



MEMORANDUM

TO: MRA Board of Commissioners

FROM: Ellen Buchanan, Director *EB*

DATE: March 10, 2022

SUBJECT: URD II 9 Year Strategic Exit Plan

The MRA Board first reviewed this plan at the February Board meeting held on February 17, 2022. There was an in-depth discussion about the approach, guiding principles, lenses through which projects are evaluated and the projects that were recommended to be priorities as Urban Renewal District II draws closer to closure in 2031. The Board was generally in agreement with the plan as presented; however, there were a couple of things that the Board wanted memorialized in the document. The Board wanted a stronger emphasis on the fact that MRA has historically and continues to base projects and priorities on the priorities set by the City Council and that those decisions and projects are constrained by State Statute. This was addressed in the section titled URD II Projects and Priorities. The constraints placed on the use of TIF by state law are emphasized by adding the cite in the Montana Code Annotated that addresses Urban Renewal, making it easy for anyone wishing to refer to the Statutes to find the appropriate section of the code.

The most significant addition that the Board recommended be added to the plan was the rationale behind the projects that were prioritized and the reason for the order of prioritization. This was presented verbally at the meeting and the Board felt that this should be a prominent part of the Exit Plan. Additionally, the Board wanted acknowledgement of significant past projects enabled through the use of TIF funding; thus, demonstrating the relationship between TIF funded projects and the City Council's stated goals, primarily with respect to housing and infrastructure. In response to these comments and requests, two additional exhibits have been added to the URD II 9 Year Strategic Exit Plan. Exhibit C is an explanation of each of the priority projects with the rationale for including it and why it was prioritized in the order reflected in the plan. That exhibit also addresses a couple of long-term projects that are already committed for completion prior to 2031 (sidewalks and water mains) and some that have not been formally prioritized but are recognized as investments in City owned properties.

The final significant change to the document is the addition of Exhibit D, URD II Housing & Infrastructure Projects. This is a look back at the TIF investments in URD II that directly address the City's top priorities which are eligible for TIF assistance, focusing on housing and

infrastructure. It quantifies the result of past investments in these critical areas of need that are within the scope how TIF can be deployed.

It was agreed at the February Board meeting that if the Board approves the Exit Plan, it will then be presented to the City Council as an informational item. These are not inexpensive projects and URD II will not have the capacity to fund most of them from available cash. Staff and the Board understand that if MRA is to successfully undertake these ambitious projects, most of which will not happen without the use of TIF, bonding will be required. Part of the discussion with City Council when this plan is presented must center around the Council's appetite for issuing future bonds in URD II. These will be very short-term bonds because they cannot extend beyond the life of the District, 2031; consequently, time is of the essence if we are to maximize our bonding capacity.

A copy of the February Board memo is attached to this packet to provide further background and context.

Recommendation: Staff recommends that the MRA Board adopt the URD II 9 Year Strategic Exit Plan and direct staff to refer the Plan to City Council as an information 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 implementing the work plan for the City's and MRA's goals, initially in URD II. It is intended to provide guidance while allowing flexibility as unanticipated worthy projects present themselves.

Guiding Principles: In concert with the City of Missoula and its adopted plans and policies, the following principles 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 encourage 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 that enhance quality of life and will be unlikely to occur without the use of TIF funding **(T)**.
- View all projects for their ability 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 each 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. Because of significant private investment over the last 15+ years, the District generates adequate revenue to make significant 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**.

It is important to be clear that the MRA has always based its projects, priorities and recommendations on the priorities set by the City Council with the understanding that the use of TIF funds is constrained by State Statute (**MCA Title 7, Chapter 15, Part 42 – Urban Renewal**) and must be consistent with the requirements of state law. As is noted below, the City of Missoula Strategic Plan is the foundation for this 9 Year Strategic Exit Plan for URD II.

1. Priorities

The City of Missoula Strategic Plan serves as the basis for developing priorities that can be addressed through the use of TIF. Housing and infrastructure are central to that Plan and have been identified as the top priorities for URD II as it nears the end of its life.

- a. Housing - Allocate the use of resources to enable an increase in Missoula's housing, with particular emphasis on housing for low-income residents. Urban Renewal Law explicitly allows for the purchase of property and donation or sale at a reduced price "to permanently provide low-income housing". This provides an opportunity 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. An outline of projects, guiding principles addressed, estimated cost, and timeframe – attached Exhibit B
- c. The rationale for the priorities identified in this document is outlined in Exhibit C

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.					

