

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

June 18, 2020

FINAL

A Regular meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, June 18, 2020 via Zoom in the Council Chambers, 140 W. Pine, at 12:00 p.m. Those in attendance were as follows:

Board: Karl Englund, Nancy Moe, Ruth Reineking, Melanie Brock, Tasha Jones

Staff: Ellen Buchanan, Chris Behan, Annette Marchesseault, Tod Gass, Jilayne Dunn, Lesley Pugh

Public: Lori Davidson, Missoula Housing Authority (MHA); Montana James, City of Missoula Department of Housing and Community Development (HCD); Ginny Merriam, City of Missoula; Dale Bickell, City of Missoula; Jenn Clary, Encompass Design Inc.; Eran Pehan, HCD; Nathan Richmond, BlueLine Development, Inc.; Bryan von Lossberg, Missoula City Council; Matt Larson, Citizen; Missoula Access Community Television (MCAT)

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

May 21, 2020 Regular Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS AND ANNOUNCEMENTS

Englund announced the phone number and meeting ID throughout the meeting for members of the public to call into the meeting.

Buchanan noted that the item the Mayor had indicated would be on the agenda relative to the showers and lockers for the Police Evidence Building on Catlin Street is not on this agenda for consideration in case people wanted to comment on it. She said staff is waiting on additional information for it.

Matt Larson, Ward 3, said he had some questions regarding the Affordable Housing Trust Fund. He asked what the yearly budget will be, saying he noticed it isn't in any of the documentation. He said he also had a question about whether or not there is a cap on the fund. He asked who was being thought of to manage the funds because 8% yearly is a pretty significant amount of money considering there is no cap on the fund as far as he can

tell. He said he was wondering what the effect on the private sector and the non-profit organizations that already do work to create affordable housing in the community will be. He wondered how it would affect the market and what they think about it. Larson said he is also wondering about the new funding and what it is. He said as far as he can tell the City is using Tax Increment Financing (TIF) and the General Funds, which is already insufficient as he's being told by pretty much everybody. He said the City Council and the Mayor and whomever is managing this fund basically get their say in the appointees from the community. He said he was wondering why he should feel so confident in the City Council and the Mayor to do so when they are two years into the approval of "A Place to Call Home" housing plan and he hasn't seen much affordable housing being constructed or planned. He said, for instance, that he's seen housing like the 48 condos at 4th & Ronald that start at \$400,000 which are to be compensated by the people who are paying full price in order to put 20% affordable housing into that place. He said he wonders if he is to expect more of the same, or what the community should be expecting from the people that are appointed by the City Council President, Mayor, and head of the Affordable Housing Trust Fund. Larson said those are all of the talking points and questions he would like to hear addressed. Englund said he appreciated Larson's comments and MRA will take those questions into consideration when they get to that action item. He said at this point the public comment is for those matters not on the Action Item agenda.

There were no other public comments.

ACTION ITEMS

Villagio Apartments – Otis & Scott Street (North Reserve-Scott Street URD) – TIF Request (Behan)

Behan said his summary sheet touches the high points of his more detailed staff memo. He said this is a very complex project and every single part of it is as complex as anything that has been dealt with at MRA. He said when he went to jot down notes for his presentation he ended up with five pages.

Behan showed a map of the project location. He said it is within the North Reserve-Scott Street Urban Renewal District (NRSS URD). The fully developed neighborhood is the Northside Neighborhood and the Scott Street Village development is located there as well. Block 22 is the piece of property Villagio is located on. He said the location is important because it informs everything else that is happening with the project, including financing. In 2016 MRA did a Master Plan for the entire area, and the areas that are in color on the map on either side of the project are in the NRSS URD. The gray area in the middle is mostly industrial and it is under County jurisdiction. He pointed out St. Mary Cemetery annex and said when the Master Plan was put together the diocese of Helena, who owned Block 22, indicated that it would be forever and always a reserve area for additional Cemetery use. After that, they did some master planning of their own and decided that they could move that property, along with some other property in the area. If that area had been seen as available anytime in the future it would have been colored yellow and residential on the map. Behan said other plans he touched on in his memo include growth policies, zoning, housing and others. He noted a dotted line on the map, which is a trail, and it starts at the Northside overpass and is proposed to move up Scott Street, cross over and end up over on old Grant Creek Road. It goes all the way across the site. In this project the topography

does not make this trail possible, but they were able to negotiate a deal through the vacation of Beacon Street that worked.

Behan said the ownership is rather complicated. However, through all of this it distills down to the Missoula Housing Authority (MHA) being a general partner and owner of the property and they will pay the assessments. The land is a little bit different and what makes this project affordable is where Madison Crossing LLC comes in. The other development partner is BlueLine Development, Inc. They are the consultant that put together all of the financing and will be running the project oversight during construction and leasing.

The site plan includes two different buildings that are five stories each. Building A is a U-shaped building with open space in between it and Building B. Building B is linear along Otis Street. Parking is off of Shakespeare Street to the north. There is also underground parking.

Behan said very few funding sources are able to take on a project like this. Very complex financing methodology is needed for anything of this scale. Other projects MRA has been involved with along this scale are the Solstice and Equinox projects, Lee Gordon Place, and Clark Fork Commons.

Behan said the project itself is construction of 200 - two, three and four bedroom units in the two five-story buildings. The parking is primarily underground which enables open areas and playgrounds. The housing market target are households with children and/or extended family with a senior parent that would need more bedroom space. They are mostly aimed at those that are qualified between 40-60% of the average median index for this area. Plus, there are 32 housing vouchers for lower income folks. He said the total, if every bedroom was filled with a person in the development, could house 769 people. The total project cost is over \$54 million, with \$41 million of that being construction. He said the project makes sense in terms of the impact it will have on the community. Its location also makes sense because it is near a school, Partnership Health Center main clinic and their annex clinic near Lolo School, and recreation opportunities. The impact of this and other future developments is the need to think about how to do more recreation and parks in this area.

Behan said the trail will be a 10 ft. multi-use path that includes some right-of-way (ROW) and some of the private property. It will go along Otis and Shakespeare Streets. It will cross Roseberg and Montana Rail Link (MRL) properties and then go over to Howard Raser Drive. He said the parking and trail all fall into place to help make this project happen.

Behan said the Tax Increment Financing (TIF) assistance request is \$1,339,178. Of that amount, \$579,178 is traditional expenses that MRA frequently is involved with in new construction projects. Those expenses include utilities, water, sewer, ROW improvements, sidewalks, curb and gutter, and trail. \$760,000 is for a retaining wall. Behan said the breakdown for the \$54 million project budget is in the main body of his memo. The largest components are the proceeds of tax credits and the Federal Home Loan Corporation (Freddie Mac) loan. Others include two HOME loans. HOME is a federal program dedicated to affordable and low income housing. The funds are funneled through the state, and also to qualifying municipalities and counties. The two loans are from two different fiscal years of the City's allocations. Other funding sources are a state HOME grant, MHA

loan and TIF request. Behan said the MHA loan comes from part of the proceeds from sales of public housing. Another project funded from that account includes Silvertip on West Broadway. The remainder over and above this \$1 million will be dedicated toward the Cornerstone homeless housing project which is being developed right now. Other parts of the financing stack include deferred fees with a 12-year deference period, so those will get paid in about year 13. Behan said the 32 vouchers do two things. One is that for the community they are dedicated to very low income families of that size that simply cannot find that sort of housing. It also provides a good solid piece of the guaranteed cash flow for the next few years.

Behan said the highly complex financing includes a role for a private partner that is different than what MRA, the Missoula area, and other parts of the state have done before. He said the complexity and the way that the profitability is built in on the back end is really necessary and what happens here is the creation of 200 units of family housing. It has been identified as one of the most critical needs for the Missoula population right now in terms of housing. He said a recent study says that right now there are 2,000 families that would qualify to be in this housing. It is a big project and they are making a big dent, but it's simply a dent.

Behan said the targeted income level are the folks that are being termed in the media and elsewhere as "essential workers". He said an example would be someone who works at a grocery store for \$15-\$18/hour, has a family and possibly a parent at home who cannot find safe and appropriate housing they can pay for right now in Missoula.

