

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

September 20, 2018

FINAL

A Regular meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Thursday, September 20, 2018 at the Hal Fraser Conference Room, 140 W. Pine, at 12:00 p.m. Those in attendance were as follows:

Board: Karl Englund, Nancy Moe, Ruth Reineking, Melanie Brock, Tasha Jones

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

Public: Eve Byron, Missoulian; Ben Dawson, International Brotherhood of Electrical Workers (IBEW) & Missoula Area Central Labor Council (MACLC); Bob Moore, citizen; Martin Kidston, Missoula Current; Andy Holloran, HomeBase Partners; Randy Rupert, CTA Architects Engineers; John DiBari, Missoula City Council; Bryan von Lossberg, Missoula City Council

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

August 16, 2018 Regular Board Meeting Minutes were approved as submitted. August 21, 2018 Special Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS AND ANNOUNCEMENTS

Behan said staff had hoped to have the construction bids before the Board today for the West Broadway Island project. He said bids were opened and they came in substantially higher than expected. He said staff is working with the contractors to see if there is any way to work with existing bids. If not, they will be rejected. He said with the undesirable behavior happening in that area staff hopes something can be done.

ACTION ITEMS

Mercantile Residence Inn – 110 North Higgins Avenue (Front Street URD) – TIF

Request for Additional Funding (Buchanan)

Moe said as a point of order, this action item was tabled at the meeting of July 19, 2018 and in order for it to be properly before the Board it has to be removed from the table by a motion. She said she will not make that motion.

BROCK: I MOVE TO REMOVE IT FROM THE TABLE AND ONTO THE ACTION ITEM AGENDA FOR TODAY.

Englund seconded the motion.

Englund said the motion is non-debatable.

Motion passed (4 ayes, 1 nay with Moe voting nay).

Buchanan said in July the MRA had an action item that was a request from the Mercantile Residence Inn for additional Tax Incremental Funding (TIF). Buchanan said it was tabled because she needed more information to dissect that request. She said she got the information that was requested and some of the numbers have changed, but the request remains substantially the same.

Buchanan said there are three areas in which the developer is asking for additional funding. One is the deconstruction/demolition wages for \$95,892.74. The second is utility relocation and site work in the right-of-way (ROW) for \$205,788.39. The third is the Pharmacy Building's preservation and restoration for \$127,937.50. Buchanan said all of the items are eligible expenditures under MRA's TIF program. Most of them, with the exception of the utility costs and some of the Pharmacy building costs, were known prior to the application for funding was submitted. For various reasons, Buchanan said they were not included and it was an oversight.

Buchanan said the most glaring of the three is the deconstruction wages. In summary, she said when the project was first priced in 2016 by the contractor who bid the demolition work, HomeBase wasn't sure if they wanted to request TIF assistance for that portion of the work because MRA insisted on deconstruction, not demolition, in order for that funding to be forthcoming. She said deconstruction would add three or four months to the project time. She said the contractor, L. Keeley Construction, bid the work initially assuming it would be a demolition project and would not be using TIF funds. Buchanan said the decision was made in early 2017 to ask for TIF funding and deconstruct the building. There is a paper trail showing that state prevailing wages were paid from the get-go on this. She said there were change orders from Home Resource and Crum Excavating documenting the difference in costs using state prevailing wages as opposed to market wages in Missoula. The change orders go back to February and March of 2017. She said there was also a change order from L. Keeley to Mercantile Investors LLC, documenting the change in wages. Buchanan said it was not signed because there was ongoing discussion about some of the charges that were on there that did not involve wages to HomeResource or Crum Excavating. Buchanan said that was dated in April and the TIF application was submitted in June. She said somehow it did not get included in the original application. Buchanan said it is driven solely by the fact that HomeBase did deconstruct based on the use of TIF funding to pay the difference.

