

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

April 22, 2015

FINAL

A **Special** 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 10:00 AM. Those in attendance were as follows:

Board: Karl Englund, Daniel Kemmis, Nancy Moe, Ruth Reineking, Melanie Brock

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

Public: Peter Lambros, Southgate Mall Developer; Jeremy Keene, WGM Group, Martin Kidston, Missoulian; Andrea Felton, Citizen; Kate Dinsmore, WGM Group; Jeff Maphis, JCM Architects; John Engen, Mayor; Dale Bickell, Central Services Director

CALL TO ORDER

10:00 a.m.

APPROVAL OF MINUTES - None

PUBLIC COMMENTS & ANNOUNCEMENTS

Kemmis said geese have nested on the island on the Clark Fork River near Brennan's Wave for years. He said when Brennan's Wave was built he was afraid the geese would not return, but they have. Kemmis said on his way to the meeting today he saw a pair of goslings so the geese are back.

ACTION ITEMS – None

NON-ACTION ITEMS

Strategic Planning

Jeremy Keene, WGM Group, said he and Peter Lambros, Southgate Mall Associate, wanted to present ideas on how to develop the future of the Southgate Mall area and discuss ways on how to move forward. Lambros said ideas for the Southgate Mall area

have been worked on for the past decade. He said the number of indoor shopping centers is starting to decrease and it appears that trend will continue and that nationwide those malls that do not keep up with shopping preferences are starting to fail. Lambros said now is a great opportunity to start making some positive changes to the Southgate Mall area and be proactive. Lambros said many tenant lease agreements are tied with other lease agreements and a clause is included in most agreements which states if an anchor tenant leaves or if more than 15% of the shopping center becomes vacant then the lessee has the option to break the lease. This stipulation in shopping center leases is why a center can fail so rapidly once decline begins.

Lambros said the dynamics of retail have changed over the last decade. He said the internet plays a major role as well as the nature of an enclosed shopping center. Lambros said people now have an emotional connectivity to street fronts and good urban development, which is lacking in enclosed shopping centers. He said mixed use attracts people and traffic. He said people are tending to live near their services. Lambros said we really need to reinvent the mall area so that the mall isn't just a place for people to shop for back to school clothes, for example, but a place that people can go to on a daily basis for their needs and wants. He said the area should be desirable and include not only clothing and other retail but also a place to buy groceries, a place for entertainment, restaurants, park areas, specialty stores, etc. Lambros said streets should have sidewalks and bike lanes so people have transportation options. He said the trend is to have outward facing store fronts to really urbanize an area and to also provide a pedestrian friendly streetscape. Lambros said another important component is to be visible from major streets. He said the Southgate Mall is not visible from Brooks Street and does not connect to Reserve Street. Connectivity, he said, has been a goal for a number of years. Lambros said Southgate Mall Associates have acquired the Dahle's Big & Tall Building, Paxson Plaza, Val-U Inn Hotel, and Curley's Broiler to help create that visibility. Lambros said there is need for neighborhood connectivity and wants the City to be involved in making that happen. He said rather than having a ring road around the mall that surrounds large parking lots, the vision is to transform it to an urban streetscape that will connect people to retail and service destinations. Lambros said Sears recently has been closing their stores nationwide. He said the closing of the Sears store in Missoula is being looked at as an opportunity to start making this vision a reality.

Lambros said today the Board is being asked to consider this vision and what it would mean to Southgate Mall's ability to be something special in this community rather than looking at this later when it becomes a problem. He said he would like the Board to consider the Southgate Mall vision with sense of urgency for two reasons. For one, because there are potential tenant opportunities now that he couldn't elaborate on at this point, and two, because we are in a unique economic environment where interest rates are very low and tenants are doing well. Lambros said he hopes the City will see the value of investing in infrastructure and to really look at the long term goal of neighborhood connectivity.

Keene said the different urban uses that Lambros talked about (entertainment, shopping, park area, groceries, restaurants, etc.) creates foot traffic which benefits the District as a whole. Even though the Southgate Mall itself is not part of District III, it is at the core of the District and could create livability and desirability.

Keene said the mall is undergoing some changes and they have started to integrate outward facing areas such as the main entrance near Red Robin. Keene showed a few photos of what the future of Southgate Mall could look like with outside-focused uses such as water features, outdoor seating, markets, restaurants, etc.

