

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

January 16, 2008

FINAL

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

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

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

Public: Bob Avery, Southgate Triangle Neighborhood; Christi Page, Anderson ZurMuehlen; Paul Sepp, Anderson ZurMuehlen

APPROVAL OF MINUTES

November 21, 2007 Regular Board Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

COMMITTEE REPORTS

Director's Report

Old Sawmill District

Buchanan said meetings resumed for the Old Sawmill District project and they're working through issues with the financial structure. She said the environmental is getting closer to being done and they hope to have the consent order on the groundwater issues by the first part of March. The goal is to have all the conditions of the plat satisfied by March or April so it can be recorded and work can start on infrastructure.

Moe said she wanted to be sure the Riverfront Trail connection will be protected from any subsequent construction in the area. She asked who made the final decision on the design of the timber frame structures. Buchanan replied the three small structures were chosen by a Design Committee.

First Interstate Bank Project

Buchanan said progress is moving forward for conceptual design for the parking structure. She said they're working with the Montana Community Development Corporation (MCDC) and United Fund Advisors to look at the ability to tap into New Markets Tax Credits for part of the funding. Buchanan said First Interstate and MRA are working with Macy's to explore the ability to deck some parking above their lot. Moe said the Downtown Master Plan doesn't address parking and she wondered how they're working together. Buchanan replied

they have to work together and structured parking in that part of downtown has to be a given as part of the Master Plan. She said the consultants may have different suggestions about that and they're not so far down the road that they couldn't be responsive to them because the design is still in its preliminary stages.

Budget Status Reports

Lee reviewed the Budget Status Report updates through December 31, 2007.

ACTION ITEMS

FY07 Audit Report – Request for Acceptance

Buchanan said the most noteworthy thing in this year's audit is that there is a finding which was the result of an internal communication issue. Paul Sepp and Christi Page, auditors from Anderson ZurMuehlen, presented the FY07 Audit Report for MRA. Sepp said transactions for the Old Sawmill District created an internal control finding in the audit. Sepp said Anderson ZurMuehlen's relationship with MRA is very collegial and cooperative. He said the scope of the audit is unchanged as they are to follow the auditing standards issued by the American Institute of CPA's and by the Government Auditing Standards. Sepp reviewed the layout of the Audit Report and said it is the same as years past. Sepp and Page reviewed highlights of the financial statements.

Change tape 1 s1/s2

Sepp reviewed the two main income statements in the report. One is on a full accrual basis and the other is a modified accrual basis. Sepp focused on the footnote on page 26 to discuss the MAEDC Loan. He said it was an unusual transaction and he had to draw a flowchart of the events that happened in the transaction to understand it. Sepp said the EPA makes a grant to the City of Missoula, the City makes a sub-recipient grant to MAEDC and MAEDC makes a loan to MRP who is actually spending money for revitalization of the site, but the borrowers are the City of Missoula and MRA. MRP is not a borrower. In essence, Sepp said MAEDC loaned the money to MRA and it's as if MRA had written a check to MRP to do the revitalization. Sepp said that brings up the question of why MRA has the liability on its books. He said the reason is because MRA is going to pay it back through tax increment finance. Sepp said when the project is completed and the increment value goes up, in future years the increment revenue will serve to finance the debt service on the loan.

Sepp said the issue that arose, maybe because of the complex nature of the transaction and through the communication process of the City and MRA in the financing transaction, is that the loan was not recorded on MRA's books. This resulted in a \$1 million audit adjustment in the course of Anderson ZurMuehlen's performing the audit.

Sepp focused on the Internal Controls and Compliance section of the report. He said there were no compliance issues nor have there ever been any. Sepp said the logic is that if the auditors identify a material adjustment to the financial statements, there must've been a material weakness in internal controls. He said there's very little wiggle room in terms of auditor judgment about that. He said the internal control weakness is conceptually a communication breakdown and the bottom line is that the City and MRA should have identified the nature of this transaction and recorded it on MRA's books. It wasn't done, therefore resulting in material weakness. Sepp said they're required to report on it, it's a non-

recurring event, and doesn't see it as a black mark on MRA or the City. Sepp reviewed the Audit Committee Communications letter.

Buchanan said Staff was concerned about the finding since MRA has never had one. She said she takes responsibility for that. She said the loan agreements were signed in August of 2006, the bond issue was executed in August of 2006 and Staff didn't connect the dots. It was an internal communication problem and she apologized for it happening. Buchanan said the project had several public meetings so there was nothing going on under the table, Staff just simply missed it.

