

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

March 19, 2008

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 p.m. Those in attendance were as follows:

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

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

Public: Shellan Miller, homeWORD, Inc.; Betsy Hands, homeWORD, Inc.; Sharee Fraser; Don MacArthur, MMW Architects; Colin Lane, MMW Architects; Justin Metcalf, Rocky Mountain Development Group, Inc.; Rick Wishcamper, RMDG, Inc.; Geoff Badenoch; Steve Loken, Loken Builders

APPROVAL OF MINUTES

February 20, 2008 Regular Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

COMMITTEE REPORTS

Director's Report

Old Sawmill District

Buchanan said the working group has reconvened. Staff has been working with the City's financial advisor, Springsted, to work through a reasonable financial structure for the project. She said they need to sit down with Kevin Mytty and Ed Wetherbee again about whether or not the project will be phased and how many phases there will be. Moe asked if there's still uncertainty because of the Riverfront Triangle. Buchanan replied no, it's more because of the market.

Moe asked what the status of the Performing Arts Center (PAC) is. Buchanan replied the City Council asked the Mayor to have the City's property at the Riverfront Triangle appraised. Also, with the issue of the possibility of a land swap coming into play, the Performing Arts Center is still in existence by default. No action has been taken to rescind it or extend it. Buchanan said the appraisal has been done but nothing has come back to the Council yet in terms of any kind of formal recommendation from the Mayor or the Police Department. Moe asked if the PAC has been raising funds in the meantime.

Buchanan said they're working on it and are not at all in hiatus. They have a Capital Campaign Committee and one or two Chairs.

Fraser declared a conflict with the Old Sawmill District because First Security Bank is entertaining some credit to the developers. However, he said the environmental is continuing and is an extreme concern and the movement of getting it done is an extreme concern. He said it may not get done until the end of the summer. Discussion ensued.

Change tape 2 s1/s2

Downtown Master Plan

Buchanan said the Downtown Master Plan is going well. Crandall Arambula will be returning in May. She said there are a lot of people engaged in the project. Fraser asked if fundraising was complete. Buchanan replied they're close and have about \$12,000 left to raise.

West Broadway Corridor Vision Plan

Buchanan said the field work is done on the surveying and MRA will soon be receiving a Certificate of Survey. She said the Plan has been referred to the Planning Board for consideration for adoption.

First Interstate Bank Project

Buchanan said they continue to work on the parking issue. She said the Parking Commission has decided that decking parking over the existing Riverfront lot will not work. They're in discussions with Macy's and the Holiday Inn to talk about building on the lot next to the Trailhead.

Affordable Housing Policy

Buchanan will be bringing options to the next Board meeting.

ACTION ITEMS

Wilma – Request for TIF Assistance by Rocky Mountain Development Group, Inc. (RMDG)

Behan requested direction from the Board on moving forward with the exterior of the building and the ability to use the financing mechanism as listed in his memo. Behan suggested the MRA deal with the exterior of the building rather than the interior at this point. Also, in dealing with the exterior, that it includes some sort of documentation for preservation and maintenance of the exterior and that the Development Agreement includes some statement for preservation and maintenance of the theatre and its uses to a broad spectrum of people. Behan said Staff recommends that MRA engage Dorsey Whitney to provide counsel in construction of the documentation to be sure the intent to any potential future bonding is met and documented.

Fraser asked Behan if he was estimating that increment generated would be \$50K-\$65K per year with what's already been done to the Wilma. Behan replied that would be the first year, as of January 1, 2008. Kemmis asked Behan if Staff was requesting other action aside from the Dorsey Whitney portion. Behan replied he would like direction

from the Board that they would like Staff to put together the documentation in the manner set forth in terms of the financing, if the Board decides to accept the Wilma project. He said he wasn't anticipating that the Board will approve the project today, but said it's possible. Fraser asked if the plan was for the item to come back next month for approval. Behan concurred. Fraser asked if there was enough information regarding the financials. Behan replied the request is for \$258,817 which is for a portion of the exterior.

