

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

June 10, 2024

FINAL

A Regular meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Monday, June 10, 2024 in the Hal Fraser Conference Room, 140 W. Pine St., and via Microsoft Teams at 11:00 a.m. Those in attendance were as follows:

Board: Karl Englund, Tasha Jones, Melanie Brock, Jack Lawson, Ruth Reineking, Mike Nugent - City Council Ex-Officio Board Member

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

Public: Missoula Economic Partnership: Julie Lacey, Grant Kier; Idaho Street Condominiums: Dan Cederberg; Opportunity Resources: Joshua Kendrick, Mike Bouchee, Jenn Clary; City of Missoula: Tyler Walls, Mark Todorovich, Montana James, Alex Bramlette, Kevin Slovarp; Martin Kidston, Missoula Current; David Erickson, Missoulian; Kurtis Mayne, Matt Sullivan, MCAT

CALL TO ORDER

11:00 a.m.

INTRODUCTIONS

The Board introduced themselves and welcomed new Ex-Officio Board member Mike Nugent, City Council Ward 4.

APPROVAL OF MINUTES

April 18, 2024 Regular Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS AND ANNOUNCEMENTS

There were no public comments or announcements.

ACTION ITEMS

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

Gorski said at the April Board meeting staff brought forth a request for a new three-year contract with Missoula Economic Partnership (MEP) with a rate of \$50,000 annually. The MRA Board approved the initial \$50,000 for that contract and directed staff to revisit the amount of the contract given the increased workload that MEP has incurred in recent years to support economic activity in the Urban Renewal Districts (URDs). Today's request is a

revised contract based on MEP's review of activity conducted in support of MRA related to priorities in the URDs. In Fiscal Year (FY) 2023, MEP's staff time exceeded the contract payment from MRA and in FY24 their staff time totaled just over \$111,000 which exceeded the contract amount of \$50,000. Gorski said given that MRA contracts have fallen below the staff time at MEP to support activity in the URDs, and given the increased workload to support opportunity moving forward in the next FY, staff is recommending a revised contract amount of \$100,000 annually for FY 25, 26 and 27. The recommendation includes the opportunity to build in a mid-year check in with MRA and MEP staff, and if workload exceeds projections in that FY, then MRA staff will bring action to the MRA Board for a request of an additional \$50,000. Gorski noted the focus areas in the URDs for the next FY and beyond will include identification of development partners for City-owned land including Southgate Crossing if purchase moves forward, continuing work to support redevelopment of the Former Library Block, and identification of opportunities to facilitate redevelopment through purchase of property and forging partnerships with goal-aligned development partners.

Grant Kier, MEP, thanked the Board for considering this. He said it crystallizes for them how strong their partnership is with MRA and that they both value what the City does. It also helps them better understand the goals of MRA. They are excited about what lies ahead.

Brock thanked staff for reworking this in a way that is set up really well for the next three years. Since the last Board meeting, she was looking again at the 80-page appendix of the Midtown Master Plan Implementation Strategies and there are so many things that MEP will lead and do with MRA. She said so many pieces of URD III rely on the expertise of MEP and she feels so much better knowing that relationship is properly formalized in this way, not just with URD III but with all of the URDs.

JONES: I MOVE THE MRA BOARD APPROVE A THREE-YEAR CONTRACT WITH MISSOULA ECONOMIC PARTNERSHIP TO SUPPORT REDEVELOPMENT AND ECONOMIC ACTIVITY IN THE CITY'S URDS AT AN INITIAL \$100,000 PER YEAR WITH THE OPPORTUNITY FOR ADDITIONAL FUNDING REQUESTS IF MEP'S STAFF TIME IN THE URDS EXCEEDS PROJECTIONS, UP TO \$150,000. AT NO TIME WILL THE ANNUAL CONTRACT FUNDING EXCEED \$150,000 PER YEAR WITHOUT MRA BOARD APPROVAL. FURTHER, I MOVE TO AUTHORIZE THE REMAINING \$50,000 CONTRACT AMOUNT FOR FISCAL YEAR 25, AND FUNDING APPROPRIATIONS FOR FISCAL YEAR 26 AND FISCAL YEAR 27 MUST BE APPROVED ANNUALLY BY THE MRA BOARD, AND AUTHORIZE THE BOARD CHAIR TO SIGN THE CONTRACT.

