

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

July 16, 2015

FINAL

A **Regular** 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, Nancy Moe, Daniel Kemmis, Melanie Brock, Ruth Reineking

Staff: Chris Behan, Jilayne Dunn, Tod Gass

Public: Colin Bangs, developer; Dave Edgell, developer; Mark Edgell, developer; Joe Easton, Jackson Contractor Group; Martin Kidston, Missoulian; Sara Stevenson, developer; Heather McMilin, Homeword; Bob Moore, citizen

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES – May 20, 2015 Regular Board Meeting approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

Reineking said the Hal's Walk presentation was wonderful and she congratulated Chris Behan for all of his hard work on Silver Park. Behan thanked everyone involved and for Englund's kind words at the presentation. He said he was very surprised to receive the plaque.

ACTION ITEMS

Stevenson Building – 2141 McDonald (URD III) – TIF Request (Gass)

Gass introduced Sara Stevenson. Gass said Sara and her husband Mathew are developing a project at 2141 McDonald Avenue at the intersection of Brooks Street and McDonald Avenue. Their intention is to construct a three story office building to provide space for Mathew's expanding law firm. The site was previously occupied by Farmers Insurance Group, which had been operating out of the residential structure on the site which had been converted to commercial use. The insurance company

relocated in June of 2014 and the property has been vacant since. The original residential structure was built in the 1930s and has been expanded several times over the years and last updated in 1967. The residential structure as it exists today is limited in its use as a commercial building. The developer's intention is to demolish the existing structures on the site and construct a modern three-story office building.

Construction of the Stevenson Building will involve the demolition of the current structures, and removal of concrete, asphalt and a large fir tree. The project maximizes space on this small odd shaped lot. The plan includes a 1500 square foot main floor footprint with the upper floors cantilevered to allow about 2500 square feet on both the second and third floors. The right-of-way (ROW) of the Brooks Street corridor will be improved from the street to the back of the building with a landscape scheme that is designed for low water use and low maintenance using drip irrigation. There would also be landscaping within the site and in the parking lot as required by the City. The project cost is estimated at \$841,000.

There is a statement from the developers attached to the staff memo, which gives their vision for the property. Gass showed the Board elevations of the proposed development and stated that the design makes good use of glass, metal and wood materials for the façade.

There is a solid concrete wall with no penetrations along the Brooks Street elevation that houses the mechanical and HVAC equipment, etc. Gass said the current zoning allows for a future building to be built up to the property line on the adjacent lot so fire codes dictate a fire separation wall. This is similar to the Garlington, Lohn and Robinson building in downtown.

Gass said he met with Sara and Ellen Buchanan and discussed options for the façade on the solid wall portion of the building. Gass said the developers are interested in taking the theme from the rest of the facade and wrapping it around that side of the building to break up the fire wall. Gass said he put a contingency in the recommendation that the design elements for that Brooks Street frontage be acceptable to the staff.

Elements that are eligible for TIF assistance include demolition, site clearing and the improvements to the public right of way. The criteria for tax increment financing are reviewed in the staff memo. Gass highlighted a few of the criteria. The project is located on a major arterial street. Upon full valuation it is estimated that the project will pay about \$10,000 in taxes with approximately \$6,675 being tax increment. The additional increment would provide payback for the request in about four years, which is under half of the 10 year payback guideline MRA has used in the past. The TIF request is about 3.5% of the projected project cost, which equates to a ratio of 1:29 public to private funds. MRA has used a ratio guideline of 1:10 in the past. The new space will allow the law firm to add one full time attorney and probably two paralegal positions.

Gass said there are existing sidewalks on both sides of the project, so modification would be minimal. However, the MRA's Brooks Street Improvement Project calls for a 10-foot wide sidewalk in front of this project. Current plans for landscaping on the project site include shale rock material and large decorative boulders, trees and native grasses. Gass said he thinks this project will serve as a model for maximizing space in the Brooks Street corridor.

Gass said the developer included a letter of financing commitment from Opportunity Bank of Montana and they already own the property. Element Architects of Seattle, WA is the architect. They have contracted with a local, reputable contractor. Timeframe for completion is February 2016.

Gass said staff recommends the MRA Board approve TIF assistance in an amount not-to-exceed \$29,377 for eligible items including demolition, site clearing, and right-of-way improvements related to the Stevenson Building in URD III, contingent upon the Developer submitting final designs or architectural renderings depicting facade treatment and materials for the Brooks Street and McDonald Avenue sides of the building that are acceptable to MRA staff. The recommendation is made with the understanding that the TIF assistance will be a reimbursement to the developer upon successful completion of the project as evidenced by the issuance of a Certificate of Occupancy from the City of Missoula, and that the final TIF amount shall be determined by paid invoices submitted by the developer to MRA for the eligible items described in the Staff report, and authorize the Board Chairman to sign the Development Agreement.

