

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

December 7, 2011

FINAL

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

Board: Nancy Moe, Ruth Reineking, Karl Englund, Rosalie Cates

Staff: Ellen Buchanan, Chris Behan, Jilayne Lee, Tod Gass

Public: Ed Wetherbee, Millsite Revitalization Project; Gary Hughes, First Security Bank; Ginger Palm, OZ Architects

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

None submitted

PUBLIC COMMENTS & ANNOUNCEMENTS

Cates asked about the MRA Director's review process. Englund said it's underway and there should be something before the Board in January.

Behan said City Council approved the MRA Board's recommendation to approve exclusive negotiation rights to Hotel Fox group. Englund asked what the Interim Agreement would do. Behan said it would address access to property, insurance, schedules, calendars, and a list of discussion points for the Development Agreement. Moe suggested the Board carefully select the members of the Fox committee because the Millsite developers would like to get that committee going again too. Discussion ensued.

Reineking thanked Behan for his preparation for the Administration and Finance committee meeting and the Board members that were involved in reviewing the Hotel Fox material.

Cates said she looked at the Elbow Room project. She said it is really nice. Behan said they hoped to be open by New Year's.

ACTION ITEMS

First Security Bank – Catlin Plaza (2501 Catlin) – URD III TIF & FIP Requests (Buchanan)

Buchanan said this project came to the Board the first part of this year. Stan Zimet, OZ Architects, brought it to the Board for a Proceed without Prejudice, which was approved. Buchanan said they are asking for assistance under the Façade Improvement Program. There have been several conversations over the past year regarding its design. She referred the Board to the renditions of the design process in her Staff memo.

Buchanan highlighted the façade design improvements that have come about since the original proposal. Buchanan said the Bank has committed to spend a considerable amount more than they anticipated. They are spending \$209,518 on the Catlin Street facade.

Staff is recommending reimbursement of \$50,000 under the Façade program and \$3,522 of Tax Increment Financing (TIF) funds for curb and sidewalk replacement on Catlin Street.

Ginger Palm, OZ Architects, said originally the building was not very appealing at all. The new design makes it more welcoming, safe and appealing to pedestrians. Gary Hughes, First Security Bank, said he is responsible for working with the architect and contractor. He will be putting a lot of focus on the landscaping to try and soften the hardscape of the building.

Buchanan said this project is a poster child for what MRA was trying to do with the Façade program.

Moe asked under the list of criteria, what energy efficiency improvements were done. Buchanan said the remodel included a layer of rigid insulation and a second skin over that. In addition, the Bank has added awnings and trees to help with solar gain.

Moe asked how wide the sidewalk is in that location. Palm said it is five feet. Hughes said it is only about eight feet from the sidewalk to the building along the Catlin facade.

Moe asked about the drive-thru. Palm said the drive-thru is on the other Bank building to the south. Hughes said they added an elevator to access the basement and second floors since there are tenants in the building. The elevator helps them meet ADA requirements.

MOE: I MOVE THE STAFF RECOMMENDATION WITH THE UNDERSTANDING THAT THE BANK UNDERSTANDS THAT REIMBURSEMENT IS MADE AT THE CONCLUSION OF THE PROJECT UPON REVIEW AND SUBMISSION OF DOCUMENTS REQUIRED BY STAFF PER MRA POLICY.

Reineking seconded the motion. Motion passed unanimously.

Cates asked about the policy regarding landscaping under the Façade Improvement Program. Buchanan said the new policy states MRA could pay for part of the cost for landscaping if it exceeds what the City already requires, if a landscaping plan is submitted and approved by the Staff and/or Board and the landscaping is irrigated. Discussion ensued.

Riverfront Triangle Parking Study – TIF Request (Behan)

Behan said in his history with the Fox site, one consistent theme has been parking. Specifically, what will we do with parking when we develop the site? Currently we have a project that has been proposed and fits with the Master Plan's recommendation for density, etc. Parking is one of two major obstacles outlined in the Riverfront Triangle Urban Renewal Plan for development of the site. MRA staff met with St. Patrick Hospital and Missoula Parking Commission (MPC) to discuss doing a parking study. It was proposed that the Hospital would pay for half, and MPC and MRA would pick up the rest. The MPC Board agreed to pay for one-quarter of the cost and hoped MRA would fund the other one-quarter.

