

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

September 15, 2022

FINAL

A Regular meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, September 15, 2022 in the Hal Fraser Conference Room, 140 W. Pine St., and via Microsoft Teams at 12:00 p.m. Those in attendance were as follows:

Board: Karl Englund, Ruth Reineking, Melanie Brock, Jack Lawson

Staff: Ellen Buchanan, Annie Gorski, Tod Gass, Jilayne Dunn, Maci MacPherson, Lesley Pugh

Public: Jason Rice, Anna Vickers - IMEG Corp.; Brad Reid, Diversified Plastics; Katherine Foley, Gavin-Hanks Architects; Dave DeGrandpre, City of Missoula CPDI; Courtney Ellis, Dorsey & Whitney LLP; Corey Aldridge, Mountain Line

CALL TO ORDER

12:00 pm.

INTRODUCTIONS

APPROVAL OF MINUTES

[July 21, 2022 Regular Board Meeting Minutes](#) were approved as submitted.

PUBLIC COMMENTS AND ANNOUNCEMENTS

Brock said the first community visioning workshop for the Midtown Master Plan will take place on September 27th. The whole county is invited to come and share their thoughts on the future of Midtown. People can also visit [midtownmasterplan.com](#) for more information.

ACTION ITEMS

Diversified Plastics – 3723 Grant Creek Road (North Reserve-Scott Street URD/Ward 2/Grant Creek Neighborhood) – TIF Request and Request to Proceed Without Prejudice (Gorski)

Gorski said Brad Reid, CEO of Diversified Plastics, and folks from the consulting team at IMEG Corp. were present to answer questions and speak to the project. There are two requests for Diversified Plastics. One is a funding request for their first phase of improvements tied to expansion, specifically a new fire hydrant on Howard Raser Drive. The second is a request to proceed without prejudice for future public improvements on

Howard Raser Drive and Grant Creek Road that align with the North Reserve-Scott Street URD (NRSS URD) Master Plan.

Gorski showed a site plan of Diversified Plastics. They have been in business in Missoula since 1978 and currently employ 66 people. They manufacture products for a variety of industries and export them throughout the United States and beyond. Their location is at the corner of Howard Raser Drive and Grant Creek Road. A 4,000 square foot (SF) building expansion is planned that is triggering the new fire hydrant required and it will be placed in front of the building on Howard Raser Drive. They would like to start on the expansion which will allow them to expand and enhance their shipping capability as soon as the hydrant is installed.

In the future, Diversified Plastics hopes to add a second, larger building on the western portion of the site and would like to come back to the Board when they have more information and numbers for that building. The new building will trigger improvements on Grant Creek Road as well as Howard Raser Drive. Both sets of improvements are included in the annexation conditions – this property was annexed into the City in December 2021 and brought into the NRSS URD in June 2022. Gorski said rather than phase the improvements, they'd like to start on them this year and come back to the Board with a request for partial funding of those improvements.

Gorski noted that along with the 4,000 SF expansion there are other improvements happening including a significant façade improvement and substantial improvements to their parking and site area. There are currently no sidewalks or street trees on Grant Creek Road and those will be added along with landscaping on Howard Raser Drive. The NRSS Master Plan calls for trees and a boulevard improvement on Howard Raser Drive in the future. That will require widening of the road.

The request to the Board today for funding is just for the fire hydrant, knowing they would like to come back in the future when they are closer to the 2nd building installation for the improvements on Howard Raser Drive and Grant Creek Road. The Tax Increment Financing (TIF) request for the hydrant is \$46,253. It represents 3% of the total project cost for Phase 1. Gorski said in terms of alignment with the City's Strategic Plan, there are two including expansion of an existing traded sector business. Reid has made a commitment to provide a livable wage for the employees at Diversified Plastics. Their starting wage is \$19/hr. and for hourly employees that have been with the company the average wage is closer to \$26-27/hr. They also have salaried employees that are closer to \$100,000 annually.