Sara Stevenson said she wanted the board to know that nothing about the building will be white. There are several material options for the concrete wall façade. The cage or the exterior egress will use the patinaed metal elements. Stevenson discussed the façade options on the wall. She liked the idea of wrapping the tower structure with cedar elements, for example and extending a band across the back of the building with similar elements. Stevenson provided some examples of what façade materials might be used.

Brock asked if they were going to lease the space or use it all for the law firm. Stevenson said they could potentially lease the third floor but the law firm doesn't want to share signage so they would need to find a tenant that doesn't need any or needs very minimal signage. Another option would be to turn it into a residential loft and sell or lease it. Another option is to leave it unfinished and let a potential future owner build it out.

Moe asked about the landscaping. Stevenson said they were thinking more minimal landscaping similar to the Missoula Federal Credit Union. She said she was thinking low water, native grasses and decorative rocks. Stevenson said the new sidewalk would be widened to 10 feet in that area so there would only be a small area of landscaping. Moe said she would recommend as part of a motion, that the right of way plan or landscaping plan go before the MRA staff for approval. Gass said City Forester, Chris Boza, would be reviewing the landscaping plans for the City but MRA staff would want to see them also.

Kemmis said he appreciates the effort of the developer to improve the look of the back wall/Brooks elevation, but he wondered if there were more creative approaches in other states to address these situations. Gass said there probably won't be a building erected on the adjacent lot in the foreseeable future.

Stevenson said their architect had relayed to her that in Palm Springs, there was an example of adjacent owners agreeing to windows, etc. and then paying to fill those in if they build right up next to the building.

Behan said the City uses the International Building Code. He gave some examples of how building walls near lot lines were addressed downtown. Behan said there could be no build agreements or easements, or installation of fire-rated window glass, etc.

Englund asked about the third floor and whether it would be built or not. Stevenson confirmed they will build the third floor.

MOE: I MOVE THE STAFF RECOMMENDATION WITH THE ADDITION THAT THE BOULEVARD AND RIGHT OF WAY LANDSCAPING PLANS BE REVIEWED BY AND ACCEPTABLE TO THE STAFF.

[STAFF RECOMMENDATION: MRA Board approve TIF assistance in an amount not-to-exceed \$29,377 for eligible items including demolition, site clearing, and right-of-way improvements related to the Stevenson Building in URD III, contingent upon the Developer submitting final designs or architectural renderings depicting facade treatment and materials for the Brooks St. and McDonald Ave. sides of the build that are acceptable to MRA staff, with the understanding that the TIF assistance will be a reimbursement to the Developer upon successful completion of the project as evidenced by the issuance of a Certificate of Occupancy from the City of Missoula, and that the final TIF amount shall be determined by paid invoices submitted by the Developer to MRA for the eligible items described in the Staff report, and authorize the Board Chairman to sign the Development Agreement.]

Kemmis seconded the motion. No further discussion. No public comments. Motion passed unanimously (5 ayes, 0 nays)

Arby's – 2900 Brooks Street (URD III) – FIP Grant Request (Behan)

Behan said Joe Easton is here representing the franchise owner, Carisch, Inc. for work associated with the renovation of the Arby's restaurant located at 2900 Brooks Street. Behan said Arby's last updated its façade in the 1970s; they did some painting in 1990s and they now want to do some substantial updates. He said they want to do a complete remodel inside and out with the assistance of the Façade Improvement Program (FIP). They expand seating area, modernize the exterior, replace the roof, add windows and replace the landscaping.

Behan went on to say that the existing building exterior materials include painted concrete block and EIFS (Exterior Insulating Finishing System) artificial stucco panels (pictures attached). The building also has a large, metal covered, mansard or overhanging roof. Entry to the building and parking layout do not meet current accessibility codes. The parking lot is also inefficient and does not include landscaping to meet present zoning codes.

The project includes removal of the mansard roof and installation of functional awnings along with replacement of much of the exterior with brick, concrete block, and actual stucco. Window area is to be expanded to promote a more pedestrian scale and cleaner aesthetics. Within the interior, the seating area will be expanded to include the current outdoor tables on the east side of the building and there will be a general interior and exterior remodel to current Arby's décor and upgrade of machinery and equipment. The entryway, sidewalk, and parking will be reconstructed to meet current codes and standards. Landscaping will be expanded and changed to enhance the business' presentation from Brooks Street and exterior lighting will be replaced with Dark-Skies Ordinance compliant fixtures. The total cost of the improvements is estimated at \$770,000.

