

Missoula Redevelopment Agency

Annual Report

Fiscal Year 2003

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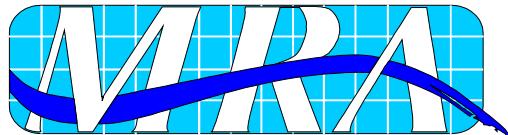
STAFF

Geoff Badenoch, Director
Chris Behan, Project Manager
Kari Lei Nelson, Redevelopment Specialist
Tod Gass, Redevelopment Technician
Jilayne Dunn, Office Manager
Lesley Pugh, Receptionist

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Missoula Redevelopment Agency

October 3, 2003

Dear Mayor Kadas and Members of the City Council:

We are pleased to present the Missoula Redevelopment Agency's Annual Report for fiscal year 2003. In accordance with State Law, this Report contains a summary of the year's activities and accomplishments, as well as a report of the MRA's financial condition. MRA continues moving forward with its planning and implementation of redevelopment projects in fulfillment of the City's three urban renewal plans as reported herein.

During fiscal year 2003, MRA partnered with St. Patrick Hospital and Health Sciences Center to engage Design Workshop, Inc. to undertake a master planning effort on land known as the Riverfront Triangle. This property is partially comprised of property acquired by the City of Missoula over the past several years during attempts to redevelop the former Fox Theater property. This City-owned land, combined with the former Western Montana Clinic holdings now owned by St. Patrick Hospital and Health Sciences Center, comprise the Riverfront Triangle and represents an unparalleled opportunity for the original Urban Renewal District and our community. Approximately nine acres in size, this unique riverfront location also enjoys frontage on Broadway, the major east west transportation corridor north of the river, and access to the Orange Street Bridge. The Riverfront Triangle Master Plan, discussed in greater detail within, will guide the City and developers in creating Downtown Missoula's most exciting new neighborhood.

Several projects involving recreation were considered and approved by MRA during the preceding year. Play Ball Missoula, Inc., developers of the Missoula Civic Stadium successfully petitioned the Missoula Redevelopment Agency and the City of Missoula to provide an additional \$1 million in tax increment financing to assist with the construction of the stadium. Delays caused by external pre-construction issues inhibited fund-raising efforts and the project witnessed steep cost increases which prompted this request for additional public investment. The additional funds are to be made available by MRA on a matching basis as Play Ball raises more funds. Construction is underway now, however, and it is expected that the Civic Stadium will be ready for opening day of the baseball season in 2004.

The City of Missoula also asked MRA to provide \$1.5 million in tax increment financing in support of replacing the City's swimming pool at McCormick Park. The pool has been in a state of declining repair for several years and replacement of the facility was recommended by consultants who had inspected it as well as measured the community's aquatic recreation needs. The MRA funds are to be matched with approximately \$3 million in proceeds from a General Obligation bond considered by the voters in the fall of 2003.

As part of an on-going effort to change the way the community regards the river as it flows through Downtown, the MRA Board agreed to pledge approximately \$103,000 in matching funds to remove an existing deteriorated water diversion weir and replace it with a “play wave” which can be used by kayakers. The existing weir is both unsightly and dangerous to floaters and canoeists. This improvement will benefit the river as well as provide new active and passive recreation opportunities.

Finally, the MRA staff began discussions with operators of skate board shops and area skaters about the creation of a “skate park.” The McCormick Park Master Plan, completed this past year, provides a place for such a park. Once it is approved, the project, which is to be funded with a combination of private funds and MRA tax increment assistance, will provide an alternative place for skaters and thereby reduce some of the damage and pedestrian conflicts that Downtown currently suffers.

Another year passed without any significant progress on the future of the Champion Lands which lie to the east and outside of the second Urban Renewal District(URD II). This land is an island of County land that has not been annexed into the City and has lain fallow as a deteriorating industrial site for over a decade. This site is approximately 40 acres in size and has the potential for being the most significant and appropriate site for urban in-fill once it is annexed into the City and the URD II area. New neighborhoods, commercial development and new public spaces make up the future of this property once the complicated ownership issues are resolved.

The long-awaited reconstruction of Russell Street and Bridge went another year without much progress as the City and the State and the project consultants work on design and funding issues. The commercial and residential redevelopment potential in this north-south corridor is tremendous. However, this key part of URD II redevelopment will never be fully realized until the Street and Bridge are replaced.

In considering the future of URD III during the past year, the MRA Board concluded it would benefit from the insightful assistance of the Urban Land Institute (ULI), a pre-eminent land use and development organization that harnesses the talents of its members to provide a visiting panel of experts to communities seeking to refine or expand their visions. Through interviews and conversations with the visiting panel, the community will provide a basis for recommendations which are both thoughtful and helpful. The visiting panel will conduct its work this Fall and their report will no doubt be a central topic of next year's Annual Report.

At the end of this calendar year, Geoff Badenoch will leave MRA after 21 years of service to the community. During his tenure, MRA successfully partnered with several private and public entities to undertake scores of projects devoted to the revitalization of our City.

Sincerely yours,

Harold J. Fraser, MRA Board Chairman

Geoffrey T. Badenoch, MRA Director

STAFF ACTIVITIES

MRA remains strongly affiliated with several organizations including the Missoula Downtown Association (MDA), a volunteer-based organization that works for the betterment of Downtown. To fulfill the Agency's liaison function with the Missoula Downtown Association, the MRA Director serves as an ex-officio MDA Board member. As a result of filling this role, policies, events and problems that arise in Downtown are responded to in a timely, coordinated fashion. MRA also works on a continual basis with the Missoula Parking Commission and other groups providing assistance in the form of coordination, planning and information sharing. Finally, the MRA Director continues to assist a group of local citizens and business people with the complex planning and public policy issues surrounding the development of a civic stadium, which will be used, among other things, for minor league professional baseball.

During the past year, MRA staff participated in the City's Technical Advisory Group, the Administrative Support Team, the "Heart of the City Committee" (for City employees), the Employee Benefits Committee, and the Fit City wellness committee. Also, MRA staff members are frequently asked to participate on recruitment panels for City employees. These activities allow the MRA staff to remain closely linked to the rest of the City organization while contributing their talents to its larger mission.

The MRA staff is also called upon to make presentations at lending institutions, real estate companies, service clubs, school classrooms, neighborhood meetings, workshops and conferences. These activities provide an opportunity to exchange information with the public and special groups who have an interest in MRA's activities.

It is the practice of the MRA to afford its staff opportunities for training and enhancement of professional skills through workshops, conferences and classes. The staff participated in a wide range of these opportunities in areas such as computer skills, communication skills, land use planning, community and economic development, GIS skills and business administration. By keeping current in redevelopment practices and broadening the base of understanding, the MRA staff members are better able to perform their duties on behalf of the community.

MRA PROGRAMS

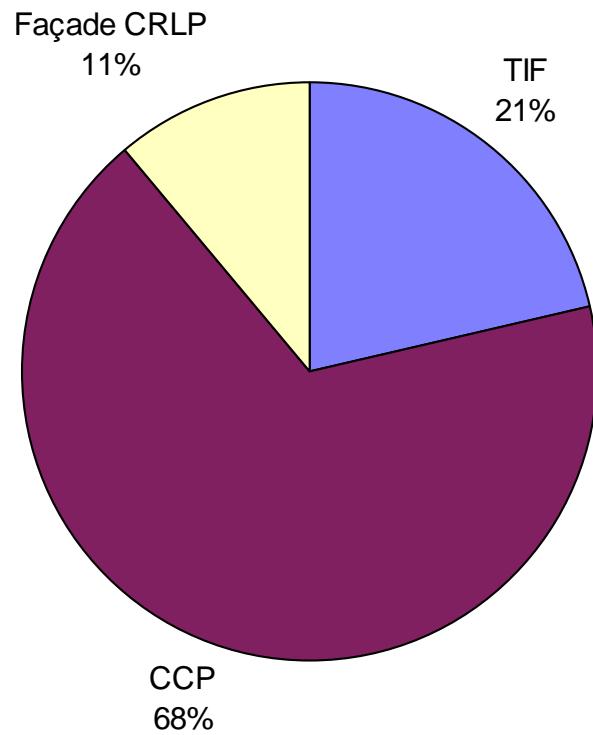
The Missoula Redevelopment Agency (MRA) was created by the City Council to encourage new development and redevelopment pursuant to the two adopted Urban Renewal Plans. Preserving existing public investment, enhancing the tax base, generating employment, and stimulating private investment are the means by which the MRA reclaims urban renewal areas. The MRA encourages infill development, provides for the adaptive reuse of the built environment, and reclaims blighted properties. Through these activities, MRA provides alternatives to urban sprawl outside the existing municipal service boundaries.

MRA uses funds derived from *ad valorem* increases in property tax (tax increment) to finance its projects and programs. The following programs were created to encourage private investment and reinvestment in the urban core in order to keep it a healthy and contributing part of the community.

Tax Increment Financing (TIF) is utilized by MRA's Urban Renewal Districts (URD) to make public improvements in public and private projects. Two additional programs assist owners and businesses in renovating buildings in the first and second District. The Commercial Rehabilitation Loan Program (CRLP) and the Fire and Building Life-Safety Code Compliance Program (CCP) allow MRA to leverage private investment by creating public/private partnerships that address visual, economic and public safety problems. The CRLP and the CCP are both available in URD I. The Façade Section only of the CRLP (for the repair and renovation of the exterior of buildings) and the Life-Safety Code Compliance Program are available in URD II.

The MRA staff is currently gathering information about the redevelopment opportunities of the third and newest Urban Renewal District. Through this research, staff hopes to establish redevelopment programs that best address the needs of Missoula's southwest commercial core.

FY 03 MRA Program Expenditures



■ TIF ■ CCP ■ Façade CRLP

TAX INCREMENT FINANCING

The primary way MRA is able to provide incentive for new construction and redevelopment activities is through the Tax Increment Financing (TIF) program. Costs financed in this way generally include curbs, gutters, sidewalks, street amenities, utility relocation, or demolition of blighted structures. Typically, these items are of long lasting benefit to the public as well as to the private developers.

Recognizing the connection between the condition of neighborhood housing stock and neighborhood health, MRA contracted with the District XI Human Resource Council (HRC) to perform a neighborhood housing study in URD II. The study considered both the condition of housing units as well as the condition of public infrastructure and income of neighborhood residents. From the data it collected and analyzed, HRC recommended a housing renovation assistance program to MRA. In April 2000, the MRA Board adopted the URD II Residential Rehabilitation Program and allocated \$36,000 per year for this program, which was budgeted through fiscal year 2003. Unfortunately, there were no Residential Rehabilitation Program projects in the three years this program was in existence.

In fiscal year 2003, MRA participated in three projects using the TIF program and provided \$45,062 in tax increment subsidies. This is a ratio of approximately one public dollar for every seventy-two private dollars invested in redevelopment projects.

TAX INCREMENT FINANCING - FISCAL YEAR 2003

Project	Total Project Cost	TIF Subsidy	Other MRA Amount	Other MRA Type	Total MRA
Bayern Brewing	\$ 980,000	\$ 23,862	\$ 10,000	CCP	\$ 33,862
Good Food Store	\$ 1,820,000	\$ 1,500	\$ 18,433	CCP, CRLP	\$ 19,933
Spruce Rooms (335 West Spruce St)	\$ 460,000	\$ 19,700	\$ 32,615	CCP, CRLP	\$ 52,315
TOTALS	\$ 3,260,000	\$ 45,062	\$ 61,048		\$ 106,110

Number of Projects	3	Average Project Cost	\$ 1,086,667
Total Project Cost	\$ 3,260,000	Average TIF Subsidy	\$ 15,021
Total TIF Subsidy	\$ 45,062	Average TIF Leverage	1:72
Total Other MRA Amount	\$ 61,048	Average Total MRA Leverage	1:31

COMMERCIAL REHABILITATION LOAN PROGRAM

Through the Commercial Rehabilitation Loan Program (CRLP), MRA may pay a portion of the interest on redevelopment loans. This allows property owners or businesses to finance improvements by lowering the impact of project debt on their business' cash flow. In addition, MRA participation provides an incentive for banks to extend financing by reducing the risk perceived in redeveloping older buildings occupied by small and start-up businesses.

In Urban Renewal District I, business and property owners may receive CRLP assistance for facade and exterior improvements (Façade Section); or if the project results in the creation of at least five new jobs to Missoula, CRLP is expanded to assist in interior renovation projects meeting certain criteria (Economic Development Section). Because a business or property owner may participate in either or both CRLP options, the program can assist in a wide variety of projects, from providing an attractive business entrance or handicapped accessibility, to rehabilitation of an entire structure. In Urban Renewal District II, CRLP assistance is available for facade and exterior improvements only.

Since its inception, the CRLP has provided assistance to 114 individual projects. CRLP interest subsidies provided during that time total \$886,957 and in conjunction with other MRA subsidy amounts have attracted \$24,497,168 in private investment.

In fiscal year 2003, three CRLP Façade subsidies were provided and zero CRLP Economic Development subsidies were provided. MRA's \$23,302 of CRLP assistance was instrumental in leveraging \$2,680,000 in private investment, a ratio of approximately one public dollar for every 115 private dollars.

COMMERCIAL REHABILITATION LOAN PROGRAM - FISCAL YEAR 2003

Project	Total Project Cost	CRLP Subsidy	CRLP Type	Other MRA Amount	Other MRA Type	Total MRA
Good Food Store	\$ 1,820,000	\$ 8,433	Façade	\$ 11,500	TIF, CCP	\$ 19,933
Janacek Project	\$ 400,000	\$ 7,254	Façade	\$ 24,843	CCP	\$ 32,097
Spruce Rooms	\$ 460,000	\$ 7,615	Façade	\$ 44,700	TIF, CCP	\$ 52,315
TOTALS	\$ 2,680,000	\$ 23,302		\$ 81,043		\$ 104,345

Number of Projects	3	Average Project Total	\$ 893,333
Total Project Cost	\$ 2,680,000	Average CRLP Subsidy	\$ 7,767
Total CRLP Subsidy	\$ 23,302	Average CRLP Leverage	1:115
Total Other MRA Amount	\$ 81,043	Average Total MRA Leverage	1:26

Breakdown by CRLP type:

Façade Projects

Number of Loans	3
Total Project Cost	\$ 2,680,000
Total MRA Façade Subsidy	\$ 23,302
Average Project	\$ 893,333
Average Subsidy	\$ 7,767

Economic Development Projects (ED)

Number of Loans	0
Total Project Cost	\$ -
Total MRA Econ. Dev. Subsidy	\$ -
Average Project	\$ -
Average Subsidy	\$ -

SUMMARY OF CRLP PROJECTS 1983-2003

Number of Projects	\$ 114	Average Project Cost	\$ 214,887
Total Project Cost	\$ 24,497,168	Average CRLP Subsidy	\$ 7,780
Total CRLP Subsidy	\$ 886,957		

LIFE-SAFETY CODE COMPLIANCE PROGRAM

Many structures in Urban Renewal District I and II were built prior to building and fire codes and most are now used by businesses much different than those for which the structures were originally designed. This situation has resulted in many violations of current building codes, which threaten the safety of people shopping, living and working in the Districts. While rectifying fire safety violations in older buildings is a priority for the City, the cost of bringing such buildings into compliance with current safety standards is often overwhelming to individual property owners and small businesses. The presence of code violations within a building may prevent the owner from obtaining a permit for other renovations. The cost of correcting the violations threatens the viability of District businesses. The CCP was created in 1990 to address life-safety code problems in Downtown Missoula's older buildings. MRA participates in CCP projects by matching private investment designated to address existing life-safety code violations, most of which are fire safety related. The availability of the CCP has provided incentive to many property and business owners to conduct additional, unrelated repairs and renovation of their buildings. Projects assisted by the CCP result in increased productive life of important buildings and help protect property owners, fire fighters, and the public from potential tragedy.

Since its inception, the CCP has assisted in 100 projects and provided a total of \$1,656,615 in subsidies. In conjunction with other MRA subsidy amounts, CCP assistance has attracted \$28,814,280 in private investment and has helped remove many of the most serious life-safety hazards from Downtown and URD II buildings. The CCP has been successful both in providing incentive for owners to undertake larger projects and in providing needed assistance to smaller projects.

During fiscal year 2003, MRA provided four CCP subsidies in URD I and two CCP subsidies in URD II. In total, \$143,544 of CCP assistance helped leverage \$7,414,000 in private expenditures. This is a ratio of approximately one public dollar for every fifty-two private dollars invested in mitigating life-safety code violations and making other improvements.