Reid thanked Gorski for her presentation. He said he is trying to beautify the front of his building and wants to make it look nice with the caveat of being able to come back to the MRA Board within a couple of years when he does more building and potentially get reimbursed for some of the work he will be doing on the boulevard on Grant Creek Road as well as putting in some water infrastructure heading in that direction. He said somewhere down Grant Creek Road the water should continue for others to access.

Jason Rice, IMEG Corp., said when they first brought the property to the City for annexation Reid wasn't even thinking immediate future for expansion. Demand for Diversified Plastic's

services with their recent ability to transport imported materials has made their business boom. The water main being talked about for the Proceed Without Prejudice wasn't even considered initially, but now that they are looking at things more comprehensively they are in the process of requesting an extension beyond December 2021 for the Grant Creek Road improvements so they can phase them in and get the water line in. Approval of the Proceed Without Prejudice would allow Reid to plan ahead knowing there is support for future improvements on Grant Creek Road.

Rice said as far as the fire hydrant goes, that was the main impetus for bringing the property into the City. There is a big improvement going into the entire building for fire suppression, so not only in the expansion, but the rest of the building is being tied into that as well. For the safety of the employees, this project is very important to Reid.

Rice referred to IMEG's initial presentations of the architecture and elevation which showed trees along Howard Raser Drive. However, there isn't much right-of-way (ROW) there with the existing road and it turns out the City is running sewer service under it. There is also 3x3' concrete duct work under it which makes it nearly impossible to plant trees. They will be planting yucca plants and other things the urban forester has approved in place of trees. They will bring back to the Board clarity on that when it gets closer. Gorski added there will be trees along Grant Creek Road.

Englund asked if the future request will be for landscaping in the boulevard, water main and sidewalks. Buchanan said it will also include realignment to an extent of Grant Creek Road. Gorski said the realignment will include boulevard improvements including trees, sidewalks, curb and gutter. It will also include landscaping along Howard Raser Drive where there currently is none, ADA ramps, curb, gutter and a water line. Gorski also clarified that the \$1.7 million investment and the 3% represents the cost of the hydrant compared to the \$1.7 million which is the first phase and just the expansion. The future 25,000 SF building numbers will be much more significant, closer to \$7-\$8 million, and include the additional improvements. Rice said their hope is to have a better idea of the numbers this winter and hope to come before the Board before that infrastructure goes in. With that said, they do want to beautify the front of the building as much as they can and that may include putting in the sidewalks and ADA ramps now and then including them in a future request.

Brock asked about the annexation conditions schedule with City Council and asked if it is more of a multi-year longer road to put infrastructure in. She said it is exciting because putting infrastructure in this area will allow more businesses to hopefully grow there. Rice said unfortunately the sewer they would have potentially expanded is not going to be very meaningful to the community at large. It will have to come from the west towards the site. Diversified Plastics will be able to service itself from the existing main in Howard Raser Drive. Rice said the water main, curb and gutter is all planned out to meet the future needs and expansion in the NRSS Master Plan. Rice said they were trying to decide if it would be a one or two year extension. In talking it out with Gorski and Buchanan, they were encouraged to try for longer in case there are some planning things that get in the way and it goes longer. Buchanan said what MRA has seen when it makes investments in infrastructure like this is that it serves as a catalyst for other people to make private investments.

Reineking said she understands the fire hydrant will serve more than just Diversified Plastics. If they were doing the 25,000 SF building now the fire hydrant wouldn't be a separate request. She said she was struggling with why it was a separate request in the sense that she is mindful of City Council sometimes asking if it would happen without MRA paying for it. Buchanan said it is a requirement in order to do the addition and to add fire suppression to the existing building. Even if there were no annexation involved in this, that fire hydrant would have been required by the Fire Department in order for them to expand the building and upgrade fire suppression. Reineking said this project would not happen at all if it weren't for TIF funding. Buchanan said that was correct.