Through the Façade Improvement Program (FIP), the MRA Board may approve TIF grants up to the lesser of 25% of the total project cost or \$50,000 (whichever is less) to reimburse an applicant for eligible façade improvements. The intent of the program is to provide business and property owners with assistance to afford a greater level of improvement to façade areas. In this case, the developer has requested \$50,000. The overall plan for this project matches the FIP criteria very closely.

Without FIP assistance the project would be scaled back to include fewer windows and would rely on less permanent materials.

Moe asked if the trees would be removed. Joe Easton said the tree that hangs above the drive-through would be removed. Moe asked about the triangle shaped pieces of property near the building. Easton said the triangle with the billboard is not owned by Arby's.

Behan said this project meets the letter and the intent of the FIP program.

Easton said the building was built in the 1970s. In the 1990s the larger addition was added. Other pieces of the project include improving internal sidewalks, energy efficiency, and bringing the design up to Arby's current national standards.

Behan said the owner would like to start construction in two weeks and construction would take 60 days. The footprint of the building is not being expanded except for the dining room, which will be extended into the current outside seating area under the roof.

REINEKING: I MOVE THE STAFF RECOMMENDATION.

[Staff recommends the MRA Board approve a Façade Improvement Program grant of up to \$50,000 for this project and authorize the Board Chair to execute the related documents. Staff makes these recommendations with the understanding that final costs will be based on paid contractor invoices provided by the applicant and other standard criteria contained in MRA's development agreements.]

Brock seconded the motion. No discussion. No public comment. Motion passed unanimously. (5 ayes, 0 nays)

Scott Street Village – 1225 Rodgers Street (North Reserve/Scott Street URD) – TIF Request (Behan)

Behan introduced the project. He said this project coming in at the start of a new district. Edgell Building & Development, Inc. is acquiring the former Clawson property at the corner of Scott and Rodgers Streets, just north of the White Pine Sash property. The prior use of the property was construction of building trusses and then moved to emphasizing door and window frames. Clawson had some issues beginning with the economic downturn and ended up filing for bankruptcy about a year ago. This is certainly one of the most visible intersections on the east end of the North Reserve / Scott Street (NRSS) district. The proposed project entails construction of single and multi-family residences and takes advantage of this location on the edge of the already established Northside neighborhood. Edgell has worked with Hoffmann Morgan & Associates, to design the residences to reflect styles found in long-established Missoula neighborhoods. Edgell has used these designs in other successful developments around the city.

In addition to the deteriorating vacant buildings on the site, some major blighting influences include lack of utilities and that currently landfill truck traffic goes by the site so there is a desire to separate or shield that traffic from the proposed new residential area. Most of the utility extensions, e.g. water, sewer, power and gas, need to be completed in the project's first phase, which includes construction of 28 units of affordable, entry-level housing. There are three phases proposed.

Behan said he has looked into the tax generation for the project and predicts \$50,000 would be generated by phase 1, which is conservative. He said First Security Bank is financing the project. Staff met with the developers and the Bank to discuss the options for financing the tax increment eligible elements. Behan said if this project is approved, staff would move forward with financing discussions with the Bank.

Collin Bangs provided an overview of the project for the Board. He said they are waiting for the Master Plan for the district to be completed before starting construction since there is still a question of what to do with the truck traffic.

Bangs has been a realtor for 43 years, a partner with Edgell for 20 years and on the Board of the Missoula Housing Authority (MHA) for the last seven years. He wanted to discuss affordable housing with the Board. He said the difficulty in Missoula is there is a gap between the “affordable” housing needs that agencies like Homeword and MHA are able to address, and the cost level of housing developed by the private sector which must sell for \$250,000 and up. This gap is essentially entry-level or so-called “work force” housing.

Bangs said entry level housing is an issue for residents in Missoula. For retirees, owning a home is part of their retirement investment. Studies show that children who stay in one area and don’t move around do better in school, are involved in less crime and have fewer psychological problems. Home ownership is also good for the community because people who own their homes become invested in their community and get involved. Bangs said it’s getting more and more difficult to own a home in Missoula. Currently, 45% of homes are owner occupied and 55% of residents are renters. The annual Missoula Housing Report shows statistics and trends. If Report’s affordability index shows the median family of three could afford a \$173,000 house. Unfortunately, the median priced house in Missoula was \$225,000 in 2014 and \$235,000 so far in 2015. Bangs and Edgell have been looking for places to go to build more entry-level housing. He said fortunately they found the Clawson parcel within an urban renewal district. Without MRA’s assistance with demolition and infrastructure improvements in this project, it wouldn’t be possible to do entry-level housing.

