

Missoula Redevelopment Agency

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MEMORANDUM

The action before the Board is to consider approval of a request from the Woodbury Corporation to fund the demolition of the building and parking lot located at 3620–3630 Brooks Street in order to redevelop the property for multiple new businesses.

TO: MRA Board of Commissioners

FROM: Ellen Buchanan, Director

DATE: May 10, 2013

SUBJECT: South Crossing – 3620 – 3630 Brooks Street
Request to Proceed Without Prejudice
Request for Tax Increment Funding for Demolition

Background

Woodbury Corporation of Salt Lake City, UT is the owner of the 12+ acre property located on Brooks Street, Dore Lane and Reserve Street. It was formerly occupied by K-Mart and a variety of other businesses over the years. They have owned the property since 1988 and have wanted to redevelop it for the last 10 years but have been unable to do so as a result of a long term lease with K-Mart. Recently, Woodbury has been able to buy out the K-Mart lease and term out the lease on the western most building which most recently housed a retail furniture store. It is their intention to redevelop the property into an attractive long term retail destination.

MRA and other City Staff have been working with the developers since last summer. Early site plans did not demonstrate the urban design standards that MRA would like to achieve on the Brooks Street frontage. We have worked with Woodbury for a number of months in an effort to encourage the development of the Brooks frontage in a more pedestrian friendly and aesthetically enhanced manner. The result is a redevelopment that minimizes open expanses of parking on Brooks as a result of additional buildings being proposed along that frontage which address the sidewalk in a more urban fashion.

Project Description

The overall description of the project is the demolition of the K-Mart building which will be replaced by two new buildings, one a 41,239 square foot Cabela's Outpost and the other a 55,410 square foot Kohl's Department Store. The existing building to the west of

the K-Mart building will be renovated into two lease spaces of 10,930 and 12,330 square feet. There are two existing buildings on the corner of Brooks and Dore Lane which have current leases; therefore, those are assumed to remain as currently configured. With the revised design for the Brooks frontage, there are now three new outparcels being created which will buffer the street from the large parking lot required to support retail of this nature. The total project cost of South Crossing is estimated at approximately \$24,500,000.

One of the key factors that allowed Woodbury to create the new outparcels on Brooks was their ability to meet their tenant's parking needs, particularly Cabela's. The City has a maximum parking ratio that is permitted under the zoning code and that ratio had to be exceeded in order to make the plan which provides the buildings fronting on Brooks possible. Woodbury submitted a variance request to the Board of Adjustments and, in April, they were granted a variance to the 4.3 spaces per 1,000 SF limit to allow 4.9 spaces per 1,000 SF. MRA Staff testified in favor of the variance request in order to facilitate the more appropriate development pattern on the Brooks frontage.

Access to the development will be from Brooks, Reserve and Dore Lane. The Montana Department of Transportation recently conducted a safety analysis of the area around Brooks Street and Dore Lane in response to a number of fatalities in the vicinity of that intersection. Part of the study involved a warrant study to determine if a traffic signal was warranted at Dore and Brooks. Current conditions do not meet the requirements for a signal but we believe that the additional traffic brought about by a development of this size will change that finding and a signal will be warranted. Woodbury has engaged WGM Group to reevaluate the warrant study taking into consideration the additional traffic from the new development.

Tax Increment Assistance

South Crossing is on a very fast timeline with a goal of delivering the pads for the two large buildings by mid-summer. There are still a number of unknowns relative to public improvements that would be eligible for TIF assistance; consequently, Woodbury will be coming to MRA to request assistance for eligible costs in phases. We have recommended that they request that the Board grant them permission to proceed without prejudice in the event that work that would be eligible for tax increment assistance needs to occur before bringing that phase to the Board for approval. That request is part of this action item on the agenda.

The initial request is for TIF funding for demolition of the K-Mart building and the parking lot. Demolition of the buildings is scheduled for between 5/29 – 6/25. The request for TIF assistance for demolition is \$565,543.00. This is only site and building demolition and associated costs. There will be additional demolition in the public right-of-way on Brooks and Dore which will be part of a future request.

