

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

October 21, 2009

FINAL

A meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held at the MRA Conference Room, 140 W. Pine, Missoula, MT 59802 at 12:00 PM. Those in attendance were as follows:

Board: Hal Fraser, Nancy Moe, Rosalie Cates, Daniel Kemmis

Staff: Ellen Buchanan, Chris Behan, Kari Nelson, Tod Gass, Jilayne Lee, Lesley Pugh

Public: Jamie Lockman, MRA Rep to the HPC; Aaron Hanks, Gavin-Hanks Architects; John Adams, OPG; Carrie Schreiber, 2204 Dixon; Dr. Christine White, ND, 2204 Dixon

APPROVAL OF MINUTES

September 9, 2009 Special Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

HPC Update from Jamie Lockman

Lockman said Downtown Missoula is now an official Historic District. She said the Ordinance will only apply to individually listed properties and they are going to remove the historic preservation from applying to districts. Lockman said the HPC is currently evaluating a Historic Preservation Plan and they are working on building a more pointed mission statement. Fraser asked Lockman what still needs to go forward for approval. Lockman replied the Ordinance with an amendment needs to go, but the amendment has not yet been written.

Buchanan said basically what happened was the Advocacy Committee of the MDA, jointly with members of the BID Board and members of MDA, met with Philip Maechling and Roger Millar to discuss the Ordinance. She said she thinks everyone supports historic preservation, but the biggest concern is that there are no standards by which the HPC or the Officer would judge projects other than by using the Secretary of Interior's general guidelines that are applied when doing historic tax credit projects. Buchanan said the fear is that there's not enough specificity in the guidelines. She said the Ordinance as it's written right now would apply to any building within an historic district. The compromise they came to is to apply it initially only to properties that are already listed or properties that have been deemed eligible for listing yet the owner has not chosen to ask for the listing. She said the only property this applies to Downtown is the block St. Francis Xavier Church is located on. She said the Diocese chose not to have the block listed. She said it would only apply to those properties until and unless there are specific design guidelines developed for those historic districts.

STAFF REPORTS

Director's Report

Old Sawmill District

Buchanan said MRA received an official notice from MRP that their initial effort with respect to the property is to try and buy it before the end of the year. The agreements MRP has with the Silver Foundation and the City of Missoula state that MRP has to give notice so many days before the end of the year of their intent to purchase, if that's their intention, or their intent to buy an extension. If MRP can't purchase the property then they'll pay for an extension. If MRP does move forward with purchase, Buchanan said MRA will have to finalize the shared parking agreements.

Fraser asked if the developers have any deadlines on losing entitlements. Buchanan said no. They extended their plat out to 2012. If they haven't done it by then, their right to buy is gone. Moe asked if 2012 was the deadline for them to purchase the property. Buchanan replied that's when their ability to buy extensions runs out. Moe asked if it affects the time for completing the development of the project. Buchanan said no. Discussion ensued regarding bonds.

East Front St. Parking Structure

Buchanan said there was a positive negotiation session with the Holiday Inn. She said they came to agreement on almost everything and are working through the signage they want on the parking structure.

Sidewalk Projects

Buchanan said Staff will try to get the sidewalk projects out to bid in January.

N. Higgins Project

Buchanan said this is on track. The project is currently with the DOT for review. Buchanan said the project is a little short on money but they are looking at ways to solve that problem.

Silver Park

Behan said construction has been stopped for many weeks. He said there were misunderstandings and they didn't get storm sewer permitting for the project. He said FWP strongly requests that there be a small rock structure underneath the water behind the boat ramp to allow an eddy so people can queue up as they're getting out of the river. He said the design would be similar to what FWP put in at Kona Bridge.

In addition to the above, Behan said there was a large discrepancy in the excavation quantities in the bid. He said Staff is talking with the contractor and the engineer, trying to figure out where some responsibility can be placed. He said a lot more dirt was excavated than what was quantified in the bid.

Behan said these issues have delayed Phase III which is completion of the trail and placement of the bridge across the irrigation ditch. He said this portion is partially funded with CTEP money. Behan said some of the problems they've had in the first two Phases will be fixed in Phase III because there will be a local construction engineer, Territorial Landworks, Inc., and they are also going to do some guided engineering with that contract.