Keene said land use and infrastructure was looked at when the Urban Renewal District (URD) III Needs Assessment was being worked on and emphasized that the rail corridor really stood out. He said the rail corridor can provide some of the best development opportunities but can also bring some of the largest challenges in terms of making an area a place where people want to invest for residential use. Keene said there are unique features in District III such as the Bitterroot Branch Trail which will become a world class trail with the upcoming trail extension from Missoula to Lolo and the South Reserve Trail Crossing. He said the trail is an asset and will provide connectivity from all over Missoula and south of Missoula. Keene said Mountain Line's high frequency bus route is to be implemented within the next few years on Brooks Street. He said in terms of transportation, people will be able to drive, take the bus, walk and bike to this area so the idea is to create an urban street network around the mall rather than just a ring of parking lots surrounding it. Keene said there is a need for collector street networks and one option is to extend Johnson Street to provide a connection to Dore Lane, which in turn will make a connection to the South Hills. He said extending Mary Avenue will provide access between Reserve Street and Brooks Street. Keene said Johnson Street and Mary Avenue are not major traffic streets like Reserve or Brooks Streets but would help alleviate traffic pressure on these major streets and provide some internal circulation in the neighborhood. Keene said the way the market is now, the opportunities support creating additional commercial uses at the Southgate Mall and putting in additional services such as entertainment, which will help support future residential phases. Keene said Southgate Mall Associates have taken steps towards that goal and have acquired land south of Bob Ward's Sports & Outdoors as well as entered into development partnership agreements with other landowners in that location.

Keene said phase one would be focused around the old Sears parcel, i.e. improving access and transportation networks, adding new services and entertainment, and creating a new face on Brooks Street that is highly visible and is a catalyst for redevelopment. Keene said phase two would start to address the area around Bob Ward's and establish a north/south collector network (extension of Johnson Street). He said phase two would also include extending Mary Avenue across the railroad tracks. Keene said there are about two blocks of Mary Avenue that are not within District III's boundaries. He said amending the District boundaries might be something to consider in the future for phase three to include the blocks of Mary Avenue as well as other side streets. He said right now Mary Avenue is a mixed use street and predicted that the

same types of uses would continue to develop along this street. He said phase four would begin creating residential opportunities and develop underutilized land and make it into a walkable neighborhood where people want to live.

Keene said the goal is to complete some of the utility work this fall. He said some of the utility lines will need to be relocated in order for new development to occur. He said the anticipated plan is to have some of the building construction complete by January 2017. Moe asked to what buildings he was referring. Keene said the buildings in phase one, which include repurposing the Sears building by keeping the shell and dividing it up for multiple tenants. This section of phase one is not within the current District boundary. Keene showed an aerial photo of Southgate Mall and surrounding area and pointed out the area that is excluded from District III. He said one of the challenges is that a large portion of the work that will be done and the increment that it will generate is not within the District. Englund asked if the proposal is to modify the District boundaries. Keene said as part of the discussion today, Southgate Mall Associates would like to know how to move forward and whether the Board and staff have an interest in modifying District III boundaries. He said he feels there are portions of the mall area that could be considered blighted. Keene said the definition of blight includes missing infrastructure, lack of transportation network, issues with parking lots, etc. But with that said, the District boundary can't split one ownership parcel. Keene said one opportunity could be to include Sears into the District since Sears was purchased and is its own parcel. Buchanan said there is language in State statute that allows tax increment to be used to not only eliminate blight but to prevent blight. She said nationally, malls are failing and unless action is taken proactively then Missoula could have a larger issue to deal with later.

Englund asked why the mall was excluded from the District when it was originally created. Behan said in addition to Southgate Mall being left out of the District there are many jagged boundary lines around District III. He said some neighborhoods just simply didn't want to be a part of an urban renewal district and be considered blighted, which is a concern with any district. Englund said the decision to cut out the mall section of the District seems like it was a political decision. Englund said the Lambros family was very instrumental in getting District III going and instrumental in letting folks know an urban renewal district wasn't a bad thing. George Lambros felt so strongly about having a district in this area that he suggested excluding the Southgate Mall from the District if others felt his business was being self-serving. Englund said things have changed since then and suggested the idea of adding the entire Southgate Mall area into the District rather than piecemealing parcels into the District. He said the whole area seems blighted.

Kemmis asked if the State statutes provide for changing boundaries just to make a district work better. He said between blight being present and the prevention of blight, he said he thinks prevention of blight is a strong argument to include the whole Southgate Mall area.

Mayor John Engen said the larger picture is recognizing the interest in retail and commercial activity in Missoula. Mayor Engen said he recognizes the value of calling the Southgate Mall area a “place”. He said Missoula is a place where people want to live and stay and that is one of the reasons for the development and major corporations in South Crossing. Mayor Engen said he was present when the Southgate Mall had their grand opening. He said in the 1970s a mall was a great alternative to a then dingy downtown. He said interests change over time and the mall model is not the preferred model any more. Mayor Engen said he has seen more retail interest in Missoula in the last two years than the ten years before that. He said this is a great opportunity for the City of Missoula and an opportunity to reclaim increment. Mayor Engen said these are city streets that Keene and Lambros were speaking of and feels the City has an obligation to provide street networks to the citizens. He said the notion of preventing blight is significant.

