



MEMORANDUM

TO: MRA Board of Commissioners

FROM: Ellen Buchanan, Director *EB*

DATE: February 13, 2022

SUBJECT: Strategic Exit Plan for URD II

Note: This item has been placed under Action Items on the Agenda so that the Board can take action if that is its desire. This is the first time that the majority of the Board members have seen this document or discussed the recommended guiding principles, projects and priorities in this context, so it is anticipated that this item may be held over for action at a future meeting.

A working group comprised of City Council and MRA leadership along with City staff from MRA and the Mayor's Office has been looking at creating strategic plans for Missoula's urban renewal districts. The first of these plans focuses on URD II since it only has 9 years left before sunseting in 2031 and still has many needs and opportunities. What started out as a 5 Year Strategic Work Plan has become a 9 Year Strategic Exit Plan which sets out priorities and identifies projects that are important to accomplish before 2031 when the district ends. When the group began this work, the Mayor created the following statement to serve as a guide for this process.

"Principles and purpose:"

"Tax increment financing is a powerful tool for investing in public infrastructure, adding value to and providing incentive for private investment in targeted areas, improving housing stock and affordability, expanding tax base and tempering tax increases for public infrastructure and, through remittance, municipal operations.

The purpose of this working group is to establish clear priorities for investment, order those priorities, loosely establish budgets and timelines, address implementation, improve communication with residents and create a clear, understandable plan for the next decade of MRA investment."

Initially, the two primary objectives of the City Council were to address improved communications and development of policy around TIF funded projects and expenditures (a strategic work plan). Early in the process, there was a facilitated work session with Ginny Tribe which affirmed the decision to move development of a communication plan forward and established criteria for setting priorities in District II and District III. This work created the basis for the URD II Strategic Exit Plan and the Strategic Work Plans for other districts that will follow. Additionally, the agreed upon priorities for URD II were identified as housing, with an emphasis on affordability, and infrastructure (water, sewer, sidewalks, parks).

Communications:

Communications is not specifically addressed in the strategic plan before you. We now have a very well thought out and thorough communications plan that was developed for MRA by 6 Pony Hitch and have already begun developing recommended communications pieces for the public, the various webpages and to summarize staff memos when presenting to City Council, the MRA Board and other Boards as necessary. 6 Pony Hitch has finalized a simple and informative graphic piece explaining TIF and how it works along with examples of projects supported or initiated by MRA through the use of tax increment funds. This will be formally presented to you and the public at this Board meeting. Staff has developed standardized cover sheets that are being used to summarize requests for TIF funding when presented to the Board or City Council.

There is an item on this agenda requesting authorization to add a Communication Specialist to the MRA staff. This is a newly created position which will be full time for MRA initially and, once the front-end work is done to implement the communications plan, will likely become a shared position in a larger Communications Office for the City. If the new position is approved by the Board, the job will be posted in hopes of filling it in the next few months. This is included in the Mid-year Budget Amendments also on this month's agenda.

9 Year Strategic Exit Plan:

As was mentioned above, the plan for URD II has changed from a 5 Year Strategic Work Plan to a 9 Year Strategic Exit Plan. The working group agreed on six guiding principles which have become the lenses through which MRA will evaluate projects. These lenses are housing, infrastructure, filling service gaps, generating private investment, the necessity of TIF funding for implementation, and equity. Each of these lenses are more fleshed out in the attached exit plan. The plan goes on to identify projects that the working group and MRA staff believe should become priorities as we move closer to the end of URD II, with the two overriding priorities being housing and infrastructure. You will note that we have applied the lenses identified in the guiding principles to each of the priority projects included in the URD II Projects spreadsheet which is part of the plan.

URD II does not have adequate unobligated revenue to fund most of these projects through the use of cash and bonding will be required. You will note that TIF funding is required for most of these projects to be feasible and that became a very important factor in determining priorities for these public investments. MRA has made the decision to build out the sidewalk network, where feasible, and extend water mains throughout the district by 2031; therefore, we have simply divided the estimated costs by nine to identify an annual placeholder in our

budget. Obviously, the numbers will vary from project to project, but this will give us some predictability moving forward.