Behan said the design fits into the tall hillside and uses a series of decks, angles, materials and other methods creatively to mitigate the feel of a five-story building. He said the starkness of the renderings don't show it very well, but they have tried to mitigate it as much as possible.

Behan said the TIF funds are essential to make the project happen. He said he's gone through as much of the project financing as possible in his memo and it shows a definite gap. Like other projects with complex financing, they have required TIF to push it over the last hump to become a reality. He said that includes the projects he already mentioned as well as the YWCA Family First project. He said it is certainly a location that some of the folks and families that qualify for this might end up if something significant is not done in the near future.

The staff recommendation is to pledge up to \$1,339,178 in TIF funds for the items that have been described. Behan said there are a couple of different ways MRA can finance that internally, including the use of the remainder of a bond that was sold for the Scott Street Village Phases 2 and 3. Those funds are dedicated to upgrading the transportation system in the neighborhood. This certainly fits that bill so that money can be used on this project. Also, the recommendation is subject to the conditions listed in his memo including submittal of a final landscaping plan that is acceptable to staff. Behan said Lori Davidson was present from MHA to speak, and Nate Richmond from BlueLine Development Inc. who put together financing and is very familiar with the construction. Jenn Clary, architect from Encompass Design, was also present.

Davidson said Behan did a nice summary and was happy to answer any questions. Richmond concurred and said he wanted to answer why they chose this site, given the topography of it. He said the easy answer to that is lack of available land in Missoula. He said if someone had a five acre property that was perfectly flat and rectangular to offer them they would be all over that. He said they would also have to take into consideration that the site would also have to be located in a qualified census tract, which drives some of their financing. The site would also have to be appropriately zoned and have available amenable land owners willing to donate the site and own a portion of an affordable housing project for the next 46 years. Richmond said all of those things had to come together and they did on this particular piece of property. He said the opportunity is very unique in this part of the country, to be able to put together a 200 unit affordable housing project utilizing tax exempt bond financing. He said that is why they are on the site they are and it is a good location. It is proximal to a lot of services and the only struggle they've had with the site from the beginning is the topography.

Reineking said initially, one her questions on Behan's summary where he lists the things TIF would help pay for, would be if any of it would benefit the surrounding properties. She said after hearing the explanation of the trail going through there it is clear this will not just benefit MHA's property here. It will benefit the surrounding properties, especially with the trail and street improvements. She said she noticed that \$54 million for 200 units breaks down to \$270,000 per unit and you would be hard pressed to find a three or four bedroom unit, single-family, or any other property you could build for that much. She asked about clarification on the ownership of the land with Madison Crossing LLC and the MHA. She said she understands if MHA owns the property it would be tax exempt from property taxes and she was wondering if that land is still tax exempt since it is not owned by MHA. Behan said because of the use the land will be tax exempt. He said an example of that would be the Federal Courthouse. The land and the building is owned by a private entity and they could apply for tax exemption. He said the Department of Revenue (DOR) has a history of doing that. It has to pay taxes for three years. Reineking said there may be an error in the memo where it says that the taxes were \$30,000/year for the past three years and she thinks it was \$10,000/year for a total of \$30,000. Behan said she was correct.

Reineking said she was thinking about some additional projects that are going to be coming on line like the Trinity project which is on two different sites. She said neither of those sites are in an URD. She said they are both in an Opportunity Zone (OZ), but not an URD so MRA will not be asked to help fund those.

Reineking said she wondered about the neighborhood impact with that many families living there and asked if there had been discussions with Lowell School about their ability to accommodate a lot of new students. Richmond said those issues are generally addressed in the environmental review that is required for the HOME funds. BlueLine Development Inc. reached out to the schools, Fire Department, and Police Department to make sure there is sufficient capacity for this development and they had no negative findings in that environment assessment, both with the state and City financing. He said they also presented the project at the Northside/Westside Neighborhood Meeting last year and received nothing but positive comments from the neighborhood. He said that was refreshing in the affordable housing development world.

Reineking said in Behan's memo it mentions some townhouses to the south and asked if those were part of Scott Street Village. Behan said yes. Reineking said some of the maps show some three-story apartment buildings to the west of the development and wanted to clarify those were apartments. Behan said yes. She asked if MRA has completed all of the infrastructure it planned to do on the Scott Street Village with some of the bonds left. Behan said yes. He said there was money in the bond in case Rodger Street had to be fully built out as an arterial street, which is not what the Master Plan calls for. It calls for moving that traffic to a different place. Once that was all resolved, if that money in the bond was not necessary then the funds could be spent on ROW in the area.

Reineking said the memo talks about using the TIF bonds and also some tax revenue for the next two years to cover this request. She said she knows they'll get to this more when they discuss the Affordable Housing Trust Fund action item and counting some of this towards MRA's contributions there. She didn't have a chance to really look at the financial reports this morning, but wanted to mention that she is concerned about the tax revenue that will be available for other projects or this. She read in the Missoula Current this morning that there is some concern about collection of property tax revenue. She said while the assessments on property haven't gone down there is concern about being able to collect all of those. Buchanan said Dunn put together an analysis on the front end of COVID-19 because of concerns about whether or not collections would be adequate under the circumstances to at least cover debt service and what might be left as a residual. She said if you look at FY19 collections in the NRSS URD, once debt service is satisfied there is a \$1.2 million excess. She said that is debt service and coverage. She said staff feels like they'd like to keep MRA's options open on this. She said there is residual from the Scott Street Village bond issue and likely there is a bond issue coming up if the timing works out and the City moves forward with purchase of the Scott Street property to the south of this (19 acres, part of White Pine Sash). Buchanan said if this project can be done with cash that will be the preference, and there still should be adequate funding to satisfy the Affordable Housing Trust Fund which will be discussed on the next agenda item. She said this basically takes care of Trust Fund obligation for FY21, should the Board move to approve that request. Reineking asked Davidson if the \$150,000 residual bond funds can be spent by December. Davidson said yes. Behan mentioned that Dunn recommended he put in his memo the analysis talking about what the residual was and he did not do that.

Reineking said typically MRA would only reimburse at the end of a project. She asked if there will be a mechanism to reimburse along the way. Behan said they anticipate being able to spend down the \$150,000 by December. The rest might be spent at another time. He said the reasoning for that is because those funds are going into a public ROW street. The traditional method is not to do interim payments and the money spent on this along the way will be from those residual bond funds. Buchanan said one thing that makes this different from other projects is that the ROW improvements that would be paid for with these bond funds from the previous bond issue are a part of a Master Plan that MRA has done and adopted for that area. She said it carries out the Master Plan whether Villagio happens or not. She said that makes this different than a lot of other projects MRA funds. Englund asked if that work has to be done first, and if so does it do anything to the construction timing for the rest of the project. Behan said just the preparation and curbing on the south side of the street can be done by December, along with the wall. Final finishes, in terms of concrete and asphalt, will come at the tail end towards the spring of 2022.

Moe thanked Behan for the comprehensive presentation and summary, and Reineking for her questions. She said she looked at the financing request and what are called "traditional expenses". She asked if the money spent on these expenses also prepares any other developments in that area that may need this type of service so that MRA is also making some investment in future development. Behan said the trail is a community benefit. The street will also be upgraded. He said that is the primary use of this development. The trail that goes to the other side of the NRSS URD is called for in the Master Plan. It also calls for a road. Shakespeare Street will primarily be truck traffic to the landfill for the foreseeable future. He said the improvements done on the side streets also come from the Master Plan, which is one reason he included the diagram of Otis Street that was called out in the Master Plan on how to do that. They plan on that to be a neighborhood street that carries traffic from a variety of developments. Behan also said the diocese and Madison Crossing LLC may be working on improvements to the vacant property to the south and that will all lump in together. Improvements include upgraded water and sewer and streets which benefit the general neighborhood.

