

## MISSOULA REDEVELOPMENT AGENCY

### CONDENSED BOARD MEETING MINUTES

October 19, 2023

FINAL

A Regular meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, October 19, 2023 in the Hal Fraser Conference Room, 140 W. Pine St., and via Microsoft Teams at 12:00 p.m. Those in attendance were as follows:

**Board:** Karl Englund, Ruth Reineking, Melanie Brock, Jack Lawson

**Staff:** Ellen Buchanan, Annie Gorski, Tod Gass, Jilayne Dunn, Maci MacPherson, Lesley Pugh

**Public:** Dale Bickell, City of Missoula; Spenser Merwin, Resident; MCAT

#### **CALL TO ORDER**

12:00 pm.

#### **INTRODUCTIONS**

#### **APPROVAL OF MINUTES**

[September 21, 2023 Regular Board Meeting Minutes](#) were approved as submitted.

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

There were no public comments or announcements.

#### **ACTION ITEMS**

##### **Old Library Block – 301 East Main Street (Front Street URD / Ward 1) – TIF Request (Gorski)**

Gorski said the request is for approval of up to \$25,000 in new allocation from the Fiscal Year (FY) 2024 Front Street Urban Renewal District (URD). If the next action item for the remittance occurs and moves forward, the contingency left in the Front Street URD will be about \$1.2 million.

Staff introduced the development team of deChase Miksis and Edlen & Co. at the August Board meeting. The MRA, City of Missoula and the development team executed an Agreement to Negotiate Exclusively last week. It is an Agreement that speaks to the due

diligence period. Gorski said the development team is continuing to have community conversations and there was a meeting today with neighboring property owners. They are also starting on initial marketing analysis and feasibility. The City, as the seller, has agreed to complete some of the due diligence studies that did not occur when the City was gifted the property. It includes environmental due diligence, title report and initial geotechnical analysis to look at soil types on the site for a future building.

Gorski said the requested Board action is approval of an additional up to \$25,000. If that amount is not spent, any remaining funds will go back into the Front Street URD budget. Staff is also proposing to use an existing allocation of \$25,000 that the MRA Board approved in 2020. It was originally allocated as match for some Big Sky Trust Fund grant dollars for redevelopment planning on the site. MRA did not move forward with the work at that time due to the COVID-19 pandemic and that allocation is still in the budget.

**REINEKING: I MOVE THE MRA BOARD AUTHORIZE THE USE OF AN ADDITIONAL UP TO \$25,000 FOR SITE DUE DILIGENCE AT THE FORMER LIBRARY BLOCK IN THE FRONT STREET URD.**

**Lawson seconded the motion.**

Buchanan said she and MacPherson met this morning with the development team and neighboring property owners. She said it was the most refreshing meeting she's been at in the last two years. The church, Missoula Children's Theater, individual and multi-family property owners were well represented and there was great conversation.

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

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

**FY24 TIF Transfer to City General Fund & Remittance Recommendations – Request for Approval (Buchanan)**

Buchanan said City Council have passed a City of Missoula budget that assumes a transfer of tax increment funds in the form of a remittance, or other methodologies, that will allow the budget to balance and not have to cut services beyond what the community expects. There is a \$3 million funding gap in the General Fund budget. Staff has chosen to address it two ways. One is to pay the debt service on police and fire equipment and the building the City bought on Catlin Street. The funds for the building will come directly out of URD II. MRA had the Police and Fire Departments look at where all of their calls are in the city and what percentage of those calls occur in URDs. She said the numbers were right at 1/3 for both Police and Fire. When you take into account the districts are in the urban core of the city and a high percentage of the population lives in the districts, that made perfect sense. Staff then took 1/3 of the calls and had Police and Fire portion them between various districts. For instance, URD II had a higher percentage of calls than the Hellgate URD and URD III had a higher percentage of calls than the North Reserve-Scott Street (NRSS) URD. Staff took those numbers into account and spread it among the districts through a mathematical formula. Staff then took the balance of that and looked at the capacity in the six URDs, looking at what is committed and what projects are out there that are likely to occur or need some level of funding during FY24 and tried to accommodate those. Staff came up with an

allocation of that remittance for the six districts. Buchanan said the bottom line is that with a remittance, each of the taxing jurisdictions will get a proportionate share of TIF remittance money that is driven by their percentage of the mills. The total impact of the remittance is just under \$9 million of TIF that will be transferred out of the FY24 budgets either in the form of a remittance or a direct transfer to the City General Fund. Staff believes it will leave adequate capacity in the various districts to accomplish what needs to be accomplished this year. Buchanan said if MRA gets a significant opportunity in a district that too much capacity has been taken out of, staff would like to reserve the right to come back to the Board and reallocate/shift monies around. Buchanan said URD III has a lot of capacity and staff has taken the bulk of the remittance from there. There will still be \$5.7 million left in URD III for projects that are not already budgeted for or not anticipated to happen at this point.