Brock seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays, Reineking absent).

Englund noted this item was discussed very thoroughly at the last Board meeting and that is why it was approved so quickly today.

[Idaho Street Condominiums – Alley Paving – Inez to California Streets \(URD II / Ward 3\) – TIF Request \(Buchanan\)](#)

Buchanan said this is a project that has been in the works for a while and is finally at a place where it is ready to move forward. It is a proposal by Idaho Street Holdings LLC, represented by Dan Cederberg, to build 15 new residential units on a piece of property that is currently vacant. The property is bounded by Idaho and Inez Streets and the alley connects Inez and California Streets. One of the requirements to make the project approvable by the City is that an alley, which doesn't exist today, be constructed. Buchanan said numerous projects in the urban core have come to MRA over the years where alleys are non-existent, or in such disrepair except for having been platted, and MRA has been asked to pay for that public improvement. This is an example of that.

The project consists of seven two-bedroom units and eight three-bedroom units. They will all be condominiums that will be sold considerably below the median sales price in Missoula today. Buchanan said it hits a sweet spot the developers understand needs to be addressed and isn't always getting addressed. The smaller units are about 1,000 square feet and the larger ones are 1,400 sq. ft. Each unit will have a single car garage. The project has met all of the requirements of Design Excellence.

Buchanan said the funding request today is \$88,680 for improvements to the alley which will connect Inez and California Streets. The total project cost is \$7,261,324 which is a pretty good return on investment equaling a public to private dollar ratio of 1:82. URD II currently has \$1.6 million in unobligated funds and there is just over \$5 million in revenue coming into URD II. This project will not be a stressor on the District and it meets the goals of the URD II Strategic Exit Strategy of providing housing.

Cederberg thanked the Board for considering the project. He said MRA has done infrastructure improvements over the last couple of years which has encouraged development in the area. It fits in with the URD II Plan and has been approved by City Council and Planning Board. He said it is a good price point for new construction and they are looking to price the three-bedroom at \$494,900 and the two-bedroom at \$464,900. The City wants the alley connection so it ties in with the blocks on both sides. Cederberg said they currently pay \$6,400 in property taxes and estimates they will jump to at least \$30,000 (\$2,000 per unit) and maybe even \$40,000.

Jones asked if the condos are pre-sold. Cederburg said they hope to have their permit soon and will start construction on the California Street side. They will be listed for sale one at a time. Construction time is 18-24 months for full build out. Nugent said it is important to point out that this project is encouraging to development down the block and action the City Council just took on right-of-way vacation in the area for other development. Englund asked if they have to tear anything down on the California Street side. Cederberg said they will work it out to where they don't have to.

LAWSON: I MOVE THE MRA BOARD APPROVE THE REQUEST FOR REIMBURSEMENT FROM IDAHO STREET HOLDINGS LLC IN AN AMOUNT NOT TO EXCEED \$88,680 FOR THE CONSTRUCTION OF AN ALLEY FROM INEZ TO CALIFORNIA STREETS IN THE BLOCK BETWEEN IDAHO AND MONTANA STREETS AND AUTHORIZE THE BOARD CHAIR TO SIGN THE DEVELOPMENT AGREEMENT

WITH THE CONDITION THAT NO REIMBURSEMENT SHALL BE PAID UNTIL THE PROJECT IS COMPLETE AND FINAL INVOICES AND LIEN WAIVERS FOR ELIGIBLE ITEMS HAVE BEEN PROVIDED TO THE MRA STAFF.

Brock seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays, Reineking absent).

Opportunity Place Mixed-Use Redevelopment – 901 South 3rd Street West (URD II / Ward 3) – WHP & TIF Requests (Marchesseault/Gorski)

[MRA Power Point](#) | [ORI Power Point](#)

Marchesseault and Gorski presented this request for funding. Marchesseault said there are many pieces to this project and it is the first project staff is bringing forth for both deconstruction/site TIF and Workforce Housing Program (WHP) TIF. Marchesseault said she will present the deconstruction/site request and Gorski will present the WHP request. The development team was also present and includes Joshua Kendrick – Opportunity Resources Inc., Mike Bouchee – Bouchee Development, LLC and Jenn Clary – Encompass Design.

