

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

November 21, 2024

FINAL

A Regular meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, November 21, 2024 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, Mike Nugent - City Council Ex-Officio Board Member

Staff: Ellen Buchanan, Annie Gorski, Annette Marchesseault, Michael Hicks, Jilayne Dunn, Lesley Pugh

Public: City of Missoula: Morgan Valliant, Lucy Rummel; Martin Kidston, Missoula Current; Mike Scariano, Bissinger Place; Katie Fairbanks; MCAT

CALL TO ORDER

12:04 p.m.

INTRODUCTIONS

APPROVAL OF MINUTES

[October 31, 2024 Regular Board Meeting Minutes](#) were approved as submitted.

PUBLIC COMMENTS AND ANNOUNCEMENTS

There were no public comments or announcements.

ACTION ITEMS

Bissinger Place – 903-921 South 1st Street West (URD II / Ward 3) – Request to Amend Development Agreement (Gorski)

Gorski said the MRA Board approved two grant components for the Bissinger Place project in March 2022. One was for a Tax Increment Financing (TIF) amount not to exceed \$269,000 for asbestos remediation, deconstruction, utility relocation and right-of-way improvements on 1st Street. The Board also approved a Façade Improvement Program (FIP) grant up to \$50,000 for exterior paint removal, windows, doors, overhead door replacement and awning installation. Since that time the developers, Frank and Kelly Scariano and Bricks & Spurs LLC, have put things on hold due to the increase in construction costs and decrease in market demand for commercial space. The development scope and completion date approved by the MRA Board in 2022 has changed

and so the request today is for approval of an amendment to the Development Agreement. The two amounts approved in 2022 will not change.

Reineking entered the meeting.

Gorski reviewed the previous and current development scopes. They will reduce the new building from four to three stories and it will not have an elevator or basement. The overall building area will be 37,500 square feet as opposed to 61,500 SF in the previous scope. The number of housing units will go from 42 to 39 and will be rented at market-rate. No luxury condos will be built as first proposed. The commercial space will house office space for Scariano Construction with the possibility of a coffee shop and/or restaurant. The historic warehouse space will not include a private rooftop terrace, however the new building will have a rooftop deck at the second story level. Overall construction costs will be reduced from \$13 million to \$8 million and will be done in two phases. The developers would like to extend their completion timeline from December 2024 to December 2029, with construction beginning in 2025. Gorski noted the site improvements and façade improvements approved in 2022 are not changing. The estimated annual property tax revenue is expected to be \$105,000, rather than \$130,000 with the original scope, and the payback will be in four years versus three. Buchanan added that staff typically does not bring agreements to the board for approval due to time extensions, however this agreement has significant scope changes and staff wanted the Board to be aware of them and approve them. Gorski said the project still aligns with the City's Fiscal Year 2025-2026 Strategic Plan Goals.

Brock said this is one of a handful of really exciting residential redevelopment projects that the MRA Board approved and is waiting for it to be built. She asked how many more projects like this that were approved in the last 18 months that will need to tinker with their original scopes. She said she would welcome that as a Board member. MRA is that place where the staff and Board work with developers to make things come out of the ground. Brock said the projects that are still simmering that have already been approved are welcome to come back because it is such a challenging development environment. She wants to see MRA help in whatever way it can to keep the projects moving. Buchanan said the first one that is most likely to come back is Casa Loma on South Avenue with a significant reduction in scope.

Englund referenced the four-year payback. Gorski said it is based on a formula using the updated construction costs. The final number will be based on how the Department of Revenue (DOR) values it. Englund clarified that the scope of the TIF and FIP grants will not change. Staff concurred. Englund said MRA has had, and has stuck with, the notion of the "second bite of the apple" where they don't want to get into a situation where people say they want a certain amount for a project and then come back with a second amount. Gorski said with this project they are not requesting any additional money even though their costs have increased.

LAWSON: I MOVE THE MRA BOARD AUTHORIZE THE BOARD CHAIR TO SIGN AN AMENDMENT TO THE DEVELOPMENT AGREEMENT FOR TIF ASSISTANCE WITH BRICKS & SPURS, LLC AND FRANK AND KELLY SCARIANO TO REFLECT CHANGES IN DEVELOPMENT SCOPE AND COMPLETION SCHEDULE. THIS ACTION DOES NOT

CHANGE THE PREVIOUS MRA BOARD APPROVAL OF TIF ASSISTANCE IN AN AMOUNT NOT TO EXCEED \$269,000 FOR ASBESTOS REMEDIATION, DECONSTRUCTION, UTILITY RELOCATION AND 1ST STREET RIGHT-OF-WAY IMPROVEMENTS.

Reineking seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays).

MRA Fiscal Year 2024 Budget Amendment – Request for Approval (Dunn)

Dunn said the audit will soon begin for fiscal year 2024. At the last meeting the Board approved Eide Bailly LLP as MRA's auditor for three fiscal years. In FY 2024 there was an error made on the spreadsheet that is used to determine the tax increment for the districts. The spreadsheet is prepared by the County and gets sent to the Montana Department of Revenue (DOR) for certification before the tax bills are generated by the County and then mailed out to property owners. Dunn said the spreadsheet includes the taxable value of the property and then an increment value of the property and the mill levies that are set by the seven taxing jurisdictions in the urban renewal districts (URD).