Dale Bickell, Chief Administrative Officer, thanked the Board for this consideration. He said Administration does not take this type of action lightly. This budget process was particularly challenging for the City. There is high inflation. Collective bargaining contracts are being negotiated now which compare to market and things that other jurisdictions are doing around the state and region and the City needs to stay competitive. Bickell said there are also issues related to housing and homelessness that are fairly new to the City and are challenging for the community. He said those all resulted in the need for additional funding to maintain the City's level of services in these areas. While MRA is important in helping the City reach its goals in housing, infrastructure and economic development, the City felt the need to request this. He said the City is intending to not have to rely on these types of remittances in the future, and this is not intended and should not be intended to be done on an ongoing basis.

Reineking referred to paying the debt service on the police station and asked if it is something that will be an ongoing responsibility of MRA. Buchanan said that is not how it is envisioned right now. The transfer to the General Fund is being looked at the same as the remittance and staff is hopeful it will not become annual.

Englund said MRA has not done transfers to the General Fund in this method before. He asked if MRA has ever done payments to the City for essential services that the City provides within the districts. Buchanan said MRA has an annual payment to the City that is based on MRA's use of City services as an agency. She said they're not blazing new ground here, it's just that MRA has never done it as an agency. Englund asked if MRA was treading on the borders of what is permissible. Buchanan said no. Missoula County has used TIF funding in a similar method in the past and other jurisdictions have as well. MRA has paid for part of the cost of City facilities, like acquisition of the Police Evidence Building on Catlin Street. She said with this, MRA is proposing to cover the FY24 debt service in a percentage that is attributable to any given district for public safety equipment purchases and improvements. Bickell added that the debt service is covering capital items. Englund asked if the money going into the General Fund is being taken on as an expenditure, not a remittance per se. Buchanan said that was correct. Buchanan said there is \$834,055 that will be transferred to the General Fund to offset debt service in the proportion appropriate to the districts. \$8,065,090 is the remittance which makes up the \$3 million the City needs to balance the budget and translates into that amount over all of the taxing jurisdictions.

Englund said MRA has to do this. The City determines the budget and MRA doesn't get a say in the remittance, although he appreciates the City giving the Board the flexibility to determine the best places to take the money from. It is clear that if MRA needs to shift money around it can. At some point he thinks MRA and the City need to see where the rest of the \$8 million went. Buchanan said it is in a spreadsheet. MRA makes two payments a year to the taxing jurisdiction, typically in January and July. She said it is probably safe to say the majority of it ends up in Helena.

Reineking said this is the third time since she has been on the MRA Board that they've been asked to make a remittance. The previous two times she voted no and intends to vote no again today and wanted to talk about why. She said she does understand the motions and understands that MRA doesn't have a choice. The City budget includes this remittance and MRA is required to do it. She respects the City staff, Mayor Hess, Bickell and City Council, as well as Buchanan for the work she put into determining how this gets distributed among the districts, as well as MRA staff. She appreciates that MRA is being flexible for projects that may come before the Board. She looks at this as MRA's dual mission to eliminate blight and foster economic development and for a pretty small percentage of the City budget, it is a big chunk out of the MRA budget and will have an impact on MRA's ability to achieve its goals. Some of the projects MRA has been working on in, partly in terms of matching funds or implementing the Workforce Housing Program, are reasons she will vote no on the 2<sup>nd</sup> motion. She said it doesn't fit the MRA's mission.

Brock thanked the MRA staff for their expertise in redevelopment, urban planning and for the third year in a row being asked to be experts in helping balance the City's budget. She said this year is particularly challenging as public safety is of paramount concern. At the same time, Missoula has incredible opportunities with a Midtown Master Plan in URD III to start even more creatively redeveloping an aging commercial district and increase housing. Brock said she is grateful to the MRA staff for structuring this in a way to minimize the impact on the districts, which was not an easy task. She said she hopes there will be a different tool to balance the City budget in the future. Nobody wants to raise property taxes and MRA's hands are tied here, but this is not the work MRA does or is typically discussing. Brock thanked staff for taking these requests from City Hall and making sure MRA doesn't lose exciting opportunities in the districts moving forward.