Marchesseault said this project involves deconstruction of a warehouse building and replacing it with 24 income restricted apartment buildings. The new construction will also include a commercial space that will house Opportunity Resources Inc.'s (ORI) "Artists of Opportunity" program and will include programming with local schools and artists. The property will have some green space specific to the apartments as well as other green space that is quasi-public but still privately owned.

The project is in URD II on 3rd Street with the Bitterroot Trail running along the edge of the property. The project layout has three separate legal lots that are being referred to as Condos. Condo 1 is the commercial building and associated exterior improvements. Condo 2 is the apartment buildings and associated exterior improvements. Condo 3 is the quasi-public green space at the southwest corner of the property.

Marchesseault said ORI owns and operates the warehouse facility today. It is used as their woodshop. In preparation for this new development, ORI is in the process of selling the woodshop to Tripp Lumber Company. They will take all of the equipment and employees and relocate to a new facility on the north side of town, continuing to operate the woodshop. Phase 1 would be to deconstruct the warehouse building and clear the site for construction. When that phase is complete, the development team will create a new ownership structure that would establish the 3 Condos. ORI will continue to own Condos 1 and 3. The new ownership entity, Opportunity Housing Partners LLLP (OHP), will own Condo 2. ORI will be responsible for the construction and management of Condos 1 and 3, while OHP will be responsible for construction and management of Condo 2.

Marchesseault said the TIF request for Phase 1 deconstruction/demolition and burying overhead utilities is \$559,277. Condo 1 TIF request is for demolition and site work in the right-of-way (ROW) for the commercial space and totals \$55,004. Condo 2 TIF request for

site work is \$315,285. The total TIF request for deconstruction and site work is \$929,566. Marchesseault said for funding structure and cash flow purposes ORI is requesting reimbursement for Phase 1 at the conclusion of the work of Phase 1. That amount of \$559,277 for Phase 1 could be paid when permits from the City indicate that work has been completed. Staff recognizes that MRA typically does not reimburse until the entire project is complete. ORI is proposing to offer the Condo 3 property to have a lien put on it through the duration of the project until the final project is completed and then the lien would be released. Staff asked ORI to establish a value for Condo 3 to help evaluate if that is a fair lien. The value is between \$555,540 - \$750,000. Staff feels that is an adequate lien.

Brock asked about the quasi-green space and what it would look like. Bouchee said it is a green space, almost like a pocket park, and will have some tables that folks in the neighborhood can use. Englund asked what is on the piece of the block that is not included in this. Bouchee said it is a Quonset hut that was utilized for cherry processing and selling lumber. They do not know what the property owner's plans are for it, although they suspect he has a redevelopment vision. He is no longer processing cherries and has moved his lumber sales to Mexico. The development team has had conversations with the property owner about housing and have shared their numbers with him and offered to work with him and redevelop the entire block with a unified vision. The property owner wasn't quite ready to move forward but is very supportive of what is being proposed.

Englund said it looks like the big cost of the \$929,566 TIF ask is for removal of warehouse buildings. Bouchee said that is part of it. Removal of the warehouse buildings is about \$250,000 and the other big cost in that is working with NorthWestern Energy to bury the transmission lines which is also about \$250,000. Bouchee said WasteLess Works is removing the buildings and they materials will be recycled, reused or sold and reconstructed somewhere else. All of the hardscape work will not go to the landfill. It will be taken off site, crushed and repurposed. Everything on site right now will be recycled in one form or another. Bouchee they have been working over two years to find a new home for the ORI woodshop and are working closely with Goodworks Evergreen which owns Tripp Lumber Company. Goodworks Evergreen is in the business of trying to save operating businesses and are currently managing and operating the woodshop business on site as they work to transition it to their site. Kendrick said their goal all along was to save the jobs of their consumers and Tripp Lumber will transition anyone who wants to work there.

Englund asked about the other big ticket item of curbs and sidewalks. Marchesseault said it is for the Condo 2 space. Right now there is a lot of asphalt with no good sidewalk. The contractor will remove the asphalt to be able to establish a curb line, install new sidewalks and on-street parking. There will also be landscaping in the public right-of-way.

Lawson asked if there is one contractor for the whole project. Marchesseault said yes. Lawson asked if the three condos will come with independent contracts. Bouchee said they are working with one contractor with a single mobilization which will have efficiency. They will build it as one project, but everything will be separate on the books between the two ownership entities and the commercial partner.

