

PUBLIC WORKS COMMITTEE REPORT

January 12, 2011 1:35 PM

City Council Chambers

Members Present: Jason Wiener (chair), Ed Childers, Dick Haines, Bob Jaffe, Renee Mitchell, Stacy Rye, Dave Strohmaier, Pam Walzer, Jon Wilkins

Members Absent: Lyn Hellegaard, Marilyn Marler

Others Present: Steve King, Bruce Bender, Doug Harby, Monte Sipe, Gregg Wood, Tom Platt

I. ADMINISTRATIVE BUSINESS

- A. Approval of the minutes of [01/05/2011](#) Approved as corrected
- B. Announcements – None
- C. Public Comment on Non-Agenda items – None

II. CONSENT AGENDA

- 1. [Discussion Date: 01/12/11] Approve resolution to order curb and sidewalk improvements adjacent to miscellaneous parcels. ([memo](#))—Regular Agenda (Monte Sipe) (Referred to committee: 01/10/11) **REMOVE FROM AGENDA**

Motion: The committee recommends the City Council approve the resolution to order curb and sidewalk improvements adjacent to miscellaneous parcels in Project 10-001.

Monte Sipe, Construction Project Coordinator, said these are primarily voluntary installation or repairs of curbs, sidewalks or alley paving for those property owners wanting to use our assessment program. The assessment agreements are obtained by the property owners for the voluntary improvements and the City pays the contractors for the authorized work. There are no costs incurred by the City. All costs are covered by property owners through the City's Special Improvement Assessment Program

Dave Strohmaier asked if this resolution is done more than once a year.

Monte Sipe said it depends on the quantity, if there is a large amount of voluntary assessments he will request a resolution quarterly or semi-annually. In answer to Jon Wilkins inquiry about exceptions to this being voluntary, Monte said the vast majority is voluntary but a few assessments are triggered through the building permit reviews and approvals and these property owners are still allowed to use the Special Improvement Assessment program.

Stacy Rye made the motion the committee recommend the City Council approve the resolution to order curb and sidewalk improvements adjacent to miscellaneous parcels in Project 10-001.

The motion passed with 8 ayes and one abstention by Pam Walzer.

III. REGULAR AGENDA ITEMS

- 1. [Discussion Date: 01/12/11] Approve a property agreement with Hybrid Energy Group to develop a 130 acre hybrid poplar project using effluent from the wastewater treatment plant, and enter into a separate development services agreement with Hybrid Energy Group. ([memo](#))—Regular Agenda (Bruce Bender) (Referred to committee: 1/03/2011) **(REMOVE FROM AGENDA)**

MOTION: The committee recommends the city council approve the Clouse Property Agreement between the City of Missoula and the Montana Hybrid Energy Group, LLC. a Colorado Limited Liability Company, for the purpose of memorializing each party's commitment to securing the Clouse property by sub-leasing 130 acres for the hybrid poplar project for an annual cost of \$13,000 per year.

MOTION: The committee recommends the city council approve the Development Services Agreement between the City of Missoula and the Montana Hybrid Energy Group, LLC. Specifically, HEG shall serve the City in the acquisition and development of a future wastewater land application site proposed to be located

on the Clouse property adjacent to the City's wastewater treatment facility for an annual cost of \$6,000, and \$31,325.00 in one-time costs.

The discussion continued with Renee Mitchell stating her concerns with so many improvements with the Headwork's project at the Wastewater Treatment Plant and that these improvements may not do all that they should to improve the situation. She then said her understanding is that the agreement is for the City to hold this land (Clouse property) for the Hybrid Energy Group and if the project works they might continue the project and if it does not they would sell it back to the City. She would like some clarification as to how this would benefit the City.

Steve King, Director of Public Works, said the Headwork's project is a major investment. He said a complete reconstruction with the current open channels and sewage would be completely underground and sealed with airtight order control systems that would substantially improve the system. He said in the presentation and discussion last week the City believes in the future the Wastewater facility will be required to make additional improvements with filtering and chemicals; other communities have faced this situation and it costs millions of dollars to implement more filtration. The key benefit of the Clouse lease to the utility is to delay or reduce those future tertiary treatment costs. He said if we could postpone the investment and more hardware upgrades to the Wastewater plant by diverting some of the flow during the critical summer months then there could potentially be millions of dollars of savings to the utility. This is the beginning of a long process but the value and benefits for the utility is substantial.