Buchanan said there was an item on the original 2017 request for TIF funding that paid NorthWestern Energy for opening a trench and putting power lines underground. Buchanan said the power lines had to be relocated in order to do a multi-story building, especially in the alley, because of code requirements and aesthetic enhancements in the area. She said

there was an assumption on the part of the developer, HomeBase, that the other aerial utilites would go into the trench and there would be no additional charge for that. Buchanan said subsequent to that, HomeBase received invoices from Charter, Access Montana and Blackfoot Communications, totaling \$159,848.12, for them to put their utilities in the trench.

Buchanan said the Pharmacy Building preservation and restoration was very difficult to determine on the front end. She said the biggest part of the \$127,937.50 request is the cost of the work to restore the façade. Buchanan said there was inadequate detail provided when Dick Anderson Construction bid the construction of the new hotel. She said that detail was subsequently given to them and they provided a cost of \$98,437.50 to do the restoration on the front of the Pharmacy Building. She said she does not know why that detailing was not available when the application was first submitted.

In summary, Buchanan said all of the requests probably would have been approved if they had been part of the original request. Some of them certainly should and could have been part of the original request because the information was known at the time. She said staff has chosen, as a result of a fairly longstanding practice by the Board to generally not consider requests for additional funding after a project has been approved, to not make a recommendation on this item.

Andy Holloran, HomeBase, thanked the Board for the opportunity to discuss their additional request. He said Buchanan did a good job of summarizing where they were and where they are today. He said they look at the request in three various buckets, as Buchanan described. Holloran said HomeBase had a dispute with their contractor, and in turn the subcontractors. He said that is why they did not sign the change order. They thought it was included in the original price. Holloran said he owns that. He said he could have come in and requested additional money for that, but they felt it was already included. He said HomeBase still has not settled with L. Keeley Construction. He said they are very upset, but they paid it and are trying to move on. Holloran said the deconstruction of the Mercantile added a lot of benefits for the community. He said they have a significant amount of material from the old building, which is great, but not doing it would have allowed them to open four months ago. He said that is the reality and it is what it is.

Holloran said three weeks ago they got another bill from the utilities. He said it is very frustrating because they assured him they were just going to follow NorthWestern Energy and go into the trench, but then all of the sudden invoices came in. He said when Charter invoiced them it was not taken lightly because they came at HomeBase with lien threats and such, so HomeBase paid them. He said had they known the costs were out there, by all means they would have been included with their original request.

Holloran said the physical building of the Pharmacy has changed during construction. He said it was very difficult to get any architect or structural engineer to actually put a plan in place because the building physically was moving and falling apart before their eyes. He said they are very fortunate that they have the façade in place as they do. The eastern wall crumbled one day, but through working closely with the City, structural engineers, and architects, they came up with an extensive plan to shore it up and stabilize it to put it in a condition where they could include it. He said they are thrilled with where it is today. The lower portion will be home to a new restaurant. The second and third floors have been

developed into a presidential suite that will include two bedrooms and a great kitchen/common area. He said it really is a stunning remake.

Holloran said he respects the MRA process. He said when his initial request was approved, he did say he felt it was the limit of their eligible costs, but he was wrong. He said if he were to do this process again he would do it differently. He said the way HomeBase works is very transparent, the costs are the costs. He said they don't want to come in with 20-30% of fluff, just to know they will be covered, because he doesn't think that is right. Holloran said everything they are asking for, had it been asked for on day one, would have garnered support. He said he understands the process and respects it and appreciates the Board listening.