Englund asked when the work will begin. Rick Wishcamper from Rocky Mountain Development Group, Inc. (RMDG) said the work is supposed to begin before the end of the week. Kemmis wanted to clarify that the current request is for permission for MRA to work with Dorsey Whitney and that Staff will bring back the item at a subsequent Board meeting with more detailed numbers and a request for approval of a dollar amount. Buchanan said this is a different way of doing business for MRA and Staff doesn't want to run up attorney fees or spend the time and raise expectations if this approach is something the Board isn't comfortable with. She said if the Board approves moving forward with Dorsey-Whitney then Staff will assume the Board is comfortable with the approach.

Cates asked if there's a note involved. Behan said they're trying to avoid the note because it would impact the future bonding. Behan said with the proposed way, not only is the process reduced, but they're also able to obligate the entire increment from the District for a subsequent bond. He said the Development Agreement will assure RMDG that MRA will be sizing any future bond to accommodate that payment.

Kemmis asked if MRA could budget for a project over more than one fiscal year. Behan replied it has happened in the past, one example being Western Montana Mental Health Center (WMMHC) which was budgeted over two years. Essentially, the mechanism for budgeting over more than one fiscal year will be done through the Development Agreement, not the budget.

Kemmis asked what the concept of the financing rate is. Behan replied the concept is that it will be a minimal rate that reflects their lending rate or less. It will be built into the budgeted amounts. Kemmis asked if the annual payments will be equal. Behan said he hoped they'll be \$50,000. Cates asked if there was any sense that the increment created by the Wilma will go back into the Wilma. Buchanan replied not 100%. Discussion ensued.

Englund asked for a timeline of subsequent discussions regarding the theatre. Wishcamper replied they're open to discussions at any point. He said Behan, Buchanan, Mae Nan Ellingson, Metcalf and himself have been talking about the possibility of a professional use easement on the theatre that would run with the property and add the theatre in perpetuity. He said these discussions have been tabled for now because the scope of work they would want in exchange for the easement is beyond this discussion.

Kemmis said he'd like to see the details of the Development Agreement before the project is approved. He said he was in favor of MRA working with Dorsey Whitney and seeing the Agreement at a future meeting.

MOTION

KEMMIS: I MOVE THAT THE BOARD AUTHORIZE STAFF TO ENGAGE DORSEY WHITNEY, LLC. TO PROVIDE LEGAL COUNSEL IN CONSTRUCTION OF THE DEVELOPMENT AGREEMENT, PARTICULARLY IN PROVISIONS ASSURING FLEXIBILITY IN FUTURE BOND RELATED ACTIONS, AND THE AMOUNT OF THE CONTRACT WITH DORSEY WHITNEY NOT TO EXCEED \$15,000. Englund seconded the motion. 4 ayes, 0 nays. Motion passed unanimously. Moe abstained.

Dakota Greens – Request for TIF Assistance

Gass said at the November 2007 meeting the Board approved a Proceed Without Prejudice to Steve Loken for the Dakota Greens Community Project. He said support is strong for the project and it's evidenced through donations and volunteers. Gass said Loken, other neighbors and city groups have agreed to utilize the Adopt-A-Park program through the City's Parks and Recreation Dept. where they will voluntarily take responsibility for maintenance of certain areas.

Gass said Loken's request is for TIF assistance to complete site prep work, purchase and plant vegetation, hydro-seed the native grass area, modify and expand the current irrigation system and relocate a wooden guardrail. Gass said the total project cost is \$45,170. Loken is investing \$5,413, he has in-kind donations of \$15,195 and will receive a Neighborhood Grant of \$3,000 contingent upon approval of tax increment funds. Gass said Loken is asking MRA for a TIF investment of \$21,562.

Change tape 1 s1/s2

Loken thanked the Board for looking at the project and said the investment will greatly enhance the area and has support from the neighborhood.

MOTION

ENGLUND: I MOVE THE APPROVAL OF URD II TAX INCREMENT FUNDS UP TO \$21,562 FOR IMPROVEMENTS RELATED TO THE DAKOTA GREENS COMMUNITY PROJECT, SUBJECT TO CONTINGENCIES CONTAINED IN THE MEMO TO US DATED MARCH 12, 2008. Moe seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

Silver Park Salvage Materials Purchase – Request for Approval

Nelson said Jennifer Anthony has been working to figure out exactly how much timber is needed for the bench shelters at Silver Park and this is last request to purchase materials from Heritage Timber to cover the amount needed. She said a future request to purchase logs salvaged from Bonner Dam to build the large arbor will come to the Board at a later date. Nelson said the Staff Recommendation is to have the Board approve \$7,420 to purchase the remaining materials to be used for the bench shelters.