Englund wanted to be clear that officially the granting of a request to Proceed Without Prejudice is not a commitment of future funding. Buchanan referred to Reineking's comments and said there would not have been a request for annexation but for the ability to access TIF funding for some of the infrastructure improvements. Reineking said she understood it was going to take TIF funding for the roadway improvements, water line, etc., it just seemed a little odd to have the fire hydrant separate.

MOTION 1

REINEKING: I MOVE TO APPROVE THE REQUEST FROM DIVERSIFIED PLASTICS IN THE AMOUNT OF \$46,253 FOR A NEW FIRE HYDRANT ON HOWARD RASER DRIVE WITH THE UNDERSTANDING THAT TIF ASSISTANCE WILL BE A REIMBURSEMENT TO THE OWNER UPON FULL COMPLETION OF THE PROJECT AS EVIDENCED BY THE ISSUANCE OF A CERTIFICATE OF OCCUPANCY FROM THE CITY OF MISSOULA, AND FURTHER, THAT THE AMOUNT OF THE TIF REIMBURSEMENT WILL BE BASED ON PAID INVOICES SUBMITTED BY THE OWNER DOCUMENTING ACTUAL COSTS OF THE TIF ELIGIBLE IMPROVEMENTS, AND AUTHORIZE THE BOARD CHAIR TO SIGN THE DEVELOPMENT AGREEMENT.

Lawson seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays).

MOTION 2

REINEKING: I MOVE TO APPROVE THE REQUEST TO PROCEED WITHOUT PREJUDICE WITH PUBLIC RIGHT-OF-WAY IMPROVEMENTS ON GRANT CREEK ROAD AND HOWARD RASER DRIVE AS DESCRIBED IN THIS MEETING WITH THE UNDERSTANDING THAT THERE IS NO GUARANTEE THAT A FUTURE PROJECT WILL BE APPROVED FOR TIF FUNDING BY THE MRA BOARD.

Lawson seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays).

Reineking thanked Diversified Plastics and said she appreciates what they are doing as a part of the Missoula community and the community in the NRSS URD. She hopes the project is indeed a catalyst for future development out there and also appreciates what Reid is doing with his labor force.

Brooks Street BRT/TOD RAISE Grant Planning Study (URD III) – Request for Approval to Enter into a Sub-Recipient Agreement with Mountain Line (Marchesseault)

Buchanan presented this in Marchesseault's absence. Back in July 2021, MRA and Mountain Line applied for a RAISE (Rebuilding American Infrastructure with Sustainability and Equity) Grant through the U.S. Department of Transportation (USDOT). It was a planning grant to follow up on all of the work that has been done for last 10 years or better on the Brooks corridor. It germinated out of a planning session in Bozeman and then a group was formed locally that called themselves "Midtown Mojo". They tasked themselves with finding a transformative way to change the Brooks corridor and encourage transit-oriented development there. There have been a number of iterations and what they've settled on is that they'd like to look at center lane BRT (Bus Rapid Transit) down Brooks Street. It will have center lane transfer stations strategically placed along the route which constitutes a permanent investment in a transit route which then, in a much less expensive way than trying to do rail, solidifies private investment in the corridor. Marchesseault put together the application for the RAISE grant in 2021 and was notified several months later that it had been approved for the entire amount that was applied for. It is an \$847,000 grant with another \$80,000 in local match coming from TIF funding and Mountain Line.