Brock said the number of pieces they have pulled together is impressive. She asked how many years it has taken. Kendrick said they have worked on this for three years now to pull

all of the pieces together. Marchesseault noted there are a lot of pieces and funding sources to this project. As stated in her memo, a key part of those is the state's Low Income Housing Tax Credits (LIHTC). The applicants won't know until October if they will get those credits. This TIF request is also a key piece of funding and they are coming to MRA sooner rather than later so they can have information to take forward with their other applications. Bouchee said they have submitted a Letter of Intent with the Board of Housing and they were invited to submit the full application. As part of that, they do need commitment letters from their other financing sources which is why they want to get things rolling. Bouchee said everything is contingent upon them receiving LIHTC.

Jones referred to the lien being offered as part of today's process and asked where it would fall with respect to other funding sources in terms of priority. Bouchee said it would be on an otherwise unencumbered portion. No one is concerned with the green space. She said they don't see the lien as being problematic to the other funding sources. Clary said it is exactly where they need it to be and it is a worthwhile piece of land. They feel it is a good trade. It doesn't encumber their closing. Englund said the lien is just on Condo 3. Marchesseault said that is correct.

Englund asked for more detail about "Artists of Opportunity". Kendrick said ORI has an art program and they are one of the first in the state to have a program for adults with developmental disabilities. They are talking about moving the location out of their Russell Street facility to the commercial space in this project.

Gorski transitioned to the Workforce Housing Program (WHP) component of the project which focuses on Condo 2. It includes 24 for rent units which will all be income restricted and serve households earning between 40-80% of Area Median Income (AMI). Gorski said the unit mix includes 20 units that will serve households earning 60% AMI. One unit serves households earning 70% AMI and one unit serves households earning 80% AMI. Two of those 24 units will fall below 60% of AMI. The workforce housing funding gap is just over \$1.5 million and is to support the 22 units of income restricted housing. Her memo includes the proposed rents which fall below the Missoula Organization of Realtor's average rent structure for similar bedroom sizes.

Gorski said MRA's WHP requires a 30-year affordability period and this project is proposing a 50-year affordability period. This is consistent with the Montana Board of Housing requirement for 9% LIHTC. There will be nine 1BR/BA units and 15 2BR/2BA units in the building. Each floor will include a common area and each unit will have a covered patio. Another public benefit that comes with this project is that eight of the rental units will be ADA accessible. The remaining units will be adaptable so they can be adapted to ADA accessible units, including adjustable/removable cabinets and clearances in the doorways and deck width. Gorski said the project will be environmentally sustainable and include all electric appliances and building systems as well as a focus on energy efficiency. It will be solar-ready so panels can be added at a later date. Gorski reviewed a site plan for Condo 2.

Reineking entered the meeting.

Gorski said the City's Community, Planning, Development and Innovation (CPDI) Department gathered housing data for their comprehensive plan update. It identifies an expected need of between 420-540 new multi-family units per year through 2034 to meet the needs of cost burdened households as well as population growth in the Missoula market. She added MEP hears regularly from employers that employees are having trouble finding housing in the Missoula market.

Gorski said the WHP request from ORI is for \$1,563,170. If approved today, it will be a reimbursement based on investment which follows typical MRA practices. It will be reimbursed after an occupancy permit is issued for the project, likely in the summer of 2026.

The development team gave a presentation. Kendrick gave a history of ORI. He said it was founded in 1955 and is one of the oldest non-profits in Missoula. ORI was founded by parents who were looking for something to do with kids with disabilities, because at that time they were told to put a child with a disability in an institution. The parents hired a teacher and started a school in the Fairgrounds, across the street from where the ORI building is now on Russell Street. Over time, kids were allowed into the school system, but some of them had aged out so that is when the parents started Opportunity Workshop. ORI has grown over time and have about 200 staff. Before COVID they had about 250 staff and Kendrick said he would hire 50 staff tomorrow if they had the applicants.

Kendrick said ORI had the first employment program in the state. Today they support over 100 individuals in their own jobs throughout Missoula. They also have contracts where they have crews and do a lot of work at the City. Along with employment, they do residential. ORI has 6 group homes right now and also support adults with disabilities in their own homes. They have support everywhere from 24 hours/day to once a week. They have over 170 people throughout the community in their residential programs.