Bangs said looking forward the demand for housing is going to be much higher than the supply. The millennial generation now outnumbers the baby boomers. This group has taken a lot longer to get into homeownership for a variety of reasons but they still desire it. Bangs said if you look at the last six months, there have been very few homes in Missoula that have been on the market in the \$150,000-\$175,000 range. Looking back over the last ten years, the supply for that price range came from Pleasant View, Canyon Creek and Windsor Park developments and those are mostly built out. Missoula is going to struggle with entry level housing for the next 5-10 years. Bangs thanked the Board for their consideration today and encouraged them to consider how they can help with all levels of affordable housing in the future.

Brock asked for clarification on the timeline. Behan said the Developers want to get started on financing but they agreed to wait until the North Reserve / Scott Street District master plan is complete to start construction. Approval today would give them a comfort level to close on the property. Dave Edgell said they would like to close on the property in mid-August.

Reineking asked about truck circulation. Behan explained the perspectives of the City Engineer and of the Developer. Discussion ensued. Behan said the master plan process is going to study the issue and make a recommendation regarding truck traffic in the area.

Englund asked where the second and third phases would be. Behan said the phases start on the east next to Scott Street and move west. Englund asked what the request to MRA would be for phases two and three. Bangs said about the same amount as for phase one, approximately \$500,000. Englund asked if there was public right-of-way (ROW) through the parcel now. Bangs said no, they would create the public ROW and give it to the City. Discussion ensued regarding the infrastructure improvements that would be required including water, power, sewer, gas, and storm water. Bangs said the cost estimates for the infrastructure came from WGM Group.

Englund asked about the sale prices of the various home styles that would be developed. Bangs said given the present construction cost estimates, the homes would range from \$150,000 to \$250,000.

Kemmis said in the past, MRA's experience has been to hold off on bonding in the district until further on. He asked if MRA bonds at the outset, whether it gives away a number of years of life in the district. Behan said the district is extended to the longest issued bond during the original life (15 years) of the district.

Kemmis said ordinarily MRA would hope to have the master plan in place before approving a project that might be contrary to the plan. Behan said ideally yes, but the Study of Blight and subsequent Urban Renewal Plan discusses the three general areas of the district: residential, industrial, and commercial. It was always anticipated those areas would continue with that type of development. This project follows that plan.

Bangs said this situation is unique in that Clawson is bankrupt and when First Security Bank acquired the property from another bank, they had to pay \$200,000 in delinquent taxes. First Security Bank is not in a position to sit on this property so they are ready for a buyer to come in. Bangs said the project is a perfect fit with respect to the plan to extend housing on this side of the district. He said the Northside neighborhood has also wanted more housing in this area.

Reineking asked about the proposed temporary streets and cul-de-sacs. Behan said the areas labeled "temporary" would go away when future phases connect the streets. MRA assistance would provide hardscape improvements to the permanent streets.

Englund asked about the timing of the project. Bangs gave the following timing:

1. Buy the property.
2. Wait until NRSS Master Plan is complete.
3. Start Construction on Phase I.

Bangs said they may do some demolition in preparation of Phase I while the Master Plan is being completed. He said they are also interested in the pedestrian trail that terminates at Scott Street so they want to wait to see how that is being designed.

Discussion ensued on possible truck routes to the landfill. Englund asked how likely it would be that the City would come to MRA and ask for assistance to reroute the truck

route. Behan said it's probably fairly likely but there may be some other transportation funds they could access too.

Moe asked about First Security Bank's appetite for additional bonding. Behan said they are interested. Edgell said Phase I would be started next spring and hopefully be done by the end of 2016. Moe asked if any environmental testing would be required to certify there is no contamination. Behan said yes. Edgell said a Phase 1 environmental study is being done now and it's fine.

Reineking asked about the potential Urban Renewal Plan amendment Behan mentioned in his memo. Behan explained when a bond financing mechanism is used a project needs to be declared an official "Urban Renewal Project" within the Plan.

Englund asked what the contingency is in the request. Behan said it's the standard 15-20% on the big unknown items.