Moe said the environmental review returned no negative findings. She asked what that means. Richmond said he can provide the environmental review criteria for everyone. He said they were required to write letters to schools, public utility providers and public services including police and fire to make sure they have sufficient capacity and aren't in any way objecting to the development. They also look at any environmental conditions on the site like a pollution plume beneath the soil. It is a prescribed process that the Department of Housing and Urban Development (HUD) does and it requires publishing and a 30-day comment period after the publishing for any public comment or anyone that might have information that wasn't uncovered during the process. When they receive clearance it means they have nothing that was a roadblock to the development and no one responded negatively to the questions. Moe asked if that is a precondition for HUD financing that has been satisfied. Richmond said that is correct. It is a precondition for HUD financing which is both HOME state and city funding sources.

Moe said in terms of other impacts in the area, Shakespeare is very busy road and she understands that the road department was contacted and didn't list anything adverse. She said there will have to be a redesign because it is just a little two-lane road. She said it seems to her it will have much more use. She asked about the zoning in the rest of the area. Behan talked about other developments including services for this area and Moe asked if there were commercial zones close to this area or if the access to other services actually access it a block away from here. Behan said the majority of the zoning in this area is M1-2 and Title 20. Title 19, the one before, was called D zoning. It is probably the most flexible zoning that the City has ever had. It is an industrial zone, M means manufacturing. It also allows single and multi-family development with a height restriction. This development will have to go to the Board of Adjustment to talk about that. It also allows commercial up to a fairly good size. Behan said one of the reasons the Master Plan did not recommend change of zoning in this residential area is because that particular zoning was so flexible it fit with the Master Plan and the design better than if they had chopped it up into more specific, targeted zoning. He said there is a park on Scott Street that may be able to be moved around or expanded. This area does have a lot of vacant land that can accommodate parks. The road system impact mentioned in his memo was that there will be

more traffic on Scott, Rodgers and Shakespeare Streets. There will also be more competition because there are a variety of uses in the area and not a complete street network that fits all of the uses. The Master Plan came up with a couple of ideas to fix that, particularly in a truck bypass off of Scott Street onto a new street that would end up on Shakespeare. He said Shakespeare will not get any better as long as the landfill is there. However, there are ways to mitigate traffic in that area and City departments and MRA may need to be moving forward with that. Moe asked if Mountain Line has committed to providing access to such a large development. Behan said there is a route nearby on Rodgers Street.

Moe asked if the management of the project requires some sort of maintenance fund so the property can be maintained and renovated as needed in a 46-year project. Richmond said the MHA will own and manage the property and they will have a vested interest in making sure it is properly maintained. They also have tax credit investors that will come in and be a majority owner of the limited liability partnership and they have some pretty strict requirements on ongoing operating reserves and replacement reserves that go along with the project. There will be a reserve account that can only be drawn upon for approved expenses for replacing failed systems, roof, siding, etc. Richmond said these properties are also inspected annually by the Montana Board of Housing to make sure they are in good condition and any maintenance oversights or poor condition issues are reported to BlueLine Development Inc. and they have to be corrected immediately or they will receive a violation code 8823 from the Internal Revenue Service (IRS). He said there is way more oversight on a development like this than you would see on a market-rate apartment property. Davidson said the vouchers also trigger inspections for the units. Along with that they look at the building and any safety issues that might be in the development. Moe asked if MHA is also responsible for seeing that the use of the project is by those within the required income levels. Davidson said yes, they will be doing the compliance on the project and every tenant who comes in will have to be income qualified. There are penalties if they allow anyone in who is not income qualified. She said it is a very serious thing and MHA takes it very seriously. Richmond added there will be a Land Use Restrictive Agreement that is recorded on the deed for the property that memorializes those income and rent restrictions.

Moe said the design guidelines are similar to the Design Excellence guidelines and standards. She asked if there are any differences the Board should be aware of. Behan said no, he does not think there is anything unusual here. Moe asked if there are any solar panels being used for the project. Davidson said it is not part of the design right now because they simply cannot afford them. She said the buildings will be Energy Star Certified, but solar panels are expensive and they have not been able to work them into the budget. Richmond said it is also very challenging to make solar work within the constraints of the low income housing tax credit program. The net gains of solar, if not utilized just for offsetting tenant utilities, can be seen as income and you cannot generate income on an item put into the tax credit basis. If they were to put solar panels on, that net gain would be income and they'd have to take the cost of the solar panels out of their tax credit calculation.

Jones asked about the number of underground parking spaces and whether there will be parking along Shakespeare Street. Richmond said there are about 174 underground spaces. There will also be on-street parking. It is an area right now that has existing

parking on the street and it is very underutilized so they would look to the on-street parking for overflow. Clary said there are 177 spaces on the site, which is what they are required to have. There are 24-29 spaces at grade and the rest of them are below the buildings. Behan said the on-street parking on Otis is not counted in the numbers mentioned by Richmond and Clary. There are quite a few angled spaces there. He said on Shakespeare there is the possibility of parallel parking on the east side. He said the City Engineer will look at the building plans. Jones said given the increased traffic and truck traffic in particular on Shakespeare Street it seems that would not be a great place to park. Behan concurred.

Jones asked for expansion on the development potential of the vacant lot to the west of St. Mary's Cemetery annex. Behan said it is not planned out yet. He said it's not just the west, but also to the south. There have been a lot of ideas tossed out, including it being a park area. It is indicated in the Master Plan and in discussions with the folks who bought it that they will move ahead.

Jones said the memo mentions a construction contingency fund. Behan said there is a contingency within the budget. Jones asked for details about it. Richmond said it's a 5% contingency of the total construction costs. He said that is pretty standard in the tax credit budgeting and is required by their investors. Davidson said it is also regulated by state law which doesn't allow them to charge more than 5% of retainage.

Brock said every question she had was answered in the very thorough materials submitted by Behan. She thanked him for all of the information. Englund concurred. He asked if all of the financing is in place or if the other financing is contingent upon other financing. Richmond said they have all of the financing committed. It comes in under different timings during the development process. Their biggest component is the tax exempt bond issuance and they have received that resolution from the Montana Board of Housing. With that comes an automatic issuance of the low income housing tax credits. Those are the two largest financing sources. They have received their commitment of HOME funds from both the city and the state. Richmond said a commitment from MRA is the last real major financing component and there may be some smaller pieces they try to secure down the line to make the project stronger financially.

Englund asked what other steps need to be done before they start breaking ground if they are to receive MRA approval. Richmond said there are a lot of moving parts with a development like this because of all the financing sources. Right now they are securing the debt and equity pieces, getting their construction debt which they have a couple of offers on, and signing up the best offer. Then they have to make sure the tax credit sale is solid and will go through. They have to work through the investor's due diligence component which could take three to eight months depending on the investor and their level of scrutiny. He said their best guess is to break ground this fall, but if they run into title issues or other unforeseen things it could push the date out. Englund asked where they are with permits. Richmond said they have not submitted for the building permit. Their intent is to do a phased permit and start with site and foundation permits ahead of the full building permit to allow expenditure of some of the funds on the infrastructure and get the project moving. They are about 80% done with their design phase. Clary concurred. She said they will submit for the foundation permit in a couple of weeks, and then will follow up with the

building permit the third week of July. They have already started their process with the Department of Environmental Quality (DEQ) so they have their civil infrastructure submitted and are working with the City to spearhead that.

Jones said the recommendation indicates that prior to initiating construction there will be assurances that financing grants and contributions necessary to complete the project are in place. She asked if there will be money spent prior to that. Behan said there will not be any tax increment money spent.

Englund asked for the numbers for public comment to be shown.