You will also note that the larger projects are shown as being accomplished in the next few years since some or all of them will likely require bonding. We believe that bonds need to be issued no later than FY23 in order to generate enough capacity to accomplish these ambitious projects. There is a concern about staff capacity to undertake these complex projects in the compressed time frame required. Staff recognizes that there will need to be creativity and possibly outsourcing to be successful. Some of the projects are under our control and others, like the new trail crossing the river on the Bitterroot RR trestle, are dependent on agreements with other entities. Some of these are opportunistic, such as property purchases to facilitate mixed-use, higher density and affordable housing development in partnership with non-profit and private developers. All of the projects identified in the plan have been discussed for some time, some for years. The one that has not had as much attention is the Bitterroot Trail lighting. Staff believes that this trail will not be able to be lit in the foreseeable future without tax increment funds; consequently, you will see this same project prioritized in the URD III Strategic Work Plan when it comes before you for consideration. To light the trail through the gap between URD II and URD III, we will propose exercising the provision in State Statute which allows infrastructure extensions that are needed outside of urban renewal districts to be funded through TIF for connectivity. You may recall that we were able to use this provision when we agreed to fund the trails at the County Fairgrounds.

There are several footnotes on the URD II Projects spreadsheet. The most important one being that these costs are best estimates and **will** change. These are really order of magnitude estimates for planning purposes. It is possible that MRA will need to reimburse the City for the purchase of the Bridge Apartments, as was approved at the September 2021 Board meeting, so that is a placeholder in the property purchases line item. Some of the projects will serve to protect investments of TIF and other City funds in older public projects which are being threatened. A good example is the river and riverbank improvements which will stabilize the bank behind the stadium where the trail and ultimately the stadium are threatened. Improvements in the river will enhance useability of the boat ramp at Silver Park and further reinforce the integrity of the West Broadway Island. The City's purchase of the Flynn-Lowney Ditch creates an opportunity to finally build an important missing trail connection on the north bank. There are needed improvements to the outfield turf at the City owned stadium if it is going to continue to support baseball and large events and there is the possibility of building office and community meeting space as part of the stadium. If these are approved by the Board and the City Council, the costs will be shared by the operators of the facility and those details are yet to be worked out. That said, it would be an investment in a facility that the City owns and has a large investment in already. These improvements would expand the use of the stadium to year round, reduce vandalism and increase the activities that can occur there, making it a true civic stadium.

Recommendation: If the Board is comfortable acting on the proposed 9 Year Strategic Exit Plan for URD II, staff recognizes that the Board may wish to suggest changes or edits. Staff recommends approval of the plan as presented or modified at the February or a subsequent Board meeting with referral to City Council as an informational item.

City of Missoula
Missoula Redevelopment Agency
9 Year Strategic Exit Plan
Urban Renewal District II

Purpose: The purpose of this strategic work plan is to provide a tool for setting the priorities and implementation work plan for the City's and MRA's goals, initially in URD II. It is not intended to be prescriptive, but rather to provide guidance while allowing flexibility as the opportunities to assist unanticipated worthy projects present themselves.

Guiding Principles: In concert with the City of Missoula and its adopted plans and policies, the following principals create the lenses used to guide the investment of TIF funds. Curbing climate change is an important goal for the City; consequently, these principles are structured to enable sustainable development that addresses the reversal of climate change.

- Support for the development and sustainability of a variety of housing types and price ranges with an emphasis on appropriate density and permanently affordable housing **(H)**.
- Support for development of transportation and utility infrastructure, including but not limited to streets; curb, gutter and sidewalks; storm drainage; water; sewer; power; gas; and telecommunications, to facilitate all modes of transportation, quality development and private investment **(I)**.
- Support for parks, trails and public amenities that preserve open space and enhance community values around quality of life and equity **(I)**.
- Support for essential community services for Missoula's residents through investment in public facilities, public services and social service providers **(SG)**.
- Support for private development and projects that enhance the city, increase the tax base, build the economy and have a positive return on Investment **(PI)**.
- Support projects which enhance quality of life and will be unlikely to occur without the use of TIF funding **(T)**.
- View all projects through a lens which examines the ability of the project to increase equity and opportunity for Missoula's residents. Equity is the full and equal access to opportunities, power, and resources so that all people achieve their full potential and thrive. **(E)**
- Consider projects in the context of the lifecycle of a district – younger districts need to build tax base; mature districts can support more public projects.

