costs are expensive. Englund asked Buchanan if she felt there was a situation like that here. Buchanan said no and it sounds like some of the units were only marginally habitable.

**MOE: I MOVE THE MRA BOARD APPROVE THE REQUEST FROM MSJ PROPERTIES LLP IN THE AMOUNT OF UP TO \$69,885 FOR DEMOLITION/DECONSTRUCTION, PARTIALLY PAVING A PUBLIC ALLEY AND LANDSCAPING IN THE PUBLIC RIGHT OF WAY, WITH REIMBURSEMENT FOR ELIGIBLE COSTS UPON RECEIPT OF PROOF OF PAYMENT AND LIEN WAIVERS, AND AUTHORIZE THE BOARD CHAIR TO SIGN THE DEVELOPMENT AGREEMENT.**

**Brock seconded the motion.**

**No further discussion. No public comment.**

**Motion passed unanimously (4 ayes, 0 nays).**

**1900 West Broadway – Sentinel Property Medical Offices (URD II) – TIF Request  
(Marchesseault)**

Marchesseault said this project is across the street from the 1901 Maple Street project at the corner of Maple and Broadway Streets. She said this project is on a 6.7 acre property owned by Engineering Support Services, LLC (ESS). ESS is closely affiliated with DJ&A P.C. and Broadway Opportunity Fund. They are closely held entities that have overlapping ownership. Marchesseault said in May of 2019 the MRA Board approved funding for site improvements in the public ROW to construct the new DJ&A office building that will include a restaurant and some additional office space. She said there are some other utility improvements including main line fiber optic cable, electric and gas extensions that need to be done to make the entire site more developable. Those would have been included with the request for the DJ&A building had they been available at the time. Buchanan presented that project to the Board back in May and noted that there would be another request at a future date. Englund asked if those requests serve both projects. Marchesseault said yes, and they will serve future developments on both sides of Maple Street. In doing the analysis for public to private ratios and percentages it gets skewed because the utilities, except for the fact that they were not available earlier, would have been included in the earlier ask. She said the utility upgrades are not only benefitting this project. They benefit the whole area.

Marchesseault said the request for deconstruction/demolition includes deconstruction of a car dealership and repair facility, and Lighthouse Coffee. She said because of the placement of those buildings, without removing them, it makes the site difficult to redevelop. ESS plans to sell a parcel of the property to Sentinel Property Medical Facility who would then build a medical facility on the corner. ESS will be able to redevelop at least two additional parcels on the property. Moe asked if it is Sentinel Property Medical Facility or Western Montana Clinic, which is the name on all of the drawings. Dr. Casey Kolendich said it would be a separate entity. He said the gastroenterologists are with the Western Montana Clinic, but Sentinel Property is the company that the gastroenterology department formed, so it's a separate entity from the Western Montana Clinic.

Marchesseault showed a master plan for the entire ESS site. She showed the boundaries of projects on the site. MRA has provided some funding to do a Master Plan for this entire 6.7 acre parcel owned by ESS, as well as the Montana Department of Transportation (MDT) property and the Blackfoot Communications property. The long-term intent is to develop a technology campus in the area. It includes a greenway that provides pedestrian access and provides the space for whatever utilities are necessary to develop the campus.

Marchesseault said her memo includes a detailed breakdown of all of the materials that would be salvaged and reused during building deconstruction. There are about 4 million pounds of material proposed to be deconstructed and reused. Moe asked who takes it if Home ReSource cannot. Marchesseault said Habitat Restore takes a lot of material like that and there may be other outlets in the area that take that sort of material. Buchanan said it's a metal building and some of it can be sold to Pacific Steel and Recycling. Moe said she is mostly concerned about whether Home ReSource has the capacity or not.

Marchesseault said she volunteers at Habitat Restore and knows they have capacity to take a lot of the items.

Joe Easton, Jackson Contractor Group, thanked the Board for considering the project. He said he wanted to stress that the large request opens up the capacity for redevelopment of the entire site, not just for Sentinel Property Medical Facility. He said there are two buildings shown in the Master Plan that are not yet designed or built. That property is still for sale so it could be that scope or larger. Easton said the demolition is important because the driveway into the property that accesses all of the parking and provides access for all of the buildings, has limited access because of the existing building and redevelopment of the entire parcel. He said Marchesseault's memo says the existing property taxes for the Sentinel Property Medical Facility site is very small. They expect to be beyond the existing property taxes just with the DJ&A P.C. and Sentinel Property Medical Facility buildings.

Moe said the contract has not been entered into on this property and asked why. Easton said the buy/sell agreement has the approval and deconstruction of the building as a contingent to the buy/sell agreement. He said if the existing building is still there, the Sentinel Property Medical Facility cannot be built and doesn't have capacity for parking. Easton said to meet the Doctor's plans, the building has to go, and it's a material part of the buy/sell agreement.