Kendrick said ORI started the first art program in the state. Their art program has grown tremendously over the years and if this project goes through they would like their own gallery and classroom space. Their vision is to open it up to the community as well. Kendrick said their woodshop has been a money loser, but has provided great jobs and that is why they've held onto it. The partnership with Tripp Lumber has been amazing and they are able to save all of their clients' jobs with the partnership. Moving the art program will also create new jobs.

Kendrick said there are other providers like ORI around the state and they are watching to see how this goes. As stated earlier, they shrunk after the pandemic and are looking to grow again. There are a lot of adults with disabilities who need services and ORI needs to find a way to start growing again. He said a couple of years ago they were losing staff because of housing. More often than not, they have been able to catch up on salary and their average staff salary is over \$18/hr. They are losing staff to small towns in Montana and Spokane because of housing and because of that they looked at this property and great opportunity and reached out to Bouchee.

Bouchee said when ORI approached them about working on this project and developing the vision, it was a no-brainer for them. He thinks ORI is a gold standard non-profit in Missoula, statewide and nationally. They have cutting edge programming and a lot of what they do is

watched and copied by similar organizations. He said this is one more opportunity of being incredibly creative and having a vision and foresight to do something that will benefit the community. Bouchee said he and Clary are very excited about the project. It is complex with a lot of moving parts, but they have tried to achieve a lot of “feel good” things with it, starting three years ago with the woodshop. They wanted to save the jobs and keep it going as an operating business. It took a long time to find a good partner and good fit, but that is in place with Tripp Lumber and now their focus is the other components of the project. Bouchee said the project is all about economic preservation. They are saving jobs and an existing Missoula business which is very important.

Bouchee said assuming they are allocated LIHTC's in October, they want to be ready to immediately have the contractor mobilize in clearing the site. The Board of Housing will meet and make their decision the first week of October and they would like to begin clearing the site the second week of October, making it clear and ready for development next spring. He said very little will be going into the landfill with demolition, everything that is recyclable and reusable will be. Bouchee said the project is also economic development, not just preservation. They will be helping to create new jobs and a new business at the commercial site through the “Artists of Opportunity” program. There is also the affordable housing component which is huge to all in the Missoula community. To be able to help address this component and be part of the solution in Missoula repositions the site to a higher and better use.

Bouchee said along the way they have had incredible stakeholder support. They are communicating with everyone and getting out ahead of issues and trying to be good neighbors and partners. Response to this has been universally positive. They feel like they've hit on something pretty neat here.

Bouchee talked about the moving pieces and parts of the project and why it is structured the way it is. They have worked hard over the last three years to make it as smooth and seamless of a transaction as possible. The reason it is structured the way it is is because of the requirements through the Board of Housing, the requirements through their tax credit syndicator that will essentially own the apartment complex, and within the apartment piece they will form a new tax credit partnership that will build, own and operate the apartments moving forward for the next 50 years. They created the Condo structure because the commercial and apartment pieces have completely separate ownership and operation moving forward.

Bouchee said they applied for \$6.5 million in tax credits for the housing. In exchange for the \$6.5 million in tax credits they are estimating to receive about \$5.2 million in equity to build the project. He said this is one of the things that makes this project difficult and makes all tax credit housing projects difficult. There are a lot of headwinds in this industry right now that make projects difficult and tax credit pricing is one of them. Construction pricing and interest rates are also headwinds. Bouchee said he and Clary have been working with the contractor for well over a year on the design and value engineering to make sure they can build the best possible project for the least cost.

The total project costs are about \$10 million. The apartments themselves are \$8.4 million. One of the things Bouchee and Clary have worked through is a per unit total cost cap as

proposed by the Board of Housing. It is currently \$350,000 per unit. They are literally right at the cap and have had to do a lot of work to get to that number. Bouchee said last year nationally the average tax credit unit cost was \$412,000. He commended Clary and the design team for creating a fantastic building vision. Clary said this kind of a project can help turn a corner with the housing crisis with people of all abilities. There are 24 units of housing set up for people with disabilities. Eight are full-on ADA units while the rest are ADA adaptable. Clary said she has been a part of designing 2,500 units all over the northwest and has never seen a project be this supported.