EXHIBIT C

URD II PROJECT PRIORITIZATION

Priority 1 – Bitterroot Railroad Pedestrian Bridge

Downtown Missoula is in need of another bicycle/pedestrian bridge across the river as a result of increased population and activity on both sides of the river. The repurposing of the railroad trestle is the most expedient and cost-effective way of accomplishing that. The need for this project was identified as a needed amenity decades ago but was not feasible. With the changes in rail service recently announced by Burlington Northern and Montana Rail Link, the Bitterroot Branch will no longer be used for rail service; therefore, making this project feasible. This connection across the river is acknowledged in Missoula's Downtown Master Plan and, as such, is part of the City's Growth Policy.

Priority 2 – River & Riverbank Improvements and Riverfront Trail Connections

This is a culmination of what was originally three separate projects – riverbank stabilization, river modifications for fish passage improvement and recreational use and an important trail connection on the north bank between the railroad trestle and Burton Street.

- There is serious erosion on the south bank of the river which threatens the Riverfront Trail system and will ultimately threaten the baseball stadium if left unaddressed.
- There has long been interest in making modifications to the river for a number of reasons including improved fish passage, recreational purposes, improved access to the boat ramp at Silver Park and improving behavior on the West Broadway Island through increased use of that stretch of the river.
- The missing section of the Riverfront Trail between the trestle and Burton Street is a prominent deficiency which the MRA has attempted to remedy for years, without success due to the proximity of building to the edge of the bank. With the City's acquisition of the Flynn-Lowney Ditch, there is now the possibility of making that trail connection by modifying the ditch in that area. MRA and City staff has determined that combining these projects is the most effective way of successfully implementing them.

Priority 3 – Property Purchases

The purchase of developable properties in URD II will be largely opportunistic. Housing is a top priority of the MRA, the City Council and the community as a whole and this priority positions the MRA to take advantage of opportunities that facilitate the development of housing through acquisition which gives the City influence over how those properties develop. It also provides the ability to preserve already affordable housing when the income restrictions have timed out and the housing can be converted to market rate, thus displacing some of our most vulnerable residents, as was the case with the City's acquisition of the Bridge Apartments on W. Broadway.

Priority 4 – Bitterroot Trail Lighting

The use of the City's commuter and recreational trails is increasing significantly. As it becomes more challenging to live in Missoula as a result of increasing housing prices, more people are dependent on the trails, bike routes and transit to be able to afford to stay in Missoula. The trail lighting is very much an issue of equity for our residents dependent on the trails to travel to and from jobs that require travel during the dark hours. Lighting the Bitterroot Trail has long been a goal of the City and there have never been the resources to accomplish that. With the

upcoming sunset of URD II in 2031 and of URD III in 2040, it is more imperative than ever to look to TIF to provide some or all the resources to accomplish this improvement to our commuter trail system.

Priority 5 – California Street Reconstruction

The reconstruction of California Street from River Road to S. 3rd Street W has been on a list of projects desired by the City for a number of years but it has not been a high enough priority to qualify for adequate funding to accomplish it. The MRA funded the engineering needed to be able to fund, in the appropriate location, the construction of curb, gutter and sidewalks incrementally as individual projects develop. The most recent cost estimate for the reconstruction is \$4.2M and is several years old. This Strategic Exit Plan recommends setting aside \$2M in TIF funding to supplement other funding sources that can be brought to the project prior to the 2031 sunset to the District.

Non-Prioritized Projects

- Sidewalk and Water Main Buildout – The MRA has committed to build out the missing sidewalks and the undersized and non-existent water mains in URD II prior to the end of the District in 2031. The sidewalk commitment was made in the early years of the recession and the water main commitment began in FY22. The goal is to leave URD II with the infrastructure necessary to maximize the redevelopment of underutilized properties as Missoula grows.
- Sleepy Inn Redevelopment – The cost shown in this Strategic Exit Plan, Exhibit B, is strictly a placeholder until the City determines how to facilitate the best reuse of the corner of Russell and Broadway as an important gateway to West Broadway, Russell Street and the downtown.
- Civic Stadium Improvements, Office & Turf – The baseball stadium is an important asset owned by the City. It is operated under leases with private entities, one representing baseball and one representing large concerts and events. There are two improvements to the stadium that need to be addressed. The original plans for the baseball stadium called for office space for the operators; however, there was not adequate funding to accomplish that. The stadium is not occupied from mid-fall through late spring and there is annual vandalism that would be greatly curtailed with year-round occupancy. The other issue is the condition of the outfield as a result of poor drainage and damage from a large concert held there a few years ago. These costs should be shared between the City as owners and the lease holders since the improvements benefit them directly.

EXHIBIT D

URD II HOUSING & INFRASTRUCTURE PROJECTS

Previous URD II projects which meet the City's housing and infrastructure goals:

- 277 affordable housing units
- 4.7 miles of new or rebuilt sidewalks
- 4,115 feet of new streets
- 2.8 miles of new or improved trails
- 15 acres of new parks



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.