Brock asked when the tenants were given nine months' notice. Easton said they have not received a notice. Rob Lindner, Central Street Ventures, said a nine month notice is a requirement for the tenants that are in the large building. Part of the process they are involved in is an effort to move a number of the tenants to the upper northwest parcel. He said his wife owns Oula Fitness and is one of the members of the current building, as well as a number of other fitness organizations that are part of that building, and are interested in moving to the building in the northwest corner. He said with the help of DJ&A P.C. they are finding a way to keep everyone moving into that location. Easton said the nine month notice hasn't been given yet, pending the MRA Board's decision and closing on the Sentinel Property Medical Facility property. Nine months' notice will be given after that. He said the Lighthouse Coffee building is different, they have a 30-day notice and that building will be demolished in a month or so. Marchesseault said her understanding is that all of the tenants are aware the buildings are in play already. Matt Mellott, Sterling CRE Advisors, said this property was for sale a couple of years ago before ESS purchased it, so all the tenants have known this would happen at some point, given the cost of acquisition.

Englund asked if there is a commitment that the buildings will be built. Jones asked if there were any other contingencies to the buy/sell agreement. Englund asked if MRA has a commitment that the Sentinel Property Medical Facility will be built. Buchanan said the development agreement with MRA will be structured in such a way that there is no reimbursement until there is a project built. Englund said he didn't want MRA in a position where it was simply demolishing and not redeveloping. Buchanan said the entity will not be reimbursed until there is a completed project on that property. Englund said the entity is ESS and the property is Sentinel Property Medical Facility. Buchanan concurred. Dr. Kolendich said they have every intention of building the building. Jones asked if this was similar to how Les Schwab and Dairy Queen were situated in that development agreement. Marchesseault said yes. Kyle Gauthier, DJ&A P.C., said the property line running east-west

goes through that building so demolition of the building will also be a condition of final plat approval with Development Services. He said the boundary line readjustment can't happen without the building being demolished.

Brock said she loves how the Sentinel Property Medical Facility building looks in the renderings. Dr. Kolendich said they have been very pleased with the architect, Marasco & Associates, Inc., out of Denver, CO. He said they have built a lot of medical facilities. He said they are very excited about this project and think it will really help the community of Missoula and western Montana. It will improve patient access. In recent years, the wait times for gastrointestinal (GI) endoscopy have been over six months. They see that as unacceptable. He said they have watched as other communities have had their gastroenterologists retire, and because there is really no one there to push forward and have vision and recruit, those communities are not having GI doctors come in and replace them. As a function of that, Missoula doctors are getting busier and busier. They have patients coming daily from Helena, Salmon, ID, Polson, etc. Dr. Kolendich said they need more space in order to do these things and opening up a building like this will help. He said they also plan to situate an ambulatory surgery center that will house three rooms and they will be able to do outpatient endoscopy. They will also have a clinic side where the doctors will be able to see patients. He said having more rooms will open up access. Right now, St. Patrick Hospital has had to reallocate an operating room just to keep up with their space needs and it's really challenging. Dr. Kolendich said they also think a project like this will ultimately decrease costs to the consumer/patient. He said to get an endoscopy done in the hospital is wonderful, but because the hospitals are required to be prepared for the sickest of patients, overhead is high. In a surgery center like this, they will be targeting for the outpatient endoscopy, healthier patients, and thereby reduce their overhead. They will also try to contract with insurance companies to ultimately pass that savings onto them, which will come out to the consumer. Dr. Kolendich said he has deep roots in Missoula that go back over 100 years. He said it has been very difficult for them to recruit and the reason for that is that people who come out of training expect to walk into an ambulatory surgery center or something similar to this. Without a tool like this he thinks that unless there are others with deep roots here and that want to live in Missoula, it is going to be hard to bring them here. He said he has numerous examples of that. Dr. Kolendich said he thinks a center like this will help grow GI in western Montana, serve the community and region, and continue on into the future.

Moe asked if solar panels are part of the design. Dr. Kolendich said they are currently not part of the design. He said they looked into it with their architect who has done solar panels on other projects in sunnier states like Arizona, but for this particular project they did not feel it was worthwhile. Moe asked if there was anything in the design or the construction that encourages recycling. Dr. Kolendich said their building is very specialized, they had to hire an architect out of Denver who has designed hundreds of these facilities, and in order to meet Medicare standards everything has to be so specific. He said it will be hard to incorporate a lot of recycled materials and other things. Moe said she was thinking more of on a daily basis with office materials and that sort of thing. Dr. Kolendich said they recycle now and that will not change when they move.

Englund asked if the vision is that outpatient endoscopy will go into this building and they'll no longer use St. Patrick Hospital. Dr. Kolendich said not all of it. They are busy enough

they will still want to maintain a presence at both St. Patrick Hospital and Community Medical Center.

