

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

October 20, 2010

FINAL

A meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held at the 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, Karl Englund, Rosalie Cates (via telephone)
- Staff:** Ellen Buchanan, Chris Behan, Kari Nelson, Tod Gass, Jilayne Lee, Lesley Pugh
- Public:** Rod Austin, Missoula Parking Commission; Anne Guest, MPC; Mark Bellon, Territorial Landworks; Dale McCormick, Riverfront Neighborhood Council; Carol Williams, MPC; John E. Smith; MPC; Mike Hickey, First Interstate Bank; Geoff Badenoch, Citizen; Mae Nan Ellingson, Dorsey Whitney; Dave Olsen, First Interstate Bank

APPROVAL OF MINUTES

October 6, 2010 Special Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

Behan said Silver Park Phase 3 passed all of the state approvals and the pre-construction meeting is Monday. He said Phase 2 has a number of small issues that will need Director's approval to close it out. Buchanan mentioned the Board raising the limit of Director's approval to \$10,000 so MRA can keep this project moving along. She said the limit would be temporary and for this project only. The Board was okay with this and asked that Staff give notice via email when approvals occur.

STAFF REPORTS

Director's Report

Buchanan said the Business Improvement District (BID) and the Missoula Downtown Association (MDA) are moving forward with creating a comprehensive database of properties in the entire Downtown Master Plan study area. She said the BID and MDA have committed staff time and money and are asking the MRA to pay for one of the interns which will cost \$2,720. Moe said because this is a new thing it's a policy decision that the Board should make. She said it also lends weight to the Board's support of the issue. A formal request will be added to the action items at the next Board meeting.

ACTION ITEMS

Trails End Bar – URD II Request for Reconsideration of Demolition Application (Tabled 9/15/2010)

This item was put on hold until the next Board meeting.

Catlin/Wyoming Sidewalks – URD II Request to Award Landscape Contract

Gass reviewed his memo. The landscaping portion will include planting 61 street trees and grass seeding the areas disturbed by the construction. The low bid was submitted by Brugh Landscaping in the amount of \$28,213.95. Their bid has been found to be correct and complete by the engineer and Staff recommends approval.

MOTION

ENGLUND: I MOVE WE AWARD THE LANDSCAPING CONTRACT FOR THE CATLIN/WYOMING STREET CURB & SIDEWALK PROJECT TO BRUGH LANDSCAPING IN THE AMOUNT OF \$28,213.95 AND AUTHORIZE OUR CHAIR TO SIGN THE CONTRACT AND AUTHORIZE STAFF TO SIGN THE NECESSARY DOCUMENTS TO EXECUTE THE CONTRACT. Moe seconded the motion. 4 ayes, 0 nays. Motion passed unanimously. Cates absent.

URD III Residential Sidewalks, Phase 3 – Request to Amend Professional Services Agreement

Gass reviewed his memo. The request is for a budget amendment for the Professional Services agreement between MRA and Territorial Landworks, Inc. (TLI). The increased budget is due to an increase in the scope of the project, increase in contract time, additional public meeting and an increased budget for public relations issues. The changes will amount in an increase of \$55,460 to the contract for a total budget for professional services not to exceed \$267,608. Gass said the goal is to put the project out to bid in January and start construction in the spring.

MOTION

KEMMIS: I MOVE THAT THE BOARD APPROVE A BUDGET ENHANCEMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH TERRITORIAL LANDWORKS, INC. IN THE AMOUNT OF \$55,460 WHICH WOULD BRING THE TOTAL PROFESSIONAL SERVICES BUDGET FOR ALL PHASES OF THE PROJECT TO A NOT TO EXCEED AMOUNT OF \$267,608. Englund seconded the motion. 4 ayes, 0 nays. Motion passed unanimously. Cates absent.

Cates entered the meeting via telephone at 12:20 pm.