Englund referred to the Sources and Uses on page 6 of the memo and asked what the "Mortgage" line item is. Bouchee said it assumes they have market-rate financing. They are working with Glacier Bank on a mortgage for the property and based upon what their operating income will be, that is how much they anticipate being able to qualify in terms of mortgage proceeds. He said they just received word last week from the Board of Housing that the Coal Trust Program does have some monies in it. The Coal Trust Program was created by the Legislature to provide mortgage funds for projects just like this. That program's current rate is 4-4.2% versus 7.5% market rate. Bouchee said they have been told by other developers to go ahead and submit an application for Coal Trust financing. If they are fortunate to be awarded that funding, they would potentially be able to qualify for more mortgage proceeds and will then have cost savings. He said it is an Easter egg as they move forward where they could have an additional source and decrease their costs. Englund asked if MRA's commitment would change if the Sources numbers change. Gorski said if there are savings as a result of Coal Trust financing or other low interest financing, or the credit pricing is more favorable than expected, they will do a reconciliation of the Sources and Uses at the end of construction and the TIF reimbursement may be lower. Bouchee added that the TIF funding is a source of last resort for them and they plan to maximize their other sources to the greatest extent. The gap left on the workforce housing side is what they will utilize. If they can utilize less than the \$1,563,170 that would be wonderful.

Englund asked where the enforceability is for the rents remaining affordable. Bouchee said it will be managed by the Board of Housing upon award of tax credits. They will use Land Use Restriction Agreements on the title of the property that will run with the property. It is a very detailed Agreement, and whether it is them or a future purchaser, they will have to run the property in accordance with the Agreement that will run for 50 years. The owner has to provide a report annually to the Board of Housing and there will be a Property Manager that knows how to run a tax credit project and do income verifications. Gorski said MRA has asked that the annual report be provided to CPDI to be kept on file.

Englund asked what percent of the units will be occupied by ORI staff. Kendrick said they won't be able to specifically put staff in there. ORI staff will have to go through the same process as everyone in the community and it is first come, first served. They hope to have a mix of folks throughout the community occupying the units.

Lawson asked for more information on the structure of Opportunity Housing Partners LLLP. Bouchee said it will be a tax credit partnership. There will be a limited partner who will be their tax credit syndicator and they will own 99.99% interest in the project as the limited partner because the credits have to flow according to ownership. The general partner will

have all of the management authority and will take all of the risk because they will have to provide guarantees operationally and development guarantees for the project. Bouchee said they submitted this as a “not for profit” project and they are eligible for that classification as long as ORI is a majority owner of the general partner entity. A syndicator may require that Bouchee be the managing member, given he will provide the most guarantees and has the experience in developing and managing these projects. Lawson asked when the tax credit investors take their tax credits out. Bouchee said it is over a period of 10 years. Lawson asked what control they will have after that period of time. Bouchee said one of the big issues they’ve highlighted as they’ve talked with syndicators is that their goal is the apartments end up back in the ownership of ORI. Whenever that time period comes, there will be an agreement with a purchase option in it so that ORI has the ability to purchase their interest before anyone else does. Bouchee said there will be a formula in the partnership agreement. The syndicator will not charge them a high rate or nearly as much as they would be able to get on the open market.

Lawson asked what they mean by “deferred developer fee” in the list of Sources. Bouchee said he and Clary, as the project developers, are entitled to charge a fee to the project that is established by Board of Housing rules and is a maximum 15% developer fee. They are not charging that much and coming in well under the 15%. The deferred fee is a source of funds where if they don’t have enough funding they can defer part of that fee and it essentially becomes a source. Jones asked if there was a contingency fee in the construction contract. Bouchee said they are carrying a 5% construction contingency in the proforma. They will be entering a Guaranteed Maximum Price contract.