RECOMMENDED MOTION: STAFF RECOMMENDS THE MRA BOARD PLEDGE UP TO \$1,339,178 IN NORTH RESERVE-SCOTT STREET URBAN RENEWAL TAX INCREMENT FUNDS INCLUDING, IF FEASIBLE, USE OF REMAINING FUNDS IN THE TAX INCREMENT BOND RELATED TO THE SCOTT STREET VILLAGE PHASES 2 AND 3 MEANT FOR NEIGHBORHOOD RIGHT-OF-WAY IMPROVEMENT PURSUANT TO THE FOLLOWING CONDITIONS:

- 1. PRIOR TO INITIATING CONSTRUCTION, MHA PROVIDES THE MRA STAFF EVIDENCE OF COMMITMENT OF FINANCING, GRANTS, AND CONTRIBUTIONS NECESSARY TO COMPLETE CONSTRUCTION OF THE PROJECT.**
- 2. ALL OF THE TRADITIONAL CONDITIONS MRA PLACES ON REIMBURSEMENT OF TAX INCREMENT FUNDS INCLUDING REIMBURSEMENT BEING BASED ON PAID INVOICES WITH CONTRACTOR LIEN WAIVERS FOR APPROVED ELIGIBLE ACTIVITIES, RECOGNIZING THAT REMAINING SCOTT STREET VILLAGE PHASE 2 AND 3 TIF BOND FUNDS MAY BE EXPENDED PRIOR TO COMPLETION OF THE ENTIRE PROJECT.**
- 3. SUBMITTAL OF A FINAL LANDSCAPING PLAN ACCEPTABLE TO MRA STAFF.**

BROCK: I MOVE TO APPROVE THE STAFF RECOMMENDATION AS WRITTEN IN THE MEMO.

Reineking seconded the motion.

Englund thanked everyone for their work and excellent explanation of what looks like a badly needed project. He said if the motion passes he wishes everyone the best of luck in getting everything in order to move forward.

Jones asked if there were any landscaping plans for the hillside. Behan said he hopes to see that in the completed landscape plan he asked for in the memo. He said weed mitigation should be a priority and also perhaps reclaiming the motorcycle and off road bicycle tracks. He said he understands from the neighborhood that the major concern over there is that the sledding hill is going to go away, so maybe there is a way to maintain that too. Englund asked if there are plans to do any of that. Richmond said they have not completed the landscape plan yet, but they will take a look at it. Englund asked what the budget is for landscaping. Richmond replied they are not to that point yet with the

scheduled values to have a landscape budget. He said they need to get into the design and look at some of the City requirements and go from there. The intent is to make it as nice of a site as possible and maintain the weed control and also have good vegetative coverage on the hillside to prevent erosion.

Matt Larson, Ward 3, said his main question was how this is supposed to be geared towards essential workers, especially grocery store employees. He said if you do a quick search on Glass Door or other job listing sites, all of these jobs being talked about, as far as grocery store employees, start at \$8-\$9/hr. He said he wonders where the essential workforce employment salaries or hourly wages start at \$15-\$18/hr. Larson said 32 vouchers is not enough to do anything to Missoula's affordable housing problem. Last time he checked, there are over 1,500 people on the voucher list and there are over 1,500 people a year that move to Missoula. He said it needs to be addressed in a far more significant manner.

Larson said the other thing he is seeing is the parking space issue, especially since this project draws from the City's General Fund which isn't sufficient enough to provide roads and maintenance of the roads in the community already. He said there are Special Improvement Districts (SID) for roads, General Fund stuff for roads, but all of it is being robbed by these TIF projects and by General Fund commitments of these projects. He said he would like to hear a proposal of balancing the budget so this development is actually sustainable instead of something that seems to be set up for failure here. He said if they are truly de-emphasizing, as a community, cars as a mode of transportation, then they really need to look at the parking, specifically on this project because it is not being provided. He said they are essentially just straining the already strained roads and parking available on the roads. He said it's a feedback loop.

Larson said he wanted to thank Nancy Moe and Natasha Jones for their questions, which he found to be very insightful. He said the rest of the questions going around are lip service to the problem of affordable housing. He said he wonders what will happen to this development after the 46-year period expires. He said he wondered who the tax credit investors are going to be. Larson said those are his main questions and he'd love to hear some responses.

No further discussion. No further public comment.

Motion passed unanimously (5 ayes, 0 nays).

Affordable Housing Trust Fund – Request for TIF Allocation (Buchanan)

Buchanan said the Affordable Housing Trust Fund went in front of Budget Committee of the Whole (BCOW) yesterday afternoon. There wasn't a lot of time for discussion so there was little discussion about the TIF portion of it and there were no questions of MRA staff. She said there will be more discussion next week and she anticipates there may be some discussion or suggestions relative to the MRA participation in it.

Buchanan said the City has been working on a Housing Policy for several years now. This is the first time it has ever had a Housing Policy, and it was adopted in June of 2019. There are four major areas of emphasis in the Policy and the first recommendation in the area of emphasis about having resources and support for affordable housing is the creation of an

Affordable Housing Trust Fund. She said that is what this item is all about. MRA staff has been very involved in the development of the Housing Policy, as well as members of the MRA Board. There has always been an assumption that there would be a TIF component in any kind of a trust fund that was created. Buchanan said the request is for an allocation of \$1 million annually for that fund. She said the most sensible and effective way to do that is that MRA will budget \$1 million per year as a contingency line item, much the way it does for a Public Works contingency line item or Land Acquisition contingency line item. She said if MRA has a specific project it knows is on the horizon in a district then it would be limited to that district. If not then it can be allocated in the three districts that have both capacity and available opportunity. Those districts are URD II, URD III, and NRSS URD. Buchanan said these monies can move around as need arises if there isn't a "bird in the hand". One of the challenges with using TIF funds for something like this is that MRA does have six discreet URDs and the funds that come from those districts have to be expended in those districts. So, to take \$1 million and put it into a trust fund that is administered by another entity like Housing and Community Development (HCD) doesn't make a lot of sense because of the constraints that are on those funds. MRA has funded affordable housing projects from its inception. Buchanan said she and Behan talked and they don't think there is a single affordable housing request for support that has come to the MRA, in its existence, where it was located in an URD, there was capacity in the district to support it, and the uses that were being requested were uses that were permitted under state law. MRA has been a huge supporter of affordable housing projects forever and will continue to be so. She said staff thinks the best way to do this is to treat it as a budget item.

Montana James, HCD, said the Housing Policy passed last June and revolves around four sets of strategies to reduce the housing cost burden on Missoulians. She said establishing the Affordable Housing Trust Fund is a major building block for the rest of the strategies contained in the Housing Policy, related to establishing programs, partnerships and construction incentives. She said establishing the Trust Fund was the first recommendation of the Housing Policy in the area of aligning and leveraging funding resources. HCD staff has been working for several months in partnership with a lot of other City departments to craft this approach to establishing Missoula's local Trust Fund. She said they have done research on municipal trust funds around the country, best practices, and have run language by the City Attorney's office, City Clerk, Finance, Parks and Recreation, Public Works, Transportation and the MRA. James said the Housing Policy calls for the City to establish the Trust Fund itself through Ordinance to align the existing funding resources with the Fund, which is where this request comes in, and to create an allocation and administration process as well as explore new funding resources.

James said based on all of that collaboration and research, HCD created the approach that is before City Council now for establishing the Fund. She said it centers on two documents. One is the Affordable Housing Trust Fund Ordinance which is important to establish that mechanism for the Fund, set the bounds of what it can be used on, and to provide some source of recurring funding. Trust funds tend to live as ordinances or actual amendments to code because of the importance of setting those bounds, key definitions for the use of the fund, and establishing those minimum funding sources. Going along with the Ordinance, HCD has crafted a Funding Commitments Resolution in collaboration with City managers and department leaders in Development Services, Transportation, Public Works, Parks and Recreation, and MRA. The Resolution document speaks to the larger strategy the City is

taking to align priorities and really make explicit the intersections of housing, health, transportation, parks, and redevelopment. It also commits to using housing as a lens for a variety of funding sources.

James said adopting the Ordinance and Resolution that are attached to Buchanan's memo are really the first step in a multi-phase process for establishing the local Trust Fund. Once they have that mechanism in City code and a shared understanding of the commitment to support housing with City resources, then HCD will turn to developing the administrative supports of the Fund. Those will live in an annual Housing Assessment Report that looks at their key housing indicators and reports on outcomes produced in the prior year's funding allocation from the Trust Fund. She said they will develop trust fund policies and procedures. In the Ordinance there is pretty broad language about basic key components of beneficiaries, match, and loan terms. It will be built out in the much larger administrative policies and procedures document. HCD will create a Trust Fund Annual Allocation Plan and then draft the application template for the Fund. James said community oversight is a key function for the Trust Fund and is the best practice for municipal and county trust funds around the country. They will create a Citizen Advisory Committee that will go through the City Council process, take applications, and will convene before piloting HCD's first annual cycle of the Trust Fund. James said for that annual cycle the Citizen Advisory Committee will review the housing assessment, help with the allocation plan and then individual projects will be funded by staff review so they can move quickly as projects come in.

