



Exhibit B

Reasonable Procedures for the Sale of the City Owned Scott Street Property

Purpose

State law establishes procedures for a municipality to dispose of property in urban renewal areas to private persons. One of those procedures is as follows: “A municipality may dispose of real property in an urban renewal area to private persons only under reasonable procedures as it shall prescribe...” (MCA 7-15-4263). The purpose of this analysis is to identify the basis for that “reasonable procedure” which the City Council may choose to adopt. This analysis will address implementation of the following plans, policies and goals:

- Adopted Plans
- Housing Policy
- Attraction of Private Investors/Developers
- Demonstration/Creation of a New Model for Residential/Mixed Use Development

Overview

The City purchased 19.15 acres from Scott Street LLP in August 2020 with the intention of facilitating the development of a portion of that property in a way that meets multiple housing and neighborhood needs in the city. The property is a former industrial site which had soil contamination as a result of the manufacturing processes which historically took place there. 9.81 acres on the eastern portion of the property had been cleaned up to a residential standard prior to the City’s purchase and is appropriate for the identified type of development memorialized in multiple plans which have been adopted by the City. MRA contracted with Kembel, Kosena & Company, Inc. for an appraisal of the property, dated April 30, 2020, which established the value of the land as of December 2019 (to coincide with the execution of the Buy-Sell Agreement). The appraisal places a value of \$7.30/square foot on the residentially developable portion of the property, which is the subject of this analysis. It is proposed that the property will be subdivided through the City’s dedication of a north/south street right of way separating the residentially and commercially remediated tracts, with the street being constructed at an appropriate time as redevelopment occurs. It should be noted that dedication of this right-of-way may reduce the acreage that is to be conveyed.

The City adopted its first comprehensive housing policy in 2019, “A Place to Call Home: Meeting Missoula’s Housing Needs.” This policy identifies the need for a diverse mix of housing types available to all income groups as well as the primary barriers to attaining the goals set out in the policy. Some of those key barriers are availability of land, a dearth of new and innovative models, and difficulty reaching the scale needed to truly start to meet the housing needed in Missoula. This property presents a unique opportunity to pilot a number of the interventions recommended in the housing policy including testing an innovative development model combining affordable homeownership opportunities, additional rental homes for Missoulians, and incorporating mixed uses into an existing neighborhood. All while building mix of home types for a wide range of Missoulians at prices they can afford.

The property is located in the North Reserve/Scott Street Urban Renewal District and Missoula's only Opportunity Zone. Both of these provide distinct advantages for the redevelopment of this land, which has been vacant for many years. A primary motivation for the purchase was the City's expressed desire to attract an investor/developer that could take advantage of the centralized location of the site, the financing tools provided by being located in a URD and an OZ, and a potential partnership with the City to facilitate a development consisting of a mix of housing types with pricing available to a variety of individuals and families at multiple income levels. The other need in this location, due to both the development potential and proximity to the Northside neighborhood, is to provide an appropriate mix of commercial and service uses as part of the development. This mix of uses is necessary to serve the established neighborhood to the east of Scott Street as well as the new development which will occur to the west as formerly industrial land transitions to more urban uses such as housing and employment centers.

Delineation of Reasonable Procedures Addressed Through this Sale Based on City Goals

Implementation of Adopted Plans and Policies

The City has adopted both an Urban Renewal Plan and a North Reserve/Scott Street Master Plan that are specific to this area of Missoula and this site. This is in addition to the citywide Growth Policy and adopted city-wide housing policy. This proposed sale and redevelopment is for the portion of the acreage described above. The sale and redevelopment being proposed is in compliance with the identified plans and furthers the goals of those plans as follows:

- Growth Policy - The land use designations for this parcel are split, with the western half designated Light Industrial and the eastern half designated as Neighborhood Mixed Use with a Cottage Industry Overlay. These designations are described as follows:
 - Light Industrial is described as manufacturing, distribution, research and development, technology centers, light assembly, storage, etc. Encourage "clean" and "green" industry as new development occurs.
 - Neighborhood Mixed Use is described as a mix of neighborhood-serving commercial uses and medium-high residential density. These areas support and help give identity to individual or small groupings of neighborhoods.
 - The Cottage Industry Overlay is described as recommending light artisan type industrial uses that fit well with residential and commercial uses. The concept of a land use overlay is to identify areas where an emphasis on particular uses or relationships to use is desirable and yet crosses over several base land uses. Emphasizing additional support for artisan-type cottage industry helps to recognize the land along Scott Street as a good place for a full range of work-live uses.
- Urban Renewal Plan – The North Reserve/Scott Street Urban Renewal Plan, adopted August 25, 2014, calls for a number of goals that are addressed with this redevelopment partnership, as follows:
 - A guiding principle of the plan is promotion of public-private partnerships through recognition that the successful redevelopment of the URD will depend on cooperation between the public and private sectors with the acknowledgement that significant private investment will require associated public financing.
 - Preparation of properties for redevelopment by facilitating land assemblage and property transfer.
 - Promotion of public/private partnerships to create urban density, mixed land use.