Bryan von Lossberg, City Council, said he appreciated the detail from Buchanan and Holloran. He said he is appreciative of the project in the community. However, he said in the interest of brevity, he does not find anything in the details or commentary compelling to depart from precedent relative to approving additional funding. He said there is an issue that gets appropriately associated with the precedent of not coming back for additional asks, which is the degree to which public funds like this and a body like this serve as a "risk backstop". He said he does not think it is appropriate for the City to serve in that capacity in an entirety like this. von Lossberg said it is interesting to hear the details around the contract dispute with the contractor and subcontractors on the wage issue. He said he knows he and some of his colleagues will take a more detailed look at utility relocations in the future. He said he has a degree of empathy for what Holloran is experiencing and appreciates the transparency he is talking about. von Lossberg said it would be nice to see that level of transparency on through with, for instance, the utilities. He said speaking to the range of costs, it begs way more questions than those details answer. He said he appreciates the uncertainty around the Pharmacy. Again, that was a long discussed part of the process when Council went through the demolition, deconstruction and permitting. He said he thinks those things could have been known with greater degree of accuracy earlier on and with appropriate contingencies. von Lossberg reiterated that he hadn't heard anything compelling to depart from precedent.

John DiBari, City Council, said he concurred to a large extent with von Lossberg's comments. He said it took a lot of time, effort and thoughtfulness to clear the way so this project could happen. He said some of the conditions regarding making it happen were deconstruction and preservation of the Pharmacy Building. He said he didn't think there would be a project were it not for those conditions. DiBari referred to von Lossberg's comments about the taxpayers of Missoula being a "backstop", or "hedge-against risk", and he said he does not think it is a fair place to put them. He said he agrees that to the extent developers can anticipate what the costs are and make a good faith effort is great, and if the Board approves that, so be it, but he doesn't think it is in the City's best interest to have the taxpayers be that risk backstop and offer a second bite at the apple.

Reineking said she agrees with von Lossberg and DiBari's comments. She added that she thinks it is a good project and she is glad that it is being done. She said she anticipates using and doing business with the various entities in the Merc. Overall she said she thinks it is a really good project and thanked Holloran for doing it.

DiBari said the City is appreciative of the investment that Holloran is making in the community, in both time and money as well as the vitality of Missoula's downtown. He said his comments are in no way disrespectful of the interest in Holloran's investment. He said it really is with regard to the second request and an issue of what the MRA should be doing as a policy.

Jones also thanked Holloran and said his project is a shining example of how private and public can partner together to create something that is truly wonderful. She said she was very impressed by the thoughtfulness that he has devoted to the project in honoring the history of the property and bringing that history forward in a manner that will preserve so much of the Mercantile in the new building, in addition to the Pharmacy. She said she wants Holloran to know that everybody really appreciates it. Jones said as a lawyer she is worried about precedent and when a project comes to the MRA, there is always some risk when the proposal is brought to the Board. She said so many times the developer doesn't have all of the answers to all the questions and are relying on their professionals on their team to give them accurate information in order to give MRA the right information. Jones said it is tough to know when to ask and how much to ask for because sometimes the developer is relying on professional estimates and those can be wrong. She said she worries that every project can have some quality to that and the MRA would become more of a revolving door if it were to entertain requests like this, after the fact, when circumstances at the time of the demolition are a bit different than what was expected. Jones said she was sorry, but wanted Holloran to know how grateful she is as a community member for the project.

Englund concurred and noted that MRA has already committed \$3.6 million to the project. He said he couldn't express strongly enough how important he thinks it is that MRA, as guardians of the money over which it has fiduciary responsibility, have certain policies in place to make sure it spends the money wisely. He said two of the policies MRA has guarded very carefully are that MRA doesn't pay for anything before people apply, and this one. He said he knows of multiple projects where people in very good faith have come to MRA and asked for additional funding and MRA has said no because this is how the Agency makes sure the money the Board is entrusted with is spent wisely on behalf of the citizens of Missoula. He said he is appreciative of the work done by Holloran, but will not vote in favor of the request.

Moe said she agrees with the comments and admires the project. She said MRA relies on the professionalism and expertise of the developer when they make a request for funds and that gives finality to the Board's process so that the MRA can move forward with what it needs to do, and also monitor the public money. She said her position is also to not vote in favor of the request.

Englund asked if there was a motion. There was no motion.

No action was taken on this item.

Holloran said the project likely wouldn't have happened without the MRA and City Council, and said HomeBase is very appreciative of what everyone has done. He said they will approach their next project differently.

