



**FY01**

**Annual**

**Report**

## **CITY OF MISSOULA**

**MAYOR**  
Mike Kadas

## **CITY COUNCIL**

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Tracey Turek                      Ed Childers

## **MISSOULA REDEVELOPMENT AGENCY**

### **BOARD MEMBERS**

Harold J. Fraser, Chair  
Rosalie Cates  
Karl Englund  
Ron MacDonald  
Nancy Moe

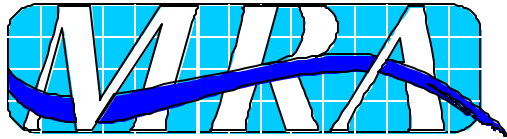
### **STAFF**

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

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***Missoula Redevelopment Agency***

October 1, 2001

Dear Mayor Kadas and Members of the City Council:

We are pleased to present the Missoula Redevelopment Agency's Annual Report for fiscal year 2001. 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 implementation of redevelopment projects in fulfillment of the City's two urban renewal plans as reported herein and has assisted the City Council in its decision to create a third Urban Renewal District (URD III) on the south side of Missoula.

Work continues on two very significant Downtown projects: the St. Patrick Hospital's new Ambulatory Services Building and the Millennium Building complex. The Hospital's project "topped out" this year and the very complex work on the interior spaces got underway. We look for that project to be completed in the coming year, adding a whole new level of medical care in Missoula. When it is completed, in addition to being a state of the art medical care facility, it will also represent nearly \$23 million in new value to the Downtown tax base.

The Millennium Building on Pattee Street is the first new office building constructed in Downtown in several years. It was finished this year and is nearly completely leased. The other elements in the complex—a 152 space parking deck and a pedestrian mall—were begun during FY 01. Progress on the parking deck and mall were hampered by the discovery of asbestos that had been buried on the site and the need to replace a 20" water main. These delays will push substantial completion of the project to the late fall and installation of landscaping material into the spring of 2002.

During the last half of the year, the MRA worked with citizens and property owners from the Southside riverfront neighborhood to address the need to improve a weed-infested parcel of City property at the "gateway" of the neighborhood. Working with residents and a landscape architect, MRA staff created a concept for a new "pocket park" that will serve both the neighborhood and the community. That project will go to bid in spring of 2002. When completed, it will help define the neighborhood while at the same time clean up an area of chronic urban deterioration.

Working with MAEDC and a local lender, MRA was able to assist in the relocation of Nutritional Laboratories to Missoula. This firm, which manufactures pharmaceutical grade nutritional supplements, is a rapidly growing business employing a professional and production staff of sixty. MRA's role in this project allowed for the adaptive reuse of a large commercial building and the creation of good-paying jobs in Missoula.

We are proud to be part of an energetic and dynamic municipal organization that is working effectively on behalf of the citizens of Missoula. We look forward to applying our energies and resources in fulfillment of the City's strategic directions of sensibly managing growth, keeping our community affordable and balancing the needs of neighborhoods with the community at large.

Sincerely,

/s/

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Harold J. Fraser, MRA Board Chairman

/s/

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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. This year the MRA Director also completed ten years representing the City's interests as a member of the Carousel for Missoula Foundation, Inc. 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 City FY 2001 Budget Team, the "Heart of the City Committee" (for City employees), the Employee Benefits Committee, the Fit City wellness committee, and the City/County Technical Advisory Group. 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 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 needs 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.

## **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 108 individual projects. CRLP interest subsidies provided during that time total \$855,994 and in conjunction with other MRA subsidy amounts have attracted \$21,579,458 in private investment.

In fiscal year 2001, two CRLP Façade subsidies were provided and one CRLP Economic Development subsidy was provided. \$33,851 of CRLP assistance was instrumental in leveraging \$1,100,000 in private investment, a ratio of approximately one public dollar for every thirty-two private dollars.

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## COMMERCIAL REHABILITATION LOAN PROGRAM - FISCAL YEAR 2001

<b>Project</b>	<b>Total Project Cost</b>	<b>CRLP Subsidy</b>	<b>CRLP Type</b>	<b>Other MRA Amount</b>	<b>Other MRA Type</b>	<b>Total MRA</b>
DeMarois Building	950,000	28,903	Façade/ED	49,000	CCP	77,903
MacArthur, Means & Wells	150,000	4,948	Façade	2,532	CCP	7,480
<b>TOTALS</b>	<b>1,100,000</b>	<b>33,851</b>		<b>51,532</b>		<b>85,383</b>

Number of Projects	2	Average Project Total	550,000
Total Project Cost	1,100,000	Average CRLP Subsidy	16,926
Total CRLP Subsidy	33,851	Average CRLP Leverage	1:32
Total Other MRA Amount	51,532	Average Total MRA Leverage	1:13

### ***Breakdown by CRLP type:***

#### **Façade Projects**

Number of Loans	2
Total Project Cost	1,100,000
Total MRA Façade Subsidy	14,582
Average Project	550,000
Average Subsidy	7,291

#### **Economic Development Projects (ED)**

Number of Loans	1
Total Project Cost	950,000
Total MRA Econ. Dev. Subsidy	19,269
Average Project	950,000
Average Subsidy	19,269

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## SUMMARY OF CRLP PROJECTS 1983-2001

Number of Projects	108	Average Project Cost	199,810
Total Project Cost	21,579,458	Average CRLP Subsidy	7,926
Total CRLP Subsidy	855,994		

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## **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 Missoula's older Downtown buildings. MRA participates in CCP projects by matching private investment to address existing fire-safety problems. 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 ninety-two projects and provided a total of \$1,509,641 in subsidies. In conjunction with other MRA subsidy amounts, CCP assistance has attracted \$21,185,280 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 2001, all six CCP subsidies provided were in URD I. In total, \$453,882 of CCP assistance helped leverage \$4,690,000 in private expenditures. This is a ratio of approximately one public dollar for every ten private dollars invested in mitigating fire code violations and making other improvements.

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### CODE COMPLIANCE PROGRAM - FISCAL YEAR 2001

<b>Project</b>	<b>Total Project Cost</b>	<b>CCP Subsidy</b>	<b>Other MRA Amount</b>	<b>Other MRA Type</b>	<b>Total MRA</b>
DeMarois Building	950,000	49,000	28,903	CRLP	77,903
Goldsmith's Bed & Breakfast	45,000	7,950			7,950
Lenox Flats	1,080,000	25,000	22,475	TIF	47,475
MacArthur, Means & Wells Architects	150,000	2,532	4,948	CRLP	7,480
Montana Antique Mall	65,000	19,400			19,400
Wilma Building	2,400,000	350,000			350,000
<b>TOTALS</b>	<b>4,690,000</b>	<b>453,882</b>	<b>56,326</b>		<b>510,208</b>

Number of Projects	6	Average Project Cost	781,667
Total Project Cost	4,690,000	Average CCP Subsidy	75,647
Total CCP Subsidy	453,882	Average CCP Leverage	1:10
Total Other MRA Amount	56,326	Average Total MRA Leverage	1:9

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### SUMMARY OF CODE COMPLIANCE PROGRAM 1989-2001

Number of Projects	92	Average Project Cost	230,275
Total Project Cost	21,185,280	Average CCP Subsidy	16,409
Total CCP Subsidy	1,509,641		

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## 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 will extend through fiscal year 2003. Area owners would be required to invest \$1,000 (through the HRC low-income home investment loan program) toward improvements to their homes and if eligible, they could receive a matching grant of up to \$3,000 from this program. Eligible MRA-funded improvements include demolition (but not the removal or disposal of hazardous material), sewer hook-ups as well as curb, street and sidewalk construction and repair. There were no Residential Rehabilitation Program projects in fiscal year 2001.

In fiscal year 2001, MRA participated in six projects using the TIF program and provided \$145,528 in tax increment subsidies. This is a ratio of approximately one public dollar for every thirty-two private dollars invested in redevelopment projects.

