

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

August 21, 2018

FINAL

A **Special** meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Tuesday, August 21, 2018 at the Hal Fraser Conference Room, 140 W. Pine, at 3:00 p.m. Those in attendance were as follows:

Board: Karl Englund (teleconference), Nancy Moe, Ruth Reineking, Tasha Jones

Staff: Ellen Buchanan, Chris Behan, Jilayne Dunn, Tod Gass, Annette Marchesseault, Lesley Pugh

Public: Kevin Maki, KECI-TV; John DiBari, City Council; Martin Kidston, Missoula Current; David Erickson, Missoulian; Julie Armstrong, City Council

CALL TO ORDER

3:00 p.m.

APPROVAL OF MINUTES

PUBLIC COMMENTS AND ANNOUNCEMENTS

ACTION ITEMS

Fiscal Year 2019 Tax Increment Remittance – Request for Approval (Buchanan)

Moe said the material the Board members were provided for the meeting included a letter from the Mayor that lays out the funding recommendation for City Council approval. It also included two memos from Buchanan, one which reminded everybody that if one taxing jurisdiction receives a remittance from an MRA Urban Renewal District (URD) then the other taxing jurisdictions also receive a proportionate remittance.

Moe summarized Board discussions from the previous MRA Board meeting on August 16, 2018. She said Englund commented that MRA is part of the City and the Agency wants to participate in the situation the City has itself in with funding of the budget. She said Reineking agreed with that and expressed her concern for this funding to be a one-time occurrence because of her concern for other projects MRA works on, especially low to moderate income housing. Moe said she agreed with Englund and Reineking's comments. She also noted that Tax Increment Financing (TIF) contributions have been made for City projects in many areas, such as curbs, gutters, roads, and water main extensions, and that those are all worthy projects that benefit the City out of TIF districts. Moe said Buchanan emphasized that this is a one-time remittance and staff would be working on proposing how

that would be made, which is where things are today with Buchanan's second memo. This includes a recommendation for how to fund the remittance.

Jones said there is no guarantee there wouldn't be another remittance. Buchanan concurred. Jones said she understands that would be the intent here, but who knows what the future may hold.

Buchanan said the good news is that some of the districts have the capacity to assist with this and it can be done without adversely impacting any of the major economic development initiatives that MRA has ongoing. She said there will be some projects that will be deferred to Fiscal Year (FY) 2020, but that will not have an adverse impact on the districts.

Buchanan said she sat down with Behan and did a brainstorming session about what was out there in each of the districts, what sorts of projects should move forward, what projects likely won't happen this year anyway in terms of the need for funds, and what projects could be pushed out a year or two without any major impact to the district and/or City. She said they came up with what is laid out in her memo. It shows what MRA has in the way of unobligated contingency in the districts, what districts have identified projects that are proposed to be funded in FY19, the recommended remittance, and the balance that will be available for new projects in FY19. For instance, Buchanan said one of the projects in URD II staff feels should move forward is the West Broadway Island cleanup because it is definitely a safety concern and it is having an adverse impact on that whole area. Another is the trail segment between Missoula Fresh Market and Imagine Nation Brewing because it has become an area with a lot of undesirable activity. Buchanan said those projects are under design and could be built and funded in FY19, so staff is recommending those move forward. She said there is an office project being reviewed at City Hall right now. It's located on West Broadway and will generate the need for some serious sewer upgrades. She said MRA will suspend sidewalk projects for FY19 in URDs II and III. Buchanan said she accounted for debt service for the Fairgrounds trails bond; MRA hoped to pay for that out of cash but that will not happen now. She said that project is slated to happen in the spring and MRA will issue a bond for it. There are some planning efforts going on in URD III around the Brooks Street corridor. The City has been moving towards applying for a Better Utilizing Investments to Leverage Development (BUILD) transportation discretionary grant, formerly Transportation Investment Generating Economic Recovery (TIGER), and MRA has set aside \$50,000 on paper to complete the work that is being done right now on what the corridor would become, as well as to pay to have the grant application written.

Buchanan said the bulk of remittance is being proposed to be taken out of URD III. URD III has been carrying administrative costs on the newer districts for a number of years, which is not unusual to help a new URD grow. She proposed a couple of paybacks to URD III from Riverfront Triangle URD and North Reserve-Scott Street URD. She said staff is also proposing to take \$1.6 million of the remittance out of URD III.