Ultimately, this project will result in significant improvement to the sidewalks on Brooks and the addition of sidewalks on Dore Lane. We will have the opportunity to build boulevard sidewalks on Brooks, further softening that edge and enhancing the pedestrian realm. If the warrant study that WGM Group is contracted to conduct shows the need for a traffic signal at Brooks and Dore, MRA will likely be asked to participate in funding that improvement. If a signal had been warranted under current conditions, MDT would have funded it; however, if the traffic from South Crossing creates the need, the developer will be expected to pay for the light. It can be partly funded by the traffic

impact fees from this project, but that will not be sufficient to fund the entire cost. There may be some utility upgrades and improvements to the streets required or desired for the project which would be eligible for TIF assistance; however, the design is too preliminary to determine that at this time. These possible improvements will be part of a future request from Woodbury for TIF assistance. Additionally, as plans for the renovation of the existing building on the west side of the site progress, MRA may receive a Façade Improvement Program application to enhance what can be done to that building.

Public Benefit

The development of South Crossing will demolish an aging building that has not been well maintained for a long period of time and replace it with two new buildings which are more energy efficient and functional. The replacement of the parking lot will include the addition of much needed landscaping, something that is deficient throughout URD III. The development will create a new face on Brooks Street. To improve the pedestrian experience, the boulevard along Brooks Street will be vegetated and the sidewalk allowed to meander to create additional interest and improved safety. The sidewalk continues around the corner and down Dore Lane on the east side of the property to allow pedestrians a place to travel where none have existed previously.

The redesign of the site calls for keeping the site green and some of the ways this is accomplished is by reducing the amount of paving on site. Excess asphalt will be removed and in its place will be landscaping and pedestrian pathways. Environmental responsibility is a driving force for the design of the site. The irrigation system is to be replaced with one of the most efficient systems available. The system will have its own weather station, utilize low trajectory, matched precipitation rate spray nozzles, in conjunction with subsurface and drip irrigation. Further, the landscape will utilize drought tolerant plants and layered plantings to increase vegetative cover and reduce water demand. Current site plans call for 217 trees to be planted.

The addition of the buildings along Brooks Street which address the sidewalk in a proper way will provide MRA and the City with an excellent example of the type of redevelopment we are striving for in URD III and other parts of Missoula. South Crossing, as it is now designed, is a much better project than what was originally presented to the City. It is an improvement from what we typically see developing in areas like the Brooks corridor. The entire area will be enhanced by this development model and we are already beginning to see interest in private investment in surrounding properties as word gets out about South Crossing.

Funding for the South Crossing project should be predicated on the development of the Brooks Street outparcels. Staff recommends that the Board require the execution of a Development Agreement between the MRA and Woodbury Corporation which reflects a commitment to providing outparcels that will result in at least three new buildings on the Brooks Street frontage which do not have a parking lot between the buildings and the sidewalk as represented on the attached site plan.

Financing Options

The initial request for funding for demolition is \$565,543. We do not know how much additional funding will be requested for the project, but it could be in excess of \$500,000, depending on the status of the traffic signal. Any funds approved by the Board will be

part of the FY 14 budget and we know that there is adequate capacity in that budget to cover a project in excess of \$1,000,000 without bonding. Based on our budget projections, there will be over \$2,500,000 in uncommitted funds in URD III in FY 14.

The following is an evaluation of the request using established criteria:

Economic Stimulus: The demolition and new construction will support construction jobs for a brief period. The longer term economic stimulus will come from the creation of new jobs and the private investment that is catalyzed in the surrounding area as a result of this project.

Tax Generation: Tax generation is difficult to quantify, but the replacement of the K-Mart building with two new buildings, the renovation of the existing building and the addition of three new buildings on the Brooks frontage will have a significant impact on property tax generation.

Employment Generation: The new businesses being developed on the site will create approximately 439 new full time, part time and seasonal jobs.

Elimination of Blight: The building that will be demolished is located on a prominent street that serves as a gateway to Missoula from the Bitterroot Valley. It has been underutilized for years and has been vacant for months. An even more positive impact on blight will be the replacement of the parking lot with a new lot that will contain a significant amount of landscaping with a state of the art irrigation system. Demolition and new construction on this 12 acre site will enhance the area and the appearance along Brooks and Dore Lane.

Unique or Special Opportunities: This project presents MRA with the opportunity to provide the incentive to foster a good development pattern on a scale that is not generally available in a developed area. South Crossing can serve as a model for other redevelopment in the City as our older commercial centers become obsolete and require reinvestment.

Impact Assessment: Neighboring properties may experience some inconvenience during demolition and construction, but it should be minimal since the site is large enough to provide staging areas for construction.

Financial Assistance: Woodbury Corporation has secured construction financing through Wells Fargo Bank.

