

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

December 17, 2008

FINAL

A meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held at MRA Conference Room, 140 W. Pine, Missoula, MT 59802 at 12:00 PM. Those in attendance were as follows:

Board: Hal Fraser, Nancy Moe, Daniel Kemmis, Rosalie Cates, Karl Englund

Staff: Ellen Buchanan, Chris Behan, Kari Nelson, Tod Gass, Jilayne Lee

Public: Jamie Lockman, MRA rep to HPC; Paul Sepp, Anderson Zurmuehlen; Doug Harby, Public Works Dept.

APPROVAL OF MINUTES

November 5, 2008 Special Board Meeting Minutes were approved as submitted.

November 19, 2008 Regular Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

Jamie Lockman, MRA representative to the Historical Preservation Commission (HPC), said they had a meeting and she got to know some of the HPC Board members. She said there isn't a lot of action taking place right now, but they are teaching her and Mary Ryan, another new member, the culture of the HPC and are working on the bylaws.

COMMITTEE REPORTS

Director's Report

Old Sawmill District/Silver Park

Buchanan said the final testing for the soils on the Old Sawmill District project came in below levels or with no detection of TCE. She said they hoped to have a final signoff in January from the Department of Environmental Quality (DEQ). There are still groundwater issues and there is still negotiation going on with DEQ to do the Order of Consent. Fraser asked if there's regular communication going on with International or Champion. Buchanan replied she didn't know and has never heard mention of there being any communication with them. Cates asked if MRA's bond money was at work when there's a sponsorship to the Symphony from Millsite Revitalization Project (MRP). Buchanan replied no and it certainly wouldn't be a line item in anything the MRA would reimburse. She said MRP has a number of sponsorships to get their name out there.

Buchanan said Staff is continuing to work on construction documents for Silver Park. Staff is looking at how to totally complete the trail with lighting, landscaping and the bridge, and also get the parking in for the Stadium and the Park this spring. Fraser asked if Staff is keeping a close eye on things as they develop because there's so much political discussion going on about funding for big public infrastructure things. Buchanan said the Park, the reconstruction of the railroad trestle and the riverbank restoration project are on multiple funding lists. She said the Park should have a good shot because it doesn't have to go through a bunch of environmental assessments. Cates asked how the local process overlaps with the state process. Buchanan said there are lots of separate lists being done and she said the City has submitted lists to elected officials' offices and through the Conference of Mayors. She said MRA's projects are on the Conference of Mayors list that was turned in a couple of weeks ago. She said the Montana Department of Transportation (MDT) has created a list, the Department of Natural Resources (DNRC) is in the process of creating a list, federal agencies and professional organizations are creating lists, etc.

Downtown Master Plan

Buchanan said this is already having a positive impact by people referencing the Plan any time there's a decision to be made that has anything to do with Downtown. She said she met last week with the Impact Fee Committee and they're making a recommendation to the City Council that Transportation Impact Fees be reduced for the area within the Downtown Master Plan. She said the Parks Dept. is trying to get an ordinance through that will require parkland dedication or "fee in lieu of" for condominium and apartment projects because they're exempt from subdivision regulations so they don't have any parkland dedication. She said they're confining it to the CBD zoning and Jackie Corday from the Parks Dept. will be suggesting they expand that to the full Master Plan boundary for exemption. Buchanan said the draft Plan should be done within a week or so.

Kemmis asked what, if any, involvement MRA has in the Fairground process. Buchanan replied MRA has no formal involvement. She said she worked with the County, at their request, to help them decide how they wanted to move forward with the public part of the process. She said even before a consultant was chosen she made the suggestion they might want to take advantage of the Downtown Master Plan consultants while they were here on MRA's nickel. She said they're certainly getting a financial break by having Crandall Arambula do that because they're getting the benefit of all the research they did for the Downtown Plan. Buchanan said she's meeting with the Fairgrounds Advisory Board in January to answer questions about URD III.