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### TAX INCREMENT FINANCING - FISCAL YEAR 2001

<b>Project</b>	<b>Total Project Cost</b>	<b>TIF Subsidy</b>	<b>Other MRA Amount</b>	<b>Other MRA Type</b>	<b>Total MRA</b>
Lenox Flats	1,080,000	22,475	25,000	CCP	47,475
Public Basketball Courts	20,000	10,000			10,000
Sentinel Mechanical	210,000	22,241			22,241
Studebaker Building - Public Art Project	15,000	7,500			7,500
Sweetheart Bread	310,000	36,312			36,312
Western MT Mental Health Center-Phase II	3,000,000	47,000			47,000
<b>TOTALS</b>	<b>4,635,000</b>	<b>145,528</b>	<b>25,000</b>		<b>170,528</b>
<hr/>					
Number of Projects	6	Average Project Cost		772,500	
Total Project Cost	4,635,000	Average TIF Subsidy		24,255	
Total TIF Subsidy	145,528	Average TIF Leverage		1:32	
Total Other MRA Amount	25,000	Average Total MRA Leverage		1:27	

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## **PUBLIC/PRIVATE PARTNERSHIPS**

The following public/private projects were successfully completed during fiscal year 2001. There were eight projects completed in Urban Renewal District I, and three completed in Urban Renewal District II. MRA contributed \$635,786 to leverage \$8,245,000 in private investment. This results in a redevelopment ratio of approximately one public dollar for every thirteen private dollars expended.

### **URD I Projects**

DeMarois Building  
Goldsmith's Bed & Breakfast  
Lenox Flats  
MacArthur, Means & Wells Architects  
Montana Antique Mall  
Public Basketball Courts  
Studebaker Building - Public Art Project  
Wilma Building

### **URD II Projects**

Sentinel Mechanical  
Sweetheart Bread  
Western MT Mental Health Center - Phase II

The following public/private projects were in progress during fiscal year 2001. Completion of these projects is expected in fiscal year 2002 and 2003.

### **URD I Projects**

321-327 North Higgins Avenue  
Civic Stadium  
Millennium Building  
St. Patrick Hospital  
Watercolor Computer Training

While the number of projects completed and underway in fiscal year 2001 is lower than in prior years, the dollar value of projects the staff is working on is larger than at any other time in MRA's history. Three projects alone—the Civic Stadium, the Millennium Building and the St. Patrick Hospital project—total over \$72 million in value. As the first Urban Renewal District approaches sunset, the number of both public and private projects left to be done is diminishing. The Missoula Downtown Association has convened a committee to provide input on projects to undertake prior to sunset. In URD II, private sector activity over the years has centered on assistance to private not-for-profit projects. These projects assist in the provision of important “social infrastructure” in the course of redeveloping the district, but do little to boost the tax base. Commercial redevelopment of the district has been retarded by development competition in other parts of the community.

# ~ PROJECTS COMPLETED ~

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## *URD I Projects*

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### **DeMarois Building** 228-232 West Main Street

Project Cost:	\$950,000
MRA Assistance:	\$77,903
Leverage Ratio:	1:12

MRA Programs: CCP, Façade & ED CRLP

Renovation of the interior of this building expanded the usable floor space allowing tenants to use space on the ground and second floors that had been closed for several years due to fire code restrictions as well as water damage from a leaking roof. The exterior received restoration to near-original 1921 appearance by removing a façade added in the 1950s. The roof has been replaced, parapet and brick walls repointed and all windows replaced. The interior of the building was completely cleared and rebuilt. New electrical, plumbing and mechanical systems have been installed along with an elevator. ADA compliant restrooms were constructed on each floor. Code issues addressed within the building included installation of a fire-suppression sprinkler system to serve the entire building, construction of fire-rated corridors and emergency exits.



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### **Goldsmith's Bed & Breakfast** 803 East Front Street

Project Cost:	\$45,000
MRA Assistance:	\$7,950
Leverage Ratio:	1:6

MRA Programs: CCP



MRA assistance in this project was targeted to installation of a fire-suppression sprinkler system. The owner also remediated other fire and building code violations which included improved emergency exiting from an upper floor, and achieving appropriate head clearance in an upper level stair and room.



# ~ PROJECTS COMPLETED ~

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## **Lenox Flats**

301 West Broadway

MRA Programs: TIF, CCP

Project Cost:	\$1,080,000
MRA Assistance:	\$47,475
Leverage Ratio:	1:23



Lenox Flats

homeWORD redeveloped this historic building, formerly the County's convict pre-release center, into ten studio and 1½-bedroom apartments for low-income persons, along with street level commercial space. Renovation design was in keeping with requirements necessary for the structure to be placed on the National List of Historic Places. MRA assistance is for façade renovation, life-safety code compliance, and replacement of sidewalks.

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## **MacArthur, Means & Wells Architects**

125 West Alder Street

MRA Programs: CCP, Façade CRLP

Project Cost:	\$150,000
MRA Assistance:	\$7,480
Leverage Ratio:	1:20

The exterior of this building (constructed in 1910) was brought into historical context with the neighborhood. The interior was remodeled from a retail setting to offices for an architectural firm. A covered outdoor seating and work area was created on the south (alley) side of the building. In addition, new required emergency exiting from the basement areas was constructed.



MacArthur, Means & Wells Architects

# ~ PROJECTS COMPLETED ~

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## Montana Antique Mall

331 West Railroad Street

Project Cost:	\$65,000
MRA Assistance:	\$19,400
Leverage Ratio:	1:3

MRA Programs: CCP

Since purchasing it in 1990, the current owner of this historic building (built in 1887 as the Montana Hotel) has been slowly renovating it to current standards for retail use. In this work phase, MRA assisted the owner in bringing the building into compliance with fire and building codes. The work entailed installation of a fire-suppression sprinkler system throughout the building and improved emergency egress from the basement and upper floors.



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## Public Basketball Courts

Kiwanis Park / McCormick Park

Project Cost:	\$20,000
MRA Assistance:	\$10,000
Leverage Ratio:	1:2

MRA Programs: TIF



MRA matched a private donation made to the Parks and Recreation Department in order to improve basketball facilities in Kiwanis and McCormick Parks. The Parks Department completed the work on the basketball courts during this fiscal year.

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## Studebaker Building

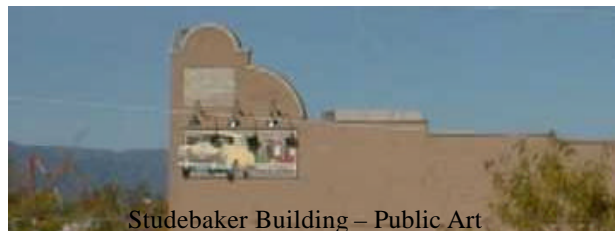
### Public Art Project

216 West Main Street

MRA Programs: TIF

Project Cost:	\$15,000
MRA Assistance:	\$7,500
Leverage Ratio:	1:2

Working in conjunction with the Mayor's Public Art Committee, MRA agreed to fund one half of the cost of this public art mural that hangs on the side of the newly remodeled Studebaker Building. The artist, Stan Hughes, was selected from a pool of artists interested in having their design become public art. The piece was dedicated with a reception in late fall of 2000.



# ~ PROJECTS COMPLETED ~

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## **Wilma Building**

131 South Higgins Avenue

Project Cost: \$2,400,000

MRA Assistance: \$350,000

Leverage Ratio: 1:7

MRA Programs: CCP



The Wilma Building

The historic Wilma Building represents a community landmark and a visual cornerstone at the gateway to the Downtown area north of the Clark Fork River. By 1980 it became evident, both visually and through an increase in fire calls, that deferred maintenance, repair, and systems upgrades along with changing uses and requirements on the facility were creating problems for future use of the building. Significant fire and building code violations led the Missoula Fire Marshal to disallow live performances in the theater.

Since purchasing the Wilma Building, the current owner has invested over \$2,400,000 in attending to life-safety code

violations along with other repair and renovations. MRA's two-part participation in the project recognizes fire code work conducted since 1996 and work that was needed to bring the building into full compliance with adopted life-safety codes.

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## ***URD II Projects***

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## **Sentinel Mechanical**

1308 River Street

Project Cost: \$210,000

MRA Assistance: \$22,241

Leverage Ratio: 1:9

MRA Programs: TIF

Until recently, this property was used for outdoor storage of street and construction signs. Sentinel Mechanical, a long time Missoula business, relocated to the site and constructed an office in addition to a sheet metal and plumbing fabrication shop. MRA's participation included assistance to demolish a storage shed, pave the alley adjacent to the site, extend municipal water and sewer to the site, and assistance in construction of curb, gutters and sidewalk.