James said the request today is that the MRA Board support the formation and funding of the Affordable Housing Trust Fund, as well as the language in the Resolution that speaks specifically to MRA's annual contribution. She spoke to the timeline and said HCD presented at BCOW yesterday. City Council will have a meeting on Monday where they do the first reading of the Resolution and Ordinance and set the public hearing for July 13th. Then City Council will hold those public hearings open for a week so final action will be taken on July 20th. In the meantime between now and the public hearing, HCD will take public comment, make any adjustments needed to the documents, and go from there.

Brock said the Villagio project the Board just approved already takes up that allocation for FY21. She asked if \$1 million is enough funding and if it is possible to increase that amount moving forward. She said if MRA approves this request it is already spent for the coming year. Buchanan said the short answer to that is if MRA had four more affordable housing projects come in FY21 and there was capacity to do them, staff would bring them to the Board. She said MRA is not limiting this to \$1 million, it is committing a minimum of \$1 million per year and if that gets spent, great, and if not it will get reprogrammed into the next year's budget. She said if the City is successful in implementing this housing project, MRA will be spending more than \$1 million a year either in land acquisition to support housing or in direct project assistance like was done with Villagio Apartments.

Jones asked if the projects will no longer come through MRA. Buchanan said they absolutely will continue to come to the MRA Board. She said it is another reason for keeping the funds in MRA's budget. She said they may come from a developer like MHA or BlueLine Development Inc., or HCD for a project that has been initiated with their office as opposed to coming directly to MRA. She said any TIF funding that goes into one of these projects will need to be approved by the MRA Board.

Englund said MRA is not really contributing to a trust fund, *per se*, because MRA is really just making a commitment of \$1 million/year for affordable housing and recognizing that they are doing so in coordination with the housing effort on the part of the City. He said MRA is not giving money to some trust fund to be managed by somebody else because it can't do that. Buchanan said she doesn't think MRA could without it being considered a remittance. If it was a remittance then the \$1 million would cost MRA \$3+ million. Englund concurred and said therefore it is a commitment. Buchanan said it is a commitment, but it is money where the Trust Fund could say it already has \$1 million commitment from MRA to go toward affordable housing. There is a \$100,000 commitment from the City of Missoula if City Council approves it for a General Fund allocation that will be part of the budget process every year, much like a contribution to Missoula Economic Partnership (MEP) or other entities. She said with TIF money, because of constraints on it, MRA needs to use this methodology. MRA will not deposit \$1 million into anything other than a line item in MRA's budget.

Moe said the discussion of this with the City Council and everyone else needs to be clear that not only is there a geographical constraint on MRA money, but there is also a use constraint. She said they keep talking about contributing to affordable housing, but MRA is not building affordable housing. MRA can't do that with its funds because there are certain constraints on the use to which MRA money can be put and that needs to be clear in this discussion too. Buchanan said it can also be further clarified in the Resolution. Jones said this would not be an expansion of the uses to which MRA typically approves MRA funding; Those restrictions would remain in place and so for those items in the Trust Ordinance that are outside of the scope of what MRA typically utilizes funds for would be handled outside of MRA with non-TIF funds. She said in other words, the Ordinances are not going to broaden the scope of the TIF uses. Buchanan said they can't. The ways MRA can use TIF money are set out in state law. MRA has leeway in certain instances. The way MRA participated with Sweetgrass Commons was because that was going to be permanently affordable housing. There is language in state law that gives MRA latitude to assist with property acquisition so it wrote down the cost of the property Sweetgrass Commons was built on. In the case of Villagio, at the end of the day those are publicly owned buildings, so MRA was able to help with making that site usable for that use. She said it was clear MRA could do that because it is a publicly owned building. MRA's hands are more tied when it is a project that is completely owned by a non-profit like Homeword. MRA doesn't have as much flexibility as it does with a publicly owned building unless they are doing it like they did with Sweetgrass Commons and building permanently affordable housing that meets the state statute. Buchanan said MRA tries to participate in any number of different ways to bring as much benefit to subsidized housing as it can. Englund said when he looked at the Ordinance, it doesn't commit this money for that purpose. He said it sets up a financial Trust Fund and an actual Citizen Advisory Committee. MRA funds aren't included in that nor can they be. He said really what's happening is that if it passes, the City is saying this is a mechanism it will use for this purpose and are in it to help in the ways it legally can help, with a minimum commitment of \$1 million per year. Buchanan said that is the way she understands it. Englund asked Bryan von Lossberg, City Council, if that is the way they understand it. von Lossberg said that is precisely the way they understand it and Englund described it accurately and he agrees with the characterizations of the other Board members. Englund said the City can use its Trust Funds for other things and MRA money

will still make sure its money is spent on pipes, tubes, sidewalks, etc. Moe said the use of MRA funds is defined by statute.

Reineking said she understands that for at least the next year MRA will commit money from the NRSS URD as its contribution to the Trust Fund. She asked if there is a mechanism to transfer from one URD to another. Buchanan said MRA can't transfer money from one district to another. She said if there isn't a project on the horizon and MRA sets aside \$500,000 in NRSS URD, \$250,000 in URD II and \$250,000 in URD III, and then a wonderful project walks through the door in URD II and it needs the full \$1 million, MRA can just move those line items because the money won't come from any other district, it will come from URD II. The money can shift from one district's budget into a different district's budget. She said funds don't go anywhere. They stay geographically constrained like they have to by state law. Reineking said she agrees with Brock that \$1 million may not be enough for the needs that may arise in the multiple districts and her understanding is that MRA is not limited to \$1 million. If there is a \$1 million project in NRSS URD and there is a \$500,000 project in URD III or elsewhere, then MRA can still fund those. Buchanan said absolutely.

Reineking said she listened to the BCOW presentation yesterday and thought it was well done. One of the public comments worth mentioning is that the City's contribution is listed as a minimum of \$100,000 and suggested that the City itself ought to be contributing more like \$1-\$3 million per year to get this going. She said it really is a city-wide issue and it behooves the City to contribute to that and not just with the urban renewal districts.

Reineking said she understands there may be some problems with collection of property taxes and that the City budget is always a struggle. She asked von Lossberg how likely it is that MRA will be asked for a remittance again. von Lossberg said he cannot answer that question at this point and would be speculating.

Buchanan said two other components to this Trust Fund are Community Development Block Grant (CDBG) funds and HOME funds which are entitlement funds that the City receives. She said those are being committed to this Trust Fund in addition to the \$100,000 that would come out of a General Fund. She said the \$100,000 is certainly not the limit of the City of Missoula's commitment to this. Reineking asked what the amount of those funds are. James said the idea between having an Ordinance and a Resolution is that the Resolution is intended to capture the full range of funds that the City has at its disposal that cannot, because of the way that it's regulated by state and/or federal regulations, be placed specifically into that fund account. She said that's why TIF is referenced in the Resolution document because they understand it has to fall within the Resolution and the districts. She said HCD also has some federal transportation funding that falls into that same category. CDBG and HOME, similarly, cannot be placed directly into the Fund itself. Those operate on a reimbursement basis. She said those range around a little over \$1 million per year, but they are variable and depend on the federal budget each year.

Moe said another constraint on the MRA funds are the funds that are actually available in the district. MRA is still going to be balancing other projects, because it cannot anticipate all of the projects that come up in a district, with funds that may be a contingency commitment to this Affordable Housing Trust Fund. She said those are all considerations that the Board has to make in allocating these funds. If the district simply doesn't have the money then it

won't have the \$1 million, regardless of what the proposal might be for the district because it cannot shift funds.