Fraser asked if it was the engineer that missed the volume on the excavation. Behan replied yes, that was part of it. Fraser asked if there would be recourse. Behan said Staff is looking into why the contractor kept digging when they knew they were over, and Staff is looking at trying to find a solution that shares the blame. He said they need to figure out if all the material would need to have been excavated anyway.

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Moe asked if a solution has been found to protect the timber frame bench shelters. Behan replied they've found a coating and cleaning system available locally that comes closest to being able to get paint off porous wood without the coating impacting the appearance of the wood so much that it defeats the purpose of having it in the first place. He said the Parks Dept. is working on a combination of solutions and MRA Staff still needs to meet with them and make a decision.

Fraser asked if there are any ordinances that a camera system could be installed on bridges and parts of the trail. Buchanan said they've talked about this and there are ordinances. She said police recently caught the primary graffiti offender who is now up to felony level.

FY10 Budget Status Reports – URD II, URD III

Lee said the budget is still in flux and they're waiting for the mill levies to be adopted by the taxing jurisdictions. She said the County said they're having problems with uploading the information from the Dept. of Revenue into their financial systems and are hoping to get it fixed soon.

Lee said the auditors started work on MRA, but the City is behind with the change over in staff and so they've decided to hold off until the City is ready. They will wrap up the MRA audit at that time. Lee said the City decided to change the accrual period at the end of the year for tax increment receivables because the appraisal at the state level was pushed back this year. She said there was a delay in the tax bills which affects the revenue received for the bills.

ACTION ITEMS

2204 Dixon Ave. – TIF Request

Lee introduced the owner of the property, Carrie Schreiber, and the future tenant of the property, Dr. Christine White. Lee said Schreiber wants to convert her residential property to a commercial property so Dr. White can move her naturopathic clinic into the building. White's business is currently located on S. 2nd St. W. Dr. White shares the building and her business is growing, therefore she wants to move the clinic to 2204 Dixon and expand her business as detailed in Lee's memo.

Lee described the property and the renovation plans at 2204 Dixon. She said the change of use from residential to commercial requires that Schreiber provide adequate parking on site and connect to City sewer. Lee said total project costs are \$99,756. TIF eligible items, consisting of sewer extension and alley paving, total \$37,479. Non-TIF eligible item costs are \$62,277.

Lee said MRA previously approved a project done by Kelly Gregory at 2200 Dixon. Gregory took down a dilapidated house and put up two condominium units and a single

family residential unit. Both condominium units are up and are currently occupied. Gregory is waiting to put up the single family unit. Lee said part of Gregory's project was MRA reimbursing him for costs to pave part of the alley. He has an extension on his agreement until December 2009 and it doesn't look like he's going to get the alley paving done. She said Schreiber has to pave the entire alley as part of her project so if it's approved for her to have funding to pave it today then MRA will remove that portion from Gregory's grant.

Lee reviewed the 14 criteria for evaluating projects in URD III as listed in her memo. Moe asked what the number of new jobs would be. Dr. White replied two to four. Lee said the Staff recommendation is to approve tax increment financing in an amount not to exceed \$37,479 for the extension of the sewer to the property line and the alley paving.

Dr. White spoke about how she decided on this location. She said it's so hard to find office space that also respects the outdoor piece of her naturopathic business. She said there's an herb garden in the back that she uses products from to help heal her patients. Schreiber said the garden is about 30 ft. by 30 ft. and she's been working on it for the last five years. She said it's her love and that's also why she's inclined to put so much of her own money and effort into making it happen. Discussion ensued.

Kemmis clarified that the sewer main extension and alley paving are going to be required because of the change from residential to commercial. Schreiber concurred. Kemmis asked Schreiber if she was prepared to go forward without MRA's support. Schreiber replied yes.

Buchanan looked outside the project to the bigger benefits. She said with the challenges Missoula has with air quality, she thinks MRA should pave an alley any time it can. The same goes for eliminating septic systems.

Kemmis said he's struggling with the combination of the ratio between public and private. He said he didn't understand the larger redevelopment strategy MRA was getting into with this project. Kemmis said if redevelopment of the overall District ever gets done it's not going to be because MRA invested \$37,000 in a remodel and sewer extension in a small corner of it.