CODE COMPLIANCE PROGRAM - FISCAL YEAR 2003

Project	Total Project Cost	CCP Subsidy	Other MRA Amount	Other MRA Type	Total MRA
Bayern Brewing	\$ 980,000	\$ 10,000	\$ 23,862	TIF	\$ 33,862
DoubleTree Hotel	\$ 3,500,000	\$ 50,000			\$ 50,000
Good Food Store	\$ 1,820,000	\$ 10,000	\$ 9,933	TIF, CRLP	\$ 19,933
Janecek Project (133-135 W Main St)	\$ 400,000	\$ 24,843	\$ 7,254	CRLP	\$ 32,097
Spruce Rooms (335 W Spruce St)	\$ 460,000	\$ 25,000	\$ 27,315	TIF, CRLP	\$ 52,315
Worden's Market	\$ 254,000	\$ 23,701			\$ 23,701
TOTALS	\$ 7,414,000	\$ 143,544	\$ 68,364		\$ 211,908

Number of Projects	6	Average Project Cost	\$ 1,235,667
Total Project Cost	\$ 7,414,000	Average CCP Subsidy	\$ 23,924
Total CCP Subsidy	\$ 143,544	Average CCP Leverage	1:52
Total Other MRA Amount	\$ 68,364	Average Total MRA Leverage	1:35

SUMMARY OF CODE COMPLIANCE PROGRAM 1989-2003

Number of Projects	100	Average Project Cost	\$ 288,143
Total Project Cost	\$ 28,814,280	Average CCP Subsidy	\$ 16,566
Total CCP Subsidy	\$ 1,656,615		

PUBLIC / PRIVATE PARTNERSHIPS

The following public/private projects were successfully completed during fiscal year 2003. Four projects were completed in Urban Renewal District I, and two completed in Urban Renewal District II. MRA contributed \$211,908 to leverage \$7,414,000 in private investment. This is a redevelopment ratio of approximately one public dollar for every thirty-five private dollars expended. Several public/private projects were in progress during fiscal year 2003. Completion of these projects is expected in fiscal year 2004.

PROJECTS COMPLETED	PROJECTS IN PROGRESS
<u>URD I Projects</u>	<u>URD I Projects</u>
DoubleTree Hotel	Bob's Sew & Vac
Janecek (133-135 West Main Street)	Boone & Crockett
Spruce Rooms (335 W Spruce)	Café Madeleine (231 East Front St)
Worden's Market	Civic Stadium
<u>URD II Projects</u>	Ditchstone Project (305 S 4th Street E)
Bayern Brewing	Florence Building
Good Food Store	Higgins/Pine CCP Projects
	iConnect Fiber Hotel (110 E Broadway)
	Missoula Federal Credit Union
	Paoli Building (259 West Front St)
	The Trail Head (221-229 East Front St)
	Warehouse Mall
	<u>URD II Projects</u>
	Lemer Project (Russell & Cooper)
	McKenzie Project (1144 West Broadway)
	Morgan Project (1655 S 3rd St W)

In FY 02, MRA undertook a marketing program to inform all downtown business and property owners of URD I's impending sunset. Although MRA assisted in the completion of only four projects in the Downtown district during FY 03, twelve additional projects were in progress during the year. In total, the MRA Board committed an additional \$1,663,060 for public and private projects during FY 03. With the additional publicity of URD I's impending sunset in July 2005, MRA hopes to address any remaining code compliance violations and assist existing property and business owners in the redevelopment of their downtown investments. In addition, the Missoula Downtown Association has convened a committee to provide input on projects to undertake prior to sunset.

In URD II, MRA provided assistance to two important and growing businesses in Missoula, Bayern Brewing and the Good Food Store. MRA looks forward to assisting additional private tax-generating projects in the second district as this area becomes the focus of renewed investment in public infrastructure and an attractive location for business investment.

PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS COMPLETED ~

URD I Projects

DoubleTree Hotel

100 Madison Street

MRA Programs: CCP

The DoubleTree hotel undertook a 3.5 million dollar project to remodel the hotel lobby and restaurant area. As part of the remodel, the DoubleTree utilized MRA's CCP to assist with the installation of fire suppression sprinkler systems in areas of the hotel which were not sprinkled. The work was ordered by the Fire Marshall's Bureau of the Missoula Fire Department since lodging facilities are subject to more stringent fire safety requirements due to the potential for catastrophic loss of life.

Project Cost:	\$3,500,000
MRA Assistance:	\$50,000
Leverage Ratio:	1:70



Janacek Project

133-135 West Main Street

MRA Programs: CCP, Façade CRLP



Project Cost:	\$400,000
MRA Assistance:	\$32,097
Leverage Ratio:	1:12.5

This project included historically appropriate renovation of the exterior of the structure and mitigation of current Fire Code violations by installing required exits and stairs throughout the building. The interior received code-required structural upgrades, new handicapped restrooms, wall and floor coverings, etc. The owner intends the building to accommodate retail or customer service uses on the street level and office uses on the second level.

PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS COMPLETED ~

Spruce Rooms

335 West Spruce Street

Project Cost:

\$460,000

MRA Assistance:

\$52,315

Leverage Ratio:

1:9

MRA Programs: TIF, CCP, Façade CRLP

MRA assisted this project with infrastructure improvements (sidewalk, water and sewer upgrades), façade restoration, and fire code compliance. The project involved historically appropriate renovation of a dilapidated boarding room building nearing condemnation for fire and electrical code violations to a mixed-use residential/office/retail services building.



Worden's Market, Bakery & Deli

451 North Higgins Avenue

Project Cost:

\$254,000

MRA Assistance:

\$23,701

Leverage Ratio:

1:11

MRA Programs: CCP



This project included installation of a bakery and kitchen for the adjacent Worden's Market. It also included renovation of the basement to accommodate gatherings and catered events. MRA assistance was toward rectifying fire code violations including egress from the apartment building and the basement.

PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS COMPLETED ~

URD II Projects

Bayern Brewing

1507 Montana Street

MRA Programs: TIF, CCP

Project Cost:	\$980,000
MRA Assistance:	\$33,862
Leverage Ratio:	1:29

Bayern Brewing, a local microbrewery, was seeking an opportunity to expand its brewing and bottling operations. In the course of their exploration they found a suitable property, but the site was outside the second Urban Renewal District (URD II). At the direction of the MRA Board and with consent of the City Council, the URD II boundaries were amended to include this property. Once in the URD II boundaries, the project became eligible for MRA assistance in the form of Tax Increment Financing and Life Safety Code Compliance Program assistance. The project was completed on time and on budget shortly before the end of the calendar year. At least three new jobs were created by this project.



PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS COMPLETED ~

Good Food Store

1610 South 3rd Street West

Project Cost:	\$1,820,000
MRA Assistance:	\$19,933
Leverage Ratio:	1:91

MRA Programs: TIF, CCP, Façade CRLP

The Good Food Store is a successful enterprise that outgrew its previous location on Kensington Avenue and sought to relocate to a larger facility. The opportunity rose for the store to purchase and move its operations to the former location of the Bi-Lo Grocery store on the corner of Third Street and Russell. The Good Food Store purchased the entire shopping center and remodeled the east portion of the building previously occupied by the grocery store. The west portion of the building continues to be leased by existing businesses. The remodel involved creation of some space that is not currently used by the Good Food Store and will be available for lease in the future.

The remodel of the building included improvements to both the interior and exterior of the building. The façade was re-sided and a vestibule was constructed, serving as the new entry/exit way for patrons. The existing sidewalk adjacent to the building was widened to accommodate the outdoor café and produce sales and includes ramps and trees in grates on either side of the newly constructed vestibule. Improvements to the east portion of the parking lot were also undertaken.

The Good Food Store project is an example of a public/private partnership that has benefits beyond the obvious assistance that was granted to the store entity itself. By locating in an existing, former grocery store location many goals were met. An empty store was filled, which helps eliminate the feeling of decline of the area and a grocery store is again serving a neighborhood where one has been absent for several years.



PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS IN PROGRESS ~

URD I Projects

Bob's Sew & Vac

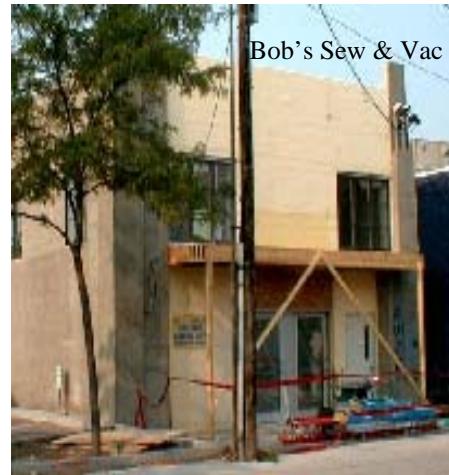
120 West Broadway

Expected Completion Date: Fall 2003

Project Cost:	\$85,500
MRA Assistance:	\$52,023
Leverage Ratio:	1:1.6

MRA Programs: CCP, Façade CRLP

The building at 120 West Broadway houses the businesses of Bob's Sew & Vac and Jem Shoppe Jewelers. The project includes correction of a number of violations of the Uniform Fire Code, especially sprinkling and exiting requirements. Besides code requirements, interior renovation includes creation of leaseable space in the upper floor and useable space in the basement for storage rental and Bob's Sew and Vac Service Department. Exterior facade work on the building entails work on all three exposed sides of the building and the roof. Improvements included new windows to the upper floor on the east side, exterior lighting and painting, renovation of existing skylights and remodeled entryways on the front and alley sides. All improvements were made in keeping with the Art Deco style of the building. The largest share of the project is finished and final completion is scheduled to occur at the end of September 2003.



Boone & Crockett Club

250 Station Drive

Expected Completion Date: Fall 2003

Project Cost:	\$863,500
MRA Assistance:	\$78,300
Leverage Ratio:	1:11

MRA Programs: TIF, CCP



MRA pledged assistance to a project that includes remodeling and renovation of the Boone and Crockett Building located at 250 Station Drive. The building was originally built in 1910 as two structures serving passengers riding the Milwaukee Railroad. Through this project, the "connector" added to link the buildings in the 1980s will be removed and replaced in a way that yields the appearance of the two original buildings. Additionally, the interior of the ground level will be extensively remodeled and fire code issues addressed.

PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS IN PROGRESS ~

Café Madeleine

231 East Front Street

Expected Completion Date: Fall 2003

Project Cost:

\$712,300

MRA Assistance:

\$41,216

Leverage Ratio:

1:17

MRA Programs: TIF, CCP, Façade CRLP

This project includes historic restoration of the façade and complete interior renovation of 231 East Front Street, a former warehouse. In addition to aesthetic work, the structural, plumbing and electrical systems will be upgraded or replaced, and the building brought into compliance with current fire safety codes. The renovated building will be occupied by a restaurant.



Civic Stadium

Old Champion Mill Site

Expected Completion Date: Summer 2004

Project Cost:

\$10,000,000

MRA Assistance:

\$2,000,000

Leverage Ratio:

1:5

MRA Programs: TIF



After surviving a municipal referendum, a challenge in District Court and an appeal to the Montana Supreme Court, this project finally got underway. By fall of 2001, the major excavation work for the Stadium was completed and nearly all the structural steel piles had been driven. Work on fund-raising and construction was stalled through fiscal year 2002 and most of 2003 as the project underwent challenge by referendum and in the courts. In early 2003 Play Ball requested, and the City Council agreed, to have MRA contribute another \$1 million toward the construction of the stadium. The contribution is to be matched by Play Ball on a 2:1 basis. By the middle of the summer of 2003, construction on the stadium resumed in earnest with an eye toward completion in time for opening day of 2004.

PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS IN PROGRESS ~

Ditchstone Project

305 South 4th Street East

Expected Completion Date: Spring 2004

Project Cost:

\$2,856,000

MRA Assistance:

\$264,250

Leverage Ratio:

1:11

MRA Programs: TIF



A private developer proposes to construct a new professional office building on South Fourth Street East, the site of the former Western Montana Monument company. The three story building will house professional office space on the first floor, an accounting firm on the second floor and a conference room and employee lounge on the third floor. MRA tax increment assistance is for demolition, site preparation, sidewalks and utility upgrades.

Florence Building

111 N. Higgins Ave.

Expected Completion Date: September 2004

Project Cost:

\$3,000,000

MRA Assistance:

\$113,567

Leverage Ratio:

1:26.5

MRA Programs: TIF, CCP



The Attorneys Liability and Protection Society (ALPS), owner of the historic Florence Hotel building, is undertaking substantial renovation of entire building. Over the years the Florence Hotel was converted to retail space on the ground floor and professional office space on the upper floors. The hotel lobby, walled off from public view for many years, has been restored and reopened as part of this undertaking. New space created adjacent to the lobby provides new retail opportunities on the ground floor. The Governor's Room and the McLeod Room have been restored to their original character and will continue to provide

meeting space for large gatherings. The project will also bring the building up to current life-safety codes. MRA has approved TIF assistance for replacing the aging sidewalk along Higgins & Front Streets in the amount of \$51,528, a CCP grant for a fire-suppression sprinkler system and emergency exiting upgrades in the amount of \$62,439 and a CRLP proceed without prejudice allowance.

PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS IN PROGRESS ~

N. Higgins Ave / Pine St Projects

321-337 North Higgins Avenue

Expected Completion Date: Fall 2003

Project Cost:

\$40,000

MRA Assistance:

\$16,000

Leverage Ratio:

1:2.5

MRA Programs: CCP

Through this project MRA assisted four property owners along the west side of the 300 block of North Higgins Avenue through the Life-Safety Code Compliance Program. The project will result in increased water flow capability to provide fire-suppression sprinkler systems as they are required by the City. By cooperating in the project, the owners were able to obtain water from a Mountain Water main line in Pine Street and install service by way of easements through one another's buildings. The alternative to this effort would have been very expensive individual projects to obtain water from a main on the east side of Higgins.

iConnect Fiber Hotel

110 East Broadway

Expected Completion Date: Fall 2003

Project Cost:

\$291,000

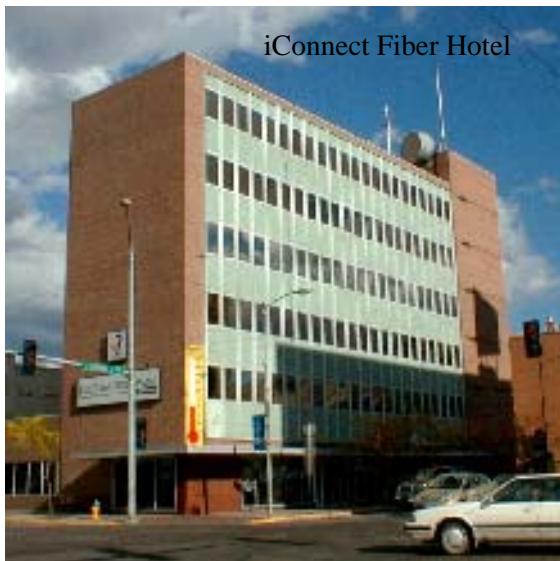
MRA Assistance:

\$29,000

Leverage Ratio:

1:10

MRA Programs: TIF, CCP



The iConnect Fiber Hotel is a full service internet co-location facility offering Missoula citizens and businesses both a secure 24/7 facility and the ability to connect with a variety of internet service providers. Similar facilities exist in Billings, Helena and Great Falls. Initially, the facility will occupy one entire floor of a downtown office building at Higgins and Broadway, but expansion to other floors may occur in time. MRA pledged up to \$11,000 under the Life-Safety Code Compliance Program and \$18,000 in Tax Increment Financing for demolition of existing improvements. The project will allow installation of electronic equipment that will serve the business and its clients.

PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS IN PROGRESS ~

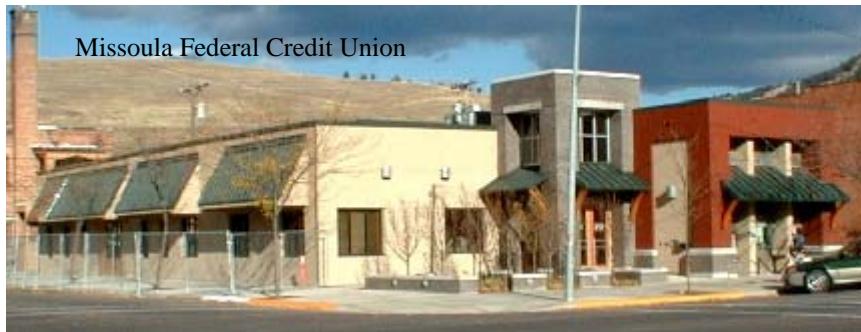
Missoula Federal Credit Union

126 West Spruce Street

Expected Completion Date: Fall 2003

Project Cost: \$447,000
MRA Assistance: \$33,980
Leverage Ratio: 1:13

MRA Programs: TIF



The Missoula Federal Credit Union, following several years of robust growth, has found it necessary to remodel and expand its Downtown Branch on Spruce and Ryman. The building will undergo both internal and external improvements, resulting in expanded space for the Credit

Union to meet the needs of its members. The expansion will allow the Credit Union to provide nearly all services it offers at any of its other branches at the Downtown branch. MRA was asked to assist the project with tax increment financing to cover the cost of installing new sidewalks on the corner property.