First Interstate Bank – Front St. URD Request for Reimbursement

Buchanan said in 2007 First Interstate Bank (FIB) came to the Board and asked for a Proceed Without Prejudice to go ahead and start their project while MRA was forming the Front St. URD. She said the Board granted FIB a Proceed Without Prejudice at that time and in August of 2009 FIB requested that the Board memorialize the project costs they incurred that were legally eligible for reimbursement from tax increment funding. She said one of the premises of FIB doing their project, and resolutions that were passed by the City Council creating the District, acknowledged that two needs were generated by the project: parking and the use of TIF funds to bridge the gap between the cost of rebuilding Downtown and

going out and doing Greenfields projects in another part of town where there aren't constraints in the costs of an urban reconstruction project.

Buchanan said in 2009 when Staff brought FIB's request to the Board, FIB didn't understand they should be at the meeting so they didn't have representation present to ask/answer questions or present their project. It was consequently tabled. She said Staff has been in extended discussions with FIB and the Missoula Parking Commission (MPC) trying to figure out how to put the puzzle together with respect to all the moving parts and the financing piece of it. Buchanan said one of the real struggles is that there have been challenges getting information from the Department of Revenue (DOR) so they can project increment for this or any other project. She said MRA received certified values from DOR in August and therefore had the ability to look at real numbers and know what was being generated to start formulating how the financing could be structured. Subsequently, she said FIB made the decision to have discussions with DOR to question the valuation on their property. She said there is no formal appeal right now and they have not come to any conclusions. This keeps things uncertain as to what the revenue would be from that project, but Buchanan's memo assumes a minimum they can work from which is \$243,000.

Buchanan said one of the premises they've worked on in trying to put the project together and structure it over the last four years was that the revenue from the FIB project is what would be used to debt service whatever share of the parking structure was funded by tax increment bonds and whatever reimbursement for eligible costs that FIB was going to be reimbursed for. She said when they were doing that the only potential revenue sources out there were the FIB project and some from the Wilma project. Buchanan said when they started looking at what the increment would be from the presumed \$243,000 of tax burden to FIB, there is just under \$119,000 of revenue that will come from the taxes.

Buchanan said at MPC's last meeting they made a formal determination that their goal is to build at least 400 parking spaces if the parking structure is built. She said they are estimating it will cost about \$18,000 per parking space. Buchanan said they've explored bonding options and are trying to get in a position to sell bonds before the end of this year while stimulus bonds are still out there. She discussed a number of different bonding opportunities.

Change tape 1 s1/s2

Buchanan said there are three obligations from the Front St. URD that have been consistent. These are the Wilma, Caras Park Improvements, and putting 10% of the total revenue in the District towards administrative costs for MRA. Buchanan put together a recommendation in her memo for the Board to consider. She recommends that the Board memorialize that certain costs incurred by FIB are eligible expenses for reimbursement by tax increment. She recommended discussion about whether the reimbursement to FIB should be made from the \$119,000 of annual increment that will be generated by the \$243,000 number FIB has said MRA should be using as their base amount that they will pay for taxes and, if so, what the amortization will be and at what interest rates. Behan handed out a couple of scenarios from Springsted. Buchanan said they've recommended the revenue stream from the taxes as determined by FIB at this point would be used to debt service the reimbursables, should the Board decide they are appropriate. Also, that the balance of the District will debt service bonds in an amount the Board is comfortable with.

Kemmis said he and Cates have felt that if it were at all possible to structure this in a way that the Board continue to have some investment capital to work with then they'd like to do that. He said Cates suggested the Board think about what it would be like if they try to hold onto 10% of the increment for that purpose. Cates said she felt the Board should start with a sense of what the revenue is going to be overall in the District over the bondable period, look at the obligations, and make policy decisions based on three things: administrative costs (10% of revenue), figure out how much to have for a margin for things other than FIB and parking structure, and how to divvy up the money towards FIB usage. She said she thinks the policy issue sitting in there is that they can figure on \$119,000 per year in revenue from the tax increment from FIB, therefore reimbursement into that project should not exceed the capacity of that revenue. She said as far as reimbursement requests, she thinks MRA has a good standing on the Board on looking at making sure the increment from the project pays those back so \$119,000 in FIB revenue is all MRA should use to pay towards reimbursement and the parking gets sized after that. Personally, Cates said she's comfortable with having a 10% margin for other projects. Cates added that she loves the projects and thinks the projects have recently shifted in a positive way and feels good about where things are at today.