- Promotion of and support for residential development where opportunities exist, particularly development which allows residents to live in close proximity to their workplace.
 - Support for street infrastructure improvements that support transportation mode shift.
 - Improve and expand all infrastructure in the URD, including water, sewer, storm water, and dry utilities in addition to surface infrastructure.
- North Reserve/Scott Street Master Plan – The Master Plan was approved by the MRA Board on November 17, 2016 and the City Council on February 13, 2017 and contains the following recommendations which support the basis for the identification of reasonable procedures for the sale of this property, as follows:
 - Overarching principles of the plan include assurance that private development and public improvements work together to create a well-designed plan area and that the plan area is supported with an interconnected, multi-modal transportation system.
 - In the Scott Street District, the plan calls for a mix of residential, live/work and transitional industrial uses, with residential areas being connected to the Northside Neighborhood and buffered from industrial uses.
 - Creation of residential developments intended to accommodate a mix of residential building types, including small lot single family homes to moderate density apartments, townhomes and condominiums as well as a mix of affordable and market-rate workforce housing.
 - The creation of neighborhood retail comprised of small-scale commercial uses including cafes, markets, shops and other neighborhood services.
 - Housing Policy – A Place to Call Home The sale of this property and accompanying development proposal addresses the goals of the City’s adopted housing policy in the following ways:
 - Incentivize Affordable Housing Development – by proceeding through this property sale and development agreement process staff can refine their approach and experience with incentivized affordable housing development, informing creating of an official “incentives program” as recommended in the policy.
 - Support the expansion of rental homes in Missoula – this property has the capacity for a significant number of multi-family homes, increasing the stock of rental homes in Missoula and reducing the pressure on the rental market.
 - Build Capacity in Community Land Trusts (CLTs) – this project, by including a CLT component, helps the City and partners to build capacity and expertise in this model, which is a key component to ensuring affordability of homes.
 - Expand Homeownership Options – there are not currently enough homeownership options for Missoulians who make the median income or below. This development proposal includes a significant number of permanently affordable homeownership opportunities for the Missoula market, expanding options for residents and presenting an innovative new model and scale to the community land trust field in Missoula.

Attraction of Private Developers and Investors

- With the creation of the OZ, the City recognized the possibility of attracting private investment in the designated area through the use of tools that had not formerly existed.
- The City and the Missoula Economic Partnership, through a contract with MRA, combined efforts to create plans that would attract new investors to the OZ, with an emphasis on housing, job creation and commercial development.
- MEP support was instrumental in the City's decision to purchase the Scott Street property, understanding that the City's control of the land would be important in the effort to attract the type of investment and new development that would meet the goals of the community.
- MEP, in its responsibility to help identify OZ investors, identified and referred the development partner for the Scott St. residential site.
- MEP, through a contract with the MRA, has undertaken steps to identify and attract OZ investors through the following efforts:
 - Worked with local and regional developers, investors, attorneys and realtors to share information about the potential of City-owned property in Missoula's OZ, with an interest in aligning proposed development with existing goals and objectives from the City of Missoula's existing planning documents.
 - Attended regional conferences and toured communities to learn how Opportunity Zone projects are being marketed or utilized in other areas.
 - Facilitated meetings of MEP's Opportunity Zone Technical Working Group to share knowledge and expertise around investment and development potential in the OZ.
 - Hosted a community listening session regarding Opportunity Zones to the North and Westside neighborhood residents to share information regarding the investment tool and gather information about the commercial development needs from the community.
 - Provided formal presentations of Scott Street and other City-owned sites to developers who have expressed an interest in learning more about opportunities to partner with the City in the OZ and other parts of Missoula.
 - Worked with WGM, to prepare initial site documents, maps and compiled engineering information for City-owned properties in Missoula's OZ to share with potential developers or investors and on MEP's website.

The sale of this property for redevelopment, as described in this document, achieves the goals that were the basis for the decision to purchase the property as well as those that underpinned the creation of the Urban Renewal District and the designation of this location as the City's only Opportunity Zone.

Demonstration of a New Redevelopment Model

There are at least three identified goals that are achieved with the proposed development model. They are as follows;

- Housing and mixed-use developments in Missoula have typically been confined to single prototypes which are designed to serve a very narrow income range and are segregated from each other with mixed use occurring primarily on the ground floor of apartment buildings, if at all. The Missoula market is lacking in what is generally referred to as Missing Middle Housing, which is a model that provides diverse housing options, such as duplexes, fourplexes, cottage courts, and multiplexes. These are house-scale

buildings which fit seamlessly into existing neighborhoods or create new neighborhoods and support walkability, locally-serving retail, and public transportation options. This developer has committed to providing this new model.

- There is a strong desire in Missoula to provide the opportunity to mix income groups in a coherent residential development in a way that is indistinguishable. The proposed development includes market rate rental housing combined with single-family housing that will provide income qualified home ownership through the placement of the land in a community land trust and a mixed use component that will include a child care facility along with other uses that address neighborhood needs.
- The opportunity to demonstrate to more traditional developers and financial institutions a way in which this mix of housing types and income groups can be successfully integrated and implemented, particularly through the inclusion of Missing Middle housing prototypes.

Recommended Procedures that Meet the Intent of State Statute

- The City Council confirms the goals for development of the property as set forth in this analysis meet the City's adopted goals and plans.
- The City and MEP identify and present a development partner committed to the goals articulated in the analysis provided above and confirmed by the City Council.
- A purchase price is negotiated and approved by the City Council.
- The need for assistance such as TIF financing required to achieve the goals as approved is identified, if not quantified.
- City Council makes a finding that the procedures set forth in this transaction constitute a reasonable procedure to achieve the City's stated goals for the redevelopment of the Scott Street property.
- City Council approves the conveyance of approximately 9.81 acres of the Scott Street property fronting on Scott Street as set forth in the Exhibits C and D of this Resolution.