Buchanan said this is a great project. She said Bouchee and Clary are very thorough and have a lot of experience. Englund asked Bouchee what his reaction is to the expenditure of \$1.5 million in public resources to keep 22 units affordable for 50 years. Bouchee said 50 years is a good number. There are a lot of projects that are 35 years. His biggest observation is to have so many units at 60% AMI is a big deal, and in the broader conversation of this WHP policy, how many different pieces have to come together to make it happen. Bouchee said it is a really positive and educational project and they wouldn’t be able to hit those AMI’s with just MRA at the table. Kendrick said one of the big things for ORI was pushing that AMI to the top and the bottom because their issue is their staff and clients who are at the top and bottom of that AMI. He knows more than just ORI have struggles with that. Bouchee said one of the creative things they did was utilize an income averaging approach on the tax credit side. Typically they are capped at 60% AMI for a tax credit project. In this case, they are utilizing a new income averaging approach that was blessed by the Internal Revenue Service (IRS) a few years ago. They hope to create a model other communities and organizations can follow to help develop affordable housing in the state.

Bouchee said there has been a lot of brainstorming with staff and attorneys on how to reduce the risk to the City. He said they are aware they have asked for what is an unusual reimbursement point at the end of site clearing. For them, there will be no project unless there is an award of tax credits. Nothing will happen in terms of costs or expenditures until that threshold is crossed. What they have asked is that they only be reimbursed contemporaneously on them closing on the credits and closing on the financing. In other words, in the spring they would close on the credits and the financing and issue a Notice to

Proceed to the contractor the next day. They will not be seeking reimbursement on the deconstruction until they know they are absolutely ready and moving forward on the construction component.

BROCK: I MOVE THE MRA BOARD APPROVE THE REQUEST FROM OPPORTUNITY RESOURCES INC. (ORI) IN AN AMOUNT NOT TO EXCEED \$929,566 FOR DEMOLITION/DECONSTRUCTION AND IMPROVEMENTS WITHIN THE PUBLIC RIGHT-OF-WAY, CONTINGENT UPON ALL RELEVANT PERMIT APPROVALS, AND AUTHORIZE THE BOARD CHAIR TO SIGN THE DEVELOPMENT AGREEMENT.

I FURTHER MOVE TO APPROVE THE REQUEST FROM ORI FOR WORKFORCE HOUSING PROGRAM CONSTRUCTION GAP FUNDING IN AN AMOUNT NOT TO EXCEED \$1,563,170 AND, IN EXCHANGE, DEDICATE 22 INCOME RESTRICTED UNITS IN THE PROJECT FOR 50 YEARS, RENTING AT 60-80% OF AMI, AND AUTHORIZE THE BOARD CHAIR TO SIGN THE DEVELOPMENT AGREEMENT.

I FURTHER MOVE TO APPROVE ORI'S REQUEST FOR REIMBURSEMENT OF PHASE 1 COSTS IN AN AMOUNT NOT TO EXCEED \$559,277 AT THE CONCLUSION OF PHASE 1, PRIOR TO COMMENCEMENT OF ANY CONSTRUCTION WORK, CONTINGENT UPON ORI GRANTING THE CITY OF MISSOULA A LIEN ON THE CONDO 3 PARCEL, WHICH WILL BE REMOVED WHEN ORI SUCCESSFULLY COMPLETES THE ENTIRE PROJECT AND RECEIVES FINAL CERTIFICATES OF OCCUPANCY FROM THE CITY.

Reineking seconded the motion.

Englund asked if the Development Agreement will break down the mix of AMI for the units. Gorski said it will. Bouchee said there will be 20 units at 60%, one at 70% and one at 80% of AMI.

Matt Sullivan asked about the development fee. He said if he understands correctly from the memo, it is a 9-10% development fee of almost \$1 million for this project, on a \$10 million project. He asked if he was doing the math correctly. Bouchee said the developer fee would be based off of the apartment Sources and Uses, so off of the \$8.4 million. The Board of Housing allows a 15% fee and they will be coming in under that. Sullivan said if he is reading the numbers correctly it looks like it's approximately almost 10% of \$1.5 million of developer fee. Bouchee said it is under \$900,000 on the developer fee. Sullivan asked if the TIF request would be any different if the development fee were less. He said industry average seems to be a 2-5% developer fee on these kinds of syndications. Nugent said he assumes the whole number is not all profit and is overhead costs of the operation. Bouchee said they are offsetting it with their development costs in-house. The developer fee also serves as a source of funding of last resort. To the extent there are any cost overruns on the project, it is the developer fee that will pay those. If there are any cost overruns it eats into that developer fee. The higher the fee the more financial protection there is for the project. Bouchee said he has worked in almost 30 states and every one he's worked in has a 15% fee.