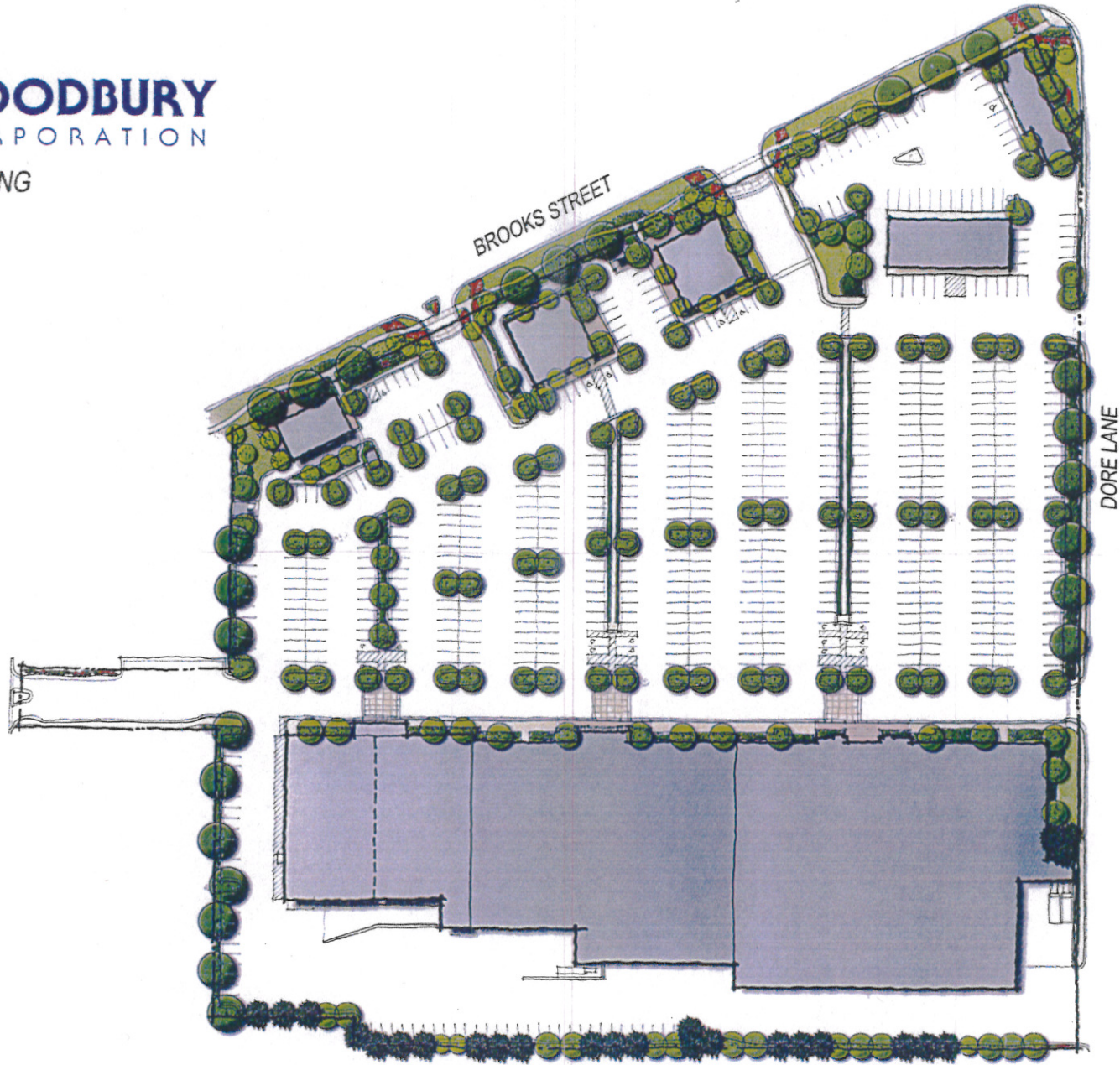
Project Feasibility: Woodbury has been in the commercial development business since 1919 and currently owns and manages over 11,000,000 SF of retail, office, hotel and industrial buildings. They currently have agreements with major tenants and are actively working on the outparcels. Construction funding is in place and they have a strong design team.