Fraser said he hasn't lost any confidence in the Staff. He said MRA deals with complicated things all the time. Sepp suggested that if these things are out there it may not be a bad idea to ask the auditors how to record it.

Kemmis asked Staff, in looking back, where they think they should've caught this. Buchanan responded that once the Loan Agreement was executed it should've been recorded on the books. She said part of that lies in the fact that Staff was totally consumed with getting the bond issue finished. Lee added that it was also in everyone's mind as a contingency and MRA is the borrower and have to be liable for it. She said the language in the Agreement says that it's going to be paid back with the increment generated on that particular piece of property, but it's not tied to the developer, MRP. Therefore, it doesn't go away if MRP goes away. Discussion ensued.

Cates said it seemed to her that the structure of the deal caused most of the problem and wanted to see them organized more clearly in the future. She said the City should put together a strategy with Brownfields. Buchanan said with Brownfields every deal will be different.

Moe asked who relies on MRA's financial statement and wondered what other ramifications there are for having the finding. She wondered if MRA foresees problems that the finding will create. Buchanan said she's talked with Brent Ramharter in the Finance Department about it and he didn't seem to think there would be any ramifications. Sepp said the only additional user would potentially be CTEP, which is federal money, and if more than \$500,000 in federal money is spent in a given year there's a single audit requirement. If the \$500,000 is spread over two fiscal years then the single audit issue is not of concern. Sepp said he didn't see a huge issue in terms of other users.

Cates asked if URD I is zeroed out. Sepp replied all but the little bit of increment that's left. Moe asked if it goes back to the taxing jurisdictions. Buchanan replied yes.

Change tape 1/tape 2

MOTION

MOE: I MOVE TO ACCEPT THE FISCAL YEAR 2007 AUDIT REPORT. Cates seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

West Broadway Corridor Vision Plan Invoice – Request for Approval

Buchanan said Moore, Iacofano, Goltzman, Inc. (MIG), the consultant that put the West Broadway Corridor Vision Plan together, was able to get them printed much more cost

effectively than MRA and the Office of Planning and Grants (OPG) could. She said the MRA and OPG went ahead and authorized MIG to print 100 copies, 50 for MRA and 50 for the City. They thought it would be under \$4,000 but ended up totaling \$4,600 so Buchanan couldn't authorize it because of her \$2,000 spending limit. Staff request if for the Board to approve MRA's portion (\$2303.61) of the total bill (\$4607.23) for the Plans.

MOTION

CATES: I MOVE TO APPROVE. Kemmis seconded the motion. **5 ayes, 0 nays.**
Motion passed unanimously.

Greater Downtown Master Plan Consultant Selection – Request for Approval

Buchanan said the Business Improvement District (BID) shepherded this process. The BID went through a consultant selection process with 35 proposals and ultimately selected Crandall Arambula. They are a firm out of Portland and they focus solely on downtown plans. In addition to Crandall Arambula, the team also consists of Carl Walker Parking, Economics Research Associates, The Hingston Roach Group and WGM Group.

Buchanan said the main products to come out of this will be land use, urban design issues, marketing strategies, business recruitment and retention, tourism development strategies, parking plan, and housing strategies among others. She said Crandall Arambula will be in Missoula on January 23rd and 24th and will be meeting with neighborhood councils and advisory committees. They will be returning for subsequent public meetings.

Buchanan said the BID is short on their private piece of the fundraising; however she said they're confident they'll meet their goal. Also, the BID has applied for an economic development grant with the state for \$25,000-\$35,000 to do the 3-D modeling. Buchanan said Staff recommends the MRA Board approve entering into a contract with Crandall Arambula for the Greater Downtown Master Plan.

Fraser asked if the MRA would be asked to put more money into it if the BID comes up short with its fundraising. Buchanan informally asked if the MRA Board would consider the BID coming back for a contribution equaling the contribution that the Missoula Parking Commission (MPC) and BID are in it for, which is \$125,000. Currently the MRA is in it for \$100,000.

Kemmis said he was glad to sit in on the interviews and was impressed with the high quality of the finalists. He said he's very confident about going forward. Discussion ensued. Fraser asked Kemmis for a sense of how significant a subject like this was during the time he was on the Council and when he was Mayor. Kemmis replied he didn't think they were thinking about something like this because URD I was just chugging along and the MRA along with the Missoula Downtown Association (MDA) were doing everything they could think of. He said what impresses him is that all of the entities involved in this process are seeing that they can't just rest on their laurels and if they're going to consolidate the gains that have been made in the Downtown then they have to be thinking ahead and aggressively.