Dale Bickell, Chief Administrative Officer for the City of Missoula, said he wanted to talk about the Administration's perspective related to the Affordable Housing Trust Fund. He said while it does create this Fund that will be restricted and will have resources in it that will actually be deposited in the Fund, he wanted the Board to think of it as a basket of funding sources. He said not only are they talking about a General Fund allocation which is only listed as \$100,000 and will hopefully be more in the approaching budget, but the General Fund is so constrained it is difficult. What they are looking at doing is looking at all of the City's programs and as they prioritize Capital Improvement Projects (CIP), whether it's the sidewalk program, water utility, wastewater utility, or open space, all of those funds used now for projects will now include an affordable housing context. He said as they develop an entirely new CIP screening tool in this budget process, you will see that while new resources related to a General Fund deposit may be small, they will see a lot more of their resources, in general, focusing on affordable housing.

Englund said he thinks MRA understands that it still has its obligations to fulfill and what they are doing is saying that this is a \$1 million priority for MRA, at least. He said those on the Board who have made commitments before have a good track record of following through with those commitments.

Englund asked for the numbers for public comment to be shown.

REINEKING: I MOVE THE STAFF RECOMMENDATION THAT THE MRA BOARD APPROVE AN ANNUAL ALLOCATION OF \$1M IN THE MRA BUDGET WHICH IS EARMARKED FOR AFFORDABLE HOUSING PROJECTS THAT MEET THE REQUIREMENTS OF THE AFFORDABLE HOUSING TRUST FUND AND DIRECT STAFF TO MODIFY THE BUDGET FORMATS TO INCLUDE A LINE ITEM FOR AN AFFORDABLE HOUSING CONTINGENCY, UNLESS AN APPROVED PROJECT MEETS THAT OBLIGATION, BEGINNING WITH THE FY21 BUDGET WITH THE UNDERSTANDING THAT ANY UNSPENT CONTINGENCY FUNDS WILL BE REPROGRAMMED AS PART OF THE SUBSEQUENT YEAR'S BUDGET AND A NEW \$1M ALLOCATION WILL BE INCLUDED IN THE NEW BUDGET.

Brock seconded the motion.

Matt Larson, Ward 3, said it is really curious to him where this new funding is coming from because he is hearing everyone talk about how they're obligated by state law to use funding in line items from the General Fund as they are associated and it sounds like MRA is too. He said it's not that he doesn't appreciate the City addressing this greater issue of affordable housing, he just doesn't know that this new slush fund will do it. He said there was laughter earlier about not using the last of the funding that was available to them and asked when these types of projects do not use all of the funding and it actually goes back into the General Fund. He said it's fine if they want to write it into the clause of this thing, but he is skeptical that it will actually happen as the City has no history of doing stuff like that. He said the SIDs for curbs and all the other stuff is to be used specifically for that, but the problem is those become increased by the City as well, and they fund well beyond the

projects that they need to fund. Larson said it is kind of disheartening as a citizen to see this kind of circular talk about this. He said it seems to him that the talk is to draw more debt on the URD districts or increase people's taxes on their SIDs and general assessments, and diverting that money into this Trust Fund. He said it's a new bureaucracy with new staff that is managed by someone unknown at 8% per year. He said he is disappointed that the Mayor and the ex-aficionado members or citizens of the community that are on this nine person board are all appointed by the Mayor, City Council President and the mysterious figure who will head up the Affordable Housing Trust Fund. Therefore, he said automatically there is a super majority there and it is kind of disheartening and he'd like to address that to the public and get some solid responses, especially when \$1-\$3 million is being talked about from the City every year for this. Larson said there is no budget and there is no cap. He said he doesn't understand, and these are basic items that would be required for any other type of proposal and it seems ridiculous to him. He said maybe he is just the common folk who doesn't understand this issue. He said thank you and he appreciates everything MRA is doing.

Reineking said the Affordable Housing Trust Fund is aligned with Parks and Recreation, Open Space, Transportation, etc., and was wondering if there is also an alignment with the City's Climate Smart goals and if that needs to be in the documents. James said most of the conversations around the Trust Fund, Ordinance and Resolution have been with departments that have funding to contribute. She said it has been a larger conversation of getting away from making these decisions in somewhat of silos, based on the Transportation Plan, Sidewalk Improvement Plan, and some of those pieces, and collaborating more and aligning all of the funding resources around collective goals. She said they have worked with Chase Jones at the City and met with Diana Menendez at the County. They are working on figuring out what that might look like and where in the policies they encourage alignment and to what degree with the variety of other City goals they have including climate and 100% clean electricity goals.

Englund said he appreciates Larson calling and understands that the issues he raised are issues that go to City Council and the way that it structures how it is going to manage the real Trust Fund. He said from MRA's perspective this is simply a commitment that this becomes a significant priority for MRA. He said he thinks it has been a priority for MRA. Part of what MRA has done in communications with the Mayor and City Council members who want to talk to MRA about long-term plans is that housing becomes a very important issue for MRA and this is a demonstration that MRA is willing to do that. Also, to do it in a way that fully complies with MRA plans and statutory authority and statutory limitations. He said he appreciates this coming forward to the Board at this time.

No further discussion. No further public comment.

Motion passed unanimously (5 ayes, 0 nays).

URD II 2nd & 3rd Sidewalk Project – Request to Approve Change Order 1 (Gass)

Gass shared a map of the project area. He said his staff memo details how the City does its mapping with water service lines and water/curb boxes. He said during the course of work on the URD II 2nd & 3rd Sidewalk Project a private water service line was damaged and the request today is to approve a change order to repair that service.

Gass said he wanted to answer two main questions he had when he was apprised of the situation. He asked why it lies at MRA for the cost and basically it boils down to "we broke it, we fix it". The curb box for this property was covered over with asphalt and was located near the alley where the damage was done. He said it wasn't picked up on the mapping for the project that IMEG Corp. (formerly Territorial Landworks) did. Gass said it doesn't show any negligence on the part of the contactor, Shadow Asphalt Inc., because there was no visual indication or red flag that there was a water service line there, particularly this far away from the water main. Gass said since it was so far away they thought they were free and clear to install the sump at the alley. Shadow Asphalt, Inc. was digging an eight foot hole to install the sump and snagged the private water service line for the property at the corner of 3rd Street. Gass said they didn't necessarily break the line, but the excavator snagged and pulled it which kinked it and is probably leaking where the damage was done. Missoula Water and City Engineering recommend that MRA look at replacing the whole line to reduce exposure to the City for any future liability for any problems that might happen on that line, such as the owner having a problem with their line and coming back to the City and saying the damage to the line is causing further problems.

Gass said there were discussions and investigation on where to put the line. They settled on the green line on his map that comes off the water main on 3rd Street. Gass said his second question was why the 3rd Street line couldn't be tied into and make a run right to the building, which is the normal and customary case. There were a couple of reasons that make it undesirable. One is that the front portion of the building used to be a Texaco filling station in the 1930s. Therefore, in front of the building there is an old, abandoned fuel tank they want to avoid. He said if they were to come straight off of 3rd Street and down into the building they would have to cut into the foundation and do some replumbing in the building. He said that is undesirable too.

Gass said the route chosen in discussions with Missoula Water, City of Missoula, and the property owner is to come off the 3rd Street water main and over to the Prince St. ROW and run parallel with the ROW. He said the line will be located behind the new sidewalk so it is out of the way and reduces any potential future conflicts. Also, the City will be able to create a ditch card for that water line, which means if somebody pulls a building permit in that area, the ditch card will be a flag that shows its location to prevent a future conflict.

Gass said the cost estimate for the new route comes in at \$18,803. That is an estimate due to the quantities to fill the trench that will be excavated. He said the road base material to fill the trench and the asphalt to patch over the top are estimates and it would be prudent to have some contingency built in. Gass said an 8% rounded contingency lands at \$20,000 and he feels that provides cushion if the quantities run over. On the flip side, if the quantities come in less there will be some cost savings realized. The staff recommendation is that the Board approve Change Order 1 for the URD II 2nd & 3rd Sidewalk Project to install a new water service line connected to the 3rd Street water main and abandon the old service line connected to the 4th Street water main at a cost not to exceed \$20,000 and authorize the MRA Board Chair to sign the Change Order.