The USDOT administers the RAISE grants and they have multiple divisions under it and the grants can be administered through the different divisions depending on the nature of what is being proposed. This grant will be administered by the Federal Transit Administration (FTA). The monies that go through them can only go to a transit agency, which MRA is not. The recipient of the grant will be Mountain Line. MRA will be managing the project in all aspects other than being the recipient of the funding. MRA needs to enter into a Sub-Recipient Agreement with Mountain Line. Buchanan said Mountain Line has done this with the University of Montana for their UDASH system. MRA has not received the signed agreements from the feds yet, but want to be in a position with Mountain Line so that once it comes through and everything is signed they can go ahead and enter into the Sub-Recipient Agreement and get a Request for Proposals (RFP) issued for a consulting firm to carry out the planning grant. The reason for the urgency is that they would like to be in a position to apply for capital funding to build this in the 2024 funding cycles. This type of project is being held very favorably at the federal level right now or they wouldn't have been approved/funded the full amount. Buchanan said staff feels they have a good chance of bringing a large capital grant to the City. Therefore, with how long it will take to actually complete the planning and get in a position to apply for a RAISE capital grant and/or a Small Starts grant through the FTA, it will require them to move as quickly as they can once documents are signed.

Buchanan said the request today is for authorization to move forward with Mountain Line to prepare and finalize the Sub-Recipient Agreement so they're in a position to go ahead and execute it as soon as the federal documents are executed. The way it will work financially is that MRA will issue an RFP, select and direct a consultant, and pay the consultant. MRA will invoice Mountain Line quarterly for repayment because the money will come down

through the feds to Mountain Line and back to MRA. Englund asked if Mountain Line is on board with this. Buchanan said yes.

Corey Aldridge, Mountain Line, said they are familiar with the process, having done the same thing with the University. They have a good working relationship with the FTA. The process is pretty simple and it is still an MRA award and Mountain Line is in the back seat helping out as much as they can. He said this is how all of the studies over the last eight years have gone, where MRA is the driver and Mountain Line has been a partner.

Reineking said she is looking forward to more requests coming in the future to complete this work that MRA has been looking at for a long time and it will make a huge difference. Brock said with the Midtown Master Plan and Code Reform projects happening and being out in the neighborhoods right now, this can't happen fast enough. She is happy they are thinking ahead and is ready for it to get going. Lawson asked about staff capacity for this. Buchanan said Marchesseault has become a parent of the project and is perfectly suited to it. She wrote the grant application that was approved.

Lawson asked for clarification of what is being referred to as the "Brooks corridor". Buchanan said it is basically from Reserve Street north, and one of the thoughts with the Higgins Avenue project going on right now between Broadway and Brooks, is that those two need to touch each other and be done in conjunction. This may expand to a grant request that is not only Brooks corridor, but also implementation of the Higgins Avenue reconfiguration, and maybe even the Front/Main Conversion to two-way traffic. It makes a really compelling story when all of those pieces are put together. URD III is in a position to provide a sizeable match which would make it very competitive.

Dunn noted that as a sub-recipient, MRA will be subject to federal compliance requirements for an audit. Years ago, MRA worked with a lot of federal funding on bridges and at that time the threshold for a federal compliance audit was much lower. Currently it is \$750,000, so if that amount or more is expended in a fiscal year then MRA will be subject to a federal compliance audit. That would bring MRA under additional scrutiny for those federal funds, even if they are pass-through. Staff met with the FTA pre-award administrator, Mountain Line and Will Parnell from Anderson Zurmuehlen to work through a lot of the details and how this project will be managed and tracked. At this point they feel the way the project is rolling out as far as the timing, most likely the total award will not be expended in one fiscal year which means MRA will not be looking at a federal compliance audit. However, she wanted to make the Board aware of the threshold and that it has been discussed.

BROCK: I MOVE TO APPROVE THE STAFF RECOMMENDATION TO ENTER INTO A SUB-RECIPIENT AGREEMENT WITH MOUNTAIN LINE TO LEAD PROJECT MANAGEMENT OF THE BROOKS STREET BRT/TOD RAISE GRANT PLANNING STUDY, PENDING MOUNTAIN LINE'S FINALIZATION OF THE MASTER AGREEMENT WITH FTA. STAFF FURTHER SEEKS BOARD APPROVAL TO INCLUDE A CLAUSE IN THE SUB-AGREEMENT AGREEING TO MOUNTAIN LINE'S REQUEST THAT MRA INITIALLY PAY CONSULTANT INVOICES AND SUBMIT FOR REIMBURSEMENT FROM MOUNTAIN LINE/FTA ON A QUARTERLY BASIS.