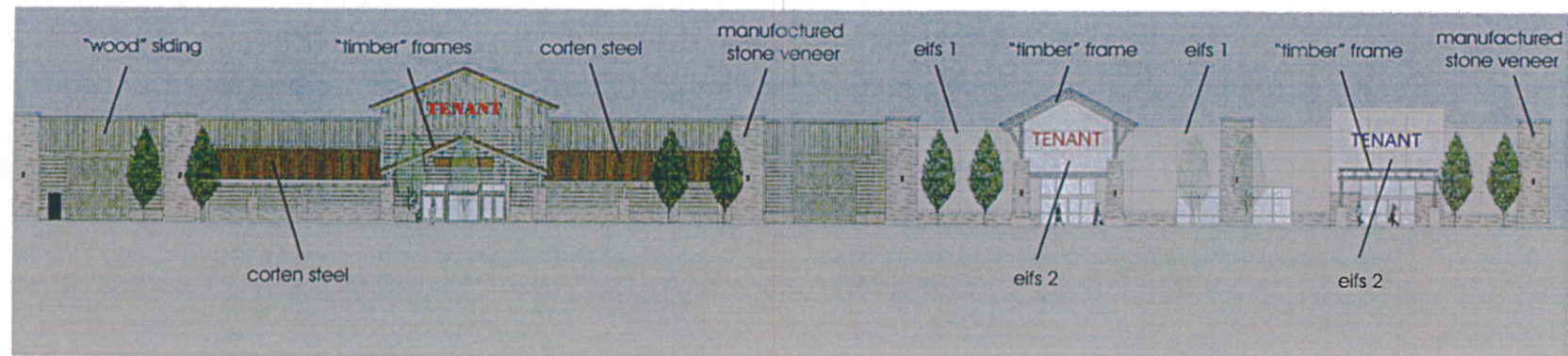
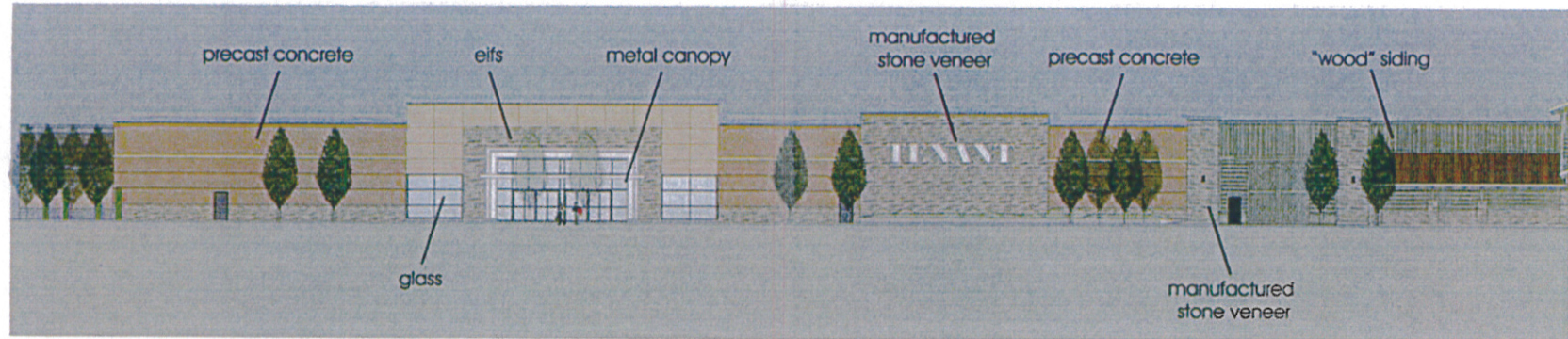
Developer's Past Performance: In existence since 1919, Woodbury is one of the West's largest and most experienced real estate development firms. They have successfully negotiated hundreds of profitable public and private deals over the last century and have never defaulted on a loan in the history of the company.