No further discussion. No further public comment.

Motion passed unanimously (5 ayes, 0 nays).

FY25 MRA Community Investment Program (CIP) – Request for Approval Dunn)

Power Point

Buchanan presented the MRA FY25 Community Investment Program (CIP) request in Dunn's absence. Included in the CIP is the URD II Water & Sidewalk Network Program. Within that are the Washburn, Idaho, Montana & Catlin (WIMC) water and sidewalk project and the Birch, Maple & Sherwood sidewalk project. Other CIP projects, also identified in the URD II Strategic Exit Plan, include the Bitterroot Trail Lighting and Bitterroot Trail Montana Rail Link (MRL) Bridge. The Bitterroot Trail Lighting also includes funding from URD III and is in the final stages of design. As outlined in the memo, the FY25 CIP also includes the Kensington Avenue Water Project in URD III, Scott Street-Ravara Infrastructure & Workforce Housing in the North Reserve-Scott Street URD and Transform Brooks-Connect Midtown in URD III.

REINEKING: I MOVE TO APPROVE THE MRA FISCAL YEAR 2025 COMMUNITY INVESTMENT PROGRAM (CIP) PROJECTS FOR INCLUSION IN THE MRA FY25 BUDGET AND RECOMMEND CITY COUNCIL APPROVE THE PROJECTS FOR INCLUSION IN THE CITY FY25-29 CIP PLAN.

Jones seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (5 ayes, 0 nays).

FY25 MRA Preliminary Budget – Request for Approval (Dunn)

Buchanan presented the FY25 MRA Preliminary Budget request for approval in Dunn's absence. She said MRA's final budget is dependent on knowing taxable values, which are typically delivered the first week of August. The City sets its mills in late August while the other taxing jurisdictions finalize their mills in September. MRA revenue estimates are not final until it receives the final Mill Levy Summary report from the County in October. The FY25 Budget is based off of FY24 numbers until the final numbers are received. She noted MRA's administrative expenditures are paid from URD III because it is the healthiest URD. Those numbers are then reconciled at the end of the FY. Englund asked if the numbers automatically change as a result of today's Board action. Buchanan said they change every time a project is approved and are reflected in the monthly rainbow reports.

JONES: I MOVE THE MRA BOARD APPROVE THE FISCAL YEAR 2025 PRELIMINARY BUDGET.

Lawson seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (5 ayes, 0 nays).

NON-ACTION ITEMS

Proposed CIP Items Not Initiated by MRA

Gorski presented an informational update on projects that other departments are submitting CIPs for with MRA funding listed. Staff is not requesting approval of funding today, this is information only. When the project scopes and processes are final, those department staff will come to the MRA Board for approval. The Parks & Recreation Dept. proposed CIP item with MRA funding includes \$2 million for acquisition of a new neighborhood park in the NRSS URD at the corner of Shakespeare and Rodgers Streets. Public Works' CIP includes MRA funding of \$36,000 as a match for Phase 1 improvements on Scott Street in the NRSS URD. Public Works also has \$200,000 earmarked for final design of the California Street reconstruction project from Dakota Street to River Road. Parks & Rec also has continued planning for riverbank improvements on the Clark Fork River between the Bitterroot Railroad Trestle and California Street on their list. Funding will be matched by a plan to secure other grants and City funding for the partnership. There is also \$100,000 in match already approved by the Board for the Caras Park River Access Project. There are a number of matching sources for that project and it includes an ADA accessible path down to the river at Caras Park.

STAFF REPORTS

Director's Report

Buchanan noted the Ravara bond will be under City Council Committee Reports.

Due diligence is still ongoing for the property behind Bob Ward's.

Communications Update

MacPherson said staff has been doing a lot of public outreach and engagement. City staff have been participating in City Chats in the Parks this spring and are holding their third event on June 28th at Garland Park in the South Hills. She said she interacts with many people who don't know what tax increment financing is and is working on sharing information and inviting them to Board meetings where they can provide public comment.

FY24 Budget Status Reports

FY24 Staff Activities Reports (1/13/24 – 4/6/24)

COMMITTEE REPORTS

OTHER ITEMS

ADJOURNMENT

Adjourned at 1:03 p.m.

Respectfully Submitted,



Lesley Pugh