Bob Moore asked what the total estimated cost is for Phase 1-3. Edgell said approximately \$8-10 million. Moore asked if the Developer would do the project without MRA assistance. Edgell said it would be difficult to do it for entry-level or workforce affordable housing; so no, probably not.

Kemmis asked if there would be a development agreement. Behan said yes. Dorsey & Whitney would probably write the development agreement because it would involve bonding. The Board would approve the final bond resolution.

MOE: I MOVE APPROVAL OF A DEVELOPMENT AGREEMENT BETWEEN MRA AND EDGEELL BUILDING ON THE SCOTT STREET VILLAGE PROJECT FOR FUNDS NOT TO EXCEED \$518,230 THAT CONTAINS THE PROVISIONS IN THE STAFF PROPOSAL AND OUR OTHER ORDINARY DEVELOPMENT AGREEMENT PROVISIONS AND ALSO INCLUDES REFERENCE TO BONDING AND THE PROVISIONS THAT WE WOULD PUT IN A DEVELOPMENT AGREEMENT REFERRING TO THAT.

[Staff recommends the MRA Board:

1. Approve \$518,230 in TIF assistance for eligible items within Edgell Building, Inc.'s Scott Street Village project located at 1225 Rodgers Street under the following conditions:

- A debt and payment arrangement acceptable to MRA, First Security Bank and Edgell can be negotiated with a final principal amount and other terms to be approved by the MRA Board prior to submittal to the City Council for final approval.**
- A street use and design is agreed upon by both the City and Developer prior to the sale of a bond.]**

Reineking seconded the motion. No public comments. No further discussion. Motion passed unanimously. (5 ayes, 0 nays)

MOE: I MOVE THE STAFF RECOMMENDATION LISTED AS #2.

[2. Direct Staff to engage Dorsey & Whitney as bond counsel and the City's financial advisor, Springsted, Inc., to assist in analyzing TIF financing terms with First Security Bank and to prepare related official documents which will be subject to approval by the MRA Board and City Council.]

**Kemmis seconded the motion. No public comment. No further discussion.
Motion passed unanimously. (5 ayes, 0 nays)**

Moe thanked Bangs & Edgell for their project and their focus on affordable housing. Englund concurred.

Non-Action Items

Sweetgrass Commons (URD II) – Presentation (Behan & Heather McMilin)

Behan introduced the project and Heather McMilin, Housing Director at Homewood. McMilin passed around a hard copy print out of the PowerPoint she did for the Montana Board of Housing. McMilin said Homewood was able to negotiate a somewhat reasonable cost for a parcel of land on the west edge of the Old Sawmill District. She said they submitted a request for a grant from the Montana Board of Housing and got almost all of their request but there was a shortfall. They have received federal HOME funds from the City of Missoula, CDBG funds, and have other requests out there.

McMilin said Homewood decided to ask MRA to buy-down the land costs to bring this project into a cost range enables Homewood to develop rental units at the lower-income range of affordability. McMilin said they still need to work through the specific process but they hope MRA would consider it. McMilin said the project is 26 housing units in low to moderate income range, which is 50-60% of area median income (AMI). There will be 3-bedroom, 2-bedroom, 1-bedroom and studio units. McMilin said they are excited because of all of the public amenities nearby including the trail, Silver Park, all-abilities playground at McCormick, Currents swimming pool and the California Street pedestrian bridge. The site is fairly limited, only seven city lots. Homewood had a public meeting a week ago to discuss the proposed project. MMW is the architect. McMilin passed around schematic designs of the proposed project. The mechanism for assuring this housing remains available for lower income citizens is a 46 year deed restriction.

Behan said when the staff last discussed the idea of buying-down the cost of land for affordable or lower income housing the country was on the verge of the recession and the MRA has just made a commitment to the Civic Stadium. With resolution of those issues, the discussion is relevant again.

McMilin said Homewood has a buy-sell date set for August 31, 2015, but they are asking for an extension so they can do their due diligence to close on the federal low-income housing tax credit deal. Homewood is working with First Security Bank. The tax credits are being handled by US Bank.

McMilin said the request from MRA will be about 4% of the total project cost and Homewood would need a commitment from MRA before they could close on the tax credits. McMilin said 4% is about \$250,000.

Kemmis said he appreciates this general overview presentation before the full presentation comes before the Board.

STAFF REPORTS

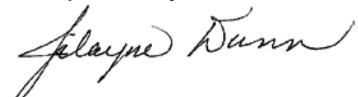
Director's Report

Budget Status Reports

ADJOURNMENT

Adjourned at 1:48 p.m.

Respectfully Submitted,



Jilayne Dunn