Stockman Bank – 3601 & 3611 Brooks Street (URD III) – TIF Request for Additional Funding (Marchesseault)

Marchesseault said this request has some similarities to the previous request. She said Stockman Bank purchased property about a year and a half ago at 3601 & 3611 Brooks Street. At that time, the CINE 3 theater was located there as well as Aaron's rental center. She said the CINE 3 building was in considerable disrepair and was attracting a lot of nefarious activity. Marchesseault said the City of Missoula Police Chief asked Stockman Bank to demolish the building sooner rather than later. Stockman Bank then came to the Board asking for a Proceed Without Prejudice and were granted that request. In the interim, CTA Architects Engineers prepared documents for construction of the new Stockman Bank building. She said there was some miscommunication between the CTA representatives regarding the demolition for the CINE 3 building, that it was only Proceed Without Prejudice and did not come with reimbursement for the demolition costs. Marchesseault said this request is to cover those demolition costs for the CINE 3 building.

Randy Rupert, CTA, said he appreciated everyone listening and taking a look at this. He said Mike Tuss, CTA, respectfully could not attend the meeting. He said there is one significant difference between Stockman Bank and the Mercantile, which is that they are not asking for any more money than was ever documented in the very beginning. He said it is the same amount presented when they were approved for the Proceed Without Prejudice, not additional costs to the project. He said it was clearly an oversight on their part to not put it into the TIF request. He said the character of what was going on at the CINE 3 property was becoming something the neighborhood was concerned about. He said Stockman Bank has done a great job, as their civic duty, to clean up blight. He said the building was also used for Special Weapons and Tactics (SWAT), Drug Enforcement Administration (DEA) and police training before the demolition, which has been extremely helpful to those entities. Rupert restated that their request is the same amount it has always been, it was just an oversight on their part not to include it in the TIF package. Rupert said he respects whatever decision the Board comes to and said it is a true demolition cost.

Brock asked if it was demolition or deconstruction. She said MRA's policy is a preference to fund deconstruction of properties. Marchessault said deconstruction is the preference if it makes sense. Buchanan said this building was non-salvageable. Rupert said a few things were separated out and recycled, but it was not a true deconstruction.

Jones said unfortunately, she feels this has many similarities to the last request. She said for the same reasons she is personally opposed to it. She said information was available at the time of the application and could have been presented but was not, which is very similar to Holloran's request. She said she feels like MRA is limited by precedent on this request as well.

Englund added the precedent is based on the notion that MRA has to demand that costs are accounted for as carefully as they can be on the front end because that's how MRA assures it gets more bang for the buck. He said he didn't want to say MRA should stand on some silly notion that this is the way MRA has always done it, so it won't change. He said there are really good reasons for not approving these requests and MRA just can't go down that road, regardless of how sympathetic and appreciative it is for the projects. He said

MRA is also appreciative of the fact that Stockman Bank allowed the building to be used for training and that it was demolished when the Police Chief asked for it to be. The other side of the coin is that the Board needs to be careful of how money is managed and there are procedures in place to do that. He said MRA doesn't want to open the door for practices that make it so the money isn't managed as carefully as it should be.

Reineking said she agrees with the comments. She thanked Stockman Bank and CTA for doing the project. She said she appreciates what Stockman Bank has done both downtown and on Brooks Street. She said she thinks it will be a game changer, especially on Brooks Street, and appreciates the projects very much.

No action was taken on this item.