Sentinel Mechanical



# ~ PROJECTS COMPLETED ~

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## **Sweetheart Bread**

1340 West Broadway

MRA Programs: TIF

Project Cost:	\$310,000
MRA Assistance:	\$36,312
Leverage Ratio:	1:9



This project involved demolition of a former fuel and vehicle repair building and construction of a direct retail source for several brands of bread and pastry products. MRA's financial participation included assistance in demolition, paving the adjacent alley, construction of curb, gutter and sidewalk on West Broadway and Bulwer Street, and installation of sidewalk trees and grates.

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## **Western MT Mental Health Center Phase II**

1305 Wyoming Street

MRA Programs: TIF

Project Cost:	\$3,000,000
MRA Assistance:	\$47,000
Leverage Ratio:	1:64

The second phase of the WMMHC campus project included construction of three new service buildings, resident housing, a parking area for employees and clients and related landscaping. MRA assistance was for right-of-way improvements, utility work and demolition and site preparation for the parking area. After completion, the WMMHC entered into an agreement with Playball Missoula, Inc. for off-hours use of more than 100 parking spaces for activities to be held at the nearby



Civic Stadium, which is currently under construction. MRA assistance in the two phases of this project required WMMHC to give the City a 300-foot bicycle/pedestrian easement along the western edge of the property, an easement to locate an irrigation well for landscaping on the adjacent Milwaukee Trail, and a water main easement to Mountain Water Company for construction of a water main to serve both the WMMHC campus and the neighborhood to the north of the property.

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# ~ PROJECTS IN PROGRESS ~

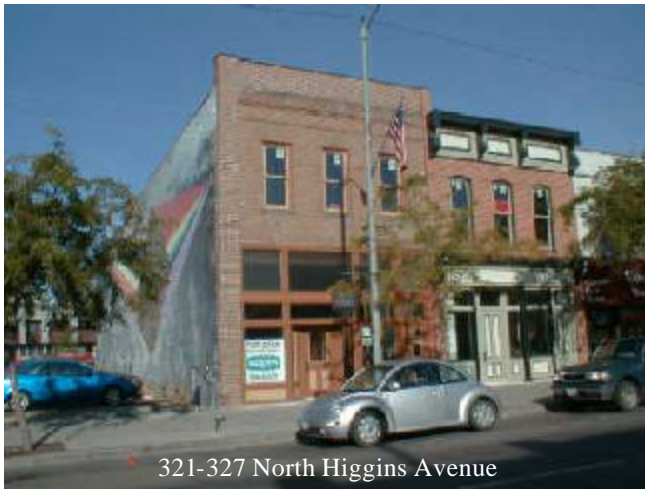
## *URD I Projects*

### **321-327 North Higgins Avenue**

Expected Completion Date: TBD

Project Cost:	\$700,000
MRA Assistance:	\$57,917
Leverage Ratio:	1:12

MRA Programs: CCP, Façade CRLP



MRA anticipated that this project would entail complete, historically appropriate renovation of the interior and exterior of these adjacent buildings. By the end of FY 2001 it became apparent that the owner would not complete the project and had placed the property on the market for sale or lease. This action effectively terminated MRA's program agreements prior to any public funds being expended. MRA could be involved with a subsequent owner to assure appropriate treatment of these important buildings.

### **Civic Stadium**

Old Champion Mill Site

Expected Completion Date: Summer 2002

Project Cost:	\$7,900,000
MRA Assistance:	\$1,000,000
Leverage Ratio:	1:8

MRA Programs: TIF

After surviving a municipal referendum and a challenge in District Court, this project finally got underway. By early fall of 2001, the major excavation work for the stadium will be completed. Subsequent publicly bid units of work will be undertaken to allow completion of the civic stadium by summer of 2002. MRA's expenditures, except for the acquisition of land for parking will not be undertaken until the project sponsor, Play Ball Missoula, Inc. provides evidence that it has raised a minimum of \$4 million in pledges grants or other financing. Once that threshold is passed, MRA will undertake design and construction of a variety of public improvements related to but separate from the Civic Stadium including street access, trails, utility upgrades, etc.



Civic Stadium – Construction Site

# ~ PROJECTS IN PROGRESS ~

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## **Millennium Building**

125 Bank Street

Expected Completion Date: November 2001

Project Cost:

\$5,150,000

MRA Assistance:

\$313,856

Leverage Ratio:

1:16

MRA Programs: TIF



The Millennium Building is the first new office building constructed in the Downtown since construction of Riverfront Place in the 1990s. Since its completion earlier this year, it has seen its lease up steadily proceed. When the Bank Street Parking Deck is finished, the few construction details remaining at the building will be completed.

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## **St. Patrick Hospital Ambulatory Care Facility**

500 West Broadway

Expected Completion Date: June 2003

Project Cost:

\$51,000,000

MRA Assistance:

\$1,903,675

Leverage Ratio:

1:27

MRA Programs: TIF

St. Patrick Hospital worked with MRA staff for over a year on planning the construction of this facility. When completed in 2003, the Ambulatory Care Facility will house offices, diagnostic and treatment facilities, as well as a medical library, meeting space and underground parking garage. As part of the project development agreement, the Hospital will guarantee that nearly \$28,000,000 in construction value will remain on the local tax rolls in perpetuity. MRA financed the demolition of the Broadway building and will assist with relocating and upgrading utilities and making improvements to public infrastructure.



# ~ PROJECTS IN PROGRESS ~

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## **Watercolor Computer Training**

325-327 East Broadway

Expected Completion Date: November 2001

Project Cost:

\$200,000

MRA Assistance:

\$20,136

Leverage Ratio:

1:10

MRA Programs: CCP, Façade CRLP

This project involves construction of a code-compliant emergency stairway from the lower story, renovation of the façade to bring the concrete block and brick structure into a design more compatible with the neighborhood, and remodeling of the interior to facilitate its conversion to office and classroom space for this computer software training business.



Watercolor Computer Training

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# RECAP OF FISCAL YEAR 2001

## PUBLIC / PRIVATE PARTNERSHIPS

### ~ Projects Completed ~

Project Name	Total Cost	Total Ratio	TIF	CCP	Façade CRLP	ED CRLP	Total MRA
<b>URD I Projects</b>							
DeMarois Building	950,000	1:12		49,000	9,634	19,269	77,903
Goldsmith's Bed & Breakfast	45,000	1:6		7,950			7,950
Lenox Flats	1,080,000	1:22	15,800	25,000	9,200		50,000
MacArthur, Means & Wells Architects	150,000	1:20		2,532	4,948		7,480
Montana Antique Mall	65,000	1:3		19,400			19,400
Public Basketball Courts	20,000	1:2	10,000				10,000
Studebaker Building - Public Art Project	15,000	1:2	7,500				7,500
Wilma Building	2,400,000	1:7		350,000			350,000
<b>URD II Projects</b>							
Sentinel Mechanical	210,000	1:9	22,241				22,241
Sweetheart Bread	310,000	1:9	36,312				36,312
Western MT Mental Health Center - Phase II	3,000,000	1:64	47,000				47,000
<b>TOTALS</b>	<b>8,245,000</b>	<b>1:13</b>	<b>138,853</b>	<b>453,882</b>	<b>23,782</b>	<b>19,269</b>	<b>635,786</b>

### ~ Projects In Progress ~

Project Name	Total Cost	Total Ratio	TIF	CCP	Façade CRLP	ED CRLP	Total MRA
<b>URD I Projects</b>							
Civic Stadium	7,900,000	1:8	1,000,000				1,000,000
Millennium Building	5,150,000	1:16	313,856				313,856
St. Patrick Hospital - Ambulatory Care Facility	51,000,000	1:27	1,903,675				1,903,675
Watercolor Computer Training	200,000	1:10		15,000	5,136		20,136
<b>URD II Projects</b>							
(none)							-
<b>TOTALS</b>	<b>79,790,000</b>	<b>1:18</b>	<b>3,495,237</b>	<b>873,764</b>	<b>43,066</b>	<b>19,269</b>	<b>4,431,336</b>

**Note:** A project at 321-327 North Higgins was in progress during FY 2001 but the owner/developer decided to sell the property before the project's completion. Subsequently, the original development agreement with MRA was officially terminated. Currently, several persons are looking at the building and MRA hopes to entice another developer to finish the project.