Moe said it seemed to her that MRA was being asked to be the insurance company for the project engineer and the contractor. She said she doesn't want to beat up on either of

them, but wonders why it is totally the MRA's responsibility. Gass said with the curb box being covered it was not mapped. He said on the contractor's side there was nothing in the plans to indicate there was an obstacle in the way. He said it is difficult to put the liability or blame for that on the contractor. IMEG Corp. did their usual due diligence and mapping of the area. Gass said they didn't go searching for a curb box up on 3rd Street because it was outside of the what the scope of the mapping was. He said generally it is mapped just outside of the ROW where the work is taking place, and so there was no reason for them to go searching for a curb box or water line up on 3rd Street. Gass said he does not see that they were lacking or negligent on their part either.

Englund asked if the owner approves of everything. Gass said the owner has been involved in the discussions since the damage occurred. He is on board with the new route for the water line.

Buchanan said this is a product of doing projects in older parts of town where we don't necessarily know where everything is located and things aren't necessarily located in the logical place that you would think they would be. She said she asked the same questions when Gass brought it to her. Buchanan said MRA initiated the project, it is MRA's sidewalk project, and there was no way to anticipate running into what they did. She said it is in an older part of town and the water system transitioned from Mountain Water to Missoula Water with records that were not necessarily pristine. She said like it or not it is MRA's nickel. Gass said it is a perfect storm for a bad situation for MRA, being that it is as far away as it can get from either water main. He said he is surprised it hasn't happened more in the 15 miles of sidewalk MRA has built.

JONES: I MOVE THE BOARD APPROVE CHANGE ORDER 1 FOR THE URD II 2ND & 3RD SIDEWALK PROJECT TO INSTALL A NEW WATER SERVICE LINE CONNECTED TO THE 3RD STREET WATER MAIN AND ABANDONING THE OLD SERVICE LINE CONNECTED TO THE 4TH STREET WATER MAIN AT A COST NOT TO EXCEED \$20,000 AND AUTHORIZE THE MRA BOARD CHAIR TO SIGN THE CHANGE ORDER.

Brock seconded the motion.

Englund asked for the numbers for public comment to be shown.

Englund asked how long the service line is. Gass said it is ½ block. It goes from the main in 4th Street to the alley between 3rd and 4th Streets. Englund asked if the owner knew about it. Gass said the owner did not say anything about it.

No further discussion. No further public comment.

Motion passed unanimously (5 ayes, 0 nays).

Communications Consultants – TIF Request (Buchanan)

Buchanan said last year MRA tried to create some communication pieces around TIF and how the tool can be used. She said they were more appropriate for public consumption than a lot of the work MRA cranks out because the staff are technical people and writers. She said MRA is not the only department that has seen the need for some messaging,

graphics and assistance from the people who do this sort of thing for a living. The decision was made by the Administration to put out a Request for Qualifications (RFQ) to solicit firms with different areas of expertise that various departments and divisions within the City could access in order to get assistance when there is a project that might be complicated to explain, or MRA just wants public messaging around what it does in general. She said there are lots of ways to use the services.

The RFQ went out in February. Responses came back and COVID-19 hit, so everybody spent all time and energy figuring out how to respond to that situation. The City is now at a place where it is getting back to some semblance of normalcy. Ginny Merriam, City of Missoula Public Information and Communications Officer, headed this up and formed a group of City staff who would be potential users of a service like this into a review team. There were ten responses and all of them had different strengths and brought different things to the table. The ultimate decision by the review team was to put all of them into the pool of available resources to City departments. She said it is not unlike what the City does with engineering firms for projects under a certain amount of money. Rather than going out for a Request For Proposals (RFP) for every project, they select from a pool that has already been pre-qualified. She said it has been a competitive process that gives departments resources to draw on.

Buchanan said the request to the Board today is that MRA look at putting money into the budget to the tune of \$50,000 that would go into the FY21 budget, much like the funds the Board has approved for things like due diligence. This would allow staff to be able to draw on those funds for small things like a project that is coming before the Board that staff knows needs messaging around it and wants to create that messaging before it comes to the Board or goes public, and present it in a way that is most digestible, particularly for the public. She said they may be \$5,000-\$15,000 expenditures or less. If staff decided to rebrand MRA or explain how TIF works, that would be a major expenditure that would come to the Board for approval. In the interim, Buchanan suggested that the Board allocate \$20,000 if staff needs to access funding between now and when the FY21 budget is adopted, which will likely be in August. The Board can then direct staff to put \$50,000 in general budgeting for the various districts, much like the Affordable Housing money, so staff can access it without having to come back to the Board on a case by case basis.

Jones said she understands the professionals would be available to other City departments, but MRA's contribution of \$50,000 would be restricted for MRA's use for education and outreach which she feels is very important. She wanted to clarify that other departments would not have access to those funds. Buchanan said that is correct. It is for MRA use only. She said since the City has gone through the competitive process already, the Board could set a limit on how much staff can access without having to come to the Board and ask for approval to spend \$x.xx with a firm like Six Pony Hitch, for example, to help with a project. She said the Board could set some parameters where staff would have to bring it to the Board, but often times it is beneficial to have the message ready when it goes public. She said staff doesn't always do the best job of messaging that could be done because staff lives and breathes this stuff and are immersed in it all day long. Buchanan said she makes assumptions that people understand things that they don't necessarily understand and she thinks that is just human nature. She said if the Board is comfortable giving staff some latitude to tap those resources, using TIF funds for TIF projects that staff will bring to the

Board or share with the public, then that would be the ideal situation from her perspective. She said if the Board wants all of them to come to the Board for approval that is their prerogative. Or, if the Board wants to set monetary limits on what staff has flexibility with, much like the City Council authorizes contracts up to \$x.xx amount of dollars without requiring specific Council approval that the Mayor is free to sign (which is \$25,000 at this point). She said those are typically engineering projects with firms that have already been pre-qualified like these communications firms have been pre-qualified.

Englund asked Merriam if she has anything to add. Merriam said she likes Buchanan's approach with this. She said the Communications staff at the City does not have a lot of capacity. There is one Communications Director with no communications staff, and there are three Communications Specialists in particular departments who communicate only for those departments. She said when something comes up that is very complex or requires a lot of time, like producing materials that explain TIF better than it does now, there is not a lot of capacity to do it. She said it is nice to think the City has these agencies in its back pocket with a wide range of different kinds of firms that can do different kinds of things for the City. She said there are firms the City could contact to communicate with about a street project that would be going on all summer and require lots of detours. That same firm might not be the one that MRA would hire for rebranding or to do strategic communications and outreach about a particular project. She said there are good resources and she likes Buchanan's approach of running it by the Board and having the approval of being able to go ahead and do some professional communicating.

Englund asked how the Board can act on it if staff is looking at a funding request and needs help before it goes public. Buchanan said what staff is asking for is the same sort of thing it asks for with due diligence on properties it is looking at purchasing. For instance, she said the Board approved an amount for due diligence for the Scott Street property the City is looking at. That allowed her to authorize an appraisal, survey, Phase 1 environmental, etc. It let the staff do those things that need to be done for due diligence without having to bring every item back to the Board on an individual basis. She said she sees this as being something similar to that. It is also similar to saying that on particular items the spending limit is \$x.xx. Right now the Director's spending authority for things in general is \$5,000. She said staff is asking for the authority to do these smaller things within a limit the Board is comfortable with. She said staff is requesting \$20,000 for the FY20 budget and for an allocation in FY21 of \$50,000 that is discretionary money to use to create these communication pieces, whether it is photography, videography, messaging or some other graphics. It could be a whole myriad of things. Englund said if staff picked a project today like Villagio Apartments and staff decides that because of the work and detail involved in it finds out there is a lot more public interest than would be a normal project and so when staff presents it to the Board they want to make sure it is being done right and the messaging is clear. Buchanan concurred. Englund asked if staff would have the full range of the budget to do that with. Buchanan said yes, or it could be for a combination of projects, or the Board could say no project can exceed \$x.xx without having to come to the Board for specific approval. Englund said he is trying to figure out the right way to do that. He said it seems to him that if the Board says it relies on staff to do all the technical work and the messaging and can go to these firms to get help, then that is one thing. He asked what would happen if staff decides it needs to redo the web page and change things like that. He asked if that is something the Board should approve before it is done. Buchanan said that is one reason

they may want to look at the limit on an individual expenditure in that larger amount of money that the Board is comfortable with. Englund asked what that limit is. Buchanan said it is the limit in the budget. She said she doesn't see it much different than the due diligence money the Board approved when MRA bought the MRL property and as it is looking at buying the Scott Street property, but maybe it is. Englund said the Board approved an amount to do the due diligence needed on a particular piece of property. Buchanan concurred and said the Board then did not drill into that and say staff can't spend more than \$x.xx on an appraisal and \$x.xx on environmental. Staff had latitude within that allocation for due diligence to get all of those pieces and parts done. Englund said the Board didn't say staff had \$50,000 to do due diligence on any piece of property that it wanted to do due diligence on. Buchanan said no, it was on a specific acquisition. Englund asked how to cut that difference to deal with this situation, or if they need to. Buchanan said she doesn't understand why the Board would need to, but that is up to the Board.