Behan said St. Patrick Hospital will require some additional work that is pertinent to their parking issues only and so they will pay for those additional \$7,500-\$8,000 charges. The working group is proposing to hire Dennis Burns to do the study.

Most of the property in the Riverfront Triangle URD is not being taxed. The tax increment MRA has in that fund is about \$20,000. MRA anticipates receiving about \$4,000 in December 2011.

Staff recommendation is to participate in the study in the amount of \$14,250 and to work with the other parties to find ways to reduce MRA's contribution if possible.

Reineking asked how long the study would take. Behan said about two months.

Englund asked what MRA would get as a product. Behan said MRA hopes to answer the following: How is it functioning now? How does that fit with traditional modeling with existing and proposed development? Assuming those developments, what can MRA do to address any issues?

Moe asked what the boundaries of the study are. Behan said the Clark Fork River, Orange Street, Spruce Street, and the railroad tracks.

Changing Tape – tape 1, side 2

Moe asked Behan how he thought this would help the Hotel Fox group. Behan said they know they will have parking underground on the site but if they are doing large events, they will need to know what other opportunities are in the area for parking.

Discussion ensued about the timing of the study, how it might be helpful to Hotel Fox at this time and what parking is being used by the Hospital now in the District, etc. Behan reviewed the parking sites being used by the Hospital that are in the URD.

Buchanan said one of the things that precipitated this was that Jeff Fee was on Fox Site RFP Review Committee. When MRA got two great proposals for the site, Roger Hobbs and Jeff Fee started talking about whether both projects could be done in the District. One of the deterrents to the development of both is what to do with the Hospital's existing parking. Buchanan said the Hospital has never done a parking analysis or study and none of their existing parking is managed. Buchanan said she hopes the study will recommend how to manage the parking north of Broadway in an efficient enough manner to take pressure off the parking in the District. This will allow redevelopment of some of that property. Buchanan said the Hospital needs to know what their real parking demand is with all of the changes in the medicine field.

Moe asked if MPC will be looking at doing another parking structure. Behan said he thought MPC has always looked at the Riverfront Triangle area as the next possible location for increased parking.

CATES: I MOVE THAT MRA APROVE UP TO \$14,250 IN TAX INCREMENT FUNDS AS A CONTRIBUTION TO FINANCE THE PARKING STUDY WITH THE REST OF THE LANGUAGE IN THE STAFF RECOMMENDATION AND FURTHER DIRECT STAFF TO CONTINUE TO WORK WITH THE OTHER PARTIES, SPECIFICALLY IF THE PARKING COMMISSION HAS ENOUGH MONEY TO PAY TWO-THIRDS OF THAT, THEN I THINK MRA SHOULD ASK THEM TO DO THAT, AND MRA PAY ONE-THIRD.

Reineking seconded the motion. Motion passed unanimously.

NON-ACTION ITEMS

STAFF REPORTS

Director's Report

Gass said the URD II Western Sidewalk project is done. The URD III Brooks Street sidewalk project is nearly complete. There are only a few items left to do in the spring.

Cates asked about the white reflective stakes. Gass said those are delineators and will remain in place. Buchanan said those were put in at the request of the bicycle groups for safety. Buchanan said MRA will put out its own bid package for the landscaping/street tree segment of a portion of these sidewalk projects in the spring. Staff felt the engineer's estimate was too costly.

Buchanan said the Downtown Master Plan Urban Streetcar Study process is underway.

Buchanan said the abatement work on the Old Sawmill District is moving forward. A lot of wood waste has gone to Eko Compost to be converted into growth medium and/or compost. The big pile out on the site is gone. Buchanan said Millsite Revitalization Project (MRP) is under some hard, onerous deadlines. MRP's deadline to exercise their option to purchase the property is February 16th. If they notify Silver Foundation that their intent is to purchase, they have 30 days to do so. MRP is required to notify the City 60 days earlier of their intent, so by December 16th. If they notify the City that they intend to purchase the fee, they are irrevocably obligated to do so. If MRP notifies the City they are not going to buy, then the City has the option to buy it and must notify the Silver Foundation by February 16th and close within 30 days. This would give the City ownership of the fee but MRP would still own the lease. The City could continue to build Silver Park but couldn't do anything with the remainder of the property because MRP would have control. There is a one year period after purchase that allows either MRP or Silver Foundation to purchase it back from the City as long as the City recoups all costs invested.