Moe asked about the other redevelopment project on the corner of Dixon and Schilling streets. Lee replied Kelly Gregory's assistance was about \$37,000. He built two new buildings with a third building planned so his investment was higher. Lee said the big picture is that MRA paid for a planning exercise for the area to the north which included Matz, Lambros and Beach. Lambros recently purchased the Matz property. She said if the Brooks St. Inn were to sell their property to the west for investment, whatever goes there will have to hook up to city sewer for commercial use and it would have to be brought down the alley. Extending the sewer will benefit new developers on that lot. Schreiber said the neighborhood is changing and Gregory's project helped give it momentum. Lee said Gregory's portion of the alley that was approved a year and a half ago by MRA Board is about \$2,500.

Kemmis said he's concerned about going beyond the rule of 10. He said he would be inclined to suggest that MRA approve \$10,000, which is 10% of the overall project costs. He said since the work will have to be done anyway, MRA can help in a way that it normally helps projects. Lee said the rule of 10 is just a guideline and it's not anywhere in MRA's program or state law. She said it was a good guideline in URD I in the early years when

there were a lot of eligible properties with limited tax increment. She said Buchanan's arguments are good as far as paving the alley and getting a property hooked up to sewer. Moe said when the Beach project comes before the Board and has its own unique set of circumstances, the Board has a duty to use MRA money wisely.

Schreiber said since a certain amount has already been approved for Gregory to pave the alley, she wondered if that could be added to her project. Lee said Schreiber's and Gregory's lots are each 60 ft. The current estimate to pave the alley is \$14,000 and if it's split in half, \$7,000 of it would be for Gregory's project at this point in time. She said she doesn't know where he got his estimates a year and a half ago of \$2,500, but that's what the number was in his application. She said that would bring Schreiber's request to \$30,479 instead of \$37,479. Discussion ensued regarding alley paving and MRA investment.

Fraser said getting rid of a septic tank and getting onto city sewer is worth some money in his book. He said if it's helping to get the business going and employing people he's willing to go half on that and put \$7,000 towards the alley. He said \$19,000 total is where he wants to be.

Buchanan said at some point she would like to have a discussion about the rule of 10. She said she suspects Lee was right in that it was instituted by the Board in the early days of URD I when there was a lot of need and not a lot of money so it allowed the Board a way to spread the money around. She said if that's something MRA wants to continue to do then Staff needs to filter it before it comes to the Board, unless it finds a compelling reason to not use the ratios. She said those ratios are not being applied with the URD III Façade Improvement Program. Buchanan said she wants direction from the Board.

Cates said sewer hookups are expensive whether it's residential or commercial. She said MRA should know how much it wants to spend on them because it's so important to do and so expensive. Kemmis said it's like a sidewalk situation where properties that happen to be in a District can be benefitted way out of proportion to what happens to other properties.

MOTION

MOE: I MOVE THAT THE MRA APPROVE TAX INCREMENT FINANCING REIMBURSEMENT TO CARRIE SCHREIBER IN AN AMOUNT NOT TO EXCEED \$19,000 FOR COSTS ASSOCIATED WITH THE EXTENSION OF SEWER MAIN DOWN THE ALLEY TO HER PROPERTY AT 2204 DIXON AVENUE AND PAVING OF THE ALLEY FROM SCHILLING STREET TO THE WESTERN EDGE OF MS. SCHREIBER'S PROPERTY. THIS MOTION APPROVAL IS SUBJECT TO SCHREIBER'S UNDERSTANDING THAT THE FINAL MRA REIMBURSEMENT IS MADE AT THE CONCLUSION OF THE PROJECT AND BASED ON ACTUAL COSTS PAID FOR ELIGIBLE ITEMS AS DETERMINED BY SUBMISSION OF PAID CONTRACTOR INVOICES DETAILING WORK PERFORMED AND MATERIALS USED. THE BREAKDOWN ON THE \$19,000 IS AN ESTIMATE OF \$7,000 FOR PAVING AND A CONTRIBUTION OF \$12,000 FOR THE SEWER EXTENSION, AND IN CONSIDERATION OF THE OPPORTUNITIES OF THIS DEVELOPMENT. Kemmis seconded the motion. 4 ayes, 0 nays. Motion passed unanimously. Englund absent.