Cates said one of the recommendations from the contractor is that there be a private sector chair. She asked if Matt Ellis was filling that position. Buchanan said Ellis has agreed to be a co-chair. The other co-chair may end up being whoever chairs the BID. Cates said she

wanted the best chair possible that can really sell it and bring all of the parts together. Discussion ensued.

MOTION

KEMMIS: I MOVE THAT THE BOARD APPROVE THE RECOMMENDATION OF THE STAFF AND THE MASTER PLAN SELECTION COMMITTEE THAT THE BID ENTER INTO A CONTRACT WITH CRANDALL ARAMBULA TO EXECUTE THE SCOPE OF WORK AND GUIDE THE COMMUNITY IN THE CREATION OF THE MISSOULA GREATER DOWNTOWN MASTER PLAN.
Englund seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

W. Broadway Right-of-Way Survey & Mapping – Request for Approval

Gass said the Plan outlines a redevelopment vision for W. Broadway between Orange St. and Mullan Rd. He said MRA and other public agencies are acting as the catalysts in realizing the community vision through the implementation steps and strategies outlined in the Plan. Gass reviewed parts of the Plan in a Power Point presentation.

Gass said one of the first implementation steps identified by the consultant, MIG, is to confirm the existing right-of-way width throughout the corridor and acquire additional right-of-way where needed in order to develop a road and streetscape that will support multi-modal transportation and redevelopment of the adjacent properties. He said WGM Group recently completed survey work on the east end of the corridor in relation to the Riverfront Triangle area and the St. Patrick Hospital/Safeway project. They had recent data and physical feature mapping in relationship to the right-of-way lines. Knowing that, Staff contacted WGM Group and requested a proposal for them to extend their survey data to the west. WGM submitted a proposal to conduct records research and land survey to produce a right-of-way retracement Certification of Survey (COS) which will be recorded with the Missoula County Clerk and Recorder to memorialize the right-of-way resolution and monumentation. In addition, Gass said a strip map for the corridor, in relation to the right-of-way line, will also be produced.

Gass said this project will be an investment in URD II for the W. Broadway corridor and provide a foundation for redevelopment to occur in accordance with the Plan. Gass said he's had discussions with the Public Works Dept. and they indicated they had similar work completed for the South Avenue reconstruction project and others. He said the Director of Public Works told him the surveys are an invaluable tool for negotiating right-of-way acquisition and for placement of improvements along the right-of-way.

Change tape 2 s1/s2

Gass said the proposal submitted by WGM Group to complete the survey and mapping work by the end of April 2008 is in the amount of \$38,500. Staff recommendation is to enter into an Agreement for Professional Services with WGM Group for the right-of-way retracement survey and mapping. The Board expressed some concern because they said it seems that MRA and WGM Group work together on a high number of projects and wanted to be fair to the other firms in town. They wondered if MRA should do a Request for Proposals. Gass said MRA went with WGM Group for this because they have a head start with the other data they've collected on Broadway. He said he was following City procedures for architect and engineering selection for a project of this size and confirmed the selection procedure with

Public Works personnel. Gass said he would get RFP's if the Board wanted. Moe said in the future she wants to start asking for RFP's and wants to be more aggressive on MRA's part for pricing.

MOTION

KEMMIS: I MOVE THAT THE BOARD AUTHORIZE THE STAFF TO ENTER INTO AN AGREEMENT FOR PROFESSIONAL SERVICES WITH WGM GROUP IN AN AMOUNT NOT TO EXCEED \$38,500 FOR THE RIGHT-OF-WAY RETRACEMENT SURVEY AND MAPPING OF PHYSICAL FEATURES IN THE WEST BROADWAY CORRIDOR BETWEEN ORANGE STREET AND MULLAN ROAD. Cates seconded the motion. 5 ayes, 0 nays. Motion passed unanimously.

NON-ACTION ITEMS

STAFF REPORTS

Behan said there are rumors that the Safeway store is changing locations, but it's not true. He said what's currently going on at the site is continued lead excavation.

OTHER ITEMS

ADJOURNMENT

Meeting adjourned at 1:30 p.m.

Respectfully Submitted,



Lesley Pugh
Secretary II