## **PUBLIC PROJECTS**

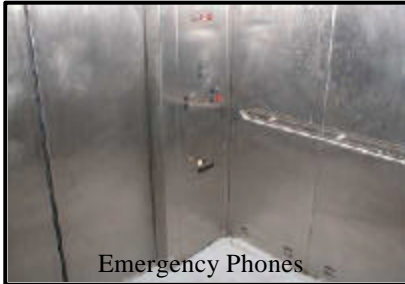
Every year MRA participates in many public improvement projects within the Urban Renewal Districts. MRA is authorized by state law to use tax increment funds for the acquisition, construction and improvement of infrastructure, which includes streets, roads, curbs, gutters, sidewalks, pedestrian malls, 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 2001, MRA completed three public improvement projects. Unfortunately, two of these projects involved addressing recent vandalism to MRA's newly constructed TEA-21 projects, the Northside RR Crossing and the California Street Bridge. The third public project involved placing historic interpretive trail markers along the popular Milwaukee Trail. This bicycle/pedestrian trail was constructed with the assistance of Federal transportation funds and opened in autumn 1999.

MRA had several public projects in progress during the past fiscal year. Four of these projects included pledges of \$100,000 or more. The most prominent public projects receiving MRA assistance are the Bank Street Pedestrian Mall with expected completion date of winter 2001 and the Orange Street Bridge to be completed in the summer of 2002.

## ***URD I PROJECTS COMPLETED***

### **NORTHSIDE RR CROSSING – ELEVATOR MODIFICATIONS**



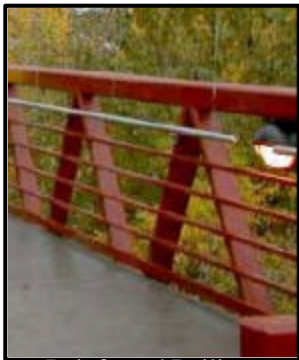
In spring of 2000, the MRA Board approved several modifications to the Northside Railroad Crossing elevators in an attempt to curb the vandalism and graffiti of the structures. The modifications included replacing the original ceiling to allow for indirect, recessed lighting, installing

more vandal resistant emergency phones, and replacing the floor covering with Beauti-trac covering for more durability and ease of cleaning. The modifications were completed by summer 2001 for a final cost of \$18,208.



## ***URD II PROJECTS COMPLETED***

### **CALIFORNIA STREET BRIDGE – VANDALISM REPAIR**



An act of vandalism prompted MRA to spend an additional \$2,630 on the California Street Bridge in fiscal year 2001. Several sections of the Bridge's handrail were pried from their welds and left hanging, partially attached, or were removed completely. Several of the Bridge's lights were also destroyed. The Parks Department replaced the lights with the spares they had in stock and new reinforced railings were installed.

### **MILWAUKEE TRAIL MARKERS**

MRA spent \$1,380 toward fabrication and installation of two historical information plaques that detail the historic railroad and industrial uses of the land adjacent to the Milwaukee trail. Rock cairns were built for the bronze plaques during trail construction.



## ***URD I PROJECTS IN PROGRESS***

### **BANK STREET PEDESTRIAN MALL**



This project converts block-long Bank Street into a landscaped pedestrian mall complete with benches, lighting and a water feature. Stairs from the Mall will lead to a new walkway to Caras Park beneath the Higgins Avenue Bridge. The Pedestrian Mall will also be the link between the new Bank Street Parking Deck (currently under construction) and the rest of Downtown. At the conclusion of fiscal year 2001, the project was approximately 25% complete. The cost of the project is estimated to be \$446,573 with completion scheduled for the first part of 2002.

### **CITY-COUNTY HEALTH DEPARTMENT**

The MRA Board agreed to assist the City-County Health Department with several accessibility and life safety code improvements to the City-County Health Building. Other improvements to the building will allow the City-County Health Department staff to serve public health needs more efficiently and more comfortably. While the total project cost was nearly \$400,000, MRA's contribution amounted to \$63,220. The project was substantially complete by the summer of 2001.



### **DOWNTOWN ALLEYS**

In 1994, the MRA rated the condition of alleys within the Downtown commercial area. Alley reconstruction projects significantly improve vehicle and delivery access to businesses and reduce the need for street front delivery, which disrupts traffic flow. Reconstruction also helps prevent damage to adjacent structures resulting from poor drainage along deteriorated asphalt alleys. Many Downtown alleys are also popular pedestrian routes and business entry locations. Reconstruction provides safer and more comfortable foot traffic through the alley and encourages development of "backdoor" businesses. Concrete is recommended over asphalt for alleys because of its superior wear life, the ability to construct adequate drainage, and relative ease of future repair and maintenance. Reconstruction also allows the opportunity for utility and drainage upgrades. In FY 1998, at the request of the adjacent owners, the MRA provided 50% of

the cost in reconstructing the alley identified in 1994 as being in the poorest condition. In FY 2000, two more high priority alleys were reconstructed with MRA assistance based on petitions from owners.

In FY 2001, owners along four other alleys requested concrete reconstruction with MRA assistance. The alleys are between the 100 blocks of West Pine and West Spruce (behind Worden's Market), between the 100 blocks of West Broadway and West Pine (behind Garlington, Lohn and Robinson), between the 100 blocks of West Spruce and West Alder (behind the Iron Horse and Missoula Federal Credit Union), and a north – south alley between the 200 block of North Higgins and Pattee (behind U.S. West and Sterling Bank). MRA pledged \$25,000 per alley to match adjacent property owners' contributions. Due to other construction priorities within the Public Works Department, the reconstruction of these alleys has been postponed until FY 2002. The \$100,000 MRA commitment for alley improvements has been carried over to the FY 2002 Budget. When these alleys are completed, all of the highest priority alleys in the Downtown will have been addressed.

### **DOWNTOWN STREET RENOVATION**

For eleven years MRA has budgeted tax increment funds to the City of Missoula toward the repair, resurface and repaving of Downtown streets. Through the program, TIF funds often supplement property owners' expenses in sidewalk and utility service replacement. MRA's participation also helps the City address disability access in the Downtown and frees up City General Fund and Gas Tax monies to be used throughout the rest of the community. In FY 2001, MRA pledged \$100,000 of tax increment assistance toward the milling and repaving of a four-block segment of West Spruce Street between Orange Street and Montana Rail Link's Bitterroot Branch line. Due to the City of Missoula Street Department's other commitments, this project has been postponed to FY 2002. MRA's pledge has been carried over to the FY 2002 Budget.

### **NORTHSIDE RR CROSSING – MESH ENCLOSURE**

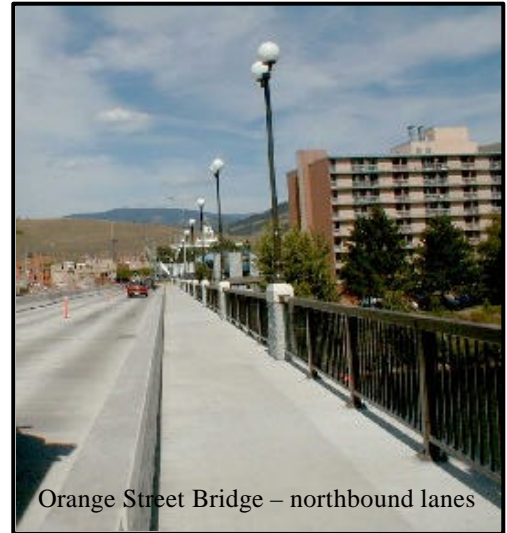
The solution ultimately adopted to cross the railroad tracks in a safe and pleasant manner was that of a bridge over the tracks and rail yard. An easement and agreement with Montana Rail Link (MRL) were required for the bridge because the Crossing affected railroad property and operations. The agreement contained a provision that the overpass would not endanger or interfere with operations of the railroad facility. Since the opening of the Crossing, MRL personnel have documented several occasions where items were thrown from the Crossing to the rail yard below. Subsequently, MRL requested the City of Missoula enclose the Crossing in accordance with the agreement. Attempts to change behaviors through public awareness, self-policing and signage have been largely unsuccessful, so the City determined mesh enclosure of the portion of the span across the tracks would be necessary. In June 2001, the MRA Board approved a City request to engage HDR Engineering to provide design services for a mesh enclosure solution. The design is in the process with construction expected to occur in late 2001. Costs including design are expected to be approximately \$36,000.



## ORANGE STREET BRIDGE

Work on the Orange Street Bridge continued throughout much of the past year allowing the contractor to open the east side of the bridge and its two lanes of traffic to the public during the summer of 2001. MRA made a commitment of \$800,000 to the Orange Street Bridge project of which \$155,981 was spent by MRA to haul fill dirt to the project. That amount has been deducted from the amount pledged.