Reineking seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays).

Englund recalled that after City Council created URD III they approved having a group of people from the Urban Land Institute come and help figure out what that area could be. They were here for a week and he recalls meeting with them in the top, unfinished floor of the office building next to the mall where you could look out and see the area. He was talking with an engineer about their ideas and the engineer said the big one that needs fixing is Brooks Street. Englund asked him what that would take and the engineer looked at him and said "a long time". That is proving to be true.

**URD II Bonds – Series 2022A \$1,583,470.53 Tax Exempt Bonds for Series 2006
Refinancing & Series 2022B \$2,231,535.90 Taxable Bonds for Bridge Apartments
Reimbursement – Request for Approval (Buchanan)**

Buchanan said in 2021 Western Montana Mental Health Center (WMMHC) owned the Bridge Apartments, but determined it was not the best way they should be using their resources and put the property on the market. The apartments had 20 units that were serving low income individuals, most of whom were dealing with some sort of disability. The City stepped up and arrived at an agreement with WMMHC to purchase the property. The hope at the time was that the City would be able to find a buyer for it and because of deferred maintenance issues and the market in general at the time, the City would take a loss on it if they were able to get someone in there as a new owner who would agree to maintain it permanently as affordable housing. The MRA Board agreed to pay for the purchase of the building out of URD II TIF funding. The \$2.195 million depleted a majority of the available, unencumbered cash in that district that is needed to implement all of the projects set out in the Strategic Exit Plan for URD II. Given that, MRA knew bonds would have to be issued at some point. The City floated the purchase price, MRA reimbursed the City for that amount in late June and now needs to sell bonds in order to recoup that money and put cash back into the district.

In the meantime, MRA had its financial advisers at Baker Tilly take a look at the outstanding bond issues in URD II and see if any of them were a good candidate for refinancing. Baker Tilly identified a bond issued in 2006 that was used to purchase the Idaho Timber lease on the Old Sawmill District property that should be refinanced now and therefore made it a part of this. MRA can get a much better interest rate and terms and it will save roughly \$40,000/yr. in debt service. Staff worked with bond counsel Dorsey & Whitney LLP to put together a bond resolution to take to City Council to issue two series of bonds. The issue for the Bridge Apartments needs to be a taxable bond because they don't know who the ultimate owner will end up being and if it is a private entity they can't use taxes and bond for that. The refinance of the 2006 bond issue is tax exempt. Staff is working with First Security Bank and they have agreed to buy those bonds. The purchase was approved by their executive committee. The interest rates are very favorable: 3.5% on the tax exempt bond and 4.5% on the taxable bond.

Buchanan said the current interest rate for the 2006 bond issue varies anywhere from 4.5% to just over 5%. It will now be 3.5%. Additionally, when that bond was issued in 2006 it was

a public sale and that necessitated MRA having a debt service reserve. The equivalent of the highest debt service payment has to be held in a reserve account until the bonds retire. That also triggers the same requirement on the bonds that were sold to build Wyoming Street Railroad Trestle and Silver Park, so there is a very large debt service reserve at this point in time. First Security Bank is not requiring a debt service reserve which will free up that amount of money, almost \$700,000, from being encumbered for the balance of the district. All in all, MRA will be getting a better interest rate, saving \$40,000/yr. in debt service, almost \$700,000 that does not have to be encumbered in debt service reserve, and MRA is reimbursing URD II for the purchase of the Bridge Apartments. Buchanan said it is a huge win-win all the way around for the district, especially given the number of ambitious projects MRA wants to accomplish in the next nine years.