East Front St. Parking Structure

Buchanan said they're still working through the details of the Memorandum of Understanding (MOU) with First Interstate Bank. Buchanan said she's continuing to work through putting together the Request for Qualifications (RFQ) and hopes to have it finished soon. They will be using the construction manager at-risk method as opposed to the design build method. Moe asked if Staff has heard anything concrete about Macy's. Buchanan replied they've hired a new General Manager and are making decisions and saying they have no plans of leaving Missoula. Moe said she brought it up because the

size of the parking structure is going to be somewhat dependent on Macy's being there and requiring retail parking. She asked what would be done with the building if Macy's isn't there. Moe said whoever is deciding on the size of the parking structure needs to keep that in mind. Buchanan said sadly, they can't even build enough parking to meet the demand for office parking that's there right now, much less any retail demand. She said the only way they'll build more than 300 spaces is if the Missoula Parking Commission (MPC) decides to put more of their resources into it.

FY09 Budget Status Reports – URD II, URD III

Lee pointed out there is about \$6,000 in the clearing account that needs to be transferred in URD II. Moe asked about the Garden District in URD II because she didn't see it in the budget for FY09. Lee replied the budget is based on projects as of June 30, 2008. That project was approved after. Lee will do amendments at the end of the year for all the projects that MRA approves during the year.

ACTION ITEMS

FY08 Audit Report – Request for Acceptance

Paul Sepp from Anderson Zurmuehlen reviewed the highlights of the audit report. He prefaced his presentation by saying there's a table of contents error in the audit and he will need the copies back to make changes. Sepp said there also should be a footnote disclosure noting changes the City made in their accounting principles.

Change tape 1 s1/s2

Sepp said MRA did not require a single audit this year but may for FY09. Kemmis asked what a single audit is. Sepp replied when a government or non-profit organization receives more than \$500,000 in federal funds that triggers single audit requirements.

Sepp said the audit report has not findings and no issues of non-compliance. He said MRA got a clean audit and that's as good as it gets. Fraser congratulated the MRA Staff for having a clean audit and said the Board members appreciate it. Fraser also thanked Sepp for continuing to do an excellent job for the MRA.

MOTION

CATES: I MOVE THAT WE ACCEPT THE AUDIT AS PRESENTED BY THE STAFF FROM ANDERSON ZURMUEHLEN WITH THE CHANGES THAT ARE GOING TO BE MADE. Englund seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

California Street Improvements – URD II TIF Request

Gass reviewed his memo for this project. He said Public Works submitted a TIF request to MRA to assist with engineering related to improvements on California Street and Wyoming Street. Gass said they lack improvements such as curbs, gutter and sidewalks and the current conditions of the streets meet the definition of blight. Gass said this project will eliminate the blighting conditions of the streets through installation of new curbs, gutters, sidewalks, storm drainage and new asphalt surfacing. Gass reviewed the importance of the streets to the redevelopment of the adjacent Old Sawmill District. He

said cost of construction of the improvements is estimated to be \$800,000 and will be funded through a combination of Special Improvement Districts (SID) and Public Works Street Division operating gas tax budgets. Gass said the Public Works Dept. does not anticipate requesting additional TIF assistance with construction of the improvements. Gass said Public Works anticipates having the design complete and ready for construction when the road work begins in the Old Sawmill District site. He said Public Works has indicated they lack the funding for the engineering and design services portion of this project, which is estimated to be \$29,925. Gass said Staff recommendation is that the MRA Board authorize funding to the Public Works Dept. in an amount up to \$29,925 for engineering and design services for the California/Wyoming Street improvements. Doug Harby from the Public Works Dept. gave the Board some background information related to the project. He said they're piggybacking on work WGM Group is currently doing for design of street blocks in the Old Sawmill District so they're getting a deal. Harby said if the Old Sawmill District is stalled in 2010 their plan is to go ahead and order those improvements regardless because they need the curbs in to build the street.