Lawson asked some clarifying questions regarding the budgets. Buchanan said the one place MRA may struggle is with the new tool for workforce housing where they know the costs will be impactful based on the numbers they're seeing out there and it may well eat into MRA's ability to fund as much workforce housing as they want to. She noted this is not the third year in a row MRA has been asked for a remittance, there was a year off because ARPA (American Rescue Plan Act) funds came in. Lawson said the year off was an extraordinary infusion of money and the structural challenge they face is that this kind of a remittance will continue unless there is a meaningful change in tax policy at the state level.

Englund said while he appreciates the fact they ought not to be doing this without some discussion about its impact on the work MRA has been asked to do, he wanted to remind folks this is not a question of whether, that decision has been made. It is a question of how MRA is going to manage that decision.

**MOTION 1**

**REINEKING: I MOVE THE MRA BOARD APPROVE THE PROPOSED FORMULA FOR A ONETIME PAYMENT OF TIF FUNDS FOR PUBLIC SAFETY DEBT SERVICE TO THE CITY GENERAL FUND IN THE AMOUNT OF \$834,055 AND AMENDMENT OF THE FY24 MRA BUDGET.**

**Lawson seconded the motion.**

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

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

**MOTION 2**

**LAWSON: I MOVE THE MRA BOARD APPROVE THE PROPOSED FORMULA FOR A ONETIME REMITTANCE OF \$8,065,090 TO THE TAXING JURISDICTIONS AND AMENDMENT OF THE FY24 MRA BUDGET.**

Englund clarified the formula is the one contained in the memo to the Board dated October 15, 2023 from Buchanan.

**Brock seconded the motion.**

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

**Motion passed (3 ayes, 1 nay with Reineking voting nay).**

Buchanan thanked the Board for the confidence they've shown in the staff and all of the support. She said these are not easy decisions, but it is a bigger picture than just MRA. She is glad MRA is in a position to help. Englund said the confidence shown is well deserved.

**NON-ACTION ITEMS**

**STAFF REPORTS**

**Director's Report**

*Scott Street/Ravara Development*

Buchanan said the City and Ravara are working to finalize agreements. The biggest piece is to get all of the financing structured correctly. The infrastructure is out to bid and Ravara is leading that. They hope to break ground before the end of the calendar year and turning dirt on the project itself in the spring or summer next year. Reineking asked if Ravara is confident in their plan including what they can build and number of units, etc. Buchanan said yes, assuming all of the numbers fall into place.

*Downtown SAM (Safety-Access-Mobility) Project*

Buchanan said staff is in the process of forming advisory groups. They are also working with FHWA (Federal Highway Administration) and hope to have the grant agreement signed and finalized by the end of 2023. That will allow the City to issue a Request for Proposals (RFP) to hire a design team to take all of the projects, put them together and get them to a

place where they can be bid. The City will also engage a general contractor to manage the project and hire a project manager for the City for the federal grants. Buchanan said the money to do those things are built into the grant.

#### *Riverfront Triangle*

Buchanan said staff is working with the potential developers and inching forward. They have taken some things through Design Review with City staff. There is still a long way to go to make the money work.

#### *Riverbank Restoration*

Buchanan said this is moving forward. The design team is on board and there was a full day brainstorming session that was held a few weeks ago.

#### **FY23 Budget Status Reports – June 2023 updated 10-12-23**

Dunn said these are the final FY23 reports and include updated final revenue amounts. Pinion, MRA's auditor, will be on site the week of November 13<sup>th</sup>. The goal is to be done with the audit by December 31<sup>st</sup> in compliance with state law. MRA will also file an annual financial report with the state.

#### **FY24 Budget Status Reports – September 2023**

Dunn said the numbers are updated with the taxable values MRA received in August and the final mill levies that were adopted by the taxing jurisdictions. After today's action on the remittance and General Fund transfer, Dunn said she will put those in and they will be reflected in next month's contingency numbers.

#### **FY24 Staff Activities Reports (7/29/23 – 8/26/23)**

### **COMMITTEE REPORTS**

#### **OTHER ITEMS**

Buchanan said MRA was part of a ribbon cutting ceremony at Diversified Plastics for a small addition they did out there. MRA paid for a fire hydrant installation and that facilitated their ability to do the addition. They are still planning on doing a very large addition in 2025.

Gorski said staff is continuing to get the word out about the new Workforce Housing Pilot Program. There is a lunch and learn scheduled for November 2<sup>nd</sup> and staff will be giving a presentation on the new Program.

#### **ADJOURNMENT**

Adjourned at 12:47 p.m.

Respectfully Submitted,



Lesley Pugh