Paoli Building

259 West Front Street

Expected Completion Date: Spring 2004

Project Cost: \$930,000
MRA Assistance: \$34,428
Leverage Ratio: 1:27

MRA Programs: TIF, CCP, Façade CRLP



This project will expand the current building to the south and add a floor, resulting in a two-story structure on Front Street and three stories on the Caras Park elevation matching the heights of the buildings to the east and west. The façade of the essentially new building will be framed in cast iron, reminiscent of historic buildings on Front Street. Proposed uses of the building will be office and street level retail.

PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS IN PROGRESS ~

The Trail Head

221-229 East Front Street

Expected Completion Date: Fall 2003

Project Cost:

\$979,000

MRA Assistance:

\$76,000

Leverage Ratio:

1:13

MRA Programs: TIF



The Trail Head

Trail Head business to the site upon complete renovation of this historic building. MRA is assisting this project with \$76,000 of tax increment funds for selective demolition and utility upgrades. MRA is anticipating an application from the owner of the Trail Head for MRA participation under the Code Compliance Program and the CRLP program after completion of the selective demolition phase of the project.

Warehouse Mall

715 West Alder Street

Expected Completion Date: Winter 2003

Project Cost:

\$270,000

MRA Assistance:

\$27,000

Leverage Ratio:

1:10

MRA Programs: TIF, CCP

This project includes rectifying fire code violations by installation of a fire-suppression sprinkler system throughout the building, construction of adequate exiting internally and to the exterior, and installation of emergency lighting. The project also envisions replacement of windows, repainting damaged brick, repair of adjacent sidewalks, construction of a new historically appropriate main entry, installation of handicapped accessible restrooms, and new attached signage. MRA assistance is for sidewalk repair and life-safety code compliance issues.



Warehouse Mall

PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS IN PROGRESS ~

URD II Projects

Lemer Project

Russell St / Cooper St

Expected Completion Date: Spring 2004

Project Cost:	\$1,060,000
MRA Assistance:	\$64,000
Leverage Ratio:	1:16.5

MRA Programs: TIF

This project involves construction of a mixed-use two-story building with retail or direct service tenants on the street level and office uses on the second floor. The building will be built facing Cooper Street. Parking will be provided at the rear (north) of the building and two relatively large landscaped areas (20' x 40' and 50' x 65') will be installed along Russell Street adjacent to the parking area and building. MRA assistance is pledged toward infrastructure improvements including extension of electric, natural gas, water, and sanitary sewer to the project site; and construction of sidewalk, curb and gutter along Cooper and Russell Streets.

McKenzie Project

1144 West Broadway

Expected Completion Date: Spring 2004

Project Cost:	\$1,900,000
MRA Assistance:	\$85,000
Leverage Ratio:	1:22

MRA Programs: TIF

This project involves construction of a 44-unit apartment complex on the northern two-thirds of the property. The apartment complex will be built around a landscaped interior courtyard with parking along the alley and east end of the site. Along Toole Street, the project is adjacent to a private apartment building and a Missoula Housing Authority apartment complex. The pricing of the apartments will be targeted toward moderate-income families. MRA assistance is pledged toward demolition of structures; installation of sidewalk, curb and gutter along Toole and Ashland Streets, paving an alley, and extension of sewer and storm sewer to the site.



PUBLIC / PRIVATE PARTNERSHIPS

~ PROJECTS IN PROGRESS ~

Morgan Project

1655 S 3rd Street West

Expected Completion Date: Fall 2003

Project Cost:

\$12,000

MRA Assistance:

\$4,895

Leverage Ratio:

1:2.5

MRA Programs: CCP



This building currently houses two businesses and four residential units. The project entails remodeling the entire structure and upgrading it to meet all current codes. In addition to electrical, structural, plumbing, and general remodeling work, the owner must install appropriate fire-rated separation between the units, an alarm system, and construct appropriate emergency egress from all areas. MRA assistance is for the fire code compliance items.

PUBLIC / PRIVATE PARTNERSHIPS

~ Projects Completed ~

Project Name	Total Cost	Total Ratio					Total MRA
			TIF	CCP	Facade CRLP	ED CRLP	
URD I Projects							
DoubleTree Hotel	\$ 3,500,000	1:70		\$ 50,000			\$ 50,000
Janacek Project (133-135 West Main St)	\$ 400,000	1:12.5		\$ 24,843	\$ 7,254		\$ 32,097
Spruce Rooms (335 West Spruce St)	\$ 460,000	1:9	\$ 19,700	\$ 25,000	\$ 7,615		\$ 52,315
Worden's Market	\$ 254,000	1:11		\$ 23,701			\$ 23,701
URD II Projects							
Bayern Brewing	\$ 980,000	1:29	\$ 23,862	\$ 10,000			\$ 33,862
Good Food Store	\$ 1,820,000	1:91	\$ 1,500	\$ 10,000	\$ 8,433		\$ 19,933
TOTALS	\$ 7,414,000	1:35	\$ 45,062	\$ 143,544	\$ 23,302	\$ -	\$ 211,908

~ Projects In Progress ~

Project Name	Total Cost	Total Ratio					Total MRA
			TIF	CCP	Facade CRLP	ED CRLP	
URD I Projects							
Bob's Sew & Vac	\$ 85,500	1:1.6		\$ 42,750	\$ 9,273		\$ 52,023
Boone & Crockett Club	\$ 863,500	1:11	\$ 60,500	\$ 17,800			\$ 78,300
Café Madeleine (231 East Front St)	\$ 712,300	1:17	\$ 20,550	\$ 12,872	\$ 7,794		\$ 41,216
Civic Stadium	\$ 10,000,000	1:5	\$ 2,000,000				\$ 2,000,000
Ditchstone Project (305 S 4th St E)	\$ 2,856,000	1:11	\$ 264,250				\$ 264,250
Florence Building	\$ 3,000,000	1:26	\$ 51,128	\$ 62,439			\$ 113,567
Higgins/Pine CCP Projects	\$ 40,000	1:2.5		\$ 16,000			\$ 16,000
iConnect Fiber Hotel	\$ 291,000	1:10	\$ 18,000	\$ 11,000			\$ 29,000
Missoula Federal Credit Union	\$ 447,000	1:13	\$ 33,980				\$ 33,980
Paoli Building (259 West Front St)	\$ 930,000	1:27	\$ 19,336	\$ 7,892	\$ 7,200		\$ 34,428
The Trail Head (221-229 East Front St)	\$ 979,000	1:13	\$ 76,000				\$ 76,000
Warehouse Mall	\$ 270,000	1:10	\$ 2,000	\$ 25,000			\$ 27,000
URD II Projects							
Lemer Project (Russell & Cooper St)	\$ 1,060,000	1:16.5	\$ 64,000				\$ 64,000
McKenzie Project (1144 West Broadway)	\$ 1,900,000	1:22	\$ 85,000				\$ 85,000
Morgan Project (1655 S 3rd St W)	\$ 12,000	1:2.5		\$ 4,895			\$ 4,895
TOTALS	\$ 23,446,300	1:8	\$ 2,694,744	\$ 200,648	\$ 24,267	\$ -	\$ 2,919,659

PUBLIC PROJECTS

Every year MRA participates in many public improvement projects within the Urban Renewal Districts. MRA is authorized by state law to use tax increment funds for the acquisition, construction and improvement of infrastructure, which includes streets, roads, curbs, gutters, sidewalks, pedestrian malls, parks, alleys, parking lots and off-street parking facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, waterlines, waterways, water treatment facilities, natural gas lines, electrical lines, telecommunications lines, rail lines, rail spurs, bridges, and publicly owned buildings.

During fiscal year 2003, MRA completed nine public projects. The Orange Street Bridge appears prominently across the Clark Fork River as MRA's most significant public project contribution in FY 03. MRA had twenty-two public projects in progress during the past fiscal year.

PROJECTS COMPLETED

URD I Projects

Caras Park Trail Paving
Clark Fork Manor Lighting
Downtown Alleys
Downtown Street Renovations - Phase IX
Hellgate High School Auditorium
McAdams Property Appraisal
Missoula Library Native Prairie Garden
Orange Street Bridge
Streetscape Amenities

URD II Projects

None

PROJECTS IN PROGRESS

URD I Projects

301 West Broadway (MHA)
Art Museum Remodel
Bess Reed Park Boat Ramp
Caras Park Restrooms
County Courthouse Remodel
DoubleTree River Access Trail
Evelyn Borg Johnson Park Amenities
First Night Tiles
Locomotive 1356
McAdams Property Negotiations
McCormick Park Tennis Courts
Missoula Library
MRL Trestle Pedestrian Bridge
Orange Street Bridge Amenities
Performing Arts Center
Ron MacDonald Memorial & Trail Map
Skate Park
Van Buren Street Footbridge
Weir Debris/Brennan's Wave

URD II Projects

Modern Plumbing Property & Trail
Shady Grove Trail Enhancements
West Broadway Island Trail

~ PUBLIC PROJECTS COMPLETED ~

URD I Projects

Caras Park Trail Paving

Trail from Bess Reed to Orange Street

Project Cost: \$30,342
MRA Assistance: 100%



Caras Park Trail was paved in the mid seventies, years before Caras Park was redeveloped into the town center and gathering place that it is today. The Caras Park trail is one of the most popular paved segments of the Riverfront Trail System. The trail extends 1,800 feet from Bess Reed Park to the Orange Street Bridge serving Caras Park, the Carousel, Dragon Hollow and the Clark Fork Riverside senior retirement residence. Many citizens enjoy use of the trail during activities such as “Out to Lunch” or just for a relaxing stroll along the river.

Over the last 20 years the asphalt trail had seen its share of potholes and patches; however, more serious attention eventually became necessary. This past year MRA funded the complete repaving of the trail through the Park including removing the old asphalt, re-compacting the sub-grade and overlaying a new layer of asphalt. Because of better paving practices presently used, the trail is expected to last many years into the future to be enjoyed by out-to-lunch participants, park strollers, and carousel riders of all ages.

Clark Fork Manor Lighting

301 West Front Street

Project Cost: \$280
MRA Assistance: 100%

The MRA staff has been working on the problem of how to suitably light the Clark Fork Manor Riverside senior community building during holidays for some time. The current light configuration draws a lot of power, so after much discussion about the hours of operation, it was agreed that they would install timers and longer lasting bulbs. MRA agreed to make that improvement in recognition of the Clark Fork Manor’s long-standing role as a downtown business and residence whose Christmas decorations are appreciated by thousands. Using this strategy, the Clark Fork Manor residents are able to keep their holiday tradition alive at a very reasonable cost.

~ PUBLIC PROJECTS COMPLETED ~

Downtown Alley

100 block of West Alder & West Spruce

Project Cost:

\$19,910

MRA Assistance:

100%



MRA contributed tax increment funds to match private funds from adjacent property owners to reconstruct the alley between the 100 block of West Alder Street and West Spruce Street.

Downtown Streets

Phase IX – Pattee Street

Project Cost:

\$80,822

MRA Assistance:

100%

MRA assisted this project by contributing the costs for materials, equipment and labor for resurfacing and repaving Pattee Street from Spruce Street south to Bess Reed Park.

Hellgate High School Auditorium

900 South Higgins Avenue

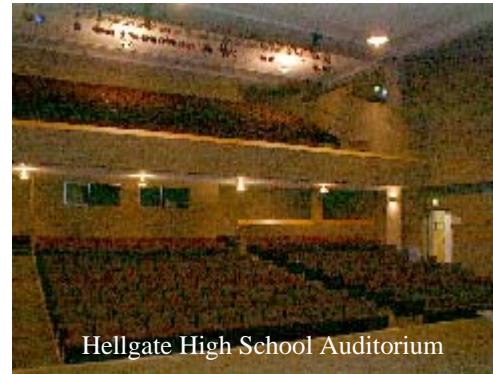
Project Cost:

\$350,000

MRA Assistance:

69,960

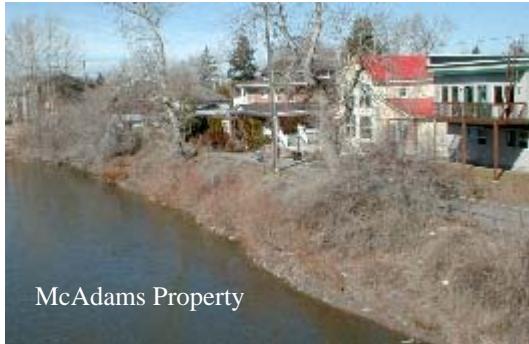
Missoula voters passed a bond issue some years ago which financed the renovation of the High School District's three High Schools. Hellgate High School, the only public high school in Urban Renewal District 1, was in desperate need for an upgrade to its auditorium. The budgeted funds for the project, however, did not quite cover all the upgrades and features a modern high school auditorium ought to have. MRA agreed to provide nearly \$70,000 in assistance to permit the upgrade of seating and stage lighting. Today, the public and students of Hellgate High School – whether they are performing or part of the audience – enjoy a comfortable, functioning venue.



~ PUBLIC PROJECTS COMPLETED ~

McAdams Property Appraisal 737 East Front

Project Cost: \$5,000
MRA Assistance: 100%



This project involves development of a primitive riverfront trail at McAdams property and along the east side of Rattlesnake Creek between Front Street and the Clark Fork River for a total of approximately 350 linear feet. Acquisition costs for the private property required for this project are unknown. This project will help fill in the gap in the Riverfront Trail system between the sections of trail at Goldsmith's and Kiwanis Park.

Missoula Library Native Prairie Garden 301 East Main

Project Cost: \$18,000
MRA Assistance: \$5,000

This past year, the Missoula Public Library undertook a project aimed at expanding its mission and relevance in the community. The project was the transformation of a small part of the Library parking lot into a microcosm of the Great American Prairie. This project was undertaken in conjunction with a traveling exhibit sponsored by the Smithsonian Institute and the American Association of Libraries. MRA assisted this grassroots project by matching volunteer hours and donated materials and equipment with financial support. The project is a great example of the benefits of intensive landscaping developments in small spaces.



~ PUBLIC PROJECTS COMPLETED ~

Orange Street Bridge

Across the Clark Fork River

Project Cost: \$7,573,816
MRA Assistance: \$881,256

The new Orange Street Bridge was dedicated at 10:00 a.m. on Wednesday August 7, 2002. The project was a joint venture between the Montana Department of Transportation, the City of Missoula, and the Missoula Redevelopment Agency (MRA). Financed using a variety of federal and state funds as well as \$881,256 of local tax increment funds, the total construction cost of the bridge was \$7,573,816.

The new Orange Street Bridge replaced a bridge built in the late 1930s, which was named the “Parkway Bridge.” The Parkway Bridge was one of the last Works Project Administration (WPA) bridge projects built in Montana. The new four-lane Orange Street Bridge features bicycle lanes and sidewalks and is one



Orange Street Bridge

of three bridges that serve traffic flowing in and out of Downtown Missoula. Construction of the bridge began in April 2000.

Many citizens were involved in the preliminary design work and their participation insured that the bridge engineers considered aesthetics as well as carrying capacity and lane widths. The concrete piers and approaches, for example, were cast with an ashlar stone fascia to give the bridge texture and interest. Pedestrian scale lighting and improved riverfront trail access make this a bridge for more than motorists. A tunnel beneath the bridge for bicyclists and pedestrians allows non-motorized traffic a safe and convenient way to cross Orange Street.

The Orange Street Bridge was designed by DJA Engineers and HNTB, a bridge design firm that designs bridge projects all over the United States. The contractor was Bodell Construction.

Streetscape Amenities

Downtown District

Project Cost: \$6,524
MRA Assistance: 100%

MRA assisted with the supplies for another Eagle Scout project targeted at improving Downtown Missoula's streetscape amenities.