Englund asked what the staff will be at the new facility. Dr. Kolendich said a lot of the staff on the clinic side will be the staff they currently have. He said the staff at the ambulatory surgery center should create about 16.5 Full Time Equivalent employees (FTE). The clinic jobs will be relocated and new jobs will be created at the surgical center.

Englund asked Easton for a timeline if the project is approved today. Easton said the Lighthouse Coffee building will come down, design continues for the clinic, notice would be given to tenants of the large building, after design is approved and permitted and funded construction will begin in the first or second quarter of 2020, construction will begin on the Maple Street side while the existing building is still tailing down, and demolition of the main building would begin at least nine months and one day from the notice (July/August 2020). He said Jackson Contractor Group is building the DJ&A offices and will be the contractor for this work, but they don't yet have the construction contract for Sentinel Property Medical Facility. In their past experience, Easton said they generally know it will be a 14-month construction, so 14 months after they start building in 2020 they would be looking at a completion date in the second quarter of 2021.

Buchanan said this is an amazing improvement in terms of how the street is being dealt with and creating a street edge and a place that people might want to be and walk. She said the fact that it is happening on West Broadway Street is amazing.

Englund asked if the plans were conceptual and that Jackson Contractor Group won't be building the pads. Easton said they are not building the pads. He said there are lot lines yet to be drawn for the remaining projects. He said Lindner's project in the northwest corner is set. Moe asked if the landscaping will be continued on Broadway Street to the corner of Broadway and Maple Streets with the Sentinel Property Medical Facility. Easton said yes, that landscaping was part of the previous request by ESS with the DJ&A office building and will be installed as part of that project. Gauthier said it does reside within the new Design Excellence corridor. The site layout and plan meets all of the Design Excellence standards.

Jones said this is a great project. She said she works at a law firm and one of her partners is involved on one side or the other with all of these deals. She is not personally involved and does not believe it is a conflict of any nature, pursuant to the policies at MRA. However, she said she did want to disclose that for the record. She said she intends to vote but does not think her vote would be necessary anyway because there are three other Board members voting.

**BROCK: I MOVE THE MRA BOARD APPROVE THE REQUEST FROM ENGINEERING SUPPORT SERVICES, LLC IN AN AMOUNT NOT TO EXCEED \$1,170,610 FOR DEMOLITION/DECONSTRUCTION AND ELECTRIC, GAS AND FIBER UTILITY MAIN EXTENSIONS, WITH REIMBURSEMENT FOR ELIGIBLE COSTS AVAILABLE UPON RECEIPT OF PROOF OF PAYMENT AND LIEN WAIVERS, AND AUTHORIZE THE BOARD CHAIR TO SIGN THE DEVELOPMENT AGREEMENT.**

**Moe seconded the motion with the amendment that the motion is subject to closing on the property with Sentinel Property by November 17, 2019.**

**Brock accepted the amendment.**

**Moe seconded the motion.**

**No further discussion. No public comment.**

**Motion passed unanimously (4 ayes, 0 nays).**

Easton said they have one correction to the motion. The buy/sell agreement extended because they weren't in the August MRA Board meeting. The closing date is now December 18, 2019. Dr. Kolendich said the way it was written the extension can go until January 18, 2020.

Jones said she does not think the motion needs a date to the extent that the Board amend the action item. Moe said they can delete the date of closing.

**BROCK: I MOVE TO STRIKE THE DATE FROM THE APPROVED MOTION.**

**Moe: I accept that amendment and second the motion.**

**(FINAL MOTION:**

**BROCK: I MOVE THE MRA BOARD APPROVE THE REQUEST FROM ENGINEERING SUPPORT SERVICES, LLC IN AN AMOUNT NOT TO EXCEED \$1,170,610 FOR DEMOLITION/DECONSTRUCTION AND ELECTRIC, GAS AND FIBER UTILITY MAIN EXTENSIONS, WITH REIMBURSEMENT FOR ELIGIBLE COSTS AVAILABLE UPON RECEIPT OF PROOF OF PAYMENT AND LIEN WAIVERS, AND AUTHORIZE THE BOARD CHAIR TO SIGN THE DEVELOPMENT AGREEMENT, SUBJECT TO CLOSING ON THE PROPERTY WITH SENTINEL PROPERTY.)**

**No further discussion. No public comment.**

**Motion passed unanimously (4 ayes, 0 nays).**

**Wyoming Street Reconstruction (URD II) – Request to Amend Professional Services Memorandum of Understanding (Gass)**

Gass said this is a request to amend the Professional Services Memorandum of Understanding (MOU) with Missoula Water for the Wyoming Street Improvements Project that is currently underway. He showed some slides of the work that has been done. The road base is in and they are pouring concrete for curb. The sidewalk work will start within a week or so.