Jones asked if \$20,000 is for FY20 and \$50,000 is for FY21. Buchanan said yes, that is the suggestion. Jones said she would like to see the \$20,000 specifically allocated to general education and outreach about MRA TIF funding and the rules and restrictions around the use of those funds. She said she thinks that will be a much more powerful and usable tool going forward. That money invested now will be good to keep utilizing in the future. Going forward, she said she thinks there is some number that she would be comfortable authorizing staff's use of on a per project basis without coming back to the Board. She has \$5,000 in her mind, but that may be too much or too little, but something like that would be appropriate. Jones said if MRA invests initially in some general education and outreach tool she wondered if staff really needs \$50,000 going forward on a per project basis. She said she doesn't think they will know until they get into it. She said she is comfortable with this and would like to see a sizeable investment made right away on general education and outreach because she really feels like there are some barriers to understanding and those barriers really restrict the public's ability and willingness to engage with MRA. She said then what we're faced with is the reality that not very many people come to MRA meetings and then when we go out into the community we face some opposition that is based at least partially on a misunderstanding of what it is we are doing. Jones said she really thinks this could be valuable to the organization to invest in funds for education.

Buchanan said she suggests to the Board that based on conversations that took place last summer, granted it was with one communication firm, MRA take on this whole public outreach about what TIF is and what it does and what MRA has used TIF for over the years, and really start to correct misinformation that is out in the community and create the kind of understanding that MRA needs. That would be a large enough amount that it will need to come back to the Board for an allocation of money. \$20,000 will not scratch the surface for that sort of thing. She said if the Board would rather focus those efforts on the big message then that is what staff will do. Staff can continue to do business on individual projects as it has, and if something comes along that staff feels it needs professional assistance with, it can come back to the Board with a funding proposal. She said she would love the ability to have some good messaging when it comes back to the Board to ask for money to buy messaging.

Moe said she doesn't understand how this is going to work. She said she understands the point about education and outreach, but her experience is that the general public doesn't

pay much attention to generalities and that any education and outreach needs to be focused on specific projects. She said she would like to see a more concrete presentation on what exactly it is that will be done with \$x.xx, who is going to be doing it and if there will be a specific staff member who decides which projects need more presentation to educate people about what MRA does. She said she is not understanding how this is going to work. Buchanan suggested staff keep working on this and bring it back. Jones said she doesn't want staff to think she is against this. She said it is a good idea and wants to talk about it more and looks forward to that discussion. Buchanan said she understands. When they talk about due diligence, certain activities come to mind and it is focused on a specific piece of property or project. This is much broader and warrants additional discussion. Staff is happy to work on it and bring it back to the Board. Englund requested they do so sooner rather than later, particularly if they break it down into individual projects and could have one in a month or two. He said he likes the idea that the City has public information people writing information to the public about what their government is doing. He said MRA hasn't done much of that and could benefit greatly from doing that. Buchanan said there are tools out there that are not being taken full advantage of because there is not staff capacity to it. Staff definitely needs help with communication.

No action was taken on this item.

FY20 Audit – Request for One Year Extension with Anderson Zurmuehlen (Dunn)

Dunn said she included a memo in the original packet regarding the request to the Board to approve a one-year extension for MRA's audit contract with Anderson Zurmuehlen (AZ). She said staff did not have quotes from AZ when she wrote the original staff memo. Staff got the numbers from AZ on Monday and so she wrote a subsequent staff memo, emailed it to the Board and linked it to the agenda online. She wanted to let the Board know that in case someone did not see the subsequent memo.

The governing body for MRA's audit comes from the Montana Department of Administration. It specifies that audit contracts and extensions cannot be executed for more than three years, but there is no limit to the number of extensions that can be executed. The MRA did an RFP process for audit services along with the City and Parking Commission in 2009 and AZ was selected as the successful respondent. MRA did another RFP process in October 2014 for the next three successive years (2015-2017) and again AZ was the successful respondent. The entities did an extension for FY2018 and FY2019. The City had originally anticipated doing another RFP process, but due to the impact of the COVID-19 pandemic on staff availability, that process has not been able to be completed. Dunn said the City, Parking Commission and MRA are approaching their respective governing bodies and asking for permission to extend AZ's contract for one year in light of this situation.

Dunn said AZ has provided a quote to MRA of \$15,000 to provide the audit services for FY2020. She said that is a 17% increase from the prior year, but feels there are several reasons it is reasonable. She said in FY19 AZ wrote off almost \$16,000 of their time on the MRA contract and have written off a lot of their time over the past successive seven years. She said AZ compiles the MRA audit report which is quite large. The audit report contains each of MRA's districts as a major unit and they report on each district separately and completely. AZ reported to Dunn that their time is directly correlated with the number of districts MRA has, which has grown steadily since they first started auditing MRA. Since

part of AZ's opinion is the opinion on each unit and each district is considered a major fund that they opine on, they need to test the detail transactions of each district. Dunn said when AZ was first engaged they had budgeted approximately 125 hours to do the audit, but there are not the same number of districts now as there were back then. In FY19, AZ reported that their audit time exceeded 200 hours. She said Jan Schweitzer, AZ, reported that historically they have incurred similar hours in total for each year. They bill an average of \$125/hr. and typically have been writing off as much as they've billed. She said AZ does not anticipate to see any additional hours for auditing FY20, but felt that they needed to make up a little bit of that time and cost that they write off in producing MRA's audit report. Dunn said the staff recommendation is that the Board approve a one-year contract extension with AZ for audit services for fiscal year ending June 30, 2020 for \$15,000.

Schweitzer thanked Dunn for her summary. She said she wanted to emphasize that AZ is not trying to increase the fee just to increase the fee. She said a couple of years ago the Governmental Accounting Standards Board (GASB) 58 and GASB 75 disclosures and underlying testing they have to do added about 15 pages to the MRA audit report. She said AZ did not increase fees because of the implementation of those standards. She said they are really just trying to do a fair increase to recoup some of the fees they have written off over the past several years. Each year AZ writes off about 50% of what they incur. Schweitzer said when she looked at it for this year she felt like \$15,000 was a fair fee based on what they do, especially with the compilation of the reports. It is over 100 pages and they have to put all of the information together, articulate it to the underlying supporting documentation that they test, and it takes an inordinate amount of time.

Englund asked for the numbers for public comment to be shown.

MOE: I MOVE THAT THE MRA BOARD APPROVE A ONE-YEAR EXTENSION OF THE CONTRACT WITH ANDERSON ZURMUEHLEN P.C. FOR AUDIT SERVICES FOR FISCAL YEAR ENDING JUNE 30, 2020 FOR AN AMOUNT NOT TO EXCEED \$15,000.

Jones seconded the motion.

No further discussion. No further public comment.

Motion passed unanimously (5 ayes, 0 nays).

NON-ACTION ITEMS

STAFF REPORTS

Director's Report

Budget Reports

COMMITTEE REPORTS

OTHER ITEMS

ADJOURNMENT

Adjourned at 2:54 p.m.

Respectfully Submitted,



Lesley Pugh