~ PUBLIC PROJECTS IN PROGRESS ~

URD I Projects

Missoula Housing Authority (MHA) 301 West Broadway	Estimated Project Cost: Estimated MRA Assistance:	\$10,000 \$5,000
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MRA has set aside this amount to match an amount from the Missoula Housing Authority to provide for professional services determining the feasibility of a housing project at this location in Downtown Missoula.

Art Museum of Missoula 335 North Pattee	Estimated Project Cost: Estimated MRA Assistance:	\$1,500,000 \$500,000
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In this project the Art Museum of Missoula will expand and renovate the City-owned Art Museum building. The project will increase the safety of the art, staff and citizens. An elevator will be added to comply with ADA. The interior will be rehabilitated and the exterior will be preserved. Other funding sources include Art Foundations & Grants, City & County Intercap loans and a CDBG grant. As part of its obligation to the project, the Museum will match MRA funds on a 2:1 basis and will begin development of an endowment with an initial goal of \$500,000.



Bess Reed Park Boat Ramp South Pattee Street at Clark Fork River	Estimated Project Cost: MRA Assistance Pledged:	\$3,500 100%
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MRA, working in cooperation with the Missoula City Trails Development Manager, Montana Fish Wildlife and Parks and the DNRC, identified the need for and location of an access ramp from which to load and unload non-motorized watercraft in the Clark Fork River. A site was chosen near Bess Reed Park as being the most suitable. MRA arranged to have the ramp improved by the Montana Conservation Corps based on design work provided by the Trails Development Manager.

~ PUBLIC PROJECTS IN PROGRESS ~

Caras Park Restrooms Caras Park

Estimated Project Cost:	\$133,700
Estimated MRA Assistance:	\$55,000

It is recognized that the Caras Park restrooms, built in the 1980s, are in serious need of renovation after years of vandalism and heavy use. In addition to renovation, this project will expand the number of fixtures in the women's and men's restrooms and expand the building to provide additional storage for fixtures, furniture and equipment used at the park. After a generous donation of time by OZ Architects for the design work, the project went to bid in the spring of 2003. The bids were significantly higher than the original budget. In order to address the costs, redesign is currently underway with a re-bid expected to occur in fall 2003.

County Courthouse Remodel 200 West Broadway

Estimated Project Cost:	\$1,102,752
Estimated MRA Assistance:	\$551,376

Few buildings in the Downtown are as handsome and stately as the Missoula County Courthouse. Designed by famed Missoula architect A.J. Gibson, the Missoula County Courthouse is approaching its 100th anniversary and the Missoula County Commissioners have embarked on a multi-year plan to repair and renovate the building so that on this centennial occasion, the building looks as grand as it did when it was first built.

MRA agreed that this historic building is a huge attraction for the downtown both for its appearance as well as for being the place where county government is housed and the public's business is conducted. In support of the renovation project, MRA pledged matching funds in the amount of \$551,376 to assist with the installation of a modern fire sprinkler system and substantial repair of the courthouse roof, as well as other improvements which will be undertaken over the next couple of years as County budgeting permits.



Missoula County Courthouse

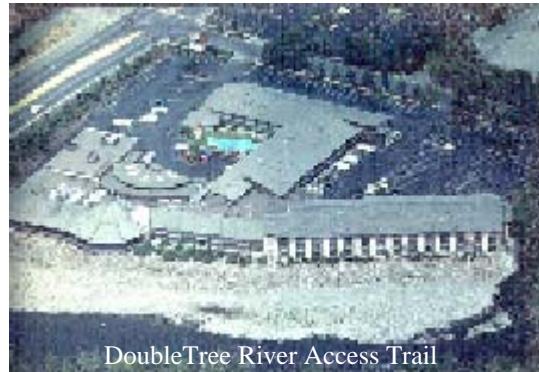
~ PUBLIC PROJECTS IN PROGRESS ~

DoubleTree River Access Trail 100 Madison Street

Estimated Project Cost: TBD
Estimated MRA Assistance: \$185,000

The MRA Board has made it a priority to fill-in the trail gaps on the north shore trail system prior to sunset of Urban Renewal District I. This project is currently in the planning stages. Two trail extension options are being examined:

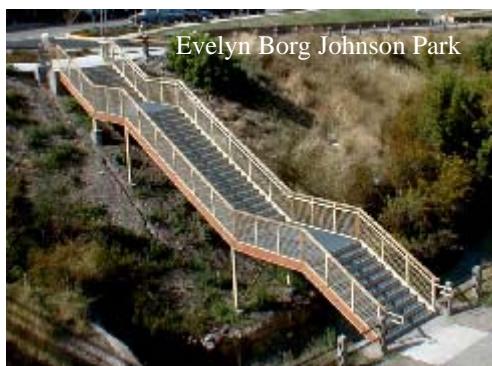
1. Extend the Kiwanis Park Trail at river level behind the Doubletree hotel and either crossing over Rattlesnake Creek on a footbridge or running parallel to Rattlesnake Creek north to the bridge on Front Street.
2. A trail that would connect the Kiwanis Park Trail to Front Street by running parallel to the Madison Street Bridge approach and adjacent to the DoubleTree parking lot.



Evelyn Borg Johnson Park Amenities

S 3rd St W & Higgins Avenue

Estimated Project Cost: \$9,451
Estimated MRA Assistance: 100%



Finalizing this FY 2002 project includes providing design and construction of better access to the Riverfront Trail from the park area and Third Street.

~ PUBLIC PROJECTS IN PROGRESS ~

First Night Tiles

Caras Park

Estimated Project Cost: \$4,500
Estimated MRA Assistance: \$1,000

For several years during the annual First Night Celebration, Missoula citizens have been making decorative tiles. A sufficient number of tiles have been created to place them in a public place where they can be enjoyed. The events ring at Caras Park was selected as a suitable place. MRA has agreed to donate \$1,000 to First Night Missoula for this purpose.

Locomotive 1356

Market Plaza

Estimated Project Cost: \$23,900
Estimated MRA Assistance: 100%



This project included removal of all asbestos associated with the boiler and brake system, repair and replacement of woodwork, and painting of this historic train engine donated to the City in 1955.

McAdams Property Negotiations

737 East Front

Estimated Project Cost: \$5,000
Estimated MRA Assistance: 100%

This amount was designated for professional services in negotiating acquisition of the McAdams property along the Clark Fork River. If successful this area would provide a trail connection along the north shore of the Ron MacDonald Riverfront Trail System.

McCormick Park Tennis Courts

McCormick Park

Estimated Project Cost: TBD
Estimated MRA Assistance: \$60,000

MRA agreed to carryover this amount for the rebuilding of McCormick Park tennis courts. The original approved amount was for \$100,000 for both Kiwanis and McCormick Park courts. Kiwanis Park tennis courts were rebuilt in spring 2002 and required \$40,000 of MRA's original pledge. Courts at McCormick Park get high public use and their current playing surfaces are rough, undesirable and do not meet the conditions required for competitive play. Recently, a citizens group completed the new McCormick Park Master Plan, which shows the tennis courts relocated to a different area in the Park. The Parks & Recreation Department intends to explore using grant money and other cost saving techniques to complete the relocation of the courts in FY 04.

~ PUBLIC PROJECTS IN PROGRESS ~

Missoula Library

301 East Main

Estimated Project Cost: \$235,000
Estimated MRA Assistance: \$84,000

The Missoula Public Library undertook a project to remodel the front entrance of the Library to improve access and to gain needed room for meetings and Library-related programs. Using funding derived from a voter approved mill levy, the Library matched MRA almost 2:1 in financing these much needed improvements. Once the project is complete, citizens of all ages will find the library a more welcoming and useful place.



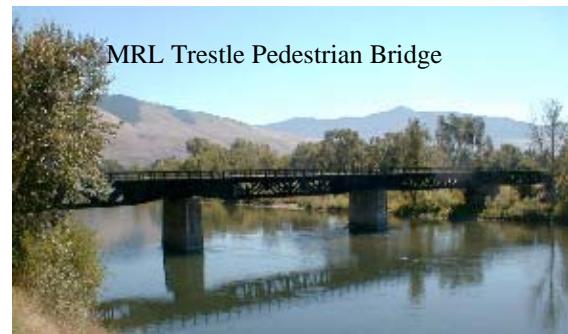
Missoula Public Library

MRL Trestle Pedestrian Bridge

Bitterroot Branch Line across Clark Fork River

Estimated Project Cost: TBD
Estimated MRA Assistance: 100%

In anticipation of the Civic Stadium's completion, the MRA staff researched the possibility of attaching a bicycle/pedestrian facility to the Montana Rail Link trestle Bridge crossing the Clark Fork River. The project would have linked the north and south shores of the Clark Fork River taking pedestrians between Broadway and the south shore trail system. After much consideration, the MRA Board decided to drop this project from the MRA work plan. While the MRA Board remains supportive of creating bicycle/pedestrian facilities, it felt this project did not rise to a level warranting MRA's further consideration.



MRL Trestle Pedestrian Bridge

Orange Street Bridge Amenities

Orange Street at Clark Fork River

Estimated Project Cost: \$8,500
Estimated MRA Assistance: 100%

As a long-awaited finishing touch to the Orange Street bridge, MRA is having bronze architectural medallions prepared for installation on the Orange Street Bridge. When the bridge was built during 2000-2002, recessed indentations were provided for these medallions. The design of the three different style of medallions include a dated medallion for each side and end of the bridge and two variations of drawings of bitterroot flowers created by local Artist Mary Beth Percival. Her drawings were given to master carvers at the Missoula Carousel who, in turn, carved wooden patterns which are being used by a Montana bronze caster to create the medallions. The project is expected to be completed in September of 2003. The cost of casting and installing the 38 medallions is expected to be around \$8,500.

~ PUBLIC PROJECTS IN PROGRESS ~

Performing Arts Center TBD

Estimated Project Cost:
Estimated MRA Assistance:

TBD
\$25,000

MRA contributed \$12,500 in FY 03, matching a grant (Missoula School District and private funds) to help fund Needs Assessment for a performing arts center conducted by a group currently led by the Missoula Symphony Association. The Needs Assessment proved to be positive for the current and future need for a regional performing arts center located in Missoula. In FY 04, MRA will again match Missoula School District and private grant funds for a Feasibility Study for the center to be located in URD I. The second study will produce a preliminary building program, initial construction cost estimates, approximate on-going maintenance and other costs, as well as preferred location. The study should be completed during the autumn of 2003.

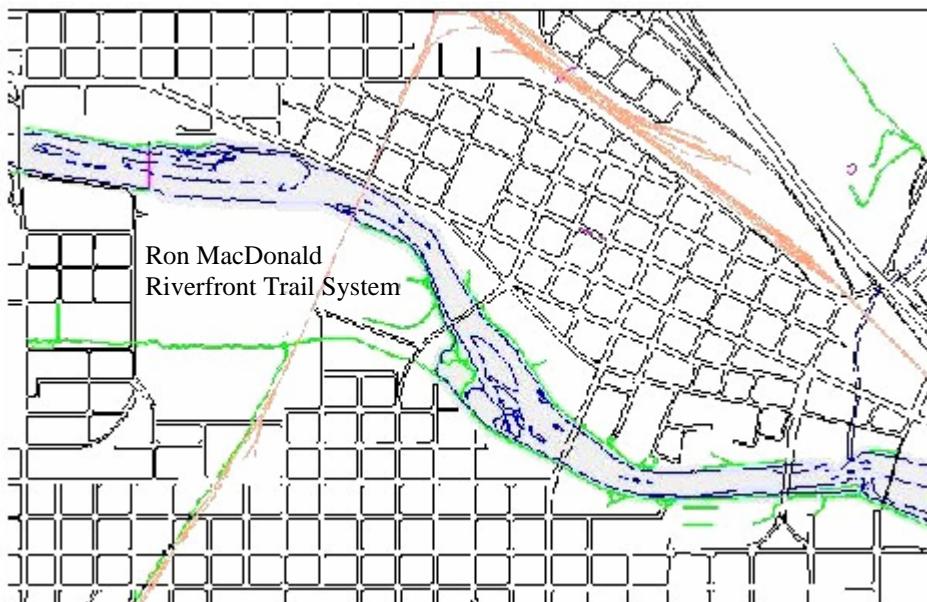
Ron MacDonald Memorial & Trail Map

Caras Park

Estimated Project Cost:
Estimated MRA Assistance:

\$4,000
100%

Ron MacDonald served on the MRA Board for over 20 years prior to his passing away in 2002. In recognition of his years of service to the community and his devotion toward the development of riverfront parks and trails, in 2002 the Missoula City Council passed a resolution naming the riverfront trails system the Ron MacDonald Riverfront Trail system. A new map and plaque will be provided.



~ PUBLIC PROJECTS IN PROGRESS ~

Skate Park McCormick Park

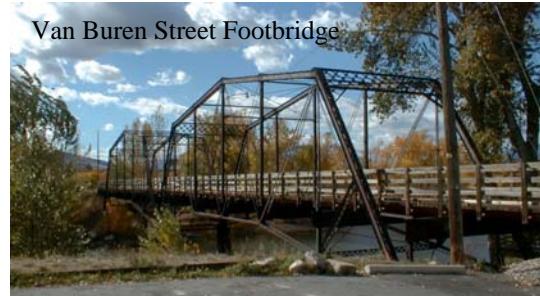
Estimated Project Cost: TBD
Estimated MRA Assistance: TBD

The City of Missoula and the MRA have been approached by local skating enthusiasts with a request to help develop a local skate park. The skate park has been included in the McCormick Park master plan and the project will be developed in the coming year or so.

Van Buren Street Footbridge Van Buren Street at Clark Fork River

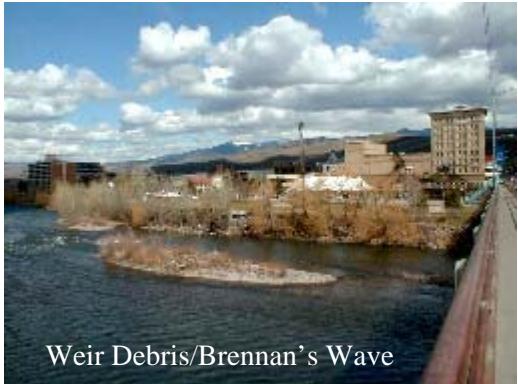
Estimated Project Cost: \$360,000
Estimated MRA Assistance: \$30,000

MRA pledged up to this amount as a matching grant to other agencies' contributions to refurbish the Van Buren Street Footbridge.



Weir Debris/Brennan's Wave Weir in Clark Fork River at Caras Park

Estimated Project Cost: 323,000
Estimated MRA Assistance: \$109,000



Only a few years ago, the MRA became involved in discussions regarding the future of the concrete weir located in the Clark Fork River just west of the Higgins Avenue Bridge at Caras Park. The metal and concrete debris is associated with an irrigation weir constructed in the 1960s. The protruding metal had caused deep concern for the safety of rafters and others using the river. So, in fiscal year 2001 MRA contracted with an underwater welder to remove the rebar and other metal attached to the concrete weir. Debris and rubble in the river have been a continual safety hazard for people using the river in the Downtown area for recreational purposes as well as the safety hazard for rescue workers.

The cost of the project is dependent on access to the channel; any currently unknown anchoring of the debris and the amount of channel remediation required if water flow modeling indicates an adverse impact to the bank by removing debris. Further, environmental review of effects of removal will have to be undertaken. Remediation or protection may affect cost. Response from appropriate environmental and wildlife agencies will be forthcoming. In August of 2000, debris and protuberances were removed. The Missoula Conservation District is currently undertaking the project feasibility. Another aspect of this project is the design and construction of a kayak facility to be constructed as a memorial for a local kayaker. This portion of the project would be accomplished through private funds and design services donated for this purpose.

~ PUBLIC PROJECTS IN PROGRESS ~

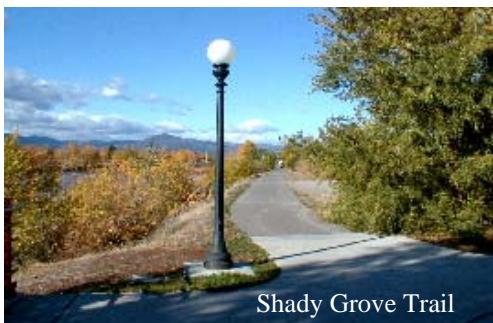
URD II Projects

Modern Plumbing Property & Trail Old Champion Mill Site	Estimated Project Cost: Estimated MRA Assistance:	\$212,500 100%
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This project involves obtaining an easement and development of a trail on the south side of the Clark Fork River at the Modern Plumbing property (former Champion Mill site). This project would connect the California Street Bicycle Pedestrian Bridge with Civic Stadium, which would be an essential element in the development of a non-motorized riverfront trail system loop. The \$212,500 amount budgeted is an estimate for trail construction and does not include property or easement acquisition costs.