Englund said the difference in numbers proposed between DOR and FIB are huge. He asked how realistic it is that the numbers will come in at the low end when the state is saying the market value is \$26.5 million and FIB is saying it's \$12.3 million. Dave Olsen from First Interstate Bank described how they got to their number. He said their taxes could end up higher than what they initially thought. He said FIB said it will guarantee they won't protest anything underneath a certain amount so they can have a starting figure for bonding. Olsen also said he wanted to point out that the building is not complete yet so the information is a static number based on what's available today at the minimum, worst-case scenario and will only get stronger from this point on. He said there's an entire floor with no improvements on it yet. They're in the process of trying to sell that and the improvements will add taxable value and create more increment. Mike Hickey, First Interstate Bank, added their projections of \$243,000 were based on the best information they had at the time. He said a good portion of the space is being paid for by other users so it's not just their own self-interest that they're appealing their taxes. He said they have worked closely with DOR for the last few years and were as surprised as anyone when they got their tax bills. Hickey added that it's important to point out that FIB doesn't need more parking spaces for their own use. They need it to attract new occupants into the tower. He said they've said from the beginning that they don't want to own parking spaces, but they have entered into commitments to make parking available because that's what the project economics hinged on. Hickey said he struggles a little bit with the policy point of their reimbursement or the construction of parking be predicated on FIB's needs alone and their increment. He said hopefully more parking in the District will enhance the revenues generated by the District, but other developers like themselves couldn't move forward unless the parking issue is resolved.

Cates said she likes the way the division is coming now because the reimbursement for costs directly to the tower is coming from their increment and the parking is on the whole District so the point Hickey makes is erased. Kemmis agreed with Cates and said one issue the spreadsheets raise is what MRA should be looking at in terms of reimbursement of already incurred costs. He said he didn't see any reason for MRA to seriously consider the lower figure of \$1.6 million because it was based on incomplete information. He said MRA has proceeded from the beginning under the assumption that if possible, MRA would reimburse FIB for the eligible costs and those costs are the higher \$1.77 million figure. Kemmis said he

agrees with Cates regarding trying to find a way of holding out from immediate commitment some reasonable percentage of the increment that's being generated. He said if they make that 10%, he's not sure it should apply to the \$119,000 of FIB's increment if the principle is that MRA is going to try to find a way of reimbursing FIB for the reimbursable costs then it doesn't make a lot of sense to him to reduce MRA's ability to do that by 10%. Cates said she can live with that, but her first priority is and always has been the parking. She said as far as reimbursements to the tower, she has no problem putting that money in, subject to the 10%.

Cates asked if it was possible to reimburse \$1.77 million from \$119,000 of increment. Behan replied yes. He said from the \$119,000 it can be done with a fairly decent interest rate, but when you start taking off 10%, etc., things start changing. Cates said she assumed that won't be done until they find out that the overall revenues from the District can afford 10% for administrative costs and a 10% margin for unforeseen opportunities or problems, and the MPC bond.

Mae Nan Ellingson, Dorsey Whitney, LLC, said once MRA gets the general policy statement it will be very helpful because they don't know the interest rate, how the amount of the debt service will affect the final size of the reserve fund, and if MRA agrees to guarantee a higher amount. Bond rates were discussed.

Change tape 1/tape 2

Ellingson said there are three variables as to what the tax exempt rate could be: if the bond is done as a private activity bond, if the bond is a facility bond, and if they can totally reallocate the uses of the funds to issue the whole series of bonds as development bonds. She said she thinks they can get a good rate on the bonds. She said final interest rates and terms and conditions of any of the tax increment bonds will have to come back to the Board for approval. Cates asked if all of the \$1.77 million is eligible or is there still a big review to go through. Buchanan replied she doesn't think there's a big review to go through and it's safe to assume all of it is eligible.