In another development related to the Orange Street Bridge project, a citizens' group in 2000 convinced the City Council to re-prioritize local TEA-21 funded projects to create the funds necessary to construct a bicycle-pedestrian underpass beneath the Orange Street Bridge. MRA pledged tax increment funds in the



Orange Street Bridge – northbound lanes



Orange Street Bridge (looking west)

amount of \$75,000 to the \$313,000 amendment to the project. The underpass was made available to bicyclists and pedestrians in the spring of 2001. Trails providing access to the Orange Street Bridge from the underpass and community trail network were completed and opened later that year. MRA also provided for trail lighting along the underpass approaches for a cost of \$5,510 in FY 2001.

## SOUTH THIRD STREET TRIANGLE PARK

For several years both the MRA and adjacent neighborhood have been interested in improving the area just west of the south ramp of the Higgins Avenue Bridge between the Boone and Crockett building and South Third Street. The area is a highly visible entrance or gateway to the commercial areas on both the north and south sides of the river as well as the Historic Southside Neighborhood. In addition, it is one of the only publicly owned parcels that can be used to expand accessibility between the street elevation and the riverfront. To aid the neighborhood planning efforts MRA sponsored



South Third Street Triangle Park

two charrette processes in 1999. In addition, MRA supported an effort by neighbors to clean up the area by investing \$500 in plant material. Several attempts over the past few years to improve the site illustrate the high priority all the various groups place on the area. However, until recently the groups have not been able to agree on a consistent vision for the site. Disagreements between the groups centered primarily on the design theme and plant materials to be used.

MRA Staff attended several meetings of commercial and residential neighbors interested in establishing common values and general design criteria for the site. Additionally, the Public Works Department informed the neighborhood that if a park development plan is produced, the City will replace the sidewalk, upgrade the entrance to Station Drive, and re-align and upgrade pedestrian travel at the intersection of Higgins and South Third. The result of the series of meetings was the discovery of common ground and some compromise between the groups. Near the end of FY 2001, the MRA Board approved engaging a landscape architect to design a public space that reflected many of the values described by the public at those meetings. Final design, bidding and construction of the project are scheduled to occur in FY 2002.

### **STREETSCAPE AMENITIES**



Southeast corner of Pine and Adams Streets (looking east)

Every year MRA sets aside tax increment funds for the purpose of providing the Downtown area with amenities such as bike racks, benches, trash receptacles, new trees and grates, etc. Although no expenditures were necessary in FY 2001, on June 4, 2001 a late snowstorm damaged many trees making a large street tree replacement project necessary. In August 2001, the MRA Board approved a contract for removal and replacement of approximately sixty-one trees for \$52,221. The project is currently underway and completion is expected by November 2001.

### **WEIR DEBRIS REMOVAL**

For several years concrete debris and the rebar and other metal protruding it in the Clark Fork River just west of the Higgins Avenue Bridge at Caras Park has caused deep concern for the safety of rafters and others using the river. The debris is associated with an irrigation weir constructed in the 1960s. The Missoula Fire Department was also concerned that the metal could damage its river rescue boat. However, no owner or responsible party has been identified that would remove the material. In response to renewed concern for public safety and taking advantage of record low



water levels during the late summer of 2000, the MRA engaged an underwater construction specialist to remove the metal at a cost of \$2,000. This decision was made after receiving support for the project from local, State, and Federal agencies as well as several private groups concerned with the well being of the river. During FY 2001, the MRA also was a participating sponsor (\$4,000) with the Montana Department of Natural Resources and Conservation, the Missoula Conservation District, and Missoula Whitewater Association in a feasibility, conceptual design, and cost study of upgrading or replacing the dilapidated irrigation structure along with removal of the concrete debris.

## ***URD II PROJECTS IN PROGRESS***

### **WEST BROADWAY ISLAND TRAIL**

In FY 2001 the MRA began investigating the feasibility of constructing a pedestrian trail along a low lying peninsula off the north shore of the Clark Fork River near the 1100 and 1200 blocks of West Broadway. Although the area is within the 100-year floodplain, it appears feasible to provide at least seasonal public access. Title research was performed to discern the ownership of the “island” area (\$750) and acquisition discussions started. During FY 2002, it is anticipated that acquisition will be completed and the trail and its connections to Broadway designed. Construction scheduling will depend on estimated costs and funding sources.

# RECAP OF FISCAL YEAR 2001 PUBLIC PROJECTS

## ~ Projects Completed ~

Project Name	Total Project Cost	MRA Pledged	Previously Expended	FY 01 Expended	Expended To Date	Total MRA Remaining
<b>URD I Projects</b>						
Northside RR Crossing Elevator Modifications	18,208	18,652	-	18,208	18,208	444
<b>URD II Projects</b>						
California Street Bridge Vandalism Repair	2,630	2,630	-	2,630	2,630	-
Milwaukee Trail Markers	1,380	1,200	-	1,380	1,380	(180)
<b>TOTALS</b>	<b>22,218</b>	<b>22,482</b>	<b>-</b>	<b>22,218</b>	<b>22,218</b>	<b>264</b>

## ~ Projects In Progress ~

Project Name	Total Project Cost	MRA Pledged	Previously Expended	FY 01 Expended	Expended To Date	Total MRA Remaining
<b>URD I Projects</b>						
Bank Street Pedestrian Mall	446,573	353,410	13,144	248,429	261,573	91,837
City-County Health Department	400,000	63,220			-	63,220
Downtown Alleys	200,000	100,000			-	100,000
Downtown Streets	200,000	100,000			-	100,000
Northside RR Crossing Mesh Enclosure	36,000	36,000			-	36,000
Orange Street Bridge	7,330,632	879,500	161,217	5,510	166,727	712,773
South 3rd Street Triangle Park	TBD	80,000		3,645	3,645	76,355
Streetscape Amenities	varies	45,000			-	45,000
Weir Debris Removal	TBD	40,800		6,000	6,000	34,800
<b>URD II Projects</b>						
West Broadway Island Trail	TBD	225,000		750	750	224,250
<b>TOTALS</b>	<b>8,613,206</b>	<b>1,922,930</b>	<b>174,361</b>	<b>264,334</b>	<b>438,695</b>	<b>1,484,235</b>



## **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 committees and Boards.

During fiscal year 2001, the MRA staff continued to work on redevelopment plans for the Fox property. With the acquisition of the Mustard Seed property, the site is now more marketable for urban renewal. MRA also restarted its Redevelopment Vacancy Marketing Program (REVAMP) to help address the growing office space vacancies in the renewal districts.

# URBAN RENEWAL PLANNING PROJECTS

## FOX SITE REDEVELOPMENT

In late FY 2000, the City Council directed MRA to exercise the City's purchase option on the former Mustard Seed property. Including the Mustard Seed property with other adjacent city-owned property greatly enhances the probability of successful, comprehensive redevelopment of the area while maintaining public amenities along the riverfront. After lengthy negotiations, the acquisition



Fox Site – old Mustard Seed demolition

closed in April 2001 for a total cost of \$582,982. In May 2001, the City Council directed MRA to demolish the old Mustard Seed Restaurant structure and other improvements.

## NON-MOTORIZED TRANSPORTATION PLAN

Through efforts of the MRA in cooperation with several government agencies, the Non-motorized Transportation Plan (NMTP) was adopted in 1993. In addition to being adopted by the City Council and the Missoula County Commissioners; The University of Montana, the Lolo National Forest and the Montana Department of Fish, Wildlife and Parks also adopted the NMTP as a guiding document. MRA continues to use the Plan as a guiding document when considering the non-motorized transportation elements of projects. MRA also develops public projects for alternative transportation and continues to improve the Riverfront Trail System. MRA is currently trying to link the new West Broadway sidewalk with the California Street Bridge via the West Broadway Island in the Clark Fork River. Linking the south shore riverfront to the Milwaukee Trail is also a priority for the MRA.

## REDEVELOPMENT VACANCY MARKETING PROGRAM

In the early 1990s, MRA ran a highly successful program that marketed available commercial space called the Redevelopment Vacancy Marketing Program (REVAMP). Very low vacancy within the two urban renewal areas, coupled with the high cost of producing and distributing a paper directory led MRA to discontinue the program in 1995. A recent increase in vacancy in the urban renewal areas, the start-up of Urban Renewal District III, and increased efficiency in Internet and e-mail data collection and distribution has led MRA to restart REVAMP.