Rupert said with respect to transparency and Holloran's comment, he doesn't want to see developers coming to the MRA Board with padded requests. He believes there should be transparency when using tax payer dollars. He said developers can easily add fluff, but he agrees with Holloran that doing that is not appropriate. He said costs should be right where they are. Rupert said in this changing market one thing to remember is that if Stockman Bank wouldn't have proceeded without prejudice on the demolition it would have cost a lot more. Still, he said it was a mistake on CTA's part and they are owning that, but he wants the Board to be aware of construction costs. He said he doesn't want to see developers coming in with \$30,000 of fluff because it will get used somehow, somewhere, with the TIF money. Englund said MRA frequently gets requests with contingencies in there. He says MRA staff and Board look at it very carefully and ask questions to find out why something is the way it is. He said he appreciates Rupert's comments and said the Board feels very comfortable that staff won't approve anything with fluff in it and that the numbers are being looked at carefully. Moe said the Board and staff are on alert for that and that is the reason why MRA only pays at the end of a project from paid invoices. The Board thanked Rupert for his comments.

FY19 Funds Balance – Limit TIF Funding to Projects Which Create New Tax Increment (Buchanan)

Buchanan said this is something that has been discussed since the taxable values came in the way they did this year. She said MRA lost ground in URDs II and III while the Front Street URD lost nearly all of the new growth. She said staff gets a lot of requests for projects that enhance the community, but don't create new tax revenues. She said she would like the Board to discuss a policy for this fiscal year, and extend it a bit beyond until MRA gets Fiscal Year 2020 certified taxable values to know where it stands, and only invest what funds it has in projects that will create increment. Buchanan said there are pros and cons, but thinks it is something the Board should think about.

Buchanan said one con, which likely won't happen this fiscal year, is a proposed 200-unit affordable housing project in the North Reserve-Scott Street URD. She said it will probably need some infrastructure work and will not be on the tax rolls because it involves the Missoula Housing Authority (MHA). She said Missoula desperately needs the income-qualified housing, but it will not create new increment. She said that sort of thing would be a dilemma. Buchanan said the downside is that there are a lot of projects out there that will

not create increment that are asking for money and MRA's resources are very limited right now because of the approved tax increment remittance.

Jones asked if MRA could just have a preference, rather than precluding applications, with tax generation being one of the factors to be considered when it analyzes proposals as they arrive. Buchanan said yes, but they all have merit. She said it puts the Board in the position of having to consider and turn down worthy projects that maybe aren't the best investment right now, thus the suggestion. She said they can do it either way, whatever the Board is comfortable with.

Reineking said tax generation is already one of the criteria used when MRA looks at projects. She said some of the other things MRA looks at include a project's spinoff effect. She used the example Buchanan gave of the housing project in the North Reserve-Scott Street URD that could ask for funding to build a street. She said that street still benefits the neighbors and the rest of the URD and, she believes, has an effect on economic redevelopment in that area. Reineking said the same is true of some other projects that don't necessarily generate taxes. She said building the trails throughout the City encourages developers to build near there whether or not they are the ones asking for it, so it may not directly generate new property taxes but it does have a beneficial effect.

Reineking said if there is an opportunity for a developer to partner with the City on a water main extension or something like that, she doesn't want to be in a position to say no, MRA can't do it. She said they could defer it, but she would like to keep the opportunity there for the Board to make those decisions.

Moe said she agrees with what has been said. She thinks one thing the City will find with the remittances is that MRA is not going to be such an active partner on some of these projects that have to do with infrastructure that the City came to MRA with before. Moe said she thinks there have been other requests, not this one specifically, where the Board has pretty clearly said it's a great request and needs to keep it in mind, but they'd rather have their hands on some of those projects so they can look at them and assess them by some priorities and what other things may be happening in a district, and see if there is a way to make a contribution to a worthy project. Moe said it something the Board has commented on and decided in the past.

DiBari said he appreciates the impact of the remittance to MRA's budget, as well as the timeliness in which the Board may have to make this decision. He said he wanted to offer that the MRA also has the resource of the City Council to help with the policy-making decisions. He offered City Council time to think about these issues and help set a policy for the community in terms of helping the MRA Board make a decision about how to prioritize and think about what the complexion of the projects are and how they may or may not be timely in benefitting the community. von Lossberg concurred and underscored Reineking's comments. He said he is keenly aware, as all of his colleagues are, of the effect of the remittance. He said it is going to necessarily make prioritization more difficult and painful. He said the City Council is happy to lend a hand. von Lossberg said he would be worried without even seeing the requests because of the domino effects associated with something like the income-qualified housing talked about, even though it is tax exempt. He said it is critical to economic development in the surrounding area and the neighborhood. He said

Jones' comments about considering it as more of an advisory sort of thing is entirely appropriate.

