

# MISSOULA REDEVELOPMENT AGENCY

## CONDENSED BOARD MEETING MINUTES

July 21, 2011

FINAL

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

- Board:** Nancy Moe, Karl Englund, Daniel Kemmis (via phone)
- Staff:** Ellen Buchanan, Jilayne Lee, Tod Gass
- Public:** Brent Colbry, MFCU; Gary Clark, MFCU; Dave Glaser, MCDG; Ruth Reineking, FIB; Myrt Charney, Play Ball Finance Committee; Michael Ellis, Mountain BB LLC; Matt Ellis, Mountain BB LLC; Gerald Mueller, Play Ball Finance Committee; Wes Spiker, Play Ball Missoula; Rena Hansen, Play Ball Missoula; Bill Carey, Missoula County Commissioner; Courtney Ellis, Dorsey & Whitney; Dale Bickell, Missoula County; Shane Reely, Private Lenders Reely Law; Mae Nan Ellingson, Dorsey & Whitney

### **PUBLIC COMMENTS & ANNOUNCEMENTS**

Buchanan introduced and welcomed Juli Devlin as the new MRA Administrative Secretary.

### **ACTION ITEMS**

#### **Missoula County Records Center – URD III TIF Request (*Buchanan*)**

Buchanan explained the Missoula County Records request. The County has owned the old Pepsi warehouse in URD III for the use of storing records. Their records storage needs have grown and the desire of public access to those records has increased. The Sheriff's records have moved to the Detention Center on Mullan Road which allows for more space in the building on Ernst Street. The building provides some public space but they would also like to convert some of their records as well as storage offices to this location. Bickell asked if MRA could assist with some of the renovation of the building. They opened bids last month and the project was approximately \$150,000 more than anticipated. Bickell said the County is asking for assistance with life safety code improvements and accessibility/accommodations improvements. Buchanan

recommended that the Board approve the County's request but delay paying for it until after the first of the year when the next tax increment comes in from the district. The reimbursement to the County would cover the life safety code improvements, modest amount of landscaping, fire suppression system, and accessibility improvements in the amount not to exceed \$194,046.

**MOTION:**

**MOE: I MOVE THAT THE MRA BOARD APPROVE ASSISTANCE TO THE RENOVATION OF THE COUNTY RECORDS WAREHOUSE CENTER AT 2147 ERNST STREET TO COVER LIFE SAFETY CODE UPGRADES, LANDSCAPING, FIRE SUPPRESSION SYSTEM, AND ACCESSIBILITY IMPROVEMENTS NOT TO EXCEED \$194,046 WITH THE PROVISION THAT THE PAYMENT NOT BE REIMBURSED UNTIL JANUARY 2012.**

**Kemmis second the motion. Motion approved unanimously. (3 ayes, 0 nays)**

**Civic Stadium – Review/Approve Documents: \$1.555M Revenue Bond Resolution; \$2M Tax Increment Resolution; Missoula Civic Stadium Lease & Use Agreement; Civic Stadium Agreement (Buchanan)**

Buchanan said that at the last board meeting a Resolution of Intention was approved and forwarded to the City Council, which set forth a number of items. The Resolution identified a financing method for the City to acquire the Civic Stadium through the issuance of a \$2 million tax increment revenue note to purchase the stadium by paying off portions of some of the debt that has been issued. The Resolution also set forth the issuance of a \$1.555 million revenue bond which would be serviced solely from the \$120,000 annual lease payment that Mountain Baseball will agree to pay the City for the use of the stadium for the next 25 years. The Resolution identified an ordinance that would designate the purchase of the Stadium as an urban renewal project in Urban Renewal District II. The Resolution specifies a Lease Agreement between the City and Mountain Baseball as well as an agreement between the City and Play Ball that commits Play Ball to either remain in existence or create a special non-profit organization to help raise funds in the amount of \$250,000 for a Replacement and Depreciation Fund. Buchanan said part of the negotiation includes MRA agreeing to manage the Lease. The Board expressed a desire to review the legal documents before they went to City Council. City Council approved the Resolution of Intention and set a public hearing for August 8, 2011. Buchanan said the content of the legal documents were discussed at length at the last Board meeting. The Lease Agreement brought the most interest and Buchanan provided a detailed explanation in her memo.

Moe asked in the Resolution regarding the Civic Stadium Bonds, what the definition is of "premiums" and "redemption premiums"? Ellingson said the City will be able to redeem or prepay their obligation at par on 30 days notice without any payment of the premium.

Moe asked about the Resolution dealing with the tax increment revenue; she wondered whether or not the findings should be cited again. Ellingson said this is more a City

Council resolution rather than an MRA resolution. Ellingson said she didn't think it was necessary to include them but she could if the Board desired it.