Fraser asked if any Board members were unwilling to reimburse the \$1.77 million subject to Staff review. Cates said does, but if it means they can't do the parking then she doesn't, and said they all have to close at the same time. Fraser asked if the Board is going to want the rest of the increment, minus the \$119,000, to have 10% available for administrative costs and 10% available for other projects. Kemmis asked if the 10% for admin was based on some standard practice applied with other Districts. Buchanan said this District is very labor intensive and 10% is probably a low number. She said other Districts have resources that can float it until there are more revenues in the District. She said she hopes that once this project is put to bed the 10% number will be adequate to cover the costs. At the end of the year Staff's time is figured and allocated into how much time is spent in each District. Kemmis asked if it makes sense for the administrative set aside to be delayed during the period of the Wilma and Caras Park and then reimbursed to another District later. Buchanan said that can be done and URD III has the capacity to do that. She said if the Board doesn't want to eat into FIB's increment for admin or the 10% set aside for other projects, then it will need to come from the amount of revenue to service the tax increment revenue bonds. Cates said it's irresponsible to run on less than a 10% margin of error. Fraser asked for benchmarks to be put into the reimbursement note so that in the end it all gets reimbursed. Ellingson asked

what would happen if FIB was willing to certify to a higher number. Cates replied MRA can work with it.

Englund said he isn't sure about having a set aside 10% for other projects set in stone. He said it's ignoring the reality of a wonderful opportunity for the parking structure and a responsible developer who did something good for the District and has reimbursable costs. He said to set aside money for something in the future ignores the reality that the District at this point is tapped out.

Change tape 2 s1/s2

MOTION

Moe said the initial request for recommendation is to approve \$1.77 million in reimbursable costs, subject to Staff review of what's eligible.

ENGLUND: SO MOVED. Kemmis seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

MOTION

ENGLUND: AS A POLICY MATTER, WE ARE SETTING A PRIORITY OF CONTRIBUTING \$2.5 MILLION FOR THE PARKING STRUCTURE WHICH WE UNDERSTAND TO BE AN AMOUNT SUFFICIENT TO BUILD APPROXIMATELY 125 SPACES OF A 400 SPACE PARKING STRUCTURE. Moe seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

MOTION

Ellingson said the policy is that after 125 spaces are covered, MRA will reimburse First Interstate Bank up to \$1.77 million in eligible costs with a term loan at a reasonable interest rate that is payable solely from their increment over that period of time.

ENGLUND: SO MOVED. 5 ayes, 0 nays. Motion passed unanimously.

MOTION

ENGLUND: I MOVE WE HAVE 10% OF THE TOTAL INCREMENT RESERVED FOR ADMINISTRATIVE COSTS. Moe seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

Front St. Parking Structure – Front. St. URD Recovery Zone Bonds Inducement Resolution

MOTION

MOE: I MOVE THE STAFF RECOMMENDATION REGARDING FORWARDING OUR RECOMMENDATION ON THE PARKING STRUCTURE TO THE CITY COUNCIL. Englund seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

Buchanan asked what the priority is if MRA can't service the \$1.77 million at an interest rate that is acceptable to FIB over the 25 years and issue the \$2.5 million in parking bonds.

Kemmis asked the MPC if they are totally dependent on MRA's 125 spaces. Rod Austin, MPC Board Chair, said yes and that's the minimum number. He said the structure is 200 spaces short of what was planned for there, taking into consideration what could potentially

happen in that District and throughout the Downtown in the next 25 years. Englund said his inclination is to say the priority is the parking structure because that's the bigger commitment both to FIB and to the public. Ellingson said they could structure it on a subordinate lien note that if the revenues attributable from FIB come in and they can't show starting to service that debt from the beginning then maybe they have an alternate maturity schedule. The Board concurred with that.

Cates exited the meeting at 1:50 pm.

Kemmis said this is a big step forward in terms of major investment in the Downtown on the part of FIB Corporation. The additional parking spaces will be a major fulfillment of Downtown Master Plan and the progress is worth noting.

NON-ACTION ITEMS

COMMITTEE REPORTS

OTHER ITEMS

ADJOURNMENT

Meeting adjourned at 2:00 pm.

Respectfully Submitted,



Lesley Pugh
Secretary II