Englund said the question is does staff feels like somehow the remittance has caused additional interest from non-tax generating projects that they will be inundated with such requests and not have the time to be able to do what MRA should be doing, which is to tell people that may have projects that generate tax increment that there is money set aside to assist them. He asked Buchanan if that is what is occurring, or is it because of limited resources, and this is a way to prioritize things for a while. Buchanan said it is a combination of the two. She said it's not just the remittance, it's also the unpredictability seen in the taxable values this year. She said that is more disturbing to her than the remittance. She said it hasn't taken any time after that remittance for her to get emails from two projects that will not be on the tax rolls wanting to get in the que. She said they are good projects. Buchanan said she is happy continuing the way they are going right now and take whatever comes through the door.

Reineking said earlier in today's meeting the Board talked about an applicant not coming back for additional funds. She asked if there was a policy or precedent on a project getting declined and then coming back a second time with essentially the same request when there is money available. Buchanan said there is no policy on that. Englund said there isn't anything to preclude the Board tabling an item for a few months to see how MRA is doing as it gets towards the end of the fiscal year.

Moe said one thing she likes in Buchanan's memos is the emphasis on relying on waiting until MRA gets the value from the Montana Department of Revenue (DOR) before it makes a decision on certain things. Englund said the Board can make that a commitment among themselves and with staff that it is something they will have to look at very carefully.

Brock said she does not want this to become a policy change. She said it is an interesting fiscal situation that the City and MRA are figuring out, but she does not want to shift from an organization that helps with public projects. She said MRA has value in what it can do to help with infrastructure and housing. Brock said because MRA is going into a period of different budget numbers, she didn't want to open the door even a crack to change or divert from the fact that MRA does public and private projects. She said if the door is opened even a crack then there should be a bigger conversation about the policies and how the money is spent. She said there are people who would love to have those conversations, but then MRA changes as an organization and in the good work it can do. Brock said MRA can be fiscally responsible and at the same time not change the amazing work it does. She referred to past conversations about the Façade Improvement Program (FIP) and said there are "diamonds in the rough" projects that end up making a lasting impact on the community that sometimes MRA can't see right now. She said she doesn't want to change MRA policy that could put it in a bind later. She said she appreciates Buchanan's memo on how MRA can operate fiscally responsible the rest of the fiscal year.

Behan said it is going to be very uncomfortable for both staff and the Board over the next several months. He said they are going to have to say no to good projects. He said he was stating the obvious, but that is the way it is going to have to be. Reineking said it is worth stating out loud. She said she thought about that when she saw the memo and these are

important discussions to have. Reineking thanked staff for bringing these topics up and allowing the Board to talk about them. She said she also appreciated City Council being there and offering to assist in direction of policy.

Jones said it seems like we are talking about two different issues that aren't necessarily related to one another. She said MRA has the fiscal situation that doesn't have anything to do with, in her opinion, the inter-workings of the MRA office or tax increment as a program. She said she didn't think MRA should be reactionary to the fiscal concerns to the level of thinking it needs to fix something. She said that is not her perception. She said one affects the other, but doesn't necessarily highlight a problem with the TIF program in itself. She said it has been amazing to see all of the good projects that the MRA has participated in and she doesn't want to see that change at all.

Englund said he doesn't understand how that relates to what DiBari and von Lossberg are talking about. He asked if the City Council will want to step in. DiBari said they are reacting to the fact that it is going to be more difficult and if there is assistance from a policy standpoint that helps with that, the City Council is interested in providing that. Englund said he thinks the Board feels like it is capable of shouldering that burden and are ready to do so. He said his only concern is that somehow or another in this whole process they would be creating an additional burden on staff, but from what he is hearing that is not necessarily the case.