Renee Mitchell asked what kind of side effect (odor) would there be by using the effluent for irrigation of the trees and what is the demand for the use of the Clouse property.

Steve King said the land is flood plain so it is not attractive for development it is best suited for agricultural or gravel mining. He said the idea is to preserve it as agriculture. The effluent that would be used for irrigation is the treated, disinfected and greatly reduced for nutrients and it is currently going into the river. The irrigation would be a drip system not a spray system and it would not be projected into the neighborhood.

Bruce Bender, Chief Administrative Officer, said the owners were interested in preserving and keeping the land in agriculture and they have a high interest in this project.

Renee Mitchell said she did not see that a place holder for this property was necessary because there was not another potential business vying for this land.

Bruce Bender said this is a unique opportunity because the Clouse property had multi-year leases on this property, the leases ended and the owners were open to creating a new lease. If we do not take advantage of this open window of opportunity the property may not be available again for several years.

Pam Walzer said her concerns are the City's ownership of the project; she understands the City is not technically capable of managing this type of project and Hybrid Energy Group seems to be a good and capable company to outsource to. She wants to know how much control the City would have over this project, would the City be able to shut down the supply of effluent to the Hybrid Poplar Project or are we committed to providing the effluent.

Bruce Bender said the agreement clearly commits the City to reimburse HEG for any of its investments; we would have to buy them out if we chose to end the agreement, the City has the right to buy them out. He said the City does not have the right to purchase the land, it is a limited lease.

Tom Platt, Vice President of Hybrid Energy Group, LLC, said the City would have a separate agreement to supply effluent and he would expect the City to retain the right to end that supply. In response to concerns Pam Walzer had about the types of trees that would be used in this project, he explained the EPA reviewed the possibility of hybrid poplar trees out crossing to native cottonwood species and their conclusion was that the likelihood was very small. He said there are a number of ways to minimize the out crossing and the City is currently and successfully using native cottonwoods in the pilot project.

Bob Jaffe said there is a clause in the agreement that states the City would have the right to purchase the project during the two year lease. He said he did not see anything in the agreement about commitments for reimbursements for infrastructures and we are entering into an agreement that allows the City to buy out the lease if HEG does not want to continue with the project. The agreement has terms that will allow the City to buy the project.

Tom Platt said with the right to purchase, the project value is based on any value in the project. At the end of two years if HEG decided it was not feasible to develop the project then there is no value in the project and the City could assume the lease and there would be no cost to do that. If at the end of two years HEG spends several thousand dollars on infrastructure such as irrigation, fences, and planted trees, then if the City wanted to buy out the project those costs would be included in the fair market value. He said this is a fifteen year agreement and the City can buy this at any time.

Bob Jaffe said he did not see any guarantees for delivery of water or guarantees of reimbursement for investment in the agreement.

Bruce Bender said that was not in this agreement, he was presuming that if we were able to obtain the permit and HEG still wanted to invest, then there would be specifics spelled out in that agreement, the City is not obligated at this time.

Bob Jaffe made the motion that the committee recommends the City Council approves the two agreements:

1.) Approve the Clouse Property Agreement between the City of Missoula and the Montana Hybrid Energy Group, LLC. a Colorado Limited Liability Company, for the purpose of memorializing each party's commitment to securing the Clouse property by sub-leasing 130 acres for the hybrid poplar project for an annual cost of \$13,000 per year. and

2.) Approve the Development Services Agreement between the City of Missoula and the Montana Hybrid Energy Group, LLC. Specifically, HEG shall serve the City in the acquisition and development of a future wastewater land application site proposed to be located on the Clouse property adjacent to the City's wastewater treatment facility for an annual cost of \$6,000, and \$31,325.00 in one-time costs.

Bob Jaffe said he would like to make an amendment to the motion by adding 'the fair market value would be established by a mutually agreed upon independent audit of the project.' This was also agreed upon by Tom Platt.

Jason Wiener said we are working with the land owner (Clouse) to keep their property in the use they want (agriculture) and we are doing it through a party they feel comfortable negotiating with while allowing a business with operations in Montana (HEG) to develop expertise in something that may be a larger market. It is a good public/private partnership, and he supports it.

Jon Wilkins said his concern is that we do not have a working relationship with the Clouse's and would they be allowed to refuse to sell to the City. He also said there was a \$26,325.00 one time cost and \$6,000.00 per year cost, can that annual \$6,000.00 cost change.