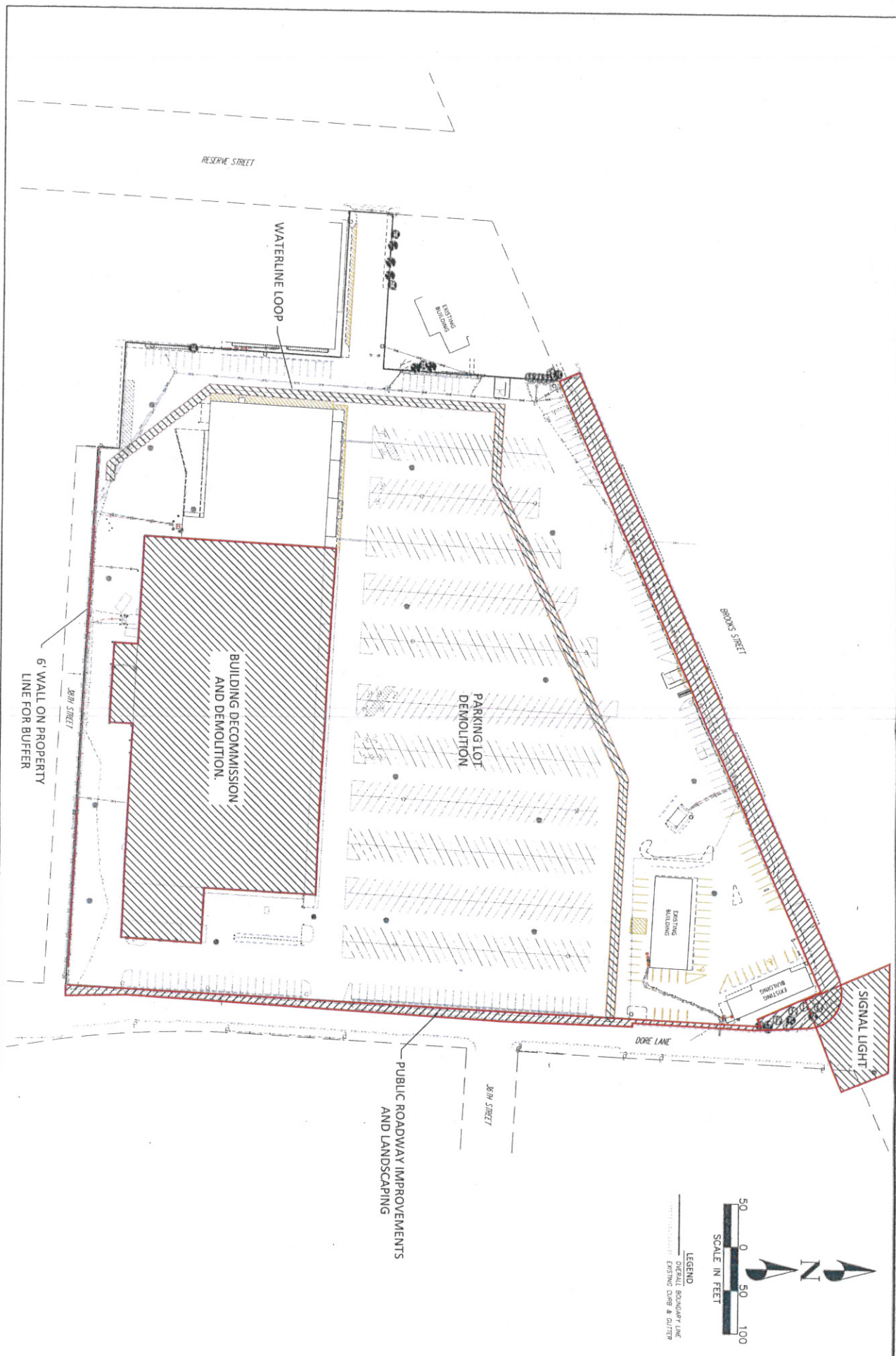
Timely Completion: Demolition and site work are scheduled to be completed by the end of 2013.

Recommendation: The Staff recommends that the MRA Board grant Woodbury's request to be allowed to proceed without prejudice on the South Crossing project located at 3620 – 3630 Brooks Street.

The Staff further recommends that the MRA Board approve an amount not to exceed \$565,543 for demolition of the K-Mart building and parking lot with the stipulation that Woodbury enter into a Development Agreement with MRA which commits Woodbury to providing outparcels on Brooks Street which will result in at least three new buildings which do not have parking located between the building and the sidewalk, with reimbursement for eligible costs upon receipt of proof payment and lien wavers and authorize the Board Chair to sign the Development Agreement.







SOUTH CROSSING RMA REIMBURSEMENT DRAWING

APPROXIMATELY 5626 BROOKS STREET
MISSOULA, MONTANA

**WOODBURY
CORPORATION**

LYNN S. WOODBURY AND ASSOCIATES ARCHITECTS
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#	Description	Date

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May 9, 2013

Ellen Buchanan, Director
Missoula Redevelopment Agency
140 West Pine Street
Missoula, MT 59802

Ms. Buchanan,

This letter serves as our request to be permitted to proceed without prejudice and be considered for TIF assistance for qualified work pertaining to development of South Crossing on the former K-mart building site located on Brooks Street in URD III. This current request is limited to demolition items that we can proceed with in a very short time frame.

We are pursuing an aggressive schedule for this project and will require some additional time as we move forward finalizing design, jurisdictional review and permitting.

We look forward to working together developing this project into a jewel that both Missoula and Woodbury are proud of.

Respectfully,

Darrin Smith
Project Manager