No action was taken on this item.

FY19 Programs (URD II & URD III) – Request to Suspend Façade Improvement Program (FIP) and Commercial Rehabilitation Loan Program (CRLP) (Buchanan)

Buchanan said this is a suggestion to suspend the FIP and Commercial Rehabilitation Loan Program (CRLP) for this fiscal year. It is also a suggestion to move those budgeted items into contingency. She said there is \$300,000 budgeted in URD III and \$225,000 budgeted in URD II, so those monies are not available for other projects at this point. Buchanan said she is trying to maximize the amount of money that MRA has that is unencumbered so it can deal with some of the projects as they come through the door this year.

Englund asked if the money can be moved without suspending the programs. He said he didn't want a policy change saying MRA is suspending the program because he doesn't want to miss the "diamond in the rough". Buchanan said MRA can rebudget the money. Moe said if there is something to be funded then MRA can change the budget and move it out of unidentified program projects and into an identified project. Buchanan said it can, and staff did not originally have a line item budgeted for FIP when the program was first started. She said it has been designated in the last few years in the URD III budget. Buchanan said there has been a lot of concern, particularly after the remittance, that a message will be sent to developers saying MRA is out of business. She said she would like to have fairly healthy contingencies in the districts where it's possible and where redevelopment is being seen. Buchanan said it is fine to move the money into contingency and if a worthy façade proposal comes through the door it can be considered just like it would have four years ago when MRA didn't have money budgeted under FIP.

Reineking wanted to clarify that if the money is moved into contingency rather than FIP it can still be available for a façade improvement request that comes in. Dunn and Buchanan concurred. Dunn said historically MRA has set that money aside so it didn't get used for other general TIF projects and get lost in the contingency. She said one of the project plans identified that MRA should try to do ten FIP per year. She said URD II and URD III have line items that identify funds for MRA's programs, and the Board has the discretion to do what it wants with the budget. Dunn said the FIP monies were set aside so they didn't get lost in the general contingency when large development projects come in. She said Buchanan's point is that since the districts are so lean at this point and the contingency numbers are not there, not suspending the program but allowing the funds to be in the unobligated contingency gives the Board the most flexibility this year. Buchanan said one of the reasons a line item was added for FIP was because when the program was extended to URD II the Board had concerns about limited resources and wanted to cap how much money might be available for façade. Buchanan said there hasn't been a CRLP application in years because it doesn't make sense with the current low interest rates. Interest rates are single digit and CRLP writes down half the interest on a commercial loan to renovate the façade of a building.

No action was taken on this item.

NON-ACTION ITEMS

STAFF REPORTS

Director's Report

Buchanan said the Board will get a presentation on Missoula Economic Partnership's Garner Report at the October meeting.

She said the Montana Rail Link (MRL) bonds were sold and that funding went back into URD III to reimburse for everything MRA had spent on buying the property, developing the park and the trail. Moe said the Park looks really nice with the green grass. Marchesseault said they want to give the sod at least six weeks to grow in and get established. The last of the sod is going in today so the fence won't come down until late October/early November. She said the City anticipates a ribbon cutting next spring. Buchanan said trees and furnishings will go in next spring.

Buchanan said some of the consulting team for the Downtown Master Plan Update will be in town and will also give a brief update at the October meeting.

Reineking asked about Buchanan's participation in the Montana Association of Counties (MACO) meeting. Buchanan said MACO is done and now they're into Montana Economic Development (MED). Buchanan said it just started this morning. She was there and did a breakout session and left. She said she and Dori Brownlow gave a presentation on URDs, Targeted Economic Development Districts, (TEDD) and Business Improvement Districts (BID) as economic development tools.