Kemmis asked what the status of curbs, gutters and sidewalks in the neighborhood between California Street and Russell Street. Harby replied they're not a priority right now. He said he's preparing a presentation for City Council on The Complete Streets Resolution to show what they are prioritizing. He said once they get a network through there the City will not work on the area; however, when anything is built it's required of the developer to do the improvements.

Moe asked if the improvements are going on the east and west side of California Street. Harby replied yes. Moe asked how far to the east they will go. Harby said they have yet to answer that question and will be looking into it. Moe asked if the engineering study will address it. Harby said that engineering will be part of the Old Sawmill District and from what he understands it's part of their obligation to get out to California Street.

MOTION

CATES: I MOVE WE AUTHORIZE FUNDING TO MISSOULA PUBLIC WORKS IN AN AMOUNT UP TO \$29,925.00 FOR ENGINEERING SERVICES RELATED TO THE CALIFORNIA/WYOMING STREET IMPROVEMENTS.

Englund seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

Fraser asked Harby, since he's involved in a lot of bidding, if costs are coming down. Harby replied yes and he spoke with a manager at JTL Group who said they anticipate concrete costs dropping 30-40% per cubic yard. Harby said between 2001 and 2006 they witnessed a 75-90% inflation in construction costs. Now he said it's dropping back to 2002 prices and may go even lower. Harby said Public Works is going to ramp up their construction projects and said typically they do \$700,000-\$1.2 million worth of work and are ramping up to \$2.8 million. He said they figure prices will be a lot lower and they will provide jobs for the skilled labor force that is dwindling right now.

Fraser asked Harby if they get to do proper due diligence on their picking of contractors when there's so much competition for a job. Harby said they do. He said with one of

their projects right now, they broke it into 3 smaller projects so that the smaller contractors can bond it.

Moe said she's very pleased to hear the project will happen in 2010, regardless of what happens with the Old Sawmill District.

Brownfields RLF Loan Agreement and Note Amendments – Request for Approval

Buchanan said this amendment removes a date that was in the original documents that were approved back in 2006. At that point in time the Buy-Sell on the fee interest in the Silver property was finite and there didn't appear to be any probability that it would be able to be extended. Therefore, there was a date put in the Agreements that if the land had not been purchased and the buy-sell had expired, or the project was not going to go forward, then the payment of principal and interest would kick in. Buchanan said there's just interest being paid on the Note right now. She said the document has a date that by January 1, 2009 principal and interest would be required to be paid if the land hasn't been purchased and the bonds haven't been sold. Buchanan said back then, they thought it would be under construction by now. She said what's happened in the interim is that MRP negotiated with the Silver Foundation to be able to buy five years worth of extensions on that Buy-Sell Agreement so the January 1, 2009 date was no longer appropriate. Buchanan said the Loan Agreement has been amended and the Note has been amended. She said the recommendation to City Council is that they approve the amended Loan Agreement and Note to remove the date.

Moe asked for clarification that it was the \$1.125 million Note, not the \$1.25 million Note that's in Buchanan's memo. Buchanan clarified it's the \$1.125 million Note. Moe was reluctant not to have a deadline that brings it back to the Board so it has to consider whether or not the project is going forward. Moe said she didn't have a lot of time to look at the underscored language in the third amendment and compare it to the underscored language in the Note but said they didn't seem to say the same thing. Buchanan said Mae Nan Ellingson reconciled that in the Resolution and everything ties back to the issuance of the bonds. There was some discussion about payments. Buchanan said MRA is paying interest, however is not obligated to pay anything on that Note from any source other than the increment that's being generated by that piece of ground.