## **URD II HOUSING PROGRAM**

At the time Urban Renewal District (URD II) was created, a need for rehabilitation of existing housing stock was identified. In response to that need, the MRA Board approved a housing program recommended by the Human Resource Council (HRC) and the City Council created the MRA URD II Housing Rehabilitation Program in June of 2000.

Promotion and eligibility for the program is handled through HRC whereby applicants have to be eligible under their low-income home improvement loan program. Once eligibility is determined by HRC, the applicant is referred to MRA to determine which activities are eligible for MRA participation. It is envisioned that this program will be funded for two or three years depending on the program's success in encouraging residential rehabilitation. To date no applications for use of this program have been received.



## URBAN RENEWAL DISTRICT III

Concern for the condition of the south Missoula area by a collaboration of business people and property owners ultimately resulted in creation of a third urban renewal district. On July 10, 2000, the Missoula City Council adopted a resolution endorsing the use of MRA staff to conduct a professional study to determine if blight exists within the area generally defined as south Missoula (see map on next page for boundaries). If blighting influences were determined to cause the condition of the area, creation of an urban renewal district would become possible. The collaboration hoped the creation of a new urban renewal district would have a positive effect on this area, similar to the results they had witnessed over the years in the Downtown urban renewal district.

In its study of south Missoula the MRA staff found examples of blight, which was particularly evident in poor street layout, inadequate lot size and layout, inappropriate uses of land, and lack of adequate bicycle and pedestrian facilities. Many of these conditions relate to the transportation system and any changes to the transportation system will have significant impacts on urban renewal planning in this area.

After finding that the area contained blight and could benefit from creation of an urban renewal district, the City Council created Urban Renewal District III (shown on the attached map) and adopted the Urban Renewal District III Plan on December 11, 2000.

Because of the large size of URD III (over 500 acres) and because it is made up of a diverse group of areas; sub-areas or corridors were identified (please see attached map). In March and April 2001, public meetings were held allowing residents and property owners of the different sub-areas to learn about the MRA, hear about how tax increment works and brainstorm about what they might like the area to look like in the future.

Currently, the City has two projects underway (reconfiguration of the intersection of Brooks, South and Russell Streets and reconstruction of South Avenue between Johnson and Reserve Street), which will have significant, direct impacts on the South Avenue area in terms of traffic circulation, traffic density, ingress and egress from buildings, and transportation improvements such as curbs, gutters and sidewalks. Presently, MRA is focusing much of its URD III urban renewal planning on the South Avenue corridor because of the active status of these large City projects.

MRA staff is coordinating with the City Engineering Department as they engage in transportation planning for the area in and around the new Urban Renewal District, initially in the South Avenue area. A list of property owners has been compiled to use as a resource to aid in planning and redevelopment efforts. One such redevelopment tool is MRA's Redevelopment Vacancy Marketing Program. REVAMP is a compilation of properties for sale in the Urban Renewal Districts. Continual information gathering is important to determine the current and future needs of the URD III, the City's newest redevelopment district.



## **TRANSPORTATION EQUITY ACT for the 21<sup>st</sup> CENTURY (TEA-21)**

On June 9, 1998, President Clinton signed into law the Transportation Equity Act for the 21<sup>st</sup> 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 ISTEA, 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 ISTEA; however, all Enhancement projects must relate to surface transportation. In addition to eligible activities adopted from ISTEA (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**

## **CALIFORNIA STREET BRIDGE ENHANCEMENTS**

The California Street Bridge Enhancement project would address concerns regarding potential bicycle/pedestrian conflicts at the ends of the California Street Bridge by directing traffic flow at the bridge-ends. The project would also provide lights on the adjacent Shady Grove Trail, allowing it to be used safely and conveniently as part of the overall pedestrian transportation system. The project would include landscaping along the trail and at the bridge-ends (including concrete pads for public art) to enhance these principal components of the bicycle commuter network.

The total estimated cost for this project is \$235,000. The use of Community Transportation Enhancement Program (CTEP) funds has been approved and would require a MRA matching amount of \$31,537. However, due to the limited resources of tax increment funds in URD II and a change in project priorities for the district, this project has been put on hold for the time being.

## **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 the urban renewal area. Since the issuance of tax increment bonds in 1990 to build a parking structure, MRA's tax increment monies from Urban Renewal District I have been deposited into debt service accounts to pay off the bonds. After the bond payments are made, the remaining money is transferred to the MRA Development Fund for use in redevelopment efforts and/or for disbursement to local taxing jurisdictions. Tax increment monies from Urban Renewal District II are deposited directly into its Development Fund to foster redevelopment activities in Missoula's second District. The first tax increment funds from the newly formed Urban Renewal District III will be received by MRA in December 2001.

## REVENUE

In fiscal year 2001, Urban Renewal District I received \$1,534,643 in tax increment revenue. After releasing a portion of the tax increment collected to the taxing jurisdictions, net tax increment to URD I was \$1,284,643. When combined with investment earnings, grants, miscellaneous revenue and State personal property reimbursements, URD I's total revenue amounted to \$2,102,950. Urban Renewal District II had tax increment revenue totaling \$110,612. When combined with investment earnings, grants, miscellaneous revenue and State personal property reimbursements, URD II's total revenue amounted to \$160,374.

## EXPENDITURES

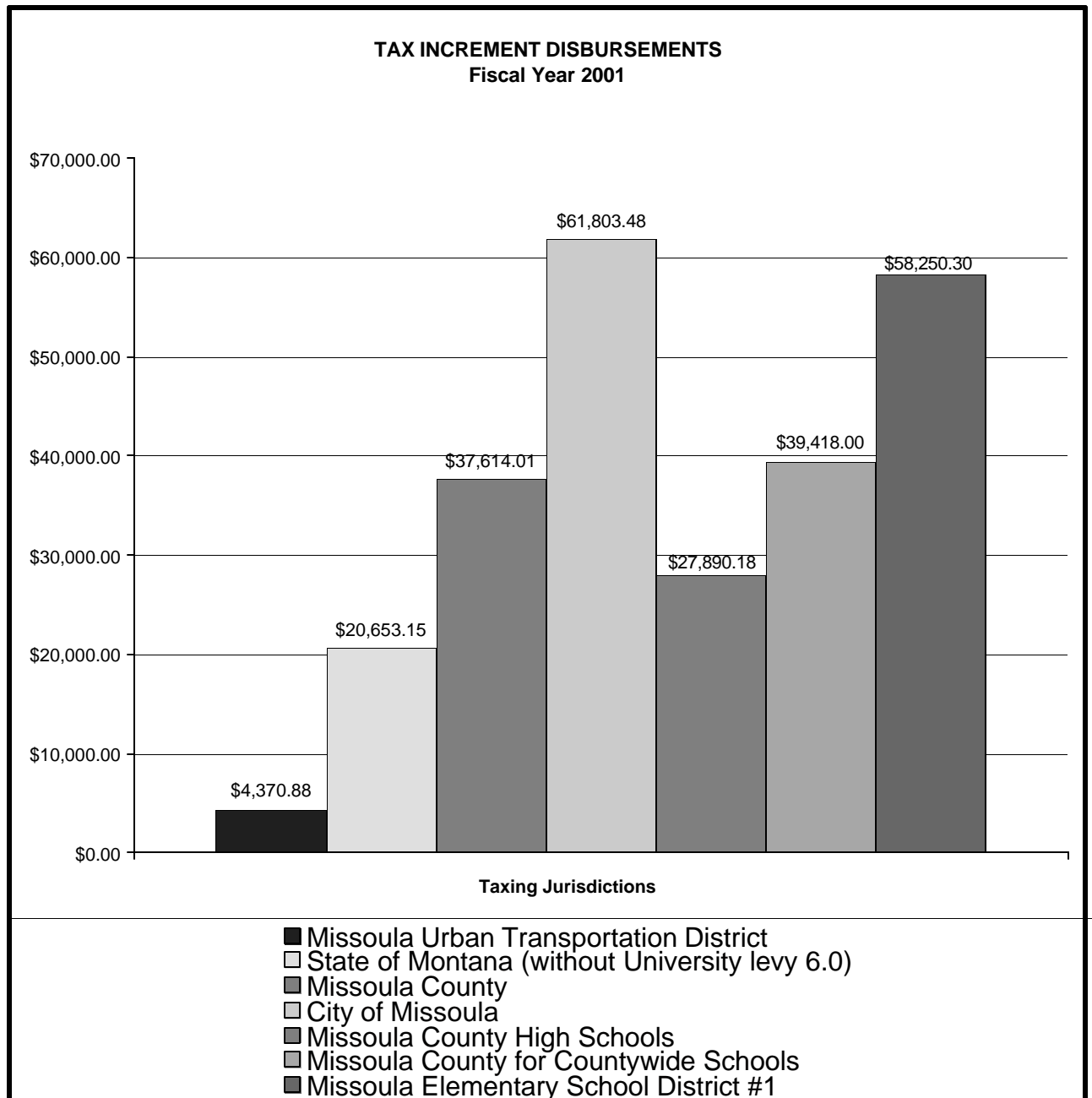
The following table shows MRA's expenditures on current operations (*administration, public works, private rehabilitation, planning and other*), capital outlay and transfers in both districts and URD I's debt service fund activity.