Reineking asked about the next legislative session. Englund said he had a conversation with a person from the Montana League of Cities and Towns (MLCT). Englund told him MRA continues to report what a good job the MLCT has been doing. Englund said the

MLCT feels reasonably optimistic about the next legislative session. Englund also reported that the MLCT feels they have put together a good coalition with good participation, and have managed to eliminate some of the stuff that was going around that was based on no facts whatsoever. Englund said the MLCT feels much better about going into the next legislative session than the last one where nothing had been prepared. Buchanan said the places for optimism include the fact that the communities that use TIF as a tool have come together and are speaking with one voice, along with data from multiple cities that's apples and apples. She said the effectiveness of the Infrastructure Coalition in the last session of the legislature was also encouraging. Reineking said it is important that everyone is reporting data in the same way that can be analyzed rationally and consistently. Behan said the MLCT is keeping a lot of the data so if there is a question from someone they can be directed there and the MLCT can tell them what is happening in certain areas at any given time. He said MACO has teamed with the MLCT so it is more of a coalition of all of the communities and counties that are using TIF. Reineking said the TIF districts can still respond to their local needs so there is still some flexibility there and she thinks it sounds like it is going in a good direction. Englund concurred. He said the other thing mentioned was that the MLCT came to Missoula and had a tour of what had been done in the URDs and they were blown away.

Reineking asked if there were any updates on the Design Excellence program. Buchanan said it is being brought to conclusion and the team will be back in Missoula in the next month or so. Reineking asked if there will be public presentations that the Board will be invited to. Buchanan said yes.

Moe asked when Hotel Fox will be making a presentation to the Board. Behan said they asked to present in October because they have a partnership meeting this month.

Budget Reports

Moe thanked Dunn for her work on the Budget Reports. Dunn reviewed the budget reports for each district for FY18 and FY19 with the Board. Buchanan said when MRA did the remittance formula last month, staff did not have adjusted numbers or final FY18 reconciliations. She said staff had to react quickly because of statutory requirements for the City to approve a budget and set mills. Now that staff has adjusted numbers it will likely come back to the Board with an amended schedule of where the remittance will come from, district by district. Buchanan said she is still working through it and will bring it to the next meeting.

Englund asked if there was a deadline by which MRA has to have everything done with respect to the remittances. Dunn said no, not that she is aware of. Buchanan said there's not a statutory deadline, just a statutory formula about how the money gets disbursed. Moe asked if MRA reimburses directly to the taxing jurisdictions rather than giving the City the money and having them disburse it. Dunn said that was correct, it goes directly to the jurisdictions. She said Dorsey & Whitney LLP is updating and preparing agreements for the remittances. She said each agreement will state the amount that specific taxing jurisdiction is getting and how MRA disburses it among the districts is on the back end. Englund asked if it will be a smooth or difficult process for staff. Buchanan said she thinks the hardest thing for staff is figuring out where to responsibly take the money from. She said staff will bring it as a recommendation in October. Buchanan said it probably needs to be in place some

amount of time prior to making the first disbursement, which is at the end of December. Dunn said she and Buchanan discussed waiting until MRA gets the final mills from the County so staff has a good idea of what the final revenues are. Buchanan said the numbers in the reports are still moving because MRA doesn't have final mill levies and are using last year's mill numbers.

Dunn said the Aerial Photography, which previously had its own line item in URD III, was moved into the Administrative Budget because MRA pays it out of Professional Services under Admin.

Englund asked if there needed to be a motion to move the money on the budget for the FY19 FIP and CRLP programs action item. Buchanan said since the Board approved the remittance distribution from the various districts last month, staff will bring an action item next month that deals with changing the remittance amounts in the various districts to reflect what MRA knows now are the budgets. At that time, staff will ask that the Board amend the budgets including moving the FIP and CRLP line items into unobligated contingency.

COMMITTEE REPORTS

OTHER ITEMS

ADJOURNMENT

Adjourned at 1:27 p.m.

Respectfully Submitted,



Lesley Pugh