Buchanan said the request today is for the Board to make a recommendation that City Council approve the bond resolution which staff will refer to them next week which will allow MRA to sell the bonds through First Security Bank. Courtney Ellis, Dorsey & Whitney LLP, pointed out another benefit of the transaction and said in connection with the 2006 bonds the additional bonds test for the district was set at 140%. In other words, tax increment receipts in the prior fiscal year needed to be at least 140% of maximum annual debt service for outstanding bonds plus additional bonds proposed to be issued. First Security Bank is comfortable with a 125% additional bonds test. This is another way of maximizing the remaining years of the district. Buchanan said one of the documents included in her packet is the analysis of the additional bonds test. Dunn wanted to recognize the partnership that MRA has had with First Security Bank. She said there is often criticism MRA receives for working with banks, whether on their own redevelopment projects or just in general, and she wanted to recognize that nearly all of MRA's bonds that have been privately placed have been with First Security Bank and they have been a tremendous partner for MRA.

Englund asked how MRA accounts for the \$674,645 in the debt service reserve account. Dunn said the portion of the money applicable to the refunding will need to go into an escrow account at US Bank. It will be used to pay off the Series 2006 bonds. The additional amount set aside in the reserve account for the Series 2013 bonds will need to be moved over to the debt service sinking fund and pay the next debt service payments due on those bonds. That will essentially free up any money that comes in during the fiscal year that usually would have to go into the sinking fund to go into the development fund. Dunn said it will not show up on the budget status reports.

LAWSON: I MOVE THE MRA BOARD FORWARD A RECOMMENDATION TO CITY COUNCIL THAT THEY APPROVE THE SALE OF SERIES 2022A AND SERIES 2022B TAX INCREMENT URBAN RENEWAL REVENUE BONDS TO FIRST SECURITY BANK THROUGH APPROVAL OF THE REQUIRED BOND RESOLUTION AND DIRECT STAFF TO MAKE THE REFERRAL TO CITY COUNCIL FOR CONSIDERATION.

Reineking seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays).

NON-ACTION ITEMS

STAFF REPORTS

Director's Report

Buchanan said she was happy to answer any questions from her report.

Reineking asked if there were any updates on the Fox Site. Buchanan said there is a lot of interest right now and staff hopes to know more soon.

Budget Status Reports: FY22|FY23

Dunn noted the FY22 reports are very close to being final.

MRA Communications Update

Maci MacPherson, Communications Specialist, updated the Board on what she has been doing in the new position for MRA. She has been doing some fun summer activities including participating in events like Out to Lunch, PaddleHeads baseball games, Sunday Streets and meeting with Neighborhood Councils. She has also been on social media doing storytelling on Facebook and recently created an Instagram page. Her goal is to reach different types of people, listen to them and let them engage with City staff. She then reports back to Buchanan and MRA staff to let them know what people are talking about and what they are interested in. MacPherson said she is also part of the City's JEDI (Justice, Equity, Diversity and Inclusion) Strategic Implementation work team. Reineking asked what kind of feedback she is getting. MacPherson said she has had very positive interactions with people. Mostly, they ask who she is with and what MRA does. She tells them she works for the City and that MRA is a department of the City. She explains what MRA does and that they are working on more outreach to get people's feedback.

MacPherson said housing is the number one thing people are asking about. She also gets asked what TIF means because it's on a banner at her table, and people ask how their property taxes work compared to where the City gets its money. She said it's all been very interactive and feels that people walk away feeling like they learned something. The people she has interacted with also really like the new MRA TIF brochure. Reineking said City Council hears from those opposed to TIF/MRA in general and they get a certain amount of press, so she is glad MacPherson is reaching people who otherwise would not have provided any feedback at all, and MRA is getting a little bit better balance in its reputation in the community.

Staff Activities Reports (6/4/22-7/2/22)

COMMITTEE REPORTS

OTHER ITEMS

Reineking wanted to congratulate Jordan Hess as the new Mayor and said MRA looks forward to working with him.

ADJOURNMENT

Adjourned at 1:06 p.m.

Respectfully Submitted,



Lesley Pugh