Foundational Documents:

[Urban Renewal Plans](#)

[City of Missoula Strategic Plan](#)

[Our Missoula Growth Policy](#)

[A Place to Call Home: Meeting Missoula's Housing Needs](#)

URD II Projects and Priorities

URD II was created in 1990 and sunsets in 2031. The attached Exhibit A is a map of the District. The District has been slow to develop significant new tax base because many of the projects that benefited from the use of TIF have been for the delivery of public and social services as well as affordable housing. These projects are not generally tax producing but are essential for a healthy and equitable community. Due to some significant private investment over the last 15+ years, the District generates adequate revenue to make improvements, particularly in housing and infrastructure, and thus leave the area in an excellent position to attract private investment after TIF is no longer available. This plan identifies important projects and priorities for the final nine years of the District's life. It is not intended to be an exclusive list of projects as important projects will emerge that cannot be anticipated. The goal of this prioritization is to set up Urban Renewal District II to FINISH STRONG.

1. Priorities

- a. Housing - Allocate the use of resources, as allowed in state law, to permanently provide low-income housing. This includes opportunities for land banking consistent with [A Place to Call Home](#).
- b. Infrastructure - Completion of water mains and sidewalks across the District along with continued investment in other utilities, trails and parks

2. Projects

- a. Evaluation of TIF investment will include the following:
 - i. Will the project only be completed with the assistance of TIF dollars?
 - ii. Does the project contribute to a need not otherwise being adequately served?
 - iii. Does MRA have the experience and capacity to successfully execute the project? Do we need partners to be successful?
 - iv. Is sufficient private investment probable?
 - v. Will the project grow the Increment?
 - vi. How will the TIF portion of the project be funded – available cash or bonding?
- b. Outline of projects, guiding principles addressed, estimated cost, and timeframe – attached Exhibit B

EXHIBIT A



EXHIBIT B
URD II Projects

Projects	Cost Estimate*	Time Frame	Lenses Met**	Priority	Annual Cost Estimate
Committed Projects					
Sidewalk Buildout	\$ 3,684,000	FY23 - FY31	H, I, PI, T, E	Committed	\$ 410,000
Water Main Buildout	\$ 5,000,000	FY23-FY31	H, I, PI, T, E	Committed	\$ 555,500
Long Range Priority Projects					
Bitterroot RR Pedestrian Bridge	\$ 3,500,000	FY23	I, T, SG, E	1	
River & Riverbank Improvements/Riverfront Trail	\$ 5,400,000	FY23-FY25	I, T, SG, E	2	
Property Purchases***	\$ 4,000,000	FY22-FY31	H, SG, PI, T, E	3	
Bitterroot Trail Lighting	\$ 500,000	FY23-FY31	I, SG, T, E	4	\$ 55,500
CA St. Reconstruction****	\$ 2,000,000	TBD	H, I, SG, PI, E	5	
Sleepy Inn Redevelopment	\$ 500,000	FY23	H, PI, E		
Civic Stadium Improvements-Office & Turf*****	\$ 2,100,000	FY23-FY25	T, SG		
Total Estimated Costs	\$ 26,684,000				
*Costs are best estimates with the information currently available. Costs will change.					
**Lenses (Guiding Principles)- H-Housing, I-Infrastructure, SG-Service Gap, PI-Private Investment, T-TIF Required, E-Equity					
***Includes costs associated with the Bridge Apartments (\$2M).					
****Partially funded through TIF. Current cost estimate is \$4.2M					
*****The Stadium improvements will be a shared cost with the operators of the stadium. The entire estimated cost is shown here.					
Note: There will not be enough revenue to construct all of these projects without bonding.					
The determination of which projects will be bonded will be decided as costs and opportunities are better defined.					