Buchanan said Staff has had discussions with Kevin Mytty and Ed Wetherbee, MRP and Helena McClay, MRP's attorney. Currently, there is a gap in the funding for the rest of the clean-up of \$190,000-\$250,000. There has been discussion about another loan from the Brownfields RLF program but there is no capacity left in the increment being generated from the Millsite to service that debt. Buchanan said there is short-term ability to service it because currently MRA receives more than the interest payments due annually. MRA will pay interest only until year 16 of the Note, so through 2021. At that time, principal and interest are amortized over the remaining ten years of the district. When MRA entered into the Brownfields agreements, the property had an appraisal value of \$8.9 million cleaned up and marketable, but not platted and subdivided. Considering what has happened with property values in the last 2-3 years, Buchanan doesn't feel there will be enough capacity in the latter years, if nothing else happens out there, to even service the existing debt for the clean-up. Buchanan felt this was ok, since all of the Brownfields agreements acknowledge and recognize that the loan may never be fully serviced. Buchanan said this is fine and is kind of the purpose of the Brownfields money. The money comes from the EPA for risky projects and may or may not get replenished in total.

Buchanan summarized that although MRA may have enough money today to put a little more towards servicing a loan, she couldn't recommend to the Board or City Council that MRA should increase that debt burden. What is currently coming from the property cannot service the additional amount.

Buchanan said there is the gap in the clean-up funding and the other issue is assurances MRP would like from MRA in order to move forward with an agreement with the Silver Foundation to purchase the fee. Buchanan said it goes back to the chicken and egg issue; infrastructure versus development that would create the revenue to service the cost of that infrastructure.

Buchanan said one of the things discussed at the workshop was there had been some discussion initiated by the Mayor that the City might be in a position to build the Wyoming Street connection and service that debt through revenues generated by the district as a

whole, rather than increment generated by development on the site, which was the original model. Buchanan said the Board has reviewed the capacity of URD II and what has been invested in the Millsite's 45 acres from URD II since 2004.

Wetherbee said MRA and MRP discussions have focused on the significance of having some indication that there is interest in doing things on the site. He discussed a letter they have received from a local architect expressing interest in relocating to the Old Sawmill District. Wetherbee said they are also working on the financing for a multi-family/retail/office mixed use building. Wetherbee said it's really hard to get things moving if there is not a commitment that the infrastructure, Wyoming Street in particular, will be there. He said there are several stakeholders involved and it's hard to make three-way negotiations work if everyone doesn't come together in the middle somehow. MRP continues to work with the Silver Foundation but Wetherbee felt that discussion would go better if there was some expression on how we are going to get Wyoming Street done.

Wetherbee said in the financing discussed earlier, it included funding for Silver Park and completion or rework of the trestle. He said he wasn't sure if all of those needed to be done right away. Wetherbee said MRP has these agreements with critical dates next week and over the next couple of months. He said it's hard for folks to make big financial commitments without knowing what the plan is going to be.

Cates asked Wetherbee what he was asking for. Wetherbee said MRP didn't have a specific request now; it's in discussion. Wetherbee said they'd like to get Wyoming Street built through the process and an agreement on how the TIF bonds would be issued over time. Over the years there has been a lot of discussion about that but MRP is taking a very conservative view of things and wants bonds to get issued as things are built. This would be backing in the financing and as things get built and could support the debt, the TIF bonds would be issued.

Cates thought MRA couldn't do those bonds in succession. Buchanan said the model MRP has shared most recently is that for every \$10 million invested in vertical development, it would support debt service on \$1.2 million in tax increment bonds. She said the assumption is if MRA can figure out a way to get Wyoming Street built, then CTA or others could come and build a \$10-12 million office building. Then MRA could issue bonds on the tax increment revenue generated to build the next phase of infrastructure.

Wetherbee said backing up, there are a lot of project costs for infrastructure, site improvements, etc. involved. MRP was originally invited in on the basis that the City would find the money to do the remediation and infrastructure up to \$2.5 million. There were several different models and numbers discussed from \$7-12 million in project bonds. There were challenges in determining how those bonds would be issued and guaranteed and who would buy them and so forth. Wetherbee said as time went on there were significant delays in how the remediation was going to take place. He said we were all under the misconception that it could be done in 18 months. He said what we've learned is it's about a year-long cycle to get approval from DEQ for next phase and then additional time is

needed for applying for grants and putting the money together. Wetherbee said it's been about a four year process for six soil remediation sites and the methane abatement.