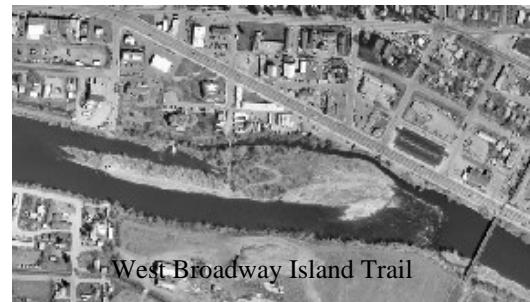
Shady Grove Trail Enhancements Shady Grove section of Riverfront Trail System	Estimated Project Cost: Estimated MRA Assistance:	\$235,000 \$31,537
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Provide matching funds for traffic flow improvements for bicyclists and pedestrians, seating at the bridge ends, lights on Shady Grove Trail and landscaping. Total project estimate is \$235,000. CTEP's contribution totals \$203,463 (86.58%) and MRA's contribution totals \$31,537 (13.42%).

West Broadway Island Trail Island in Clark Fork River floodplain	Estimated Project Cost: Estimated MRA Assistance:	\$225,000 100%
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Construction of a trail and connections to West Broadway in this area would provide an excellent riverfront pedestrian access from Russell Street and California Street Bridge to a section of West Broadway with improved pedestrian amenities. It also would allow public access to the river itself. The “island”, formed by the river and an irrigation canal, is currently privately held.



RECAP OF FISCAL YEAR 2003
PUBLIC PROJECTS

TBD: to be determined

~ Projects Completed ~

Project Name	Total Project Cost	Estimated MRA	Previously Expended	FY 03 Expended	Expended To Date	Total MRA Remaining
URD I Projects						
Caras Park Trail Paving	\$ 30,342	\$ 50,000	\$ -	\$ 30,342	\$ 30,342	\$ 19,658
Clark Fork Manor Lighting	\$ 280	\$ 280	\$ -	\$ 280	\$ 280	\$ -
Downtown Alley	\$ 19,910	\$ 25,000	\$ -	\$ 19,910	\$ 19,910	\$ 5,090
Downtown Street Renovations - Phase IX	\$ 80,822	\$ 94,000	\$ -	\$ 80,822	\$ 80,822	\$ 13,178
Hellgate High School Auditorium	\$ 350,000	\$ 69,960	\$ -	\$ 69,960	\$ 69,960	\$ -
McAdams Property Appraisal	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	\$ -
Missoula Library Native Prairie Garden	\$ 18,000	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	\$ -
Orange Street Bridge	\$ 7,573,816	\$ 879,500	\$ 738,537	\$ 142,719	\$ 881,256	\$ (1,756)
Streetscape Amenities	\$ 6,524	\$ 45,000	\$ -	\$ 6,524	\$ 6,524	\$ 38,476
URD II Projects						
(none)						
TOTALS	\$ 8,084,693	\$ 1,173,740	\$ 738,537	\$ 360,556	\$ 1,099,093	\$ 74,646

~ Projects In Progress ~

Project Name	Estimated Project Cost	Estimated MRA	Previously Expended	FY 03 Expended	Expended To Date	Total MRA Remaining
URD I Projects						
301 West Broadway (MHA)	\$ 10,000	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Art Museum Remodel	\$ 1,500,000	\$ 500,000	\$ -	\$ 8,008	\$ 8,008	\$ 491,992
Bess Reed Park Boat Ramp	\$ 3,500	\$ 3,500	\$ -	\$ -	\$ -	\$ 3,500
Caras Park Restrooms	\$ 133,700	\$ 55,000	\$ -	\$ -	\$ -	\$ 55,000
County Courthouse Remodel	\$ 1,102,752	\$ 551,376	\$ -	\$ 154,180	\$ 154,180	\$ 397,196
DoubleTree River Access Trail	TBD	\$ 185,000	\$ 4,130	\$ -	\$ 4,130	\$ 180,870
Evelyn Borg Johnson Park Amenities	\$ 9,451	\$ 9,451	\$ -	\$ 2,991	\$ 2,991	\$ 6,460
First Night Tiles	\$ 4,500	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Locomotive 1356	\$ 23,900	\$ 23,900	\$ -	\$ 13,792	\$ 13,792	\$ 10,108
McAdams Property Negotiations	\$ 5,000	\$ 5,000	\$ -	\$ 1,163	\$ 1,163	\$ 3,837
McCormick Park Tennis Courts	TBD	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
Missoula Library	\$ 235,000	\$ 84,000	\$ -	\$ -	\$ -	\$ 84,000
MRL Trestle Pedestrian Bridge	TBD	\$ 500,000	\$ 2,944	\$ 5,000	\$ 7,944	\$ 492,056
Orange Street Bridge Amenities	\$ 8,500	\$ 8,500	\$ -	\$ -	\$ -	\$ 8,500
Performing Arts Center	TBD	\$ 25,000	\$ -	\$ 12,274	\$ 12,274	\$ 12,726
Ron MacDonald Memorial & Trail Map	\$ 4,000	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Skate Park	TBD	TBD	\$ -	\$ -	\$ -	\$ -
Van Buren Street Footbridge	\$ 360,000	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Weir Debris/Brennan's Wave	\$ 323,000	\$ 109,000	\$ 6,000	\$ 8,000	\$ 14,000	\$ 95,000
URD II Projects						
Modern Plumbing Property & Trail	TBD	\$ 212,500	\$ -	\$ -	\$ -	\$ 212,500
Shady Grove Trail Enhancements	\$ 235,000	\$ 31,537	\$ -	\$ -	\$ -	\$ 31,537
West Broadway Island Trail	\$ 225,000	\$ 225,000	\$ 750	\$ -	\$ 750	\$ 224,250
TOTALS	\$ 4,183,303	\$ 2,628,764	\$ 13,824	\$ 205,409	\$ 219,233	\$ 2,409,531

URBAN RENEWAL PLANNING

The MRA staff spends a portion of its time on urban renewal planning for each of the districts. Planning can include general research on redevelopment topics; attending professional seminars, classes and conferences, workshops; liaison with other departments, boards or organizations; speaking engagements before groups or the public; and interviews with the media. Planning also encompasses activities such as discussing redevelopment opportunities with clients and distributing redevelopment information before a specific project has been designated. Time spent disseminating information about the urban renewal districts, Missoula or other programs and opportunities is also registered as planning activities. Planning can also relate to specific projects and include activities such as meeting with applicants; reviewing application material; conducting project specific analysis with respect to property, taxes, comprehensive planning and zoning issues, etc.; report writing; drafting correspondence; time spent before City Council and citizen committees and Boards.

During fiscal year 2003 the MRA staff, in conjunction with St. Patrick Hospital, engaged an urban design consultant to create an redevelopment master plan for the Riverfront Triangle area based on visions from a 2002 design Charrette held for the area and helping flesh out community values for the future of a nearly nine acre Downtown site.

URBAN RENEWAL PLANNING PROJECTS

CHAMPION LANDS

Although this property is not within the City of Missoula, its proximity to URD I and URD II makes it a property whose development will directly impact both Districts. The mill site has several problems (including complex ownership circumstances) which have inhibited its redevelopment. It is also considered a "Brownfield" due to the potential presence of hazardous materials on the site.

MCCORMICK PARK AQUATICS CENTER

In fall 2003, citizens of the City voted for a general obligation bond to build several water related play areas in several community parks, a new 50-meter pool and outdoor water recreation area at Playfair Park on the south side of the City, and an indoor aquatics center in McCormick Park. Prior to the election, the MRA pledged \$1.5 dollars to assist the Parks and Recreation Department in construction of the McCormick Park facility. During early 2004, a project design will begin on all the aquatics projects. Construction of the McCormick Park Aquatics Center is anticipated in the winter of 2005-2006.

NON-MOTORIZED TRANSPORTATION PLAN

In 2002, the MRA Board identified the task of completing the riverfront trail system as among its highest priorities before URD I sunset. Completing the gaps remaining has not been undertaken to date due to the complexities and expense involved. As the sunset of URD I approaches, the need to problem solve and commit resources to this task becomes more urgent.

In conjunction with Montana Department of Transportation (MDT), MRA staff has begun preliminary investigations to determine the feasibility of placing a bicycle/pedestrian bridge on portions of the existing Madison Street Bridge piers. Additionally, staff has initiated a project to ease the complexities pedestrians encounter while traveling between Bess Reed and Kiwanis Park.

RIVERFRONT TRIANGLE (FOX SITE) REDEVELOPMENT

The area known as the Fox Site includes land given to the City in the 1920s, the former Fox Theater Site given to the City in 1984, and the former Holiday Store and Mustard Seed Restaurant sites purchased by the City within the last few years. In 2002, St. Patrick Hospital and Health Sciences Center acquired the land owned by the Western Montana Clinic adjacent and proximate to the Fox Site. At this time, the Hospital and City own virtually all the land within a wedge-shaped area bounded by West Broadway, Orange Street and the Clark Fork River. Three other private landowners own parcels in Triangle.

Because of its size, location on two arterial business streets, and position as the last major developable piece of property near the downtown riverfront, it is important that the whole area

be developed with great care. In 2002, the St. Patrick Hospital and Health Sciences Center and MRA co-hosted a day-long design planning Charrette to begin the process of master planning the area. In 2003, the Hospital and MRA engaged an urban design consultant to create a development master plan of the area based on the framework from the Charrette.



The master plan effort incorporated substantial public interaction including three public workshops and numerous interviews and small meetings. The Riverfront Triangle Master Plan was completed in mid-summer 2003. The plan provides for mixed-use development that benefits from its location on the Clark Fork River and concentrates diverse building programs around a public plaza and streetscape network. The basic land uses of the site include residential, office, commercial, retail and civic institutions including areas for a potential performing arts complex. The recommended development controls defined in the master plan document provide a basic framework for preferred land-use, maximum building heights and massing, transportation and circulation corridors, architectural principals and

guidance, recommended streetscape improvements, and open space frameworks for future development on the site. A special zoning district based on the Plan's development controls and architectural principles will be presented for approval in December 2003. Marketing of the Riverfront Triangle is anticipated during the spring of 2004.

URBAN RENEWAL DISTRICT III

In December of 2000 the City Council created a third Urban Renewal District in the area surrounding Southgate Mall taking in the area between and around Brooks Street and the railroad tracks. Like what happened decades before in the Downtown, the area around Brooks street is feeling the effects of the modern development taking place on the fringes of the City and it is showing its age. Not old enough to be quaint, but too old to be hip, the Brooks Street area is in need of redevelopment informed by new ideas.

To gain those new ideas and get a better understanding of what they are, the MRA Board has invited the Urban Land Institute to send a panel of ULI members from various professions, to spend a week in our community. The panel will visit Missoula mid-October 2003 to make observations about the Brooks Street area and more importantly, to meet with people from the community. The panel will touch on topics such as the market potential of the area, planning and design, redevelopment strategies and implementation of those strategies. At the end of the week the panel will summarize their findings and ideas in a public presentation followed up by a printed report. The MRA will use these ideas and observations to guide the District's redevelopment and make well informed decisions regarding the renewal of this important part of our community.

TRANSPORTATION EQUITY ACT for the 21st CENTURY (TEA-21)

On June 9, 1998, President Clinton signed into law the Transportation Equity Act for the 21st Century (TEA-21). TEA-21 builds on the initiatives established in the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. The new Act “*combines the continuation and improvement of current programs with new initiatives to meet the challenges of improving safety as traffic continues to increase at record levels, protecting and enhancing communities and the natural environment as we provide transportation, and advancing America’s economic growth and competitiveness domestically and internationally through efficient and flexible transportation.*” In order to fulfill its purpose, TEA-21, like ISTE, includes several transportation programs. A description of two TEA-21 programs utilized by MRA for a variety of projects follows.

Congestion Mitigation and Air Quality (CMAQ) Improvement Program

The CMAQ program continues under TEA-21 and provides a flexible funding source to State and local governments for transportation projects and programs to help meet the requirements of the Clean Air Act. Eligible activities include transit improvements, travel demand management strategies, traffic flow improvements, and public fleet conversions to cleaner fuels, among others.

Community Transportation Enhancement Program (CTEP)

CTEP is the State version of the Transportation Enhancements (TE) portion of TEA-21 in which funds are set aside for transportation enhancement activities. The City and MRA utilize this program for a variety of transportation related projects. More activities are eligible under TEA-21 than were eligible under ISTE; however, all Enhancement projects must relate to surface transportation. In addition to eligible activities adopted from ISTE (listed below), TEA-21 also provides for safety education for pedestrians and bicyclists, the establishment of transportation museums as well as providing for projects that reduce vehicle-caused wildlife mortality.

TEA-21 Eligible Activities

- Provision of facilities for pedestrians and bicycles
- Acquisition of scenic easements and scenic or historic sites
- Scenic or historic highway programs
- Landscaping and other scenic beautification
- Historic preservation, rehabilitation, and preservation of historic transportation buildings, structures, or facilities (including historic railroad facilities and canals)
- Preservation of abandoned railway corridors (including conversion and use for pedestrian/bicycle trails)
- Control and removal of outdoor advertising
- Archaeological planning and research
- Mitigation of water pollution due to highway runoff

TEA-21 PROJECTS

SHADY GROVE TRAIL ENHANCEMENTS

MRA considered transferring the CTEP funds for this project to the MRL Trestle Bridge but, as mentioned earlier, that project was not approved by the Board. The Shady Grove Trail Enhancements project would provide matching funds for traffic flow improvements for bicyclists and pedestrians, seating, lighting and landscaping. Total project estimate is \$235,000. CTEP's contribution is \$203,463 (86.58%) and MRA's contribution is \$31,537 (13.42%).

FINANCIAL INFORMATION

Since its creation in 1978, the Missoula Redevelopment Agency has been primarily funded by tax increment. Tax increment is the new tax revenue resulting from construction and redevelopment within an urban renewal area.

In the past ten years the Montana Legislature has adopted several tax law changes that have negatively impacted local government's ability to generate tax revenue. In response to the Legislature's intent to "make whole" the taxing jurisdictions affected by these changes, the State has provided mechanisms to reimburse the lost revenue. MRA's first and second urban renewal districts now receive personal property tax reimbursements through HB 20 and SB 417 and State entitlement funds through HB 124. Since the creation of URD III occurred after these laws were adopted, it does not receive these types of funds. It is important to note that HB 20 and SB 417 include declining reimbursement schedules so revenue from these mechanisms is decreasing each year and will eventually expire.

In response to the increasingly complicated process of determining revenue, MRA contracted with Elmore & Associates, P.C. to conduct an analysis of recently enacted laws affecting tax increment districts. Elmore & Associates' report dated January 2002 provides a methodology for staff to follow when trying to predict revenues. MRA uses a combination of tax increment, reimbursement, entitlement and federal grant funds to foster redevelopment programs and projects in the three Districts.

Montana State Urban Renewal Law provides redevelopment agencies with the power to bond in order to foster redevelopment. Since the issuance of tax increment bonds in 1990 to build a parking structure in the Downtown District, MRA's URD I tax increment revenue has been deposited into debt service accounts to pay off the bonds. After the bond payments are made, the remaining money is transferred to the URD I Development Fund for use in redevelopment efforts and/or for disbursement to local taxing jurisdictions. URD I's bond debt is scheduled to be retired on July 1, 2005 causing the "sunset" or end of Missoula's first Urban Renewal District.

All revenue for Urban Renewal District II and Urban Renewal District III are deposited directly into their respective Development Funds to foster redevelopment activities in Missoula's second and third Districts.