Brownfields RLF Loan Agreement and Note – Request to Approve Amendment

Buchanan introduced John Adams, the Brownfields Coordinator for OPG. She said there was an initial \$1 million grant from the EPA for Brownfields remediation. MAEDC matched that with a \$200,000 required match so there was \$1.2 million in the original loan fund. The initial loan made to MRP for the cleanup of the Old Sawmill District property was \$1 million, with \$125,000 set aside for other projects. Buchanan said the first amendment to the loan amount was to add the \$125,000, which was approved a few years ago. She said the current loan is \$1.125 million. She said the only obligated funds to pay back the loan are the increment coming from the Old Sawmill District as undeveloped. Right now there's debt service exposure of around \$16,875 per year. Traditionally, she said there's been revenue of \$35,000 per year. With a reappraisal, the market value went up \$1 million and the increment revenue went up to \$38,490.

Buchanan said the City applied for and was granted an additional \$400,000 in Brownfields remediation money from the EPA. OPG put out a request for applications for the money and the only applicant was MRP to increase the loan amount and use it for methane and wood waste abatement. She said the City was going to put in for a portion of that to do the methane abatement for the parking lot, but MRP folded it into their application. Buchanan said the \$400,000 has been approved through the process to be loaned to MRP. It will be added to the old loan, but it's for very specific activities.

Buchanan said the numbers have been reviewed and there's still more than enough capacity to service the debt. It will go from \$16,875 to \$22,875 with the increased loan amount. She said the way the loan documents are set up, interest will be paid first and if there's any additional funding available it's usually paid on the principal which will be reconciled in January of every year. Fraser asked if some principal has already been paid down. Buchanan replied it will all be done at once. She said they'll catch up this time and then do it every January. Kemmis asked if the provision of the excess of the principal goes on throughout the term of the loan. Buchanan replied yes, but the way the loan is set up right now it's interest only until the 16th year from the Note, which is 2022. She said at that point, principal and interest will be amortized through the end of the District, which is 2031. Discussion ensued.

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Fraser asked if the interest that gets paid goes to MAEDC and the City. Buchanan replied it goes back into the revolving loan fund. Fraser asked if it can be loaned out to other projects. John Adams from OPG said the money has to be used for a Brownfields project. Moe asked if something will be done at the site. Buchanan replied the parking lot is being worked on and they expect the methane abatement under the parking lot will be repaid through the loan proceeds. Fraser asked if the parking lot will be done by June. Buchanan replied yes.

Buchanan said the process for approval is the same as it was in the beginning. Adams said the Brownfields Committee approved it and if the MRA Board approves it then Staff will do a referral to City Council.

Cates asked who was preparing the documents. Buchanan replied it will be Mae Nan Ellingson. Moe asked if the Board will be looking at the documents. Buchanan said she can transmit them to the Board if they want to see them. She said every time these have been amended they have restated the Note and destroyed the previous Notes because that's the obligation. She said they've done these amendments to the Loan Agreement and they are in

another document that says what amendment changes what sections. She said this will be the fourth time it's changed so they will be restating the Loan Agreement as well. Other than the first set of Agreements, Buchanan said she doesn't think the Board has looked at the actual legal documents. Moe said as a Board they have an obligation to review the documents. Buchanan said the Board doesn't review a lot of the legal documents MRA does. She said the City Attorney reviews them. Moe said she was okay with Ellingson doing the drafting and Jim Nugent doing the reviewing.

MOTION

KEMMIS: I MOVE THAT THE BOARD APPROVE THE INCREASE IN THE BROWNFIELDS RLF LOAN TO THE MILLSITE REVITALIZATION PROJECT IN THE AMOUNT OF \$400,000 AND FURTHER APPROVE THE ASSOCIATED MODIFICATIONS TO THE LOAN AGREEMENT AND NOTE AND THAT THE BOARD REFER THIS RECOMMENDATION TO THE CITY COUNCIL FOR APPROVAL. Cates seconded the motion.

Moe said she was in favor of the motion with the understanding that Jim Nugent reviews the documents.

4 ayes, 0 nays. Motion passed unanimously. Englund absent.

NON-ACTION ITEMS

COMMITTEE REPORTS

OTHER ITEMS

ADJOURNMENT

Meeting adjourned at 1:45 PM.

Respectfully Submitted,



Lesley Pugh
Secretary II