Buchanan said North Reserve-Scott Street (NRSS) URD saw an increase in revenue, primarily because of Consumer Direct's new office building and the housing that is being built by Dave Edgell. Staff is proposing that a sizable chunk of the remittance comes out of the NRSS URD. Buchanan said there are a lot of things in the planning stages in this URD, but nothing that looks like it might require funding in FY19. She said there is a large

housing project being proposed for the eastern edge of this district which would put about 200 units of affordable housing there. MRA doesn't know what the needs are or what they will be asking for, but Buchanan said she suspects there will be some infrastructure costs. Reineking said she suspects their ask, if it's infrastructure, could potentially be large enough to require bonding. Buchanan said she thinks it is more like trails and streets, but staff just doesn't know. She said there have been several discussions around the project and it's a joint venture between private developers and the Missoula Housing Authority (MHA).

In a nutshell, Buchanan said the biggest impact the remittance will have on the various districts is the amount of unobligated funding that is available for "walk in the door" projects that cannot be anticipated. She said right now there is roughly \$350,000 of unobligated funds in URD II and \$750,000 in URD III. Those are the districts most likely to have walk-in projects. NRSS URD has roughly \$420,000 in unobligated funds, Hellgate URD has \$142,000 and Riverfront Triangle URD has \$576,000. Buchanan said staff is trying to protect what revenue is in the Riverfront Triangle URD because of the very large and important project that is on the horizon – the hotel and conference center.

Buchanan said a lot has been said in the media, particularly about how the URDs are the reason that the City isn't seeing the taxable values that had been anticipated. She said the City and MRA aren't finding that to be the case, as the MRA took some pretty good hits in the URDs as well. She said the City received all the property tax data from the County on Sunday and Dale Bickell, Chief Administrative Officer (CAO), spent time drilling through it and it comes down to property tax protests. She said there were a lot of parcels where the property taxes were reduced. Buchanan said there were 784 successful appeals. She said it resulted in a sizeable swing in the taxes of about \$1.7 million, and over \$600,000 of it was in URDs. Riverfront Triangle URD saw growth because of Stockman Bank and NRSS URD saw increases because of new development there. She said Front Street URD did not realize the increases it should have from the Mercantile Residence Inn and ROAM Student Housing because of property tax protests.

Buchanan said there is every possibility that this situation will not reoccur. She said people were pretty upset with their taxes last year. There was a huge increase in the value of land that the Department of Revenue (DOR) placed on properties. She said the next two-year appraisal cycle is ending and things should smooth out from here. Buchanan said it is fortunate for the City and other taxing jurisdictions that they have the TIF tool and that MRA has the capacity to help bridge the funding gap by using it this one time. She said this was a hard exercise and on the surface it feels like the districts have a lot of money, but when she worked through it she realized a lot of the districts will be left pretty slim for a year. She said it's only for a year and hopefully the values will be regained, along with more, because projects like ROAM Student Housing and the Mercantile Residence Inn will be completed.

Jones asked about the Library project. Buchanan said MRA paid them \$200,000, which was already committed.

Reineking said she appreciated Buchanan putting together the numbers. She said she is dismayed by the whole process, partly because of the article that came out in the Missoulian last Sunday that said this came as a surprise to the City Council, the County, the School Districts, etc. She said while some of the School District and County staff said that they

expected something like a 60/40 split with this windfall, as they were calling it, they said they might use some of it to reduce property taxes or use it on infrastructure, etc. Reineking said it struck her that it is not entirely fair to the residents and businesses in the urban renewal districts to be funding infrastructure in the County when the improvements to infrastructure in the districts is being deferred. Reineking said she is mindful of Jones' comment that while it is being called a "one-time" deal, there is certainly no guarantee that it will be and it may come to be looked at as the "first time" deal, and now that it is out there in the public, who knows if that might come sooner rather than later. Reineking said she thinks that even with those remittances to the County and School Districts, if they do reduce property taxes, it is not going to offset the increase in the City's property taxes. She said it seems like it could still impact MRA's ability to participate in some infrastructure improvements and it could impact MRA's ability to participate in some housing opportunities. She said she is just dismayed by the whole process. Reineking emphasized that she says that with respect for what the staff has done here and what they do every day to achieve City goals. She said she says it with respect to her colleagues that continually display thoughtfulness and integrity. She added that she also says it with a lot of respect for City Council, who is going to hear a lot more about it. Reineking thanked Council members John DiBari and Julie Armstrong for coming to the meeting.