Moe asked if there have been any fundraising efforts. Nelson replied yes, there are currently ongoing fundraisers. She said Anthony has been working with Geoff Badenoch and they have been speaking at several city clubs to get the word out. Badenoch said they have entered into an agreement with Home Resources and they are going to act as their project 501C3 so donations can be tax deductible. He said the project also fits within Home Resource's mission of recycling and reusing materials. Badenoch said the fundraising their working on is for the bench shelters. He said in order to sell the larger project, the arbor, they need to demonstrate to the community what the whole idea of using timber framing is all about. He said by having the three smaller structures built, and getting community involvement and support for those, they then can get support for the larger structure.

Kemmis stepped out of the room.

Buchanan said the one thing that may get out ahead of the certainty that the second piece will be successful is the request to go ahead and buy the logs. She said Staff has had discussions with the Park designer about the ability to incorporate those materials into the Park design if the large project fails. She said the response was that they absolutely could be incorporated, therefore MRA won't be wasting money. Moe asked if there will be a fundraising report tied in with the request to buy the logs from Bonner Dam for the large structure so MRA can know if it will be successful. Nelson said she can request that from Anthony, but the logs will need to be purchased before the fundraising is very far along. Discussion ensued.

MOTION

ENGLUND: I MOVE THE APPROVAL OF AN AMOUNT NOT TO EXCEED \$7,420 TO PURCHASE THE REMAINING MATERIALS NEEDED FOR THE CONSTRUCTION OF THE TIMBER FRAME BENCH SHELTERS IN SILVER PARK FROM HERITAGE TIMBER. Cates seconded the motion. 4 ayes, 0 nays. Kemmis absent.

Kemmis returned to the room.

Equinox Project (Former Liberty Lanes Project) – Request for TIF Assistance by homeWORD

Behan said at the June 19, 2007 meeting homeWORD came to the Board with a project at the former Liberty Lanes site. At that time, they received a Proceed Without Prejudice for some infrastructure things they needed to do prior to submitting a formal application. Behan said within days of their presentation there were housing issues that affected the original project that was presented. He said the 2nd portion of the project with the private developer, Phase II, has been pushed off as a phase rather than being incorporated into the entire project. He said most of the infrastructure and demolition costs are front end type costs associated with what they need to do as soon as possible to build the affordable portion, Phase I.

Behan said the request to MRA from homeWORD for doing most of the infrastructure, trails, etc. is roughly \$553,000. Behan said Staff would like guidance from the Board on where to go with the project. He said the project meets the goals of the District and where the community is going in terms of housing. He said it also includes the kind of architecture MRA is trying to promote in all of the Districts. Behan said it's a great project, but Staff keeps running up against the requested amount and how to proceed. He said MRA can do a project of this size, but the Board needs to decide if it wants to. Behan said it would represent between 1/2 to 3/4 of the contingency in URD II to do it as a standard project or it would be about 2/3 of the annual tax increment income. He said right now homeWORD is unable to commit to Phase II because they don't have a private developer to work with.

Behan said his question to the Board is whether or not they want to venture into a project of this size with the risks that are involved in terms of its future taxability. Buchanan added that this project changed significantly recently with the shift in the housing market. She said the only piece that's certain is the affordable piece and Staff has been working with homeWORD for almost two years trying to find a way to make it work.

Cates said one of the policy things to think about now is getting the infrastructure done on the front end so it's ready when another project comes along for the market rate portion. Don MacArthur from MMW Architects said one of the large costs is from a required water main extension which is \$150,000. He said all the stuff along the trail frontage will be done in Phase I and it will immediately connect through under the Russell St. bridge and there will be access to a park that's owned by the City. Behan added that MRA has a history of taking pieces of riverfront improvements and then working to connect them. He said that's certainly a large piece of this project.

Fraser said the affordable housing is important and realizes that Phase II is very complicated and problematic. He said it's important that MRA brainstorm to figure out how to do the affordable piece. Also, he said the location is a high priority for MRA and a lynchpin site to get something going along the Russell St. corridor that starts to get what MRA wants to see done there.