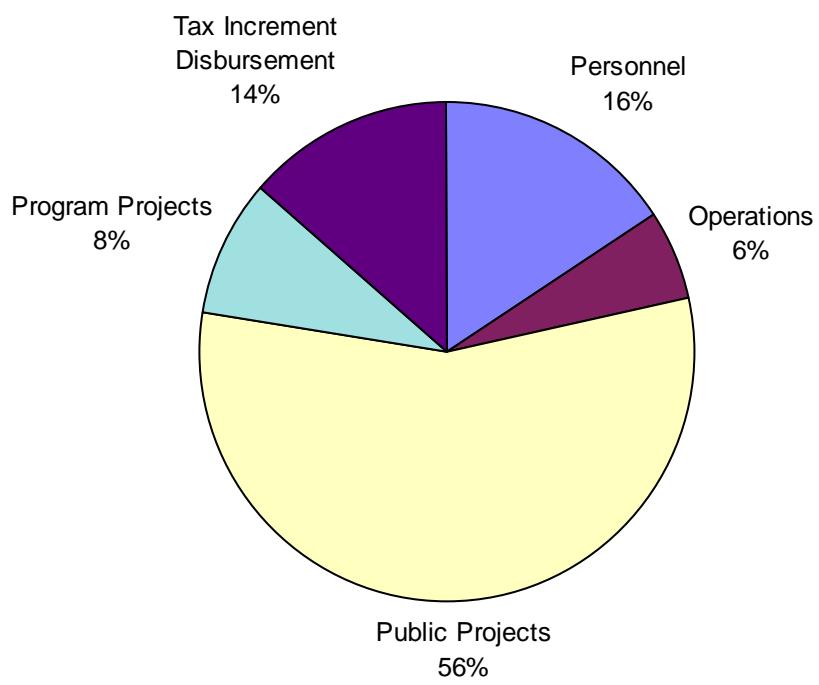
REVENUE & EXPENDITURES

The following table shows MRA's revenues, expenditures on community development (*includes: administration, public works, private rehabilitation, planning and other*), capital outlay and transfers for all three Urban Renewal Districts. Activity for URD I's debt service fund is also presented.

	Major URD I	Major URD II	Major Debt Service	Other Fund URD III	Total Governmental Funds
<u>Revenues:</u>					
Tax Increment Property Tax	\$ 1,135,026	\$ 285,933	\$ 285,662	\$ 94,184	\$ 1,800,805
State Personal Property Tax Reimbursement	103,779	3,917	-	-	107,696
State Entitlement	1,100,507	33,343	-	-	1,133,850
Miscellaneous	40,429	2,461	-	-	42,890
Investment Earnings	113,538	9,431	14,531	1,142	138,642
Total Revenues	\$ 2,493,279	\$ 335,085	\$ 300,193	\$ 95,326	\$ 3,223,883
<u>Expenditures:</u>					
Community Development	\$ 1,616,221	\$ 53,795	\$ -	\$ -	\$ 1,670,016
Debt Service Expense	-	-	291,637	-	291,637
Capital Outlay	97,332	-	-	-	97,332
Total Expenditures	\$ 1,713,553	\$ 53,795	\$ 291,637	\$ -	\$ 2,058,985
<u>Other Financing Sources (Uses):</u>					
Operating transfers in	\$ 212,938	\$ -	\$ -	\$ -	\$ 212,938
Operating transfers out	-	(50,000)	(105,938)	(57,000)	(212,938)
Transfers to other Government	(89,938)	-	-	-	(89,938)
Total other financing sources (uses)	\$ 123,000	\$ (50,000)	\$ (105,938)	\$ (57,000)	\$ (89,938)
Excess Revenues and other sources over Expenditures and other uses	<u>\$ 902,726</u>	<u>\$ 231,290</u>	<u>\$ (97,382)</u>	<u>\$ 38,326</u>	<u>\$ 1,074,960</u>
Fund Balance July 1, 2002	\$ 4,222,125	\$ 285,454	\$ 458,553	\$ 9,951	\$ 4,976,083
Restatements	(27,053)	-	-	-	(27,053)
Fund Balance July 1, 2002 - as restated	<u>\$ 4,195,072</u>	<u>\$ 285,454</u>	<u>\$ 458,553</u>	<u>\$ 9,951</u>	<u>\$ 4,949,030</u>
Fund Balance June 30, 2003	<u>\$ 5,097,798</u>	<u>\$ 516,744</u>	<u>\$ 361,171</u>	<u>\$ 48,277</u>	<u>\$ 6,023,990</u>

The total URD I adjusted fund balance at the beginning of fiscal year 2004 was \$4,195,072. At the end of the fiscal year, the balance was \$5,097,798. The total URD II adjusted fund balance at the beginning of fiscal year 2003 was \$285,454. At the end of the year, the balance was \$516,744. URD III's fund balance at the beginning of fiscal year 2003 was \$9,951. At the end of the fiscal year, the balance was \$48,277.

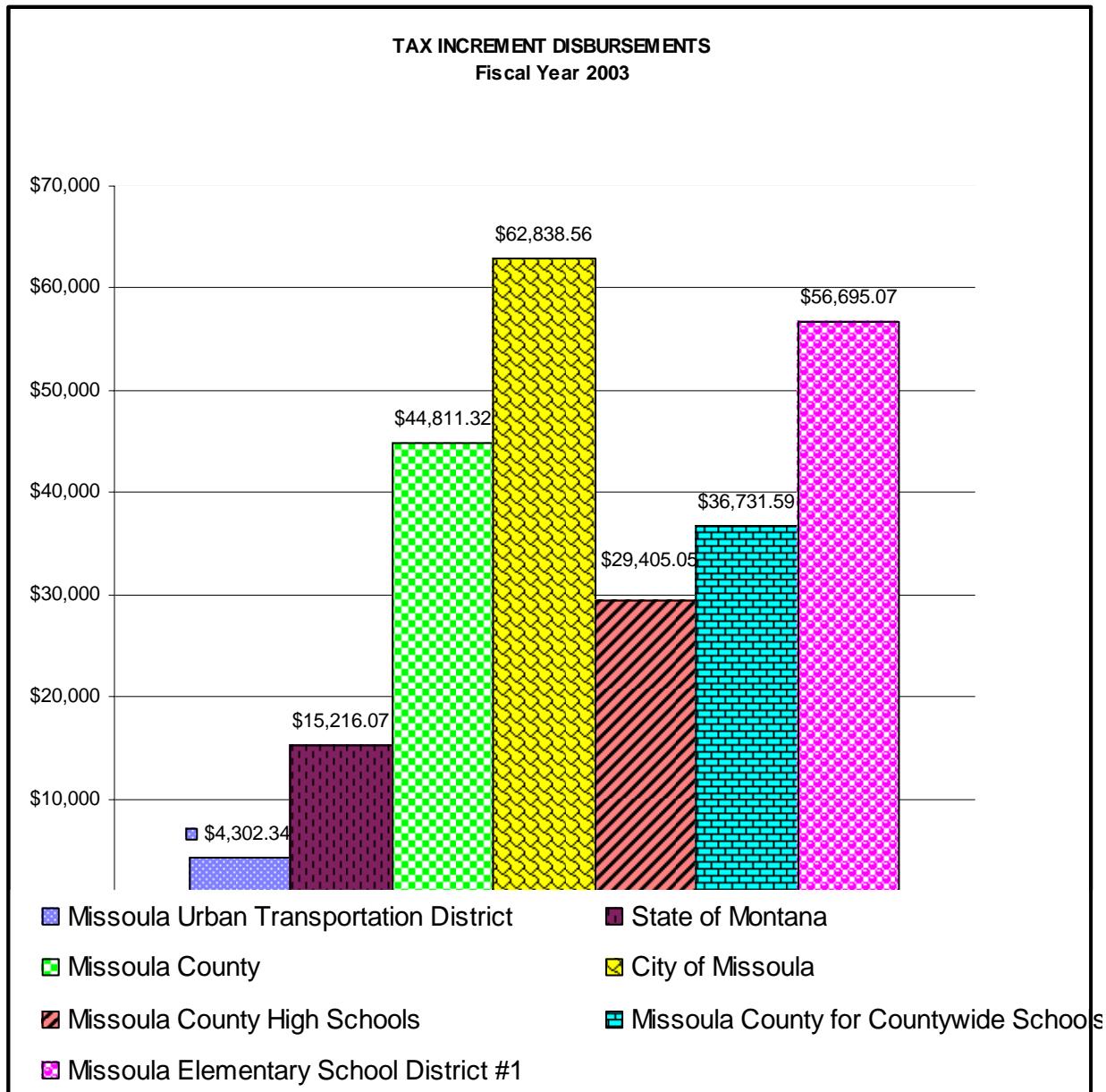
FY 03 MRA Expenditures



■ Personnel	■ Operations
■ Public Projects	■ Program Projects
■ Tax Increment Disbursement	

TAX INCREMENT DISBURSEMENT

In accordance with State of Montana Urban Renewal Law, the City Council agreed to remit \$250,000 of MRA's URD I tax increment revenue to the local taxing jurisdictions in fiscal year 2003. The table below illustrates the amount of tax increment distributed to each of the seven taxing jurisdictions.



By law, the City Council makes the decision to disburse tax increment funds to the local taxing jurisdictions on an annual basis. The disbursement, in effect, returns to the taxing jurisdictions a portion of the success created by revitalizing Missoula's Downtown.

AUDIT REPORT

MRA's financial management activities are subject to an annual independent audit by an outside accounting firm. Fiscal Year 2003 was the second year of a three-year engagement with Denning, Downey & Associates, P.C. of Kalispell, MT to perform MRA's financial audit. The audit is conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. In regards to MRA's audit, Denning, Downey & Associates reported, *"In our opinion, the financial statements...present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, as of June 30, 2003...."*

Although MRA often sponsors federally funded transportation projects, this year's audit did not require a Single Audit of all financial statements relating to Federal Awarded Programs.

Denning, Downey & Associates P.C. also conducted a review of MRA's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grants. Denning, Downey & Associates P.C. reported, *"We noted no matters involving the internal control over financial reporting and its operation that we consider to material weaknesses."*

Management's Discussion and Analysis

The Missoula Redevelopment Agency is a component of the City of Missoula. Its budget is prepared at the same time as the City of Missoula Budget and undergoes review and approval by City officials as part of the City's budgeting process. Moreover, all expenditures of the MRA are reviewed and approved by the Missoula City Finance Office and the Missoula City Council.

The financial statements of the Missoula Redevelopment Agency are based on information provided by the Missoula County Treasurer and the City of Missoula Finance Office. MRA records are reconciled with the information prepared and maintained by the City of Missoula.

Our discussion and analysis of the MRA's financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the MRA's financial statements and accompanying notes.

Financial Highlights

- The MRA's net assets increased by \$1,441,854 due primarily to a net change in fund balances. Other reasons for the increase include taxes receivable and repayment of long-term debt principal, which reduced the long term liabilities.
- During the year MRA had revenues of \$3,223,883 and expenses totaling \$2,058,985, which resulted in an excess of \$1,164,898 of revenues over expenditures.
- MRA's revenues are derived primarily from tax increment property tax, State Personal Property Tax Reimbursements, State Entitlements, and Investment Earnings. Small amounts of revenue are received from other miscellaneous sources. MRA's 2003 revenues increased by 6% from 2002.
- Expenditures include amounts for MRA's redevelopment programs, projects, debt service for the outstanding bonds in URD I and an amount released to the taxing jurisdictions from URD I's development account. MRA's 2003 expenditures were down 27% from 2002.
- The change in fund balance shows a net change of \$1,074,960 during the reporting year. This change reflects net revenue received for the reporting year while reflecting expenditures which were less than revenues and less than expenditures budgeted.

Using This Report

This audit report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the MRA as a whole and present a longer-term view of the MRA's finances. Fund financial statements tell how MRA's redevelopment activities were financed in the short term as well as what remains for future redevelopment. Fund financial statements report the MRA's operations in more detail than the government-wide statements by providing information about the MRA's most significant funds.

Two of the most important questions asked about the MRA is, "How well did MRA respond to redevelopment opportunities in the past fiscal year?", and "What ability will it have to respond to

future redevelopment opportunities?" The Statement of Net Assets and the Statement of Activities report information about the MRA as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the MRA's net assets and changes in them. You can think of the MRA's net assets—the difference between assets and liabilities—as one way to measure the MRA's financial health, or financial position. Over time, increases or decreases in the MRA's net assets are one indicator of whether MRA has been responding to redevelopment opportunities at a level equal to, above, or below its annual revenue. When reviewing MRA's overall financial position, however, other non-financial factors should also be considered, such as changes in the property tax assessment formula, which is determined by the State legislature, and the amount of mills levied by the taxing jurisdictions within the urban renewal districts.

The fund financial statements provide detailed information about the most significant funds, not the MRA as a whole. MRA has three urban renewal districts (URD), each with its own tax increment provision and development fund. MRA has one debt service fund that meets the requirements of the URD I tax increment bond covenants. The individual tax increment development funds provide money for MRA's redevelopment programs: Tax Increment Financing (TIF), Commercial Rehabilitation Loan Program (CRLP) and the Code Compliance Assistance Program (CCP). The TIF program is provided for by State law. The other two programs, CRLP and CCP, were redevelopment programs approved by the Missoula City Council.

The MRA's redevelopment and debt service activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the MRA's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the MRA's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation included in the financial statements.

Retirement Plans

As a component unit of the City of Missoula, the MRA employees participate in the Montana Public Employees Retirement System (PERS). The City of Missoula, via MRA, the MRA employees and the State of Montana all contribute to the retirement plan. The retirement plan is administered by the State of Montana.

Capital Assets

Other than office furniture and equipment used by the MRA staff, the MRA has no other physical assets itself. All other physical assets or improvements to public assets through purchases or construction undertaken by MRA are owned by the City of Missoula. Assets

created or improved as a result of projects developed with private entities pursuant to urban renewal activities or programs of voluntary or compulsory repairs are assets of the private entities. As reported in the Statement of Net Assets, MRA's assets include cash and investments, taxes receivable and restricted cash. The City of Missoula maintains a database of all the MRA's furniture, equipment and computer related assets.

Current and Long Term Liabilities

MRA has both current and long-term liabilities. Current liabilities include accounts payable for project related costs or reimbursements. Long-term liabilities include URD I's outstanding tax increment bond principle and compensated absences for MRA employees.

MRA will be completing its payment of tax increment bond indebtedness on June 30, 2005. The tax increment funds and reserves are adequately provided for and there should be no difficulty in meeting this obligation. No other indebtedness exists or is planned for in URD I, although discussions have begun with the Missoula Housing Authority and others about the possibility of issuing tax increment bonds to finance public infrastructure in URD II in relation to a project anticipated on the former Intermountain Lumber Company site. Analysis of those projects and their ability to allow MRA to service significant new debt will have to be undertaken as the project gains more definition.

The credit rating of MRA's potential tax increment bonds is unknown at this time. However, the one tax increment bond issued has been successfully refinanced twice. MRA and the City of Missoula have demonstrated fiscal responsibility in the issuance of debt and other factors and externalities notwithstanding, there is no reason at present to believe the bond market would unfavorably rate future issues based on past performance.

Revenues

MRA receives only general revenues and does not generate any program revenue. Of MRA's \$3,340,777 total revenue reported in the Statement of Activities, 57% was received from property taxes. The next largest revenue source for MRA is from the State of Montana in the form of personal property tax reimbursements and in the State entitlement grant authorized under House Bill 124. Total revenue from this source is 37% of MRA's total revenue received. The remaining revenue received is from investment earnings and miscellaneous sources.

Expenses

Under the Statement of Activities, 98% of MRA's expenses are expressed under Housing and Community Development. Specifically, MRA's expenses include project assistance under MRA programs, administrative costs including personnel, office supplies, rent, equipment, etc. and debt service related costs.

Special Items, Contributions, Transfers, Other

MRA's URD I fund disbursed \$250,000 of tax increment funds to the seven taxing jurisdictions in the district. This disbursement is allowed by State Law and is approved annually by the Missoula City Council. Also, MRA financially contributes its proportionate share towards City of Missoula activities that affect the Agency, such as purchase of new computer servers and software. These administrative activities are reflected as "transfers to other governments" in the

financial statements. MRA's other transfers include funds that are transferred from URD II and URD III to URD I. These transfers are done annually to reimburse the first district, which pays for all of the administrative expenses of the Agency.

Balances and Transactions of Individual Governmental Funds

Unreserved fund balance

	<u>URD I</u>	<u>URD II</u>	<u>URD III</u>
Beginning Balance 7/1/02	\$ 4,222,125	\$285,454	\$ 9,951
Ending Balance 6/30/03	\$ 5,097,798	\$516,744	\$ 48,277
\$ Change	\$ 875,673	\$231,290	\$ 38,326
% Change	21%	81%	385%

Reserved fund balance

	<u>Debt Service</u>
Beginning Balance 7/1/02	\$ 458,553
Ending Balance 6/30/03	\$ 361,171
\$ Change	\$ (97,382)
% Change	(21%)

There were only two redevelopment projects undertaken in URD II during fiscal year 2003. The total paid out for these projects was \$53,795. When combined with the administrative transfer of \$50,000, total URD II expenditures were less than revenue received.