<b>Type of Expenditure</b>	<b>URD I</b>	<b>URD II</b>	<b>Debt Service Funds</b>
<u>Current Operations</u>			
Community Redevelopment	853,135	109,160	
<u>Capital Outlay</u>			
Community Redevelopment	803,112	4,010	
<u>Debt Service</u>			
Principal			225,000
Interest & Fees			64,505
<u>Other Financing Uses/(Sources)</u>			
Transfers Out/(In)	(72,224)	100,000	
<b>Total Expenditures</b>	<b>\$1,584,023</b>	<b>\$213,170</b>	<b>\$289,505</b>
<b>Net Gain/(Loss)</b>	<b>518,927</b>	<b>(52,796)</b>	

The total URD I adjusted fund balance at the beginning of fiscal year 2001 was \$3,736,558. At the end of the fiscal year, the balance was \$4,255,485. The total URD II adjusted fund balance at the beginning of fiscal year 2001 was \$207,645. At the end of the year, the balance was \$154,849.

## TAX INCREMENT DISBURSEMENT

As a part of the fiscal year 2001 Budget, the City Council agreed to remit \$250,000 of MRA's URD I tax increment revenue to the local taxing jurisdictions. Below is a table of the tax increment distributed this past year to these local 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 the City's Downtown.



## AUDIT REPORT

MRA's financial management activities are subject to an annual independent audit by an outside accounting firm. Fiscal Year 2001 was the final year of a three-year engagement with Elmore & Associates, P.C. 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. As in years past, the auditor's report on the financial statements of the MRA was unqualified.

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. The California Street Enhancement Project was the only Federally assisted project MRA was working on during the past year, but because the \$300,000 expenditure threshold was not met, the Single Audit was not required.

Elmore & 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. Elmore & Associate, P.C. reported, "*The results of our tests disclosed no instances of noncompliance . . .*" and "*We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses.*"



Board of Directors and Management  
Missoula Redevelopment Agency  
Missoula, Montana

Independent Auditors' Report

We have audited the accompanying component unit financial statements of Missoula Redevelopment Agency, a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2001, as listed in the accompanying table of contents. These component unit financial statements are the responsibility of Missoula Redevelopment Agency's management. Our responsibility is to express an opinion on these component unit 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Missoula Redevelopment Agency, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2001, on our consideration of Missoula Redevelopment Agency'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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the component unit financial statements of Missoula Redevelopment Agency, taken as a whole. The supplementary information on pages 16-19 is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the component unit financial statements taken as a whole.

/s/

Certified Public Accountants  
August 23, 2001

MISSOULA REDEVELOPMENT AGENCY  
(A Component Unit of the City of Missoula)

Combined Balance Sheet

June 30, 2001

	Governmental Funds			General	Totals	
	Urban Renewal District I	Urban Renewal District II	District I Debt Service Funds	Long-Term Debt Account Group	(Memorandum Only)	
					2001	2000
<b>ASSETS</b>						
Cash and Investments	\$ 3,971,931	\$ 131,805	\$ 451,880	\$ -	\$ 4,555,616	\$ 3,673,644
Tax Increment Receivable	-	11,393	105,483	-	116,876	623,599
Accrued Interest	23,494	780	2,673	-	26,947	12,765
Other Receivables	-	1,318	-	-	1,318	1,318
Due from Missoula County	-	19,102	562,784	-	581,886	244,454
Due from Other Funds	572,669	-	-	-	572,669	724,170
Grants Receivable	9,524	2,100	-	-	11,624	11,624
Notes Receivable	-	-	-	-	-	6,653
Amount Available in Debt Service Funds	-	-	-	454,553	454,553	445,065
Amount to Be Provided to Retire Long-Term Debt	-	-	-	610,283	610,283	841,751
Total assets	<u>\$ 4,577,618</u>	<u>\$ 166,498</u>	<u>\$ 1,122,820</u>	<u>\$ 1,064,836</u>	<u>\$ 6,931,772</u>	<u>\$ 6,585,043</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 312,561	\$ 2,630	\$ -	\$ -	\$ 315,191	\$ 74,287
Accrued payroll	9,572	-	-	-	9,572	9,822
Due to other funds	-	-	572,669	-	572,669	724,170
Deferred revenue	-	9,019	95,598	-	104,617	100,680
Compensated absences	-	-	-	34,836	34,836	31,816
Bonds payable	-	-	-	1,030,000	1,030,000	1,255,000
Total liabilities	<u>322,133</u>	<u>11,649</u>	<u>668,267</u>	<u>1,064,836</u>	<u>2,066,885</u>	<u>2,195,775</u>
Fund Balances						
Unreserved						
Designated for debt service	-	-	454,553	-	454,553	445,065
Designated for future projects	3,356,371	53,000	-	-	3,409,371	3,399,917
Undesignated	899,114	101,849	-	-	1,000,963	544,286
Total fund balances	<u>4,255,485</u>	<u>154,849</u>	<u>454,553</u>	<u>-</u>	<u>4,864,887</u>	<u>4,389,268</u>
Total liabilities and fund balances	<u>\$ 4,577,618</u>	<u>\$ 166,498</u>	<u>\$ 1,122,820</u>	<u>\$ 1,064,836</u>	<u>\$ 6,931,772</u>	<u>\$ 6,585,043</u>

MISSOULA REDEVELOPMENT AGENCY  
(A Component Unit of the City of Missoula)

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2001

	Urban Renewal District I	Urban Renewal District II	District I Debt Service Funds	Totals (Memorandum Only)	
				2001	2000
Revenues					
Tax increment (T. I.) property taxes	\$ 1,534,643	\$ 110,612	\$ -	\$ 1,645,255	\$ 2,103,895
Less payment to other taxing jurisdictions	(250,000)	-	-	(250,000)	(250,000)
T. I. property taxes - net	1,284,643	110,612	-	1,395,255	1,853,895
State personal property tax reimbursement	562,785	37,392	267,934	868,111	459,122
Investment earnings	247,890	12,370	31,059	291,319	283,867
Grant and miscellaneous revenue	7,632	-	-	7,632	574,927
Total revenues	<u>2,102,950</u>	<u>160,374</u>	<u>298,993</u>	<u>2,562,317</u>	<u>3,171,811</u>
Expenditures					
Current operations					
Community development	853,135	109,160	-	962,295	2,577,854
Capital outlay	803,112	4,010	-	807,122	1,022,719
Debt service					
Principal	-	-	225,000	225,000	215,000
Interest and fees	-	-	64,505	64,505	74,235
Total expenditures	<u>1,656,247</u>	<u>113,170</u>	<u>289,505</u>	<u>2,058,922</u>	<u>3,889,808</u>
Excess of revenues over (under) expenditures	446,703	47,204	9,488	503,395	(717,997)
Other Financing Sources (Uses)					
Transfers in (out)	<u>72,224</u>	<u>(100,000)</u>	<u>-</u>	<u>(27,776)</u>	<u>(363,186)</u>
Excess of revenues over (under) expenditures and other financing sources	518,927	(52,796)	9,488	475,619	(1,081,183)
Fund Balances					
Beginning of year	<u>3,736,558</u>	<u>207,645</u>	<u>445,065</u>	<u>4,389,268</u>	<u>5,470,451</u>
End of year	<u>\$ 4,255,485</u>	<u>\$ 154,849</u>	<u>\$ 454,553</u>	<u>\$ 4,864,887</u>	<u>\$ 4,389,268</u>

MISSOULA REDEVELOPMENT AGENCY  
(A Component Unit of the City of Missoula)