Betsy Hands from homeWORD said one of the reasons this project is phased is because there's a ticking time bomb in terms of completing the low income housing tax credits. She said when the subprime market crashed they had to rebid and refinance the project which delayed them getting certain documents completed. Hands said they were able to receive \$0.97 credit which is 10% above market. She said she thought homeWORD was able to get this because U.S. Bank was not overly invested in subprime markets and U.S. Bank really wants to work with homeWORD and in Missoula. She said U.S. Bank has seen the market continue to nosedive and have told homeWORD that if they don't meet their deadline and get a commitment from the City then that pricing will go away. Hands said they're not only subject to the financing piece for Phase II, but looking at Phase I to see if it's feasible. She said it's feasible as long as they can maintain the \$0.97, which is equal to about \$500,000 more than what they'd get if they went out into the market today. Hands also talked about homeWORD's creative financing.

Moe asked if all of the funds that have been talked about were actually committed so MRA knows the project will happen. Hands replied everything is committed, minus the MRA. Moe said she wants to see a list of the financial figures.

Change tape 1/tape 2

Kemmis asked if Staff was just seeking direction at this point. Behan replied he felt that Staff initially needed direction on whether or not the Board wanted to move forward with such a large project. Kemmis said he was under the impression that homeWORD needs to know today whether or not MRA will commit to the project. Hands replied they need to know by sometime in April. She said their closing is in May. Behan suggested having a call meeting.

Cates asked what amount of funds MRA gave the WMMHC. Behan replied it was a grand total of around \$100,000. In that instance, Behan said the City ended up with a series of easements. One for a trail, one for irrigation/water/well and another for a new water line.

Cates said the City is making affordable housing its priority now and said everyone's watching to see what it will mean. She said she's not sure what it will mean, but it's not unusual that it will mean something at MRA and that MRA will pony up to put financial assistance into making affordable housing work. She said she doesn't mind doing this for the City, but wondered if the City will step up to do its part. She wondered if there was any way to leverage MRA's commitment. MacArthur said they've been in discussions with the Office of Planning & Grants to make sure they're fast tracked through the process. He said they're meeting with each of the departments prior to their application submittal. Discussion ensued.

Moe asked for a better understanding of what needs to be done to make Phase II viable. Hands replied they're currently working with a private developer to learn about feasibility and planning of the site from a developer's perspective. Shellan Miller from homeWORD said as far as timing, they can't hold onto the parcel forever, but said if the improvements are made they will add to the parcel's value which will be a good thing. Fraser asked for homeWORD to bring back information on the long term situation if Phase II doesn't get sold or built. Also, he wanted to know how homeWORD will handle the value MRA put into it when they partner up with a developer so MRA knows it's getting its fair value so that it isn't a give away to a developer. Moe also asked how long homeWORD can afford to hold the parcel without development. Hands replied they're working with an affordable housing foundation to negotiate to keep the terms favorable. She said they can hold it for at least another year.

Kemmis said he's very glad MRA has the opportunity to move into affordable housing. He said the fact that MRA can capture some possibilities along the riverfront makes him willing to think about putting in a larger share of funds than he would otherwise do. He said there's clearly a limit and MRA needs to make sure it has the resources to continue work on West Broadway.

Englund asked if there could be a condition that the rest of the site has to be developed so that it pays taxes. Behan replied there can be, but figuring out what the remedy would be if they didn't might be a problem. He said he would like to work in that direction, possibly with a payment in lieu of taxes.

NO ACTION WAS TAKEN ON THIS ITEM. A call meeting was scheduled for April 4th.

Capital Improvement Projects for FY09-FY13 – Request for Approval

Nelson reviewed the projects in MRA's CIP for the coming five years. She said the CIP projects are the same as last year's and the only number that's changed is for Silver Park. She said the number has been refined as they've come to know more about the details of the project.

Nelson said the Staff Recommendation is for the Board to approve MRA's 2009 Capital Improvement projects for inclusion into the City of Missoula's 2009-2013 Capital Improvement Program plan.

MOTION

CATES: SO MOVED. Moe seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

NON-ACTION ITEMS

STAFF REPORTS

OTHER ITEMS

ADJOURNMENT

Meeting adjourned at 1:45 p.m.

Respectfully Submitted,



Lesley Pugh
Secretary II