URD III is a new district and therefore does not receive a large amount of tax increment revenue. The MRA did not undertake any redevelopment projects in this district with the intent to build up the increment in order to pay for a master planning exercise that is scheduled for fiscal year 2004. The only activity in URD III was the administrative transfer to URD I for \$57,000.

Overall Financial Position

The MRA's overall financial position has improved in the sense that revenue assets have increased, allowing the MRA to undertake more projects in its redevelopment efforts. Thus far, financial requirements have not exceeded available revenue and MRA continues to respond favorably to requests for financial assistance to worthy projects.

Due to project completion schedules, it is not uncommon for projects which are budgeted in one year to be completed in another year. This often results in the condition where MRA revenues exceed expenditures. Over the years, it has resulted in a buildup of the URD I tax increment fund to several million dollars. The accumulation of funds in the tax increment funds has allowed MRA and the City of Missoula to undertake larger public capital projects than would be otherwise undertaken out of the City's general fund or capital improvements fund. The MRA tax increment funds, as they are accrued, are *planned, pledged or committed* to projects.

Planned Projects

Planned projects are projects that are under consideration and in the pre-development stage. During this stage, estimated budgets are created as "place holders". As project planning proceeds, the MRA Board may pledge or commit to the projects, or abandon them if costs or

circumstances warrant it. Similarly, the MRA funds a number of redevelopment programs adopted by the Missoula City Council. These programs are made available to assist private property owners with smaller projects that fit the program objectives. Since it is impossible to determine in advance how many property owners might apply for assistance under these programs, at any given time, the program budgets are likely to be under subscribed. Still, it is the MRA's practice to be responsive to private sector redevelopment initiatives—even small ones—so these programs are always adequately funded each year.

The Riverfront Triangle is MRA's most significant planned project and refers to the area bordered by Broadway Street on the north, Orange Street on the east and the Clark Fork River. The entire redevelopment area includes the former Fox Theater, Holiday gas station and Mustard Seed restaurant property, which were all acquired by the City. The site also includes property owned by St. Patrick Hospital and other businesses. Treating the site comprehensively has allowed the City to proceed with a plan of comprehensive redevelopment for the area. The Hospital and MRA co-sponsored a community planning charrette process and engaged a consultant to prepare an urban design plan of the 9.5 acre site. Marketing of the site should begin in spring 2004. MRA has pledged \$1.9 million towards redevelopment activities related to the redevelopment of the Riverfront Triangle.

Two other significant public projects are in the planning phase; Madison Street Pedestrian Bridge has an estimated budget of \$700,000, and the DoubleTree River Access Trail has an estimated budget of \$185,000. Staff is currently investigating the feasibility of these projects.

Pledged Projects

Often times the MRA Board will make a pledge to a public or private project that is not fully funded or completely planned. The purpose of the pledge is to create "seed money", "matching funds," or other fund-raising incentives for the project sponsors. Often times this period is also a time for project design development and approvals.

MRA's most significant pledged project is the McCormick Park Aquatics Center. The MRA Board pledged \$1.5 million towards this project contingent on the passing of the Aquatics bond in November 2003. The bond passed and the project is currently in the Request For Qualifications phase. A final development agreement has not been executed yet. The next most significant pledged project is the Art Museum of Missoula. The MRA Board pledged \$500,000 to this project contingent on the remaining funds being secured through private donations, grants and government loans.

Committed Projects

If and when the project sponsors complete fund-raising to a level that allows the project to proceed, the *pledged* funds become *committed* through use of Development Agreements which specify required performance by the project sponsor to obtain funding. These funds are contractually committed and the commitment will often bridge one or more fiscal years.

The Civic Stadium project is under construction and is the recipient of MRA's largest amount of tax increment assistance. The MRA Board has pledged a total of \$2 million to this public-private

partnership; \$1 million is earmarked for construction costs and \$1 million is committed towards public infrastructure improvements, such as streets, parking lots, sidewalks and trails.

The next most significant project is the Missoula County Courthouse Remodel. A few years ago the MRA committed \$551,375 of tax increment to assist Missoula County with repairs and remodel of the historic Courthouse building. This project is being completed in phases.

Another significant project, the Ditchstone project entails the construction of a new office building in the Downtown district. MRA has committed approximately \$265,000 towards this private-public partnership.

Taxing Policies

Taxing policies adopted by the Montana State Legislature, in particular those that decrease the valuation of personal property or business equipment have had an affect on the growth of the tax increment fund. While that has not been as important in the URD I fund where early growth during robust periods of increases of taxable value yielded a strong annual increment, less robust growth has been seen in the other two districts. In the third district (URD III), the annual increment revenue showed an unprecedented *decrease* in taxable value. The Montana Department of Revenue attributes this decrease to the changes that resulted in the deregulation of energy in Montana that caused Montana Power Company to sell off its power generation and distribution assets. The sale of the distribution assets caused the new owner, Northwestern Energy, to reduce its presence in Missoula and URD III where the local business office had been located. Other decreases in taxable value of Northwestern Energy property may affect both MRA increment receipts as well as the tax revenue received by taxing entities who levy taxes on Northwestern Energy property.

The effect of the Legislature's tax policy changes on MRA revenues and those of other local taxing jurisdictions has been offset to a large degree by payments intended to "make whole" losses experienced as a result of the changes, but the net effect is nearly impossible to predict. This is something that should be tracked and analyzed by the City of Missoula and MRA to produce some measure of the effects for future years.

Budget to Actual Variances

MRA typically reports significant variations between budgeted amounts for projects and the actual amount expended. This is due to timing anomalies that are driven by project completion dates. Often times, MRA will budget funds for projects in one fiscal year but expend them in later years if, for some reason, the project is not completed when planned. A variety of factors from weather, availability of supplies, material or equipment may cause a project schedule to slip. In Montana, where the construction season straddles two fiscal years, it is not uncommon for a project to begin in one fiscal year and be completed in a subsequent year.

Currently Known Facts

In two years (June 2005) the tax increment provision of the URD I Urban Renewal Plan will sunset. At that point in time, the fund is to be parceled out to the other taxing jurisdictions. State law provides: "Any amounts remaining in the special fund or any reserve fund after termination of the tax increment provision must be distributed among the various taxing bodies in proportion

to their property tax revenue from the district.”[7-15-4292 (2) MCA]. Planning for that eventuality should begin in the next several months so that the MRA, the City, and the other taxing jurisdictions can plan for the distribution and use of the funds.

In URD II expenditures of tax increment funds to date have been largely for projects that have not resulted in increases to the URD II tax increment fund in a way that favorably compares with the experience in URD I. However, URD II has still been able to undertake tax generating redevelopment projects in the district. Due to the more residential nature of URD II, tax increment revenue will never match the more commercial area of URD I. URD III tax increment accrued to date will be utilized for a master planning exercise for the district before individual redevelopment projects are accepted.

Absent energetic and successful redevelopment undertaken in URD II and URD III, in the coming years it will be necessary for MRA to modify its current business practices with respect to staffing and location of offices. It makes sense, for example, to consider a relocation of the offices to a site closer to the remaining two districts. That should be pursued as a way to achieve lower overhead costs. Likewise, it will be necessary to review staffing levels in the coming years to determine whether the current staffing levels can be maintained after the sunset of URD I’s tax increment provision.

Over the past year, the MRA Board of Commissioners has carefully reviewed incoming redevelopment projects in consideration of the limited time left in URD I before sunset and subsequently the limited amount of tax increment remaining to commit. It is significant the Board has specifically directed the Staff to move forward with the completion of the Riverfront Trails System and to pledge funds to the activities that will accomplish this goal. While in past years there were ample contingency funds available in order for the Board to respond with flexibility to redevelopment opportunities, in the last year and in the MRA’s FY 04 budget, most funds have been pledged to projects the Board desires MRA to accomplish before sunset. The effect of these actions is that each project that comes to MRA after budget adoption is more carefully evaluated for its public and economic benefit to the district. Also, in the case of a Tax Increment Financing program project, the Staff and Board consider whether the project is worthwhile enough to transfer already pledged but not committed funds from another public project in order to provide assistance to the developer.

Missoula Redevelopment Agency

Christopher Behan
Acting MRA Director

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

INDEPENDENT AUDITOR'S REPORT

Director and Board of Commissioners
Missoula Redevelopment Agency
Missoula County
Missoula, Montana

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Missoula Redevelopment Agency, Missoula County, Montana, a component unit of the City of Missoula, as of and for the year ended June 30, 2003, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, as of June 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Agency has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of June 30, 2003.

The management's discussion and analysis and budgetary comparison information on pages 2 through 9 and 29 through 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2003, on our consideration of Missoula Redevelopment Agency, Missoula County, Montana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Denning, Downey and Associates, CPA's, P.C.

November 24, 2003

Missoula Redevelopment Agency
 (A Component Unit of the City of Missoula)
 Missoula County, Montana
Statement of Net Assets
 June 30, 2003

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
Assets	
<u>Current Assets</u>	
Cash and investments	\$ 6,031,004
Taxes receivable, net	195,940
Total Current Assets	<u>\$ 6,226,944</u>
<u>Noncurrent Assets</u>	
Restricted Assets	
Cash and investments	\$ 54,000
Total Noncurrent Assets	<u>\$ 54,000</u>
Total Assets	<u>\$ 6,280,944</u>
Liabilities	
<u>Current Liabilities</u>	
Accounts payable	\$ 101,580
<u>Long-term Liabilities</u>	
Long-term debt	\$ 540,000
Compensated absences	53,376
Total Long-term Liabilities	<u>\$ 593,376</u>
Total Liabilities	<u>\$ 694,956</u>
Net Assets	
Restricted for debt service	\$ 361,171
Unrestricted	5,224,817
Total Net Assets	<u>\$ 5,585,988</u>

See accompanying Notes to the Financial Statements

Missoula Redevelopment Agency
 (A Component Unit of the City of Missoula)
 Missoula County, Montana
STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	
					<u>Governmental Activities</u>	
Primary Government:						
Governmental activities:						
Housing and Community Development	\$ 1,857,286	\$ -	\$ -	\$ -	\$	(1,857,286)
Interest Expense	41,637	-	-	-		(41,637)
Total Governmental Activities	\$ <u>1,898,923</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$	<u>(1,898,923)</u>
General Revenues						
Property taxes for general purposes					\$	1,917,699
Grants and entitlements not restricted to specific programs						1,241,775
Investment earnings						138,642
Miscellaneous						42,661
Total general revenues, special items and transfers					\$	<u>3,340,777</u>
Change in Net Assets					\$	<u>1,441,854</u>
Net Assets - July 1, 2002					\$	4,976,083
Restatements						(27,053)
Restatements (GASB #34)					\$	<u>(804,896)</u>
Net Assets - July 1, 2002- Restated					\$	4,144,134
Net Assets - June 30, 2003					\$	<u>5,585,988</u>

See accompanying Notes to the Financial Statements

Missoula Redevelopment Agency
 (A Component Unit of the City of Missoula)
 Missoula County, Montana

Balance Sheet
Governmental Funds

June 30, 2003

	Major URD Fund I	Major URD Fund II	Major Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Current Assets					
Cash and investments	\$ 5,145,378	\$ 510,314	\$ 330,586	\$ 44,727	\$ 6,031,005
Taxes receivable, net	- -	21,353	166,618	7,968	195,939
Noncurrent Assets					
Restricted cash and investments	54,000	- -	- -	- -	54,000
Total Assets	\$ 5,199,378	\$ 531,667	\$ 497,204	\$ 52,695	\$ 6,226,944
Liabilities					
Current Liabilities					
Accounts payable	\$ 101,580	\$ - -	\$ - -	\$ - -	\$ 101,580
Deferred revenue	- -	14,923	136,033	4,418	155,374
Total Liabilities	\$ 101,580	\$ 14,923	\$ 136,033	\$ 4,418	\$ 256,954
Equity					
Reserved for:					
Debt Services	\$ - -	\$ - -	\$ 361,171	\$ - -	\$ 361,171
Designated for future capital an community development projects	4,015,552	149,000	- -	1,500	4,166,052
Unreserved reported in Special Revenue	1,082,246	367,744	- -	46,777	1,496,767
Total Equity	\$ 5,097,798	\$ 516,744	\$ 361,171	\$ 48,277	\$ 6,023,990

See accompanying Notes to the Financial Statements

Missoula Redevelopment Agency
(A Component Unit of the City of Missoula)
Missoula County, Montana

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets**

For the Fiscal Year Ended June 30, 2003

Total fund balances - governmental funds \$ 6,023,990

Capital assets used in governmental activities are
not financial resources and therefore are not
reported as assets in governmental funds

Property taxes receivable will be collected this year, 155,374
but are not available soon enough to pay for the current
period's expenditures, and therefore are deferred
in the funds.

Long-term liabilities are not due and payable in (593,376)
the current period and therefore are not reported
as liabilities in the funds

Total net assets - governmental activities \$ 5,585,988

See accompanying Notes to the Financial Statements

Missoula Redevelopment Agency
 (A Component Unit of the City of Missoula)

Missoula County, Montana

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2003

	Major URD I	Major URD II	Major Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Tax Increment Property Tax	\$ 1,135,026	\$ 285,933	\$ 285,662	\$ 94,184	\$ 1,800,805
State Personal Property Tax Reimbursement	103,779	3,917	-	-	107,696
State Entitlement	1,100,507	33,343	-	-	1,133,850
Miscellaneous	40,429	2,461	-	-	42,890
Investment Earnings	113,538	9,431	14,531	1,142	138,642
Total Revenues	\$ 2,493,279	\$ 335,085	\$ 300,193	\$ 95,326	\$ 3,223,883
Expenditures:					
Housing and Community Development	\$ 1,616,221	\$ 53,795	\$ -	\$ -	\$ 1,670,016
Debt Service Expense	-	-	291,637	-	291,637
Capital Outlay	97,332	-	-	-	97,332
Total Expenditures	\$ 1,713,553	\$ 53,795	\$ 291,637	\$ -	\$ 2,058,985
Other Financing Sources (Uses):					
Operating transfers in	\$ 212,938	\$ -	\$ -	\$ -	\$ 212,938
Operating transfers out	-	(50,000)	(105,938)	(57,000)	(212,938)
Transfers to other Government	(89,938)	-	-	-	(89,938)
Total other financing sources (uses)	\$ 123,000	\$ (50,000)	\$ (105,938)	\$ (57,000)	\$ (89,938)
Excess Revenues and other sources over Expenditures and other uses	\$ 902,726	\$ 231,290	\$ (97,382)	\$ 38,326	\$ 1,074,960
Fund Balance July 1, 2002	\$ 4,222,125	\$ 285,454	\$ 458,553	\$ 9,951	\$ 4,976,083
Restatements	(27,053)	-	-	-	(27,053)
Fund Balance July 1, 2002 - as restated	\$ 4,195,072	\$ 285,454	\$ 458,553	\$ 9,951	\$ 4,949,030
Fund Balance June 30, 2003	\$ 5,097,798	\$ 516,744	\$ 361,171	\$ 48,277	\$ 6,023,990

Missoula Redevelopment Agency
(A Component Unit of the City of Missoula)
Missoula County, Montana

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities**
For the Fiscal Year Ended June 30, 2003

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,074,960
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	116,894
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	250,000
Change in net assets - statement of activities	\$ <u>1,441,854</u>

See accompanying Notes to the Financial Statements

**MISSOULA REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF MISSOULA)
MISSOULA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS**
June 30, 2003

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of Missoula Redevelopment Agency, a component unit of the City of Missoula, Missoula, Montana, have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Component Unit's significant accounting policies are described below.

A. Reporting Entity

Missoula Redevelopment Agency (MRA), was established in 1978 by the City of Missoula (the City) as a separate legal entity in accordance with state urban renewal laws (Section 7-15-4201 MCA). MRA has the authority to renovate property within blighted areas legally designated as urban renewal districts, but the authority to exercise the power of eminent domain, acquire and resell property and to issue tax increment bonds remain with the City. The City has established three urban renewal districts: District I in 1978, District II in 1991, and District III in 2000. The five member governing board is appointed by the Mayor and approved by City Council. Due to the control exercised by the City, MRA is considered a component unit of the City.

Urban Renewal District I is located entirely within the Missoula School District No. 1. Urban Renewal District II is located partially in Missoula School District No. 1 and partially in Hellgate School District No. 4. Urban Renewal District III is located entirely within the Missoula School District No. 1

MRA has no authority to levy taxes. However, under the City's Urban Renewal Plans, incremental property taxes which result from increases in the taxable value of property within an urban renewal District are designated for urban renewal purposes and provide the primary funding source for MRA.