Armstrong said she tends to agree with Reineking. She said if she had her way the City would not be pulling money out of TIF. She said that from an economic development standpoint she would much rather have the TIF money available when developers come calling. She said Missoula is in a 24-month cycle right now where it can really attract businesses and she would rather have the money available and have the City take another look at the budget. She said the first the City Council heard about this was in the letter from the Mayor and had no idea this remittance was even being considered. She said they weren't asked about it, which is fine, the money is there and obviously the districts are robust enough to support it. However, Armstrong said the Council wasn't asked, so much as they were told this was going to happen because there was an operational shortfall due to taxes. She said it's an interesting conundrum; it's a pretty big bite to take. For the City to get \$750,000 the MRA essentially has to give away \$2.7 million.

DiBari said he thinks they all would like to see the money that's getting accrued as increment be used for the business that it's intended for. He said on a weekly basis the City Council hears from people in the community who have concerns about TIF and the perceived impact on them as taxpayers. He said even though he's sure the Mayor and others didn't really want to go here, this is one way to help offset what would have been an additional 2.2% tax increase. DiBari said the situation is such that it's an "all hands on deck" kind of time and for those who can make a contribution it is reasonable to make the request. He said he appreciates the effort Buchanan has gone through to be thoughtful about it and if the money wasn't there she would say that. However, he said there is money there and it is a way the City can continue to deliver the level of service the people have asked for. He said it's been one of the Mayor's commitments to not reduce levels of service if at all possible. The next step would be that, to reduce levels of service.

Armstrong said she had a question about Reineking's comments. She said Missoula County Public Schools (MCPS) was putting the levy out there because they have an operational shortfall. She asked if the City can ask that the money they are being given be

applied to that. Buchanan said their budget proposal, which was under consideration last night, actually reduced the mills by 5.3. She said last year they were raised because of the state funding shortfalls. Buchanan said there are restrictions on what the schools can use remittances for. They can't use it for their general fund or operations or buying books. They either have to reduce taxes or declare them operating and then that reduces the amount of money they get from the state. She said it's a wash for the school districts any time there is a remittance. Buchanan said the other taxing jurisdictions (City, County, Mountain Line) can use the funds however they want to. However, she said several years ago state legislature put restrictions on what the schools can do with remittances.

DiBari added that the information the City got from the DOR suggests that Missoula's Urban Renewal Districts are working. He said that is a good thing and part of the story that has been missed in all of the conversations. He said the City makes an effort, makes an investment, and are rewarded for that. He said that money might be held for a while, but in this case there is an opportunity to use it and in other cases there's an opportunity to do more investment that will eventually come back to the City. Moe thanked DiBari for his comments and said it is something the Board understands well. She said the TIF legislation has provided this opportunity for Missoula and Missoula has done very well using this mechanism.

Behan referred to the balance of funds for new projects in URD II and said right before the meeting he got a call from a contractor who is working with a client who is buying one of the more blighted pieces of property on Russell Street to build a new building on. Behan said with all of this talk, they asked if there would be any MRA assistance available. Buchanan said she had a similar call earlier today about a project in the Front Street URD. She said MRA did not receive the gains in tax increment revenue in the Front Street URD that had been anticipated.

Jones said it strikes her as ironic that MRA is having this discussion to save the citizens from a tax increase that would probably be a matter of \$40 dollars. She said the City is in this predicament in large part because folks didn't want to pay the taxes that were assessed to them on their property values. She said we are trying to save them from a tax increase that is created by their unwillingness to pay the taxes that are levied against their property. Jones said she fully understands the situation is far more complex than that and many of the choices are ones that are made in Helena and not in the city of Missoula. One that lingers in her mind is the fact that Montana is heavily reliant on tourism and yet we choose not to have any of those folks who enjoy our state and the recreation it provides participate in our tax base through sales tax. She said we choose to rely on property taxes and this is one of the consequences of that choice, and it is sad to her. She said she truly believes Missoula is a very awesome place to live, and that is not by accident. She has had an opportunity in her work, and her work with the Mountain Water case and before that, to understand how the City's budget works. She said what makes Missoula great is its river and its parks, and the City is fully responsible for the development and maintenance of those spaces. Jones said what makes Missoula awesome is how safe it is, and we have the 300 plus firefighters and police officers to thank for that. She said Missoula has great streets that we work hard to improve and hard-working individuals who participate in that process. She said the MRA Board has been a part of the success of Missoula. She said she has learned this recently and she feels badly that she was ignorant of that previously.