Combined Statement of Revenues, Expenditures and Transfers - Budget and Actual - Governmental Funds  
For the Year Ended June 30, 2001

	Urban Renewal District I		Urban Renewal District II		District I Debt Service Funds		Totals (Memorandum Only)	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues								
Tax increment (T. I.) property taxes	\$ 1,136,123	\$ 1,534,643	\$ 104,323	\$ 110,612	\$ -	\$ -	\$ 1,240,446	\$ 1,645,255
Less payments to other taxing jurisdictions	(250,000)	(250,000)	-	-	-	-	(250,000)	(250,000)
T. I. property taxes - net	886,123	1,284,643	104,323	110,612	-	-	990,446	1,395,255
State personal property tax reimbursement	878,712	562,785	34,821	37,392	298,618	267,934	1,212,151	868,111
Investment earnings	150,000	247,890	8,000	12,370	-	31,059	158,000	291,319
Grant and miscellaneous revenue	14,940	7,632	205,924	-	-	-	220,864	7,632
Total revenues	<u>1,929,775</u>	<u>2,102,950</u>	<u>353,068</u>	<u>160,374</u>	<u>298,618</u>	<u>298,993</u>	<u>2,581,461</u>	<u>2,562,317</u>
Expenditures								
Current operations								
Community development								
Administration	408,494	331,895	-	-	-	-	408,494	331,895
Acquisition of property	850,000	578,390	-	-	-	-	850,000	578,390
Public works	3,542,042	427,765	137,779	93,830	-	-	3,679,821	521,595
Private rehabilitation	486,953	287,733	75,000	2,857	-	-	561,953	290,590
Planning	25,000	8,092	-	750	-	-	25,000	8,842
Clearing and demolition	322,594	22,372	12,933	15,733	-	-	335,527	38,105
TEA-21 activity	-	-	235,000	-	-	-	235,000	-
Total current operations	<u>5,635,083</u>	<u>1,656,247</u>	<u>460,712</u>	<u>113,170</u>	<u>-</u>	<u>-</u>	<u>6,095,795</u>	<u>1,769,417</u>
Debt service								
Principal	-	-	-	-	225,000	225,000	225,000	225,000
Interest and fees	-	-	-	-	64,130	64,505	64,130	64,505
Total expenditures	<u>5,635,083</u>	<u>1,656,247</u>	<u>460,712</u>	<u>113,170</u>	<u>289,130</u>	<u>289,505</u>	<u>6,384,925</u>	<u>2,058,922</u>
Excess (deficiency) of revenues over expenditures	(3,705,308)	446,703	(107,644)	47,204	9,488	9,488	(3,803,464)	503,395
Other Financing Sources (Uses)								
Transfers in (out)	<u>(31,249)</u>	<u>72,224</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(131,249)</u>	<u>(27,776)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ <u>(3,736,557)</u>	\$ <u>518,927</u>	\$ <u>(207,644)</u>	\$ <u>(52,796)</u>	\$ <u>9,488</u>	\$ <u>9,488</u>	\$ <u>(3,934,713)</u>	\$ <u>475,619</u>

MISSOULA REDEVELOPMENT AGENCY  
(A Component Unit of the City of Missoula)

Notes to Financial Statements  
June 30, 2001

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Missoula Redevelopment Agency (MRA) conform to generally accepted accounting principles (GAAP) applicable to governments. The following is a summary of the more significant policies.

Reporting Entity – 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 remains 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.

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 provisions for District I were enacted on December 18, 1978, MRA 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 is July 1, 2005 (see Note 4). District II is scheduled to terminate in 2006, as required by State law, which amended the term of urban renewal districts to fifteen years after enactment. District III is scheduled to terminate in December 2015.

Fund Accounting – The accounts of MRA are organized on the basis of separate accounting entities referred to as funds or account groups. Each fund's operations are accounted for with a separate set of self-balancing accounts consisting of its assets, liabilities, fund balance, revenues and expenditures. MRA uses the following funds:

## Note 1 – Summary of Significant Accounting Policies (Continued)

### *Special Revenue Funds*

- Urban Renewal District I – used to account for all activities of District I.
- Urban Renewal District II – used to account for all activities of District II.
- Urban Renewal District III – used to account for all activities of District III (no activity in fiscal year 2001).

*Debt Service Funds* – These are used to account for the accumulation of resources for, and the payment of, tax increment debt principal, interest and related costs, and to comply with the requirements of the tax increment bond indenture. This fund is included as a debt service fund in the City’s financial statements.

*General Long-Term Debt Account Group* – This account group is established to account for all long-term debt of MRA including tax increment bonds and compensated absences. This account group is included with other long-term debt in the City’s financial statements.

Basis of Accounting and Measurement Focus – Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Revenues which are accrued consist principally of tax increment transfers, federal grants and investment earnings. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Total Columns – The columns captioned “Totals Memorandum Only” are presented in the accompanying financial statements to facilitate financial comparison and analysis. The amounts in these columns are not intended to present consolidated financial information because interfund transactions and balances have not been eliminated.

Budgets – MRA follows the City’s procedures in developing the budget information reflected in the financial statements, as follows:

- (1) Prior to the first Monday in July, a proposed operating budget is submitted by the Mayor to the City Council for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. A budget is legally required for MRA.
- (2) Public hearings are conducted to obtain public comments.

Note 1 – Summary of Significant Accounting Policies (Continued)

- (3) On or before the second Monday in August, the budget is legally enacted through an official resolution of adoption.
- (4) Budget transfers between departments within any fund are allowable with approval of the Mayor and the City Council.
- (5) All appropriations lapse at the end of a fiscal year.

MRA prepares its budget generally on the modified accrual basis. Revenues (except for property taxes) 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 City's budget. Appropriations may exceed anticipated revenues because MRA includes available cash reserves in the budgeting process.

Budgets cannot be increased except by (a) a public emergency which could not have been reasonably foreseen at the time of adoption of the original budget or (b) for funds received from federal or state governments. Budget transfers may be made between and among the general classifications of salaries and wages, operations and maintenance, and capital outlay upon a resolution adopted by the governing body; however, no budget transfers can increase the salary and wage classification. Expenditures may not legally exceed appropriations for an individual fund. The level of budgetary control is established by the three categories referenced above within an individual fund. Individual fund budgetary amounts equal appropriation amounts. Unexpended appropriations lapse at the end of the year. Reported budget amounts represent the original adopted budget.

Property Taxes – Property tax levies are set by the City on or before the second Monday in August, in connection with the budget process. Real property (and certain attached personal property) taxes are billed by Missoula County within ten days after the third Monday in October and are due in equal amounts on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). 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 those on mobile homes are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing and the second due September 30.

Urban Renewal District I is located entirely within 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.

Taxable valuations for all taxing districts and the corresponding tax increment amounts for November 2000 property tax billings were as follows:



Note 1 – Summary of Significant Accounting Policies (Continued)

	<u>Taxable Valuation</u>	<u>Number of Mills</u>
Taxable Value of All Taxing Districts, City of Missoula	\$ 78,662,970	633.10
Incremental Value of Tax Increment Districts:		
Urban Renewal District I	1,794,540	
Urban Renewal District II	169,471	

Cash, Investments and Investment Income – State law permits investment of MRA funds in savings accounts, certificates of deposit, bank repurchase agreements, government and government agency securities and notes, and the state’s short-term investment pool (STIP). Cash and investments include pooled accounts with the City treasurer. Under the provisions of GASB 31, investments are generally reported at fair value. Demand deposits, repurchase agreements, and non-participating certificates of deposit are carried at cost, while STIP is carried at reported share value, which approximate fair value for these investments.

Fixed Assets – Fixed assets are recorded in the City’s general fixed asset accounts.

Compensated Absences – Under terms of state law, MRA employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for all accumulated vacation leave and 25% of accumulated sick leave. Expenditures for these compensated absences are recorded when paid, because the amounts expected to be liquidated from current resources do not vary materially from year to year. Compensated absences to be funded from future resources are reflected as liabilities in the General Long-Term Debt Account Group to the extent they are vested.

Note 2 – Cash and Investments

MRA’s cash is invested in the City’s investment pool. MRA’s portion consists of the following:

Demand Deposits	\$ 1,771,733
Government Securities	1,752,270
Investment in State Short-Term Investment Pool	<u>1,031,613</u>
Total	<u>\$ 4,555,616</u>

Information regarding insurance coverage or collateralization and investment in derivatives and similar instