

## MISSOULA REDEVELOPMENT AGENCY

### CONDENSED BOARD MEETING MINUTES

April 18, 2024

**FINAL**

A Regular meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, April 18, 2024 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, Tasha Jones, Melanie Brock, Jack Lawson

**Staff:** Ellen Buchanan, Annie Gorski, Annette Marchesseault, Jilayne Dunn, Maci MacPherson, Lesley Pugh

**Public:** Missoula Economic Partnership: Julie Lacey, Christine Littig; Andy Schultz, City of Missoula; Martin Kidston, Missoula Current; Flanna McLarty, Missoula County; MCAT

#### **CALL TO ORDER**

12:00 pm.

#### **INTRODUCTIONS**

#### **APPROVAL OF MINUTES**

March 14, 2024 Regular Board Meeting Minutes were approved as submitted.

March 26, 2024 Special Board Meeting Minutes were approved as submitted.

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

Brock recognized Buchanan's 20 years of service at MRA. There was a small gathering in early April to celebrate her.

#### **ACTION ITEMS**

##### **Missoula Economic Partnership – Multi-Year Partnership – TIF Request (Gorski)**

Gorski said this item is for consideration of a new, multi-year contract with the Missoula Economic Partnership (MEP). The contract is for three years and Tax Increment Financing (TIF) money would be appropriated annually. Staff is requesting approval to enter into the contract as well as approval for year one funding of \$50,000 for Fiscal Year (FY) 2025.

MEP has requested that half of the funding, \$25,000, be available prior to the start of the fiscal year. Gorski said the way this normally works is that if there is Board approval the funding is set aside and dedicated in the budget.

Gorski reviewed the two previous contracts MRA had with MEP that have been quite successful. The first one was executed in August 2019 and was for \$50,000 to identify potential sites in Missoula's Opportunity Zones (OZ) where Urban Renewal District (URD) funding was also available. That contract resulted in the introduction of Ravara and the affiliate of Goodworks Development to MRA which has resulted in the Scott Street/Ravara development which is currently under construction. The second contract was approved in July 2022 for \$50,000 to support targeted business retention and identification of redevelopment partners for City-owned sites including the Former Library Block. MEP met and completed due diligence on several interested teams, resulting in the City selecting Edlen & Co. and deChase Miksis as the preferred development team for the Former Library Block. In October 2023 the City entered into a contract with that team and they began their due diligence on the site. Another major piece as a result of the second contract was the work MEP did to successfully help the City negotiate a purchase and sale agreement with the owners of the Southgate Triangle Property in URD III, west and south of Bob Ward's Sporting Goods. The City has been working for decades to bring the property forward and realize redevelopment, so this is a major success of that contract with MEP. Due diligence is underway to determine viability of property purchase.

Gorski said after two successful contracts the MEP and MRA are proposing to enter into a third, multi-year contract. The City has an imminent move into the Engen Building downtown, as well as other existing sites that need to be redeveloped like the Sleepy Inn property and Johnson Street, and staff feels there could be a lot of success by continuing to partner with MEP. TIF funding will support staff time including meeting with businesses in the URDs, conducting analysis to help market City-owned redevelopment sites and meeting with possible development partners like they did on the Former Library Block. As stated earlier, if the MRA Board approves the FY25 contract funding, MEP has requested that 50% of it be available prior to the beginning of the fiscal year.

Julie Lacey, MEP, thanked MRA for the continued partnership. They recognize the alignment of goals for both organizations and are pleased to be able to continue this work. She said they have learned a lot over the last two contracts and continue to build off that work and collaborate to increase the tax base in the URDs and expand redevelopment goals of the City. Buchanan said this partnership has been amazing and is just getting better. She said it is a powerful alliance and MEP is doing really good work. Lawson noted he is an MEP Board member. It is an unpaid, volunteer position with no financial gain and he sees no conflict with voting on this item.

Brock asked Lacey if the amount of work MEP is doing related to redevelopment in the URDs, compared to 2019, has increased. Lacey said the staff time they allotted for herself, Grant Kier and Christine Littig is a considerable amount of work and has been the majority of a lot of their efforts over the last few years to advance these goals. Brock said she is a little disappointed to see this is the same ask of \$50,000 as it was in 2019. She knows personally through her work that MEP is doing so much in URD III alone that is not commiserate with \$50,000 per year. She realizes this is a public/private partnership and businesses are also major investors in MEP, but would like to see the public portion go up as MEP is representing the City in so many projects. She said Kier is out fundraising from private partners because they don't have the resources they need to match the redevelopment frequency. Brock would like to amend the staff recommendation to make it

\$150,000 per year. She said she is a former MEP employee who can say they are doing way more than triple the work they were in 2019 in the URDs. She also said MEP is a non-profit out hustling for things like doing studies, gathering resources, etc. Brock would like to see MEP start the next three fiscal years having more resources because they already know MEP is doing extra work for less money and the private sector is stepping up with more money so she would like to see TIF funds used in this way. Gorski noted MEP also has a contract with the City and the County. Brock said those entities are also remaining static and should go up too. She said this is the moment of redevelopment in Missoula and MEP should be well-funded and able to meet those demands being asked of them. Brock said she thinks it is time for all public entities to step up because she knows the private sector is being asked to as well.

Jones asked where the money will come from. Buchanan said staff reconciles it back to the URD after they know where a majority of the effort was spent. For instance, a lot came from the North Reserve-Scott Street (NRSS) URD until the Ravara deal was done. A lot has come from the Front Street URD and the downtown districts, including the Former Library Block. Now the focus is on Midtown. She said it will jump around. Realistically, if the Board wants a larger contribution from the City of Missoula, it's going to be from MRA. It isn't in the City's general fund to add more. Brock said if they keep at the 2019 funding level then MEP is going to have to come back and request more funds. She asked if MRA can budget for \$150,000/year so MEP can actually plan and tap funds instead of having to come back over and over. She wants to see it funded on the front end.

Jones said she would like more information to vote on a higher amount, which she totally appreciates and said MRA is very grateful for MEP's work. Unless there is a time sensitivity to this, she asked if it could come back to the Board with another presentation containing more data that would give the Board more information to make a good decision. Lacey said MEP can do that. Brock asked how it would work with MEP's fiscal year and time sensitivity. Lacey said there is a lot of work going into efforts because there is a lot of opportunity right now. They are truly being opportunistic and there are so many projects right now that are just on the cusp. MEP's hustle is real including the staff time put into the efforts. Lawson said if MEP and staff come forward with a recommendation of \$150,000 he would likely vote favorably on it. It is difficult to triple it without more detail in the light of the staff recommendation and the conversation that it be for \$50,000. He said he'd be very open to another conversation.

Englund said the motion needs to be clear the \$50,000 is a minimum amount and the Board is happy to revisit it based on additional information. He said historically, MRA has worked with MEP for years and previous staff tried to play the role current staff is playing and they could never quite get anything going. Now the current staff is fulfilling MRA's desires and are doing so very successfully. Englund said the list of things MEP has accomplished is significant. He suggested approving this with the understanding MEP is continuing to add to the work they are doing for MRA and the MRA Board is open to increasing the amount. Brock said she does not think the work right now is commiserate to the amount they are getting from the amount of work they are doing in the URDs and doesn't want to vote for a contract that looks like it is \$50,000/year for three fiscal years.

**Buchanan suggested the motion be that the MRA Board approve a three-year contract with Missoula Economic Partnership to be appropriated annually for FY25, FY26 & FY27 to support redevelopment and economic growth in the City's urban renewal districts, approve an initial \$50,000 for FY25 funding and direct staff to come back with a revised contract at a subsequent meeting that reflects reality.**

**BROCK: SO MOVED.**

**Jones seconded the motion.**

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

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

**Dearborn-Kemp-Livingston Water Project (URD III / Ward 5) – Request to Award Bid, Authorization to Enter into a Construction Memorandum of Understanding & TIF Request (Dunn)**

Dunn said MRA is partnering with Public Works & Mobility (PWM) on this project. Today's request is for approval of a construction contract for water infrastructure installation in URD III. The area is west of the Bitterroot Branch Trail near Southgate Mall and includes 1,100 lineal feet of water line installation. The project went out for bid for construction on March 9<sup>th</sup> and there were six responses. The low bid was provided by Gold Peak Excavating in the amount of \$311,137 which was approximately \$100,000 below the engineer's estimate. Dunn said she spoke with Andy Schultz, PWM, about Gold Peak Excavating's experience because MRA has not specifically worked with them. Schultz said they have done a few projects for the City over the last few years, one being a water line project on North 2<sup>nd</sup> Street. Dunn said IMEG has reviewed the bid from Gold Peak Excavating and find it to be responsive, correct and complete and recommend awarding the construction contract to them. Work is set to begin on the project in late summer/early fall and Gold Peak Excavating has 48 days to complete the work.

Schultz said Gold Peak Excavating have been great to work with. Jones said a bid that is \$100,000 under the engineer's estimate is alarming and concerning to her. Schultz said they got really good pricing which they were enthusiastic about. Typically, the City bids all of their Community Investment Program (CIP) projects in November. This is the last project they bid and the engineer's estimate fell right in the middle of the six bids that were received. Three bids were within \$50,000 of the low bid and he is comfortable the work will get done for that price. Jones asked if Gold Peak Excavating will carry the burden if their estimate is wrong. Schultz said they would have to come to the City with a justified change order that would have to be approved by the Board. He said this is a pretty straightforward project and something would have to go horribly wrong with the design for them to need a substantial change order. Buchanan said the other thing in play here is that the last two years have been incredibly difficult for engineers to create engineer's estimates that are accurate because of fluctuating prices. The project does involve digging into the ground so there could be a change order if they find something that could not be anticipated.

**LAWSON: I MOVE THE MRA BOARD APPROVE THE DEARBORN-KEMP-LIVINGSTON WATER PROJECT CONSTRUCTION CONTRACT WHICH IS TO BE AWARDED TO GOLD PEAK EXCAVATING IN AN AMOUNT NOT TO EXCEED \$311,137, APPROVE THE USE OF TAX INCREMENT FINANCING FUNDS IN AN AMOUNT NOT TO EXCEED \$311,137 TO PAY FOR THE PROJECT, AUTHORIZE MRA TO ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH PUBLIC WORKS & MOBILITY TO ACT AS PROJECT MANAGER TO COMPLETE THE PROJECT, AND AUTHORIZE THE BOARD CHAIR TO SIGN THE RELATED DOCUMENTS.**

**Brock seconded the motion.**

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

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

**Scott Street/Ravara Redevelopment Project – Impact Fees (North Reserve-Scott Street URD / Ward 1) – TIF Request (Gorski)**

Gorski said this item is to consider utilizing anticipated savings from the earthwork budget on the Ravara project toward payment of \$164,357 in City impact fees for the 3-acre home ownership parcel as required by Montana House Bill (HB) 819. In January 2024, the MRA Board recommended to City Council to execute a bond resolution to issue bonds for the Ravara Infrastructure and Workforce Housing project in an amount not to exceed \$9.8 million. Given construction had not started at that time, a significant contingency was included in that bond for earthwork. The earthwork is underway with about one week of work left. So far, the contractor has not found many items that will use up the contingency. Staff anticipates a significant savings on the earthwork and is recommending that the overall contingency be reduced from 20% to 7% and then the bonds can be sized.

Gorski said in 2023 the Montana Legislature passed HB 819 creating the Montana Housing Infrastructure Revolving Loan Fund Account. The Account is able to fund eligible housing infrastructure programs. MRA applied for funding earlier this year to fund a portion of the infrastructure bond on the Ravara project and received approval for that funding from the Board of Investments (BOI) for \$2.859 million in low interest bond financing. Because of the HB 819 language, the developer cannot pay the impact fees on the home ownership project. Those impact fees cannot be paid with the bond and so MRA must find another funding source to pay the fees. The City does not have another source to pay the impact fees nor can the fees be waived, so a source needs to be found to pay for the impact fees. Staff is recommending the fees be paid utilizing savings from earthwork or through unobligated funds in the NRSS URD. The NRSS URD currently has just under \$1.7 million in unobligated funds. Gorski said the benefit is that the developer is able to eliminate this cost from their construction budget and as a result can convert a market rate condominium to an income restricted condominium, changing the number of income restricted units from 46 to 47.

Jones asked if the Board was being asked to choose an option. Gorski said the recommendation is that MRA utilize TIF to pay for the impact fees, and therefore add an income restricted unit. Staff is recommending the funding comes from either uncommitted funds in the NRSS URD or from earthwork savings from the bond. Jones asked why there

is an “or” in that and not a precise place the funding would come from. Dunn said when the bonds are sized in May it will give MRA the flexibility of either rolling it into the bond or paying it out of cash. At the timing the impact fees will be due, MRA may not be asked to pay all of the impact fees right up front. It could be timed with when the permits come in, so MRA could be asked to pay for half on Phase 1 and the rest later.

Englund asked how much of the \$780,000 budgeted for earthwork is being used. Gorski said so far it looks like less than \$100,000. Buchanan said what drove the number so high initially was the uncertainty about whether the excess dirt was going to be taken to Republic Services. It was a huge number anticipating a worst case scenario. The contractor is not having to haul dirt to Republic Services which is resulting in the savings. Jones said that is great news.

Brock asked how the impact fees are determined. Buchanan said they are based on a formula that says this project will have this amount of impact on the street network, this project will have this amount of impact on the need for parks, and so on. It is a really specific formula, driven by square footage, and there is an impact fee committee that does studies to make sure the numbers are correct. Brock asked if the City can waive the impact fees. Buchanan said there is no language in state law that says you cannot waive them. To be on the safe side, the City doesn't have permission to waive them.

**JONES: I MOVE THE MRA BOARD APPROVE PAYING THE IMPACT FEES OF \$164,357 FOR THE 3-ACRE RAVARA HOME OWNERSHIP PROJECT AS REQUIRED BY MONTANA HOUSE BILL 819 FROM UNCOMMITTED NORTH RESERVE-SCOTT STREET URBAN RENEWAL DISTRICT FUNDING OR BOND PROCEEDS AS PART OF THE ANTICIPATED EARTHWORK CONTINGENCY SAVINGS, WITH THE UNDERSTANDING THAT MRA'S PAYMENT OF THE IMPACT FEES WILL RESULT IN ONE ADDITIONAL 2-BEDROOM INCOME RESTRICTED UNIT FOR A TOTAL OF 47 INCOME RESTRICTED UNITS ON THE HOME OWNERSHIP PARCEL.**

Lawson seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays).

#### **NON-ACTION ITEMS**

##### **Former Library Block – Update**

Christine Littig, MEP, gave an update on the work MEP has been doing with the market analysis and developer's due diligence process around the commercial ground floor of the Former Library Block. MEP has made numerous introductions to businesses and organizations who have an interest in expansion or new business on the ground floor. Throughout that process they've had a side by side partnership with the developers, Edlen & Co. and deChase Miksis, and MRA to have public engagement opportunities to hear more input about what the community is looking for. Littig said the project has some hopeful guidelines that were set out in the Downtown Master Plan (DMP), so having that reengagement process to affirm the interested community assets are still what the community is looking for. In that process, MEP has continued to make introductions in

alignment with the DMP. Littig said MEP continues to host bi-weekly meetings with the developers.

Gorski added the City and MRA executed an Agreement to Negotiate Exclusively in October 2023 that set out a 180-day initial due diligence period for the development team to do a development concept, conduct initial public outreach and conduct financial underwriting for the site. The development team have requested one 30-day extension on that agreement, which allows for four 30-day extensions of the initial due diligence period. The first extension ends May 9<sup>th</sup> and it is expected they will request another extension. At the end of that, if there is a development concept that staff recommends and aligns with the goals in the DMP and is financially feasible, then the developers will make a presentation to the MRA Board and City Council. Then the City, MRA and developers will start working on a Development Agreement to lay out the terms of purchase, sale and development. Gorski said the developers' initial presentation in terms of financial underwriting was that there are still some challenges with the costly building environment and high interest rates. They will need more time to do more due diligence on that.

Englund asked if the challenges are more on the build side than the use side. Gorski said yes. Lawson asked if there is abundant interest from potential commercial tenants or owners. Littig said their exploration and introductions have largely stayed local and there is interest. She said it is surprising to discover and rediscover businesses that are curious about what expansion or a second location looks like. There are individuals out there with ideas and thoughts around what it looks like to start a new business and interest in downtown. She said what they are experiencing in the community is interest and it will depend on the project and costs.

### **Downtown SAM (Safety-Access-Mobility) – Update (Buchanan)**

Buchanan said City Council approved signing the grant agreement. The first meeting of the working group was held and the interests represented in the group and their enthusiasm and intelligence is going to prove to be the best citizen working group she has ever worked with. Ginny Tribe is facilitating the working group. Jones asked for a general timeline of the project. Buchanan said all in all it will likely be about three years. The City will have to bring on another staff person in PWM to manage the federal grants.

### **STAFF REPORTS**

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

Englund asked about the Montana Rail Link (MRL) Trestle project. Buchanan said she is trying to reinvigorate it. Staff is in discussions with MRL on the trestle and Bitterroot Trail Lighting projects. MRL's transition to BNSF Railway will be settling down and then staff can continue moving forward with discussions.

#### **FY24 Budget Status Reports**

Dunn said MRA is waiting for the first half of the remittance of tax increment which will likely happen in May.

**COMMITTEE REPORTS**

**OTHER ITEMS**

**ADJOURNMENT**

Adjourned at 1:08 p.m.

Respectfully Submitted,



Lesley Pugh