Jones said it has been really exciting to be on the Board and see all of the progress in Missoula and see how lively the economic development measures are here, and it just dominoes. She said she grew up in Great Falls and it is the opposite of downtown Missoula. She said things are getting better there, but Missoula is a great place and part of that is because it has such an active City government. Jones spoke to DiBari and Armstrong and said if the MRA Board doesn't make a hard decision here today, what will be asked of them on Wednesday and next Monday is to lay people off. She said she didn't know how the City could find \$2 million cuts in a budget without laying people off. Jones said she also knows for a fact that about 75% of the budget or greater is in wages and benefits and there are a whole lot of those people that barely make a living wage as it is. She said these are hard choices to make, but she can say that to cut the budget further would not only hurt Missoula in the services that are available, but in the number of people that can do the work that the citizens rely on, even those that are complaining about a \$40 tax increase. She said she didn't know if the MRA Board has a choice but to participate in this process to the extent they are able to.

Englund said he agrees with a lot of what Jones said. He said it seems to him that they are in a situation where the leadership of the City has asked that the MRA participate in what, at least at this point MRA understands to be a one-time problem, and it has the resources to be able to do that. He said it is going to have a negative effect on MRA's programs. Inevitably, someone will walk in and MRA is going to have to figure out a way to be more imaginative, than would normally be the case, to help them with their funding. Englund said he thinks this is what MRA has to do at this time. He said the work of the MRA staff to put this together is greatly appreciated. He asked if the budget has been set by the City Council yet. DiBari said no. Buchanan said there is a public hearing next Monday, August 27th. There is a budget Committee of the Whole discussion tomorrow morning. She said that is why she wanted to have this Special MRA Board meeting so they could send a message to the City Council as to what the Board's position is on the remittance. He asked if MRA's action is that if the City wants a remittance then this is what it would be. Buchanan said staff is asking the Board to approve the remittance if requested and if the proposed distribution is satisfactory with what funds will be left remaining in the districts. She said if the City Council approves the City's budget to include a \$750,000 remittance, today's MRA Board action will also direct staff to revise the MRA budget. He said he didn't want to get the cart ahead of the horse and get MRA committed to a remittance that then, for some reason, the City Council decides it doesn't need. Buchanan said that will not happen. Moe said she thinks they can amend the recommendation for the motion to include that contingency. Armstrong said the Council has reserved the option to have an additional budget meeting the week of Labor Day as well.

Moe said she agrees with the comments that have been made. She said MRA has been an active, good participant with the City in its endeavors and in supporting additional projects here in the City. She said some of the positive of having a bit of an increase in taxes is that property values have increased.

MOE: I think the motion should include that if the City Council approves a budget that relies on a \$750,000 remittance from tax increment financing districts, then the Board has approved a formula for the remittance of \$2,738,256 to the taxing jurisdictions and has directed staff to amend the Fiscal Year 2019 budget accordingly.

ENGLUND: SO MOVED.

Jones seconded the motion.

No further discussion. No public comment.

Motion passed (3 ayes, 1 nay with Reineking voting nay).

Reineking said she respectfully opposes. She said she realizes her vote isn't going to change the Board recommendation to City Council, but she doesn't think it needs to be unanimous. She said she wants to have some record of opposition to the process, not a reflection on the numbers and which district the money would come from, just the process. She said she opposes with respect to those involved.

Buchanan spoke to Jones' comments of how the City relies on property taxes. She said a whole new city was created over at Washington Grizzly Stadium for the Pearl Jam concert and the City did not realize any benefit from it financially. In fact, City governments had to spend money to make it happen. Jones concurred. She said with the improvements to downtown Missoula we will see more of that. She said she does think we would be wise as a community to use this as an opportunity to re-evaluate whether we as a City want to be a leader in Montana in making some changes to the way that we capture some benefit from the tourists that visit us so frequently through a local option tax, sales tax, or similar mechanism. She said we have to keep moving forward and it's time for some hard discussions.

NON-ACTION ITEMS

STAFF REPORTS

COMMITTEE REPORTS

OTHER ITEMS

ADJOURNMENT

Adjourned at 3:37 p.m.

Respectfully Submitted,



Lesley Pugh