On page 2 of Dunn's memo, there is a snippet of what MRA gets from DOR every August when they send the taxable values. There are two taxing jurisdictions in the North Reserve-Scott Street (NRSS) URD. Those include 4-1N and 1-1N. 4-1N refers to the area of the URD that includes Hellgate Elementary School District. 1-1N refers to the area of the URD that includes Missoula Elementary District #1. Dunn said the increment value from DOR under 1-1N is \$813,388 and is the number that inadvertently got changed by the County on the spreadsheet to \$712,758. Page 3 of Dunn's memo shows the snippet from the County report when they send it to MRA. There is a difference of \$100,640 in increment value between the two documents.

Dunn said in 2024 the majority of Montana counties reduced their mills from the state and there was a dispute about that. MRA started its budget in the fall 17 mills lower than normal. The mill reduction from the state was taken to the Montana Supreme Court for a ruling which didn't come until after the beginning of the calendar year.

When multiplying the \$712,758 that was entered by the County by the mills levied, the estimated tax increment was \$558,517. When using the DOR certified increment value of \$813,388 multiplied by the mills, the estimated tax increment was \$637,371. The variance is a reduction in tax increment of \$78,854. Dunn said she is asking the Board to approve a Budget Amendment reducing the NRSS URD tax increment by this variance of \$78,854. She said when MRA steps into an audit environment and overstates its revenues, that is never good because revenues are overstated from what MRA will actually receive. Today's action is requesting the Board approve the reduction of that area of NRSS so MRA isn't overstating its revenue when the financial statements are presented to the auditors.

Englund asked about the numbers. Dunn said the County input a lower number than the certified increment value from DOR, which should have been used. MRA uses DOR's

certified taxable and increment value, per Montana Urban Renewal Law, to calculate estimated tax increment revenues. However, Dunn said MRA doesn't collect the taxes, the County bills for and collects the taxes. Because the error was not corrected on the County's side before tax bills were generated, the lower and incorrect amount of tax increment was transferred to MRA from the County. Englund said the County made an error, DOR certified the mills and didn't catch the increment value error, and so the amount transferred to MRA in fiscal year 2024 reflects that. Dunn said yes, the incorrect increment value amount entered by the County on the mill levy spreadsheet wasn't caught by DOR when they certified the mills. MRA has asked the County to rectify the situation, and it may be that they are able to do that at some point. However, MRA's audit is starting now and the lower amount used to allocate tax increment to MRA needs to be used. Dunn said in this case, if the County is able to rectify the situation, then MRA would get more money than anticipated and there will be a paper trail that the auditors can confirm. If MRA didn't do this budget amendment, it would be overstating its revenue projections in the financial statements. Lawson confirmed there is a budget variance that is not in MRA's favor for NRSS URD to the tune of \$78,854 (\$637,371 less \$558,517). Dunn concurred.

REINEKING: I MOVE THE MRA BOARD APPROVE AMENDING THE FISCAL YEAR 2024 BUDGET TO REFLECT THE ADJUSTED TOTAL ESTIMATED TAX INCREMENT REVENUE FOR NORTH RESERVE-SCOTT STREET URBAN RENEWAL DISTRICT FROM \$2,145,947 TO \$2,067,094.

Lawson seconded the motion.

No further discussion. No public comment.

Motion passed unanimously (4 ayes, 0 nays).

NON-ACTION ITEMS

West Broadway River Corridor – Update from Parks & Recreation

City of Missoula Parks & Recreation staff, Morgan Valliant and Lucy Rummler, presented an update to the Board regarding Draft Design Concepts for the West Broadway River Corridor. MRA approved funding for this in March 2023. Valliant said the project is a collaboration between multiple City departments, Dept. of Fish, Wildlife & Parks and Trout Unlimited. The public review period of the Draft Master Plan Concepts ends November 25, 2024 and they are hoping work will begin in 2026. You can view the presentation [here](#).

Ravara Contingency – Update (Gorski)

Gorski said in January 2024 the MRA Board recommended City Council approve bonding authority of up to \$9.8 million for the Ravara project on Scott Street. At that time the budget included a sizeable earth work contingency that assumed cost to dispose of a large volume of material at the landfill. Since then, they learned that disposal to the landfill was not necessary and the dirt was placed on site. Earth work is complete. The left side of Gorski's spreadsheet in orange and blue shows assumptions for earthwork and infrastructure at the time of bond issuance. The columns on the right are budget adjustments since the bond resolution. There has been one change order approved since June to reduce the cost for the joint utility trench. The Series B bond is carrying \$32,378 in contingency and the Series

A bond is carrying \$207,025 in contingency. Gorski said she will continue to include the spreadsheet in the packet each month with any budget adjustments.

STAFF REPORTS

Director's Report

Buchanan said her updates are highlighted in red since the last Board meeting a few weeks ago. Brock asked where staff was at in the hiring process of a new Communications Specialist. Dunn said staff has chosen someone. Things are currently going through the Human Resources process now and staff hopes to make an offer soon.

COMMITTEE REPORTS

OTHER ITEMS

ADJOURNMENT

Adjourned at 1:20 p.m.

Respectfully Submitted,



Lesley Pugh