Last week Jeremy Keene, Interim Development Services Director, presented a conceptual plan to staff for a mini-roundabout at the Wyoming and California Streets intersection. Gass said it could be added into the project and accomplished under a Change Order #2. Gass said Change Order #1 involved straightening, moving and realigning the irrigation ditch

along the north side of Wyoming Street. He said it was the result of some conditions they found when they began the sub-excavation of Wyoming Street. There was an excess amount of topsoil and topsoil depth and through discussions it was decided to realign the ditch and move it back a little bit and then line it with bentonite clay to stop the seepage that was occurring into the topsoil which made it an unacceptable sub-base for the road. Gass said Montana Rail Link (MRL) Park had an excessive amount of fill material so they had it tested by TetraTech and they deemed it would be a good material for a road base. Gass said they were able to bring that fill material in and just pay for the hauling costs to move the material.

Gass said the result of moving the irrigation ditch over removed the City requirement for having a handrail along the sidewalk along the irrigation ditch, which was an expensive piece of infrastructure. It also allowed removal of a thickened-edge sidewalk on the back side of the sidewalk parallel to the irrigation ditch. Gass said it was thickened to a certain depth and then tapered off to allow attachment of the handrail to the sidewalk. With no handrail they were able to remove the thickened-edge sidewalk and do a standard 4" depth sidewalk through there. Gass said Change Order #1 resulted in an \$18,000 reduction in the construction costs. The cost for the mini-roundabout is a \$17,059.55. He said those numbers balanced themselves out and did not require Board action or additional budget on the construction side. He said the request today is for a budget amendment to the professional services related to design, engineering and additional construction oversight required by WGM Group for the mini-roundabout. Gass said those costs total \$6,905 and staff recommends a budget amendment to the MRA/Missoula Water Professional Services MOU.

Keene said City of Missoula Traffic Services has had a number of requests for traffic calming and traffic control at the Wyoming and California Streets intersection. He said when he worked for WGM Group they looked at the California Street corridor and decided to make it a neighborhood greenway, which is a street that tries to balance bicycles, pedestrians and cars. He said they thought a lot about how to bring the neighborhood greenway across Wyoming Street and the idea of a mini roundabout there accomplishes both things. It calms traffic and makes crossing easier. Keene said they have also done traffic calming at the other end of Wyoming Street with the Clegg Lane project, so this fits in nicely to book end the two ends of the Old Sawmill District.

Keene said the mini-roundabout is a unique idea. He said he's been calling it a hybrid mini because they're not doing the raised splitter islands. Those will be painted. He said the reason the cost of it doesn't have another zero at the end is because they aren't rebuilding all of the curbs on the outsides, they are just building the center circle. He said the major difference is that the crosswalk location ends up being closer to the circle. The City will keep a close eye on it to make sure it is working well. He said it is a good adaptive use and may be a good model for other intersections around town where it can be done inexpensively and make some safety and operational improvements, especially where there are four-way stops. Keene said he appreciates Gass' willingness to work with them and said Public Works will make sure it is working properly. Gass said it is a good time to do it since a portion of the intersection is already torn up. Buchanan said the other aspect of this is that Wyoming Street has become a racetrack. She said it's terrible through the Old Sawmill District. She said Ed Wetherbee, Old Sawmill District developer, has asked several

times if there is anything that can be done to slow the traffic down. Brock said she thinks it will also help when the street is finished and no longer under construction because the detours tend to make people feel like they are losing time and may be attributing to the higher speeds through there.

**JONES: I MOVE THE MRA BOARD APPROVE A BUDGET AMENDMENT TO THE MRA/MISSOULA WATER PROFESSIONAL SERVICES MOU IN AN AMOUNT NOT TO EXCEED \$6,905 FOR THE ADDITIONAL PROFESSIONAL SERVICES RELATED TO DESIGN, ENGINEERING, AND CONSTRUCTION ADMINISTRATION FOR THE INSTALLATION OF A MINI-ROUNDABOUT AT THE WYOMING STREET/CALIFORNIA STREET INTERSECTION IN URD II.**

**Moe seconded the motion.**

**No further discussion. No public comment.**

**Motion passed unanimously (4 ayes, 0 nays).**

### **NON-ACTION ITEMS**

#### **STAFF REPORTS**

##### **Director's Report**

Moe noted that the Downtown Master Plan update is available online to view and the Board will be asked to approve it at the next meeting. The link is:

[missoulasdowntownmasterplan.com](http://missoulasdowntownmasterplan.com)

##### **Budget Reports**

Dunn said the reports are continuing from FY19 as things trickle in. MRA does not have the mill values yet.

### **COMMITTEE REPORTS**

#### **OTHER ITEMS**

#### **ADJOURNMENT**

Adjourned at 2:08 p.m.

Respectfully Submitted,



Lesley Pugh