Change tape 1/tape 2

MOTION

KEMMIS: I MOVE THAT THE BOARD RECOMMEND TO THE CITY COUNCIL THAT THE COUNCIL APPROVE THE AMENDED LOAN AGREEMENT AND NOTE TO REMOVE THE JANUARY 1, 2009 DATE FOR PAYMENT OF PRINCIPAL AND INTEREST ON THE BROWNFIELDS RLF LOAN FOR THE OLD SAWMILL DISTRICT ENVIRONMENTAL REMEDIATION. Englund seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

Cates asked if MRA could take its legal costs out of the interest payment. Buchanan said MRA can't because the Loan Agreements say that if MRA is generating excess increment it has to pay ahead on principal. Buchanan said if MRA wants to it can recover some of its legal costs in the bond issue.

Moe said she voted for this only because she knows MRA is actively interested in the Old Sawmill District and will be looking at it seriously and continuously. She said she doesn't like not having a deadline. Also, Moe said she doesn't like things going to Council Committee before they go to the MRA Board. She said it's a bad system to have going. Buchanan apologized and said it had to get done before the end of the year or a principal payment would have to be made.

Englund left the meeting at approximately 1:15 pm.

FY09 Budget – Request for Approval

Lee said she last submitted this Budget to the Board in June and MRA didn't have final revenue numbers from the state or the mill levies. Subsequent to that, Lee said MRA was also waiting on the Department of Revenue for the actual taxable value that they placed on the exempt properties. Lee has all of those numbers now and has plugged them into the Budget. She said it does not reflect any of the projects that have been approved subsequent to July 1, 2008. She said the Budget will be amended and/or transfers made for those.

Moe said some of the items in the budgets for URD II and URD III have asterisks that say *See Detail* and there is no detail. Also, Moe pointed out a change that needed to be made on page 32 involving a name switch with Front St. URD and URD III.

Buchanan said at the November Board meeting Moe asked for some evaluation of how the amount MRA pays the City for Administrative Services is decided. Buchanan reviewed a memo she received from Brentt Ramharter in the Finance Dept. in June. Moe said she thought it was a good first attempt to do the cost allocation. She said in the past the MRA Board received a report in the packets with Staff time allocation for projects. Also, Moe said she wanted to see how much time MRA was spending for the City for things like the parking structure. Staff said they will look at the timesheets and revise them as needed and start putting the Staff Activities Reports back in the packets. Cates said her interest in tracking Staff time is to make sure they aren't overextended and that MRA has enough Staff members to carry out its missions.

MOTION

KEMMIS: I MOVE APPROVAL OF THE FY09 BUDGET WITH THE MODIFICATIONS POINTED OUT BY MOE. Moe seconded the motion. 4 ayes, 0 nays. Motion passed unanimously. Englund absent.

NON-ACTION ITEMS

STAFF REPORTS

Buchanan mentioned that she, Behan and Lee attended a meeting with the Dept. of Revenue (DOR) in Helena with multiple other cities and counties to talk about process and procedure. She said MRA's biggest concern was that it's being stonewalled when it asks the DOR to assist in any way with revenue projections. She said the DOR basically told Staff it won't do that and that they're no longer allowed to get any information out of the Palmer St. office and everything must go through the DOR Attorney's Office in Helena. Fraser asked what their point is. Buchanan said there appears to be an almost unilateral move on the part of DOR to take more control over tax increment districts, be they industrial, technology, aerospace or urban renewal. She said part of this is a reaction to the Fallon County lawsuit, which was an industrial tax increment district. She said it seemed to her that they're trying to centralize it, but they're crippling it. She said if MRA can't get them to work with Staff on things like estimating revenues or a reliable formula to generate its own estimates then it can't do projects like the parking garage, Safeway or Old Sawmill District. She said Bozeman has been waiting for two years to try and get DOR to certify an industrial tax increment district. She said the reason DOR gave for not certifying it was because Bozeman didn't submit a plan, but State law doesn't require a plan for an industrial tax increment district. Discussion ensued.

OTHER ITEMS

ADJOURNMENT

Meeting adjourned at 1:45 pm.

Respectfully Submitted,



Lesley Pugh
Secretary II