Moe asked if the decision is to include the Southgate Mall area in the District, should the five blocks between Agnes Avenue and Livingston Avenue also be included. Buchanan said she thinks those five blocks should be added if or when Southgate Mall is added. Mayor Engen said if Southgate Mall is added to the District, it will not only provide increment but, more importantly, will allow the opportunity to do the work and improvements. He said Southgate Mall Associates have already made a significant investment to improving this area.

Buchanan said the mall has intentions of creating a “place” and is in the position of being part of a healthy district. She said she has discussed extending the life of the District with City Council because of the South Reserve Street Trail Crossing and the intent to issue bonds. Buchanan said she plans on meeting with City Council again soon to talk about the pros and cons of extending the life of the District. She said if the City Council is reluctant to extending the life of the District, then the question of whether to expand the District to include Southgate Mall and to move forward with design is answered. Moe said she understands City Council would have to approve the bond, which would extend the life of the District; but asked if City Council would also need to approve expanding the District boundaries. Buchanan said yes, expanding the District would need City Council approval. Englund asked what the process is to expand the District. Buchanan said it would be very similar to creating a new district as far as determining findings of blight and amending the urban renewal plan. She said there are areas within the Southgate Mall footprint where conditions of blight exist; while other areas may not show blight. MRA would have to make the case that blight is being prevented. Englund asked if the work that is required for finding blight and making a case for preventing blight would be contracted out or done internally. Buchanan said most likely internally because of time constraints. Englund asked what the estimated time frame would be to complete the work. Buchanan said the work would take about six months which would include scheduling public meetings. Englund asked if a request to expand the District would be made from the Mayor’s Office. Buchanan said a joint request from City administration and the Southgate Mall Associates would be appropriate. Englund said the Board’s role is to administer MRA activities and feels a request is needed.

Englund asked how Mary Avenue would extend over the Montana Rail Link (MRL) railroad tracks. Keene said MRL provided a letter permitting the crossing.

Kemmis asked when the Johnson Street extension fits into the plan. Keene said he wasn't quite sure. He said the key for Johnson Street is to replace parking which either means acquiring additional land for surface parking or building structures. He said expanding the District to include the Southgate Mall property could provide the ability to build those structures in the future. Keene said there would need to be conversations about parking since the parking around the mall was built at a different ratio than what is actually being used. He said some tenants require more parking than other tenants.

Lambros said the cost of land acquisition and redevelopment greatly exceeds the economic sense of doing everything discussed today. He said the types of uses that are attractive now are "anchor drivers". He said an anchor driver is the popular store or specialty grocery store or entertainment venue that people think "that's a cool place". Lambros said the anchor drivers are great for today but what the discussion has been based on is the investment in attracting the uses that provide the scenes for the next generation of development. He said the Southgate Mall Associate's commitments and plans are hopefully forthcoming, but won't be a reality without the City's support.

Kemmis said today's discussion is a little ironic because the Missoula Redevelopment Agency exists mostly because of Southgate Mall. He said tax increment financing in Montana mostly exists because of Southgate Mall; because of the effect the mall had on the downtown and the response to it. Kemmis said it is satisfying to see that this Agency has developed so much experience and maturity that it is in a position to respond to what seems to be a really creative way of thinking about how to move the mall into the next phase of its existence. Kemmis thanked Lambros and Keene for a great presentation.

Behan said the Lambros family worked tirelessly in the 1970s to convince the State Legislature to add tax increment financing to the urban renewal laws so the Missoula downtown could have a chance to re-invent itself.

Englund said if the plans and designs move forward with the Southgate Mall property, then what happens to the downtown. Mayor Engen said he thinks the idea discussed today compliments the downtown. He said he continues to be amazed with the changes in downtown Missoula and the investment that continues to occur downtown. Mayor Engen said downtown Missoula is a product of the work done by the Missoula Redevelopment Agency and the Downtown Master Plan. He said the financial mechanism and the planning efforts that took place, suggest the downtown is a great place to invest and there is a plan for the future which makes the downtown very strong. Mayor Engen said downtown Missoula is strong and vibrant and continues to attract investment for residential and other development. He said he thinks the same idea for the Southgate Mall property will complement the downtown and visa-versa. He said both places will have their own vibe and he said he sees people spending time at the

mall and downtown. Mayor Engen said for years the trend has been based on walkability and he supports the changes proposed for the mall area. He said there have been several positive changes in District III as a whole. Mayor Engen said a large amount of work has been done downtown and feels that the timing is right to make some positive changes to the Southgate Mall property.

Reineking said since District III was created there have been several nationwide economic problems including the most recent recession but the economy now has improved greatly. She said interest rates are low and people are investing. She also thanked everyone for working together for so long and for Keene and Lambros for working with staff long before presenting a proposed action item to the Board.

STAFF REPORTS - None

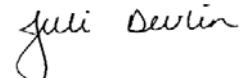
Director's Report - None

Budget Reports - None

ADJOURNMENT

Meeting adjourned at approximately 11:30 a.m.

Respectfully Submitted,



Juli Devlin