Wetherbee said the \$7-12 million number is still out there and those items need to be covered but in the mean time, MRP has contributed another \$4 million to bridge some of that gap. He said MRP is now modeling a number of \$9.5-10 million of project bonds that are necessary, after you subtract reserves, etc., to cover about \$8 million of project costs. In such a bond, there would be about a \$1 million reimbursement from MRP to the City for Park improvements. Wetherbee said he thought the construction of Wyoming Street would be about \$2 million.

Cates asked if Wetherbee was referring to building construction when he refers to project bonds. He said "project bonds" is a definition that has been used throughout several documents and they mean TIF bonds. Wetherbee said it's been somewhat of a moving target, but taking a conservative interpretation for example, a \$10 million building could service the debt on a \$1.2 million bond over the remaining life of URD II. Another building valued at \$20 million after construction could service a \$2.4 million bond.

Changing Tape – tape 2, side 1

Cates asked about the change in bond model. Buchanan said the issue with the large project bonds that were contemplated was that there needed to be reasonable assurance there was going to be capacity to service the debt. Without a commitment to constructing buildings there is no assurance. Cates asked if MRA could get assurance now. Buchanan said the new model is tied to more tangible construction. Discussion ensued. Doing several small bond issues is not very efficient financing since there are administrative costs each time. Since they would be private placement bonds they are a little cheaper; the bonds were never going to be able to be sold publicly.

Wetherbee said under the original big project bond model, MRP was going to get reimbursed for all the eligible costs it had incurred to date. He said they were going to use that money to buy the land. Wetherbee said under this model, MRP would be in it for all invested to date, plus taking on the \$2.5 million of financing to buy the land. By not taking the money back right away, MRP is helping bridge this interim gap, which is why MRA and MRP could do the bond financing as development occurs. He said Buchanan is correct, from the beginning, they've said if the bonds can't be publicly sold, then MRP was going to have to borrow the money to buy the bonds.

Cates asked Wetherbee again what MRP was asking for. Wetherbee said a commitment to issue bonds from URD II, probably for \$2 million, to build Wyoming Street and make minimal improvements to the trestle. In addition, a commitment from MRA to issue tax increment project bonds as development occurs and can support the debt service.

Buchanan said if MRP exercises their option to buy the property, the City is obligated to pay them \$663,000 for the Park land and \$226,500 for parking rights. Buchanan said they have discussed with MRP the scenario of forgiving the \$663,000 and \$226,500 if the City

constructed Wyoming Street. A \$2 million bond issue would be needed for Wyoming Street and short term improvements to the trestle and it would have to be serviced by the revenues from the district as a whole.

Wetherbee said it would be great if some money could be put into Silver Park at the same time to get it looking more useable. Buchanan didn't think there was an easy middle ground; once you put in irrigation, you have the start of a park. Buchanan said the fundamental issues are:

- How much URD II capacity do we put into the Millsite
- As construction happens, does all of the increment generated stay within the project or does some of it go back to the district as a whole for its investment.

Buchanan said these are political and economic questions. She said it appears the Silver Foundation may have drawn a line in the sand on purchase timing. Discussion ensued.

All agreed nothing was going to get done by December 15th. Buchanan suggested getting the working group together. Wetherbee said MRP will give MRA notice next week that meets its requirements under the agreements. Buchanan said if MRP's notice to the City by December 15th says they will not buy the property, nothing precludes them from reversing that if everything falls into place. February 15th is the hard deadline; MRP has to notify Silver Foundation of intention to buy or not; and if not, the City has to notify Silver of its intentions to buy or not. Discussion ensued.

Cates and Kemmis were on the working group before. Cates said she is out of town December 15-22nd and January 8-22nd. Buchanan said she would see if Kemmis is available. Englund suggested getting some other City officials involved, i.e. the Mayor and Bruce Bender. Buchanan said she would ask Ed Childers to be involved again too. Discussion ensued.

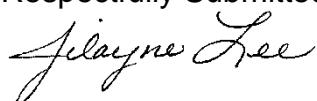
Cates said she didn't think there were any more public funds to service an additional Brownfields loan. Wetherbee said what's being proposed by the Committee is that MRP would pay it back. He said in the absence of any bigger plan, it's hard but not impossible for MRP to step up and say they'd pay it back over time.

Budget Reports – URD II; URD III – No questions.

ADJOURNMENT

Meeting adjourned at approximately 1:25 p.m.

Respectfully Submitted,



Jilayne Lee