Moe suggested in the Lease and Use Agreement, that on page 4, section 2.03, the section quoted as "Section 1.04" should be changed to "Section 2.04". This also brought up the subject about the rental rate. There was a suggestion that the annual lease rate be increased after 5-10 years. As the years go by and the Stadium deteriorates, the City is going to be in charge of the non-routine maintenance and/or infrastructure of the Stadium.

Ellingson said the maintenance has been a concern especially for a \$9 million facility. She said people need to keep in mind that this is not a true commercial lease, this is a financial lease agreement. Mountain Baseball is obligated to pay \$120,000 annually over 25 years and if they decide to terminate the agreement then they would owe the outstanding principal. Mountain Baseball is on the hook for a specific dollar amount. She said that portion of the debt totaled \$1.555 million with the loan interest being 5.5%. Ellingson said we tried to structure the lease to what they could afford and came up with \$120,000 per year for 25 years.

Matt Ellis reminded everyone that Mountain Baseball has invested \$1 million to the Civic Stadium for concession stands, etc. He felt everyone in the room has done so much, including Mountain Baseball, to help and invest in this project. Matt and his team were approached with the lease payment and he felt that no other team would have agreed to it. He said they felt the Lease Agreement was extraordinarily high. On the other hand, they felt they needed to step up in making this happen and getting it done. Ellis said it's not an easy lease, but it is one that we feel we can accomplish. He said "you've already seen us change our business model through the purchase of a building downtown". Matt Ellis said we are taking steps to prepare ourselves. Matt Ellis talked briefly about the other state/city ballpark leases and the lease amount in Missoula is well above the high end. Ogden has the closest lease amount of \$100,000 per year. Ogden has substantial more public bond financing than Missoula.

Moe commented that she was not asking these questions to be adversarial but merely to understand the lease payment and what the basis is. Her other concern is that she's still under the opinion that the reserve fund may not be adequate for the non-routine maintenance projects. If there was a slight lease increase then that could go towards these types of projects.

Matt Ellis shared the concern but said Mountain Baseball will be in the facility so if there are repairs that need to be made then they can do so. He felt they have tapped their funds and felt that the Lease Agreement is adequate for the short term. Ellis said he didn't know what would happen in 20 years, but feels they are in good standing.

Moe asked if Play Ball or Mountain Baseball had any information on the maintenance history or any annual figures for improvements such as toilet seats, drinking fountains, faucets, etc.

Hansen, Play Ball, said they were in charge of the upkeep or routine maintenance of the Stadium and had been for the last seven years. The historical repairs/maintenance were reviewed and Hansen said they paid for them from the parking revenue and the surcharge on tickets. Mountain Baseball is receiving the ticket surcharge now and they are also maintaining the facility. Hansen gave repair/maintenance examples as bringing in proper soil, signage expenses and garbage which roughly came to \$10,000 a year.

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Hansen added that this will now be the obligation of the Team (Mountain Baseball).

Matt Ellis said typically these costs are covered by the community or city where a Stadium is located. It's not historically covered by the teams.

Hansen mentioned that they've seen between \$20,000-\$25,000 spent in other repairs/maintenance. This included concrete repair, minor cracking, plumbing, fencing repairs, etc. They typically turn the plumbing off in the winter to limit any exposure to water damage. That has been most of the historical routine maintenance.

Matt Ellis added that some of the maintenance was caused by vandalism. In the past, they used to keep things running during the off season. During a cold winter the pipes froze and the heating system failed so now they close down the buildings and somewhat winterize them.

Englund asked what the City was going to be required to do for maintenance purposes.

Matt Ellis felt confident that the City most likely wouldn't have to be involved with repairs, etc because any damages would probably be covered by insurance. Any non-routine maintenance would probably be from damage by a major event such as an earthquake or major storm. The other example might be that something wasn't built right. Play Ball has paid the maintenance up to this point and Mountain Baseball feels that any maintenance issues have been resolved properly. The money still owed to lenders and guarantors has nothing to do with the maintenance; it has to do with the construction.

Hansen provided some information about the stadium seats. The life expectancy of a stadium seat is seven years although it's been over seven years and they have not had seat issues.

Matt Ellis confirmed that they have seat parts in storage in case a minor seat repair is needed, although he doesn't consider this a "major" maintenance item. He said a major item might be plumbing issues where the City would be liable. In the case of a major issue, Ellis said it's most likely going to cost over \$250,000, in which insurance should then cover it.

Moe questioned whether air conditioning would be considered an "exposed" or "unexposed" issue explained more on page 13, section 10.02 of the Lease & Use Agreement.

Matt Ellis said that if the heating and cooling system went completely down then they would use money from the Replacement and Depreciation maintenance fund. He still felt that they have and will continue to build this fund that will adequately cover these costs. Ellis cannot recall any major issues since 1992.

Mike Ellis said that most teams have on-sight offices and large stores. Mountain Baseball only has off-sight offices and a small store to help with the costs.

Kemmis asked if our heavy wet spring affected the field and if they foresaw any major problems in the future.

Matt Ellis said that the field issues have been resolved. At one time there was too much clay so it was hard for the grass root to mature. Since then, they've poured sand on the field and changed the consistency of the soil. He said they've made huge strides and now have very little drainage issues. Ellis's only concern now would be the quality of the soil and the sinking of the soil once it settles. Mountain Baseball will be watching and managing this on a yearly basis.

Moe asked under the City Use Agreement, page 11, section 8.01 and 8.02, that since the parking and concession revenue was going to the Team, then did the Team provide extra staffing or was that a cost to the City?

Matt Ellis answered that they, the Team, will act somewhat like a consultant. They would find out from whoever was using the facility what they needed or what they would need to use then they could consult on what that might cost. Ellis said they may consider passing over the cost if they consider it an extraordinary event. As far as the concessions they would determine how many people would be expected at the event, and whether or not they would open the concessions. Ellis felt the key to this Lease is their ability to generate revenue outside of baseball. He said the City should also have the right to use the facility.

Englund asked Ellis to explain what an "extraordinary event" was.

Matt Ellis explained that if they have an event that draws over 2000 people or if they bring in outside sound or animals, then it would probably be considered an "extraordinary event". He said the Extraordinary Event Committee meets a few times a year.

Englund confirmed that the Extraordinary Events Committee could say, you can do this event, but you have to have x, y, and z?

Matt Ellis said yes and that this part of the Lease scared them the most because essentially there is a group of seven people who can tell them whether or not they can hold an event. Ellis said these events are what generate revenue outside of baseball. If these events did not occur then this could hurt the franchise. With this said, he believes they have a great group of people who participate on this committee. They understand the pro's and con's of saying yes or no to an event.

England asked if once an event is approved, then does Mountain Baseball run the event and generate the revenue. Ellis said yes. It was also Englund's understanding that the City could use the field up to four times per year. Ellis confirmed this. England asked if the City received the revenue from their event or if Mountain Baseball received the revenue.

(Matt Ellis said Mountain Baseball would not receive the revenue but they would be there to help if or when needed. Ellis said if they felt it was a good idea to open the concessions, then yes the revenue of those sales would go to Mountain Baseball. He said the City could also have access to the kitchen for revenue purposes as well.

Both Matt Ellis and Buchanan felt comfortable that no complaints were coming from the neighborhoods; and that they were comfortable with the Stadium and its location.

Moe asked if they could talk more about the additional parking lots on page 9, section 5.03 of the Lease & Use Agreement.

Buchanan responded that the 2000 and 2002 agreements said that the City would build 250 parking spaces. The agreement specified the City would gain ownership of the property south of the Stadium, which on the old Sawmill District Plan shows an office building and a parking structure. Obviously that didn't happen, but what the City has done is build roughly 150 parking spaces just west of the Stadium. Buchanan said there's another parking area that will be built as part of Silver Park. That is anticipated to be about 100 spaces. When the Board allocated \$1 million for the Stadium years ago, they set aside \$250,000 to meet the parking obligation. The MRA spent what was left of that money on the Silver Park lot just west of the Stadium.

Englund reiterated that on page 9, section 5.03 of the Lease and Use Agreement, it says the City would work towards developing a parking lot but that there was no guarantee so, if or when the parking spaces are built, then the Team would gain access to about 100 parking spaces.

Moe suggested that on page 18, section 13 of the Lease and Use Agreement, that rather than having Specific Events of Default, that it should show that if any material obligation in this Agreement is not met then the Team shall be considered in default. Moe said it appears to be an exclusive list and it shouldn't be. She did not have any comments on the Civic Stadium Agreement.

Ellingson appreciated the suggestions and everyone's help.

Englund had a question on the \$250,000 for the Replacement and Depreciation Account. Play Ball has committed to raise \$250,000. Englund asked if it was capped at this amount. Ellingson said the agreement states "the sum of not less than \$25,000 per year for that purpose until the amount in the Replacement and Depreciation Account reaches \$250,000".

Englund said he was concerned that wouldn't be sufficient fifteen years from now for major repairs. He said if it becomes the City's problem, then it's the Team's problem and there might not be enough money to make repairs.

Matt Ellis commented that it is a risk that comes with ownership. The City has to understand that they will have ownership, which brings possible risk.

Buchanan said that after the last Board meeting several individuals met to brainstorm what could happen. There's a concrete slab built on piers. The roof will have to be replaced down the road but there's not a lot of building that is roofed. Many of the things that could happen are insured. There could be some major electrical issues but most likely this would be caused by a lightning strike or something that would be covered under insurance. The Staff had a hard time coming up with \$250,000 worth of repairs that might be needed over the years. She felt not much could go wrong; it's concrete.

Ellingson also mentioned that the fence might eventually need to be replaced.

Hansen commented that the whole fence at one time most likely wouldn't need to be replaced, just sections or parts of the fence.

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Moe suggested that if the Replacement and Depreciation Fund was not going to be adequate that this would need to be brought up to City Council so that some provisions could be made.

Ellingson said this was a pot of money that Play Ball had and was the best they could do until they could build it up. Mountain Baseball did agree to work with Play Ball to help conduct fundraisers.

Matt Ellis felt it might not be considered fiscally responsible if the City's Civic Stadium Replacement and Depreciation Fund had a \$1 million in it. He felt there's a balance.

Englund asked whether or not Rosalie Cates' question was answered about the insurance coverage or if the City owns Silver Park during an Osprey game.

Ellingson said the City will have liability insurance for every event. Matt Ellis commented that they would actually have multiple layers of liability insurance.

Kemmis suggested that a Board member be at the City Council meeting.

Buchanan said the documents would go from the MRA Board to City Council. The City Council has scheduled a Public Hearing for August 8, 2011. The documents will then go to the A&F Committee on August 10. Final action might happen on August 15. Any changes to the documents could hopefully be made without having another MRA Board meeting.

**MOTION**

**MOE: I MOVE THAT THE BOARD FORWARD THE RESOLUTIONS AND AGREEMENTS TO CITY COUNCIL FOR ADOPTION AND APPROVAL. THOSE DOCUMENTS BEING:**

- **RESOLUTION RELATING TO \$1.555 MILLION CIVIC STADIUM REVENUE BONDS**
- **RESOLUTION RELATING TO USE OF \$2 MILLION TAX INCREMENT REVENUE FOR THE CIVIC STADIUM PROJECT: AUTHORIZING AN INITIAL PAYMENT OF \$500,000 AND AUTHORIZING THE ISSUANCE OF \$1.5 MILLION IN CIVIC STADIUM SUBORDINATE LIEN NOTES**
- **MISSOULA CIVIC STADIUM LEASE AND USE AGREEMENT**
- **CIVIC STADIUM AGREEMENT**

**Kemmis second the motion. No further discussion. Motion approved unanimously. (3 ayes, 0 nays)**

**URD II Western Sidewalks – Request to Award Construction Contract (Gass)**

Gass said MRA is concentrating on Phase 1 of this project which is an extension of last year's project at Catlin and Wyoming. The engineer's estimate includes a \$43,561 estimate from the City Streets Department for materials to mill and pave the entire road section of Phase 1 as well as a \$2,500 estimate for a number of mailbox units. The Invitation to Bid was advertised the last week of June and the first week of July. Bids opened Tuesday (July 19<sup>th</sup>) of this week. MRA received five bids in which two were below the estimate, two were above the estimate, and one was comparable to the estimate. The low bid was from Gregston Construction for \$188,726.82. This estimate was below what was budgeted so Staff is recommending that the Board approve the construction and award the construction contract to Gregston Construction.

**MOTION**

**MOE: SO MOVED.**

**Englund second the motion. Motion approved unanimously. (3 ayes, 0 nays)**



**URD II Western Sidewalks – Street Paving – TIF Request (Gass)**

Gass has been working with TLI and the Street Division to analyze the pavement conditions, determine quantities, and estimate costs associated with milling and paving the streets of the URD II Western Curb & Sidewalk Project. Brian Hensel with the Street Division has given an estimate of \$43,561. The Street Division will provide the equipment and labor and MRA will pay for the material for this paving project. Staff recommends the Board approve this Memorandum of Understanding (MOA) between MRA and the Street Department for an amount not to exceed \$43,561, for the materials to mill and pave the streets in Phase 1 of the URD II Western Curb & Sidewalk Project, and authorize the Director to sign the MOU.

**MOTION**

**MOE: I MOVE THE STAFF RECOMMENDATION.**

**Kemmis second the motion. Motion approved unanimously. (3 ayes, 0 nays)**

**APPROVAL OF MINUTES**

June 23, 2011 Regular Board Meeting Minutes were approved as submitted.

**STAFF REPORTS**

There was no Director's Report. Lee commented that on the Budget Reports, MRA has not received the June revenue from the County. Also a lot of the taxes have either not been paid or were paid late in the month of June. Lee said tax increment receipts are at 68% for the Riverfront Triangle, 91% for URD II, 88% for URD III, and 100% for Front Street. MRA also had revenue from the federal Community Transportation Enhancement Program (CTEP) for the Silver Park Project.

**ADJOURNMENT**

Meeting adjourned at 1:05 p.m.

Respectfully Submitted,

Juli Devlin