State law provides that the tax increment provisions applicable to a renewal district established prior to 1980 be terminated seventeen years after enactment or when all tax increment bonds have been retired. Because the tax increment provision for District I was enacted on December 18, 1978, it was scheduled to terminate on December 18, 1995. However, the City issued tax increment bonds on December 15, 1989, as permitted by state law. The issuance of these bonds extends the tax increment provisions for the term of the bonds, whose final maturity date is July 1, 2005. As MRA's other two Districts were created after 1980 and they currently have no outstanding tax increment bonds, District II is scheduled to terminate in 2006. District III is scheduled to terminate in December 2015.

MISSOULA REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF MISSOULA)
MISSOULA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

The accompanying general-purpose financial statements include all funds, account groups, agencies, boards, commissions, and authorities which meet the criteria of Statement No. 14 for inclusion in the MRA's financial report.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

Basis of Presentation and Basis of Accounting

Government-wide Statements – The statement of net assets and the statement of activities show information about the overall financial position and activities of the MRA.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the MRA are generally financed through property taxes and state entitlements. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the MRA's governmental activities. Direct expenses are those that are specifically associated with a program or function. However, the component unit does not collect any program revenue. Accordingly, all revenues, including all property taxes and entitlements, are presented as general revenues.

Fund Financial Statements – These statements provide information about the MRA's funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual. (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The MRA considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**MISSOULA REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF MISSOULA)
MISSOULA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS**
June 30, 2003

Real and personal property taxes (excluding motor vehicle taxes), special assessments, charges for current services, and interest earnings are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the MRA and are recognized as revenue at that time. The MRA recorded real and personal property taxes and assessments levied for the current year as revenue. Taxes and assessments receivable remaining unpaid at year-end and not expected to be collected soon enough thereafter to be available to pay obligations of the current year were recorded as deferred revenue, with a corresponding reduction in revenues, as required by generally accepted accounting principles. In addition, prior period delinquent taxes and assessments collected in the current period were recorded as revenue in the current period as required by generally accepted accounting principles. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

GASB Statement No. 34 requires that all governmental funds whose assets, liabilities, revenues or expenditures exceed 10% or more of total for all government funds be reported as major funds. Accordingly, the MRA reports the following major governmental funds:

Urban Redevelopment I - account for revenue sources that are legally restricted to expenditures for specific purposes.

Urban Redevelopment II - account for revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Fund – This fund accounts for accumulations of resources for, and the payment of, general long-term debt and principal, interest, and related costs.

C. Budgets and Budgetary Accounting

Budget Process

An annual appropriated operating budget is adopted each fiscal year for the Special Revenue Funds and Debt Service Funds generally on the modified accrual basis of accounting. Revenues are budgeted in the year they are measurable and available. Expenditures are budgeted in the year they are expected to be incurred. As required by Montana law, the full amount of property taxes levied for the fiscal year is included in the MRA's budget.

As required by State statute, the MRA follows these procedures to develop their annual budget:

**MISSOULA REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF MISSOULA)
MISSOULA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS**
June 30, 2003

- (a) On or before June 10, department heads and supervisors file with the Mayor who submits them to the City Council detailed and itemized estimates, both of the probable revenue from sources other than taxation and of all expenditures required by the office or department for the next fiscal year.
- (b) The City finance department prepares a tabulation showing the complete expenditure program of the component Unit for the current fiscal year and the sources of revenue by which it is to be financed.
- (c) On or before the fourth Monday in July, the City Council shall make any revisions considered advisable.
- (d) Public hearings are held.
- (e) By the second Monday in August, the City Council adopts the final budget.

Budget appropriation transfers may be made between the general classifications of salaries and wages, maintenance and operation and capital outlay. Reported budget amounts represent the originally adopted budget as amended by resolution of the City Council. It is management's responsibility to see that the budget is followed to the budgetary line item.

The City Council may amend a final budget when shortfalls in budgeted revenues require reductions in approved appropriations to avert deficit spending; when savings result from unanticipated adjustments in projected expenditures; when unanticipated state or federal monies are received; or when a public emergency occurs which could not have been foreseen at the time of adoption. The procedure to amend the budget in total can be made only after the City prepares a resolution, notice is published of a public hearing, and a public hearing is held in accordance with state law.

D. Change in Accounting

The Government Accounting Standards Board (GASB) issued Accounting Standards Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* in June 1999. The statement establishes new financial reporting requirements, requires new information to be reported, and restructured much of the information that governments have reported in the past. Its purpose was to make annual financial reports more comprehensive and easier to understand and use. The statement required implementation by governments of the City's size in fiscal year 2003 of

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which Missoula Redevelopment Agency is a component unit and consequently must implement in the same year as the City.

Because of the purpose described above, the MRA has applied the new standard and substantially revised its fiscal year 2003 financial statements. The basis of accounting for the MRA's governmental funds was not changed by the new statement, however, the reporting of government-wide financial statements required the reclassification of some of its funds and the significant addition of information not previously reported including the elimination of certain revenues and expenses.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Variances

Budget variances are primarily due to conservative budgeting or budgeted projects not started or completed in fiscal year 2003.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Cash Equivalents

The MRA cash is held by the City Treasurer and pooled with other City cash. There is no regulatory oversight for the City's investment pool, and participants' equity in the pool approximates the fair value of the underlying investments.

Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis. Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

The City's investment portfolio as of June 30, 2003, consisted of government securities and the State Unified Investment Program (STIP). The MRA does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values is available from the City of Missoula Treasurer's office, 435 Ryman Street, Missoula, MT 59902.

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B. Receivables

Property tax levies are set on or before the second Monday in August, in connection with the budget process. Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxable valuations for each Urban Renewal Component Unit and the corresponding tax increment amounts for November 2002 property tax billing were as follows:

	<u>Taxable Value</u>	<u>Increment Value</u>
Urban Renewal Component Unit I	\$ 8,045,400	\$ 2,071,413
Urban Renewal Component Unit II	\$ 2,300,133	\$ 440,310
Urban Renewal Component Unit III	\$ 7,145,008	\$ 140,662

C. Operating Transfers

The following is an analysis of operating transfers in and out and transfers to other governments during Fiscal Year 2003:

<u>From</u>	<u>To</u>	<u>Amount</u>
URD II	URD I	\$ 50,000
URD III	URD I	\$ 57,000
URD I	City of Missoula	\$ 89,938
Debt Service	URD I	\$105,938

D. Capital Assets

Capital assets purchased by the Component Unit are owned by the City of Missoula and accordingly are reported as City assets.

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E. Operating Lease Commitments

The MRA is bound by one lease commitment for office space which is renewed annually. The lease is considered for accounting purposes to be an operating lease. Minimum lease payments for the fiscal year ended June 30, 2003, amounted to \$20,740.

F. Long-Term Debt

Changes in Long-Term Debt Liabilities – Long-term liability activity for the year ended June 30, 2003, was as follows:

	Balance		Balance	
	July 1, 2002	Additions	Reductions	June 30, 2003
Refunding Tax Increment Bonds	\$ 790,000	\$ -	\$ 250,000	\$ 540,000
Compensated Absences	<u>45,432</u>	<u>7,944</u>	<u>-</u>	<u>53,376</u>
Total	<u>\$ 835,432</u>	<u>\$ 7,944</u>	<u>\$ 250,000</u>	<u>\$ 593,376</u>

Tax Increment Bonds – The bonds are payable solely from and are secured by a first lien and pledge of tax increment revenues from District I. The bond resolution requires, among other things, that all of District I tax increment revenues be deposited in a Debt Service fund as required to pay principal and interest on the bonds when due, and to provide certain reserves for future bond payments. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal projects within District I, which may include returning a portion of the tax increment revenues to the taxing jurisdiction located within District I, as provided by state law.

The bond resolutions include various restrictive covenants. The more significant covenants require that cash be restricted and reserved for current and future debt service. The District was in compliance with applicable covenants as of June 30, 2003.

Purpose	Origination Date	Interest Rate	Bond Term	Due Date	Bonds Amount	Annual Payment	Balance June 30, 2003
Parking Structure	1997	4.2-5.3	20 yrs	2005	\$1,880,000	varies	<u>\$540,000</u>

Compensated Absences

It is the MRA's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from the Component Unit service. Employees are allowed to accumulate and carry over a maximum of two times their annual earned amount of vacation. Any vacation hours accumulated beyond the maximum amount allowed, must be utilized within 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation

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and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the general long-term debt account group.

Requirements to Amortize Debt

The annual requirements to amortize all long-term debt outstanding, except Compensated Absences, as of June 30, 2003, were as follows:

For Fiscal <u>Year Ended</u>	Tax increment <u>Bonds</u>
2004	\$293,355
2005	<u>289,575</u>
Total	<u>\$582,930</u>
Principal	\$540,000
Interest	<u>42,930</u>
Total	<u>\$582,930</u>

Advance Refunding of Long-Term Debt

In prior years, the MRA defeased certain tax increment bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the MRA's financial statements. At June 30, 2003, the outstanding balance of the 1989 defeased bonds is \$845,000.

G. State-Wide Retirement Plans

All full-time MRA employees are covered under the Montana Public Employees Retirement System (PERS). The plan is established by State law and administered by the State of Montana. The plan is cost-sharing multiple-employer defined benefit and defined contribution plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2003, were:

	<u>PERS</u>
Employer	6.70%
Employee	6.80%
State	.10%

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

**MISSOULA REDEVELOPMENT AGENCY
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Public Employees Retirement Division, P.O. Box 200131, Helena, Montana
59620-0131 Phone: 1-406-444-3154

The Agency and its employees contributions for the years ended June 30, 2001, 2002, and 2003, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>
2001	\$28,459
2002	\$29,847
2003	\$29,258

H. Post Employment Benefits

Terminated employees may remain on the City's, of which the Agency is a Component Unit, health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. Retirees may remain on the City's health plan to age 65, provided they pay the monthly premiums. State law requires the City to provide this benefit. No cost can be estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in additional costs to the insurance program.

I. Restricted Cash/Investments

The following restricted cash/investments were held by the MRA as of June 30, 2003. These amounts are reported as noncurrent assets within the cash/investment account on the Statement of Net Assets and the Balance Sheet.

<u>Description</u>	<u>Amount</u>
Reserve for – future debt payments	<u>\$54,000</u>

J. Restricted Net Assets and Reserved Fund Balances

Restricted Net Assets – State law authorizes certain funds and established the criteria for property tax levies for specific purpose. The MRA classifies the net assets of these funds as restricted net assets. These funds and their net assets at June 30, 2003, are as follows:

<u>Debt Service Fund</u>	
Restricted for Debt Service	\$ 361,171

Reserved fund balances agree to restricted net assets.

**MISSOULA REDEVELOPMENT AGENCY
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K. Designated Fund Balances

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes but are not legally restricted. The purpose for each is indicated by the account title on the face of the balance sheet.

L. Restatements

During the current fiscal year, the following adjustments relating to prior years' transactions were made to net asset and fund balance accounts.

Net Assets	\$ (804,896)	Prior year debt and deferred revenue restated due to conversion to full accrual per GASB #34.
Net Assets and Fund Balances	\$ (27,053)	Prior year expenditures.

M. Risk Management

The MRA faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. The MRA as a department of the City of Missoula, participates in a municipal government self-insurance pool for liability, workers compensation, property and content damage, employee torts, and professional liability. Given the lack of coverage available, the MRA has no coverage for potential losses from environmental damages. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

N. Pending Litigation

There was no pending or threatened litigation or unasserted claims or assessments against the MRA at June 30, 2003.

REQUIRED SUPPLEMENTAL INFORMATION

Missoula Redevelopment Agency
 (A Component Unit of the City of Missoula)
 Missoula County, Montana
BUDGETARY COMPARISON SCHEDULE
 June 30, 2003

Budgetary Fund Balance, July 1, 2002

Resources (inflows):

Tax Increment Property Tax	1,214,238	1,214,238	1,135,026	(79,212)
State Personal Property Tax Reimbursement	103,779	103,779	103,779	-
State Entitlement	1,032,276	1,032,276	1,100,507	68,231
CTEP Grant	-	-	-	-
Miscellaneous	1,000	1,000	40,429	39,429
Investment Earnings	150,000	150,000	113,538	(36,462)
Operating transfers in	107,000	107,000	212,938	105,938
Amounts available for appropriation	6,830,418	6,830,418	6,928,342	97,924

Charges to Appropriations (outflows):

Housing and Community Development	4,427,015	4,427,015	1,616,221	2,810,794
Capital outlay	1,939,800	1,939,800	97,332	1,842,468
Transfers to other governments	666,370	666,370	89,938	576,432
Transfers out	-	-	-	-
Total Charges to appropriations	7,033,185	7,033,185	1,803,491	5,229,694

Excess (Deficiency) of resources (inflows) over

Charges to appropriations (outflows)

Restatements

Budgetary Fund Balance - June 30, 2003

	URD I				URD II			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A		VARIANCE WITH FINAL BUDGET		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>
Budgetary Fund Balance, July 1, 2002	4,222,125	4,222,125	4,222,125	4,222,125	-	-	285,454	285,454
Resources (inflows):								
Tax Increment Property Tax	1,214,238	1,214,238	1,135,026	(79,212)			294,829	294,829
State Personal Property Tax Reimbursement	103,779	103,779	103,779	-			3,638	3,638
State Entitlement	1,032,276	1,032,276	1,100,507	68,231			33,343	33,343
CTEP Grant	-	-	-	-			203,463	203,463
Miscellaneous	1,000	1,000	40,429	39,429			2,461	2,461
Investment Earnings	150,000	150,000	113,538	(36,462)			8,000	8,000
Operating transfers in	107,000	107,000	212,938	105,938			-	-
Amounts available for appropriation	6,830,418	6,830,418	6,928,342	97,924			831,188	831,188
Charges to Appropriations (outflows):								
Housing and Community Development	4,427,015	4,427,015	1,616,221	2,810,794			356,188	356,188
Capital outlay	1,939,800	1,939,800	97,332	1,842,468			425,000	425,000
Transfers to other governments	666,370	666,370	89,938	576,432			-	-
Transfers out	-	-	-	-			50,000	50,000
Total Charges to appropriations	7,033,185	7,033,185	1,803,491	5,229,694			831,188	831,188
Excess (Deficiency) of resources (inflows) over								
Charges to appropriations (outflows)	(202,767)	(202,767)	5,124,851	5,327,618			-	516,744
Restatements	-	-	(27,053)	(27,053)			-	-
Budgetary Fund Balance - June 30, 2003	(202,767)	(202,767)	5,097,798	5,300,565			-	516,744

See accompanying Notes to the Financial Statements

Missoula Redevelopment Agency
 (A Component Unit of the City of Missoula)
 Missoula County, Montana

**BUDGETARY COMPARISON SCHEDULE
 BUDGET-TO-GAAP RECONCILIATION**

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
 GAAP Revenues and Expenditures**

	URD I FUND	URD II FUND
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,928,342	\$ 620,539
Differences - budget to GAAP		
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(4,222,125)	(285,454)
Transfers from other funds are inflows of budgetary resource but are not revenues for financial reporting purposes	(212,938)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 2,493,279</u>	<u>\$ 335,085</u>
Uses/outflows of resources		
Actual amounts(budgetary basis) "total charges to appropriations" from the budgetart comparison schedule	\$ 1,803,491	\$ 103,795
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(89,938)	(50,000)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,713,553</u>	<u>\$ 53,795</u>

See accompanying Notes to the Financial Statements

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Director and Board of Commissioners
Missoula Redevelopment Agency
Missoula County
Missoula, Montana

We have audited the financial statements of Missoula Redevelopment Agency, Missoula County, Montana, a component unity of the City of Missoula, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Missoula Redevelopment Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Missoula Redevelopment Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Denning, Downey and Associates, CPA's, P.C.

November 24, 2003

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

**REPORT ON OTHER COMPLIANCE, FINANCIAL, AND INTERNAL ACCOUNTING
CONTROL MATTERS**

Director and Board of Commissioners
Missoula Redevelopment Agency
Missoula County
Missoula, Montana

There were no other compliance, financial, or internal accounting matters.

Denning, Downey and Associates, CPA's, PC.

November 24, 2003

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Director and Board of Commissioners
Missoula Redevelopment Agency
Missoula County
Missoula, Montana

The prior audit report contained no recommendations.

Denning, Downey and Associates, CPA's, P.C.

November 24, 2003