Steve King said the agreement states the \$6,000.00 as a specific, absolute number for the first two years to hold the lease; but there is a correction; the onetime cost is \$31,325.00.

Dave Strohmaier said as a recap the City will pick up the tab for two years, the balance of thirteen years would be covered by HEG unless the City takes over the lease. He absolutely supports this project.

Bruce Bender wanted to clarify that the agreement has a clause that states the rent is held for the first two years with the option to extend the lease for the next thirteen years if either the City or HEG chooses, the annual increases in the base rent beginning with the first extended year will be based on the percentage change of the consumer price index.

Public Comment- None

The motion passed with 7 ayes and one nay by Renee Mitchell, and one abstention by Jon Wilkins.

2. **[Discussion Date: 01/12/11] Use of \$60,000 allocated by the FY2011 Budget in Road District #1. ([memo](#)) – Regular Agenda (Doug Harby) (Referred to committee: 01/03/2011) ([HELD IN COMMITTEE](#))**

Doug Harby, Construction Project Manager, said initially the majority of the committee was in favor of using the \$60,000.00 to install handicap ramps (ADA ramps) because that would benefit the most people. As a result of these discussions he has added another proposal, number 3.) Assist low income properties with all or a portion of their assessment. Doug said the difficulty with this proposal is determining the eligibility criteria, how to survey for eligibility and how to disperse the limited funds. He said the decision Public Works made using the Community Development Block Grant (CDGB) is to take average figures to determine eligibility for low income assistance and he gave some examples of this process. He said the limited funds restrict the amount of money available for each owner; and the amount each property owner would receive could not be determined until the construction season was over.

Steve King said the only option that would not impact Doug Harby and Monte Sipe's ability to move projects forward is the interest deferral; they are not geared to do the amount of work necessary to qualify property owners. He said our advocacy is to use the \$60,000.00 for the ADA ramps, if there is a portion that would go to any type of subsidize low income properties it would be the deferred interest option.

Stacy Rye asked Doug Harby for clarification about using deferrals over \$6,000.00. She asked if this item could be delayed until next week.

Doug Harby said he used \$6,000.00 as an example because that is the "average" assessment for curb and sidewalk installation projects. Steve King said there are other low and moderate subsidies available through the Community Development Block Grant (CDGB) program. He recommended working with CBDG to establish more funding for low income property owners.

Doug Harby said time was critical because to get a project for this year the letters for the slant streets would need to go out in January.

Jon Wilkins questioned if this money should be used for sidewalks at this time , his understanding is eighty seven percent of the snowplow budget has already been used and maybe we should apply this money to that budget.

Jason Wiener said that could be done with an amendment to the budget resolution and Jon Wilkins may want to make that motion next week. He said the districts were passed with the stipulation that there be money to go to a new program and we would have to back off on that in order to redirect the money to maintenance.

Dave Strohmaier said he would like to have a budget up date from Public Works on snow removal. And he would like to discuss option one, if the ADA ramps were combined with some portion of the \$60,000.00 to go towards offsetting interest payments. He asked what the trade off would be if some of the money was portioned towards the interest and how that would tangibly effect the capacity for doing ramps.

Jason Wiener said he would put in a referral for the snow removal budget update so it will be on the agenda.

III. HELD AND ONGOING AGENDA ITEMS

1. Discussion on the sizes of grease interceptors for the restaurant industry ([Grease Interceptor PowerPoint](#)) ([memo](#)).—Regular Agenda (Stacy Rye and Bob Jaffe) (Referred to committee: 04/21/08)
2. Review infrastructure conditions at the locations of serious and fatal traffic accidents: 2007-2009 ([memo](#)).—Regular Agenda (Jason Wiener) (Referred to committee: 01/25/10)
3. T4 America partner support ([memo](#)) – Regular Agenda (Stacy Rye) (Referred to committee: (Referred to committee: 08/16/10)
4. Presentation from Public Works staff regarding proposed process for finding contractors and awarding bids for reconstruction of Russell Street. ([memo](#))—Regular Agenda (Bob Jaffe) (Referred to committee: 11/15/2010)

IV. ADJOURNMENT

Meeting was adjourned at 2:35 PM

Respectfully Submitted,
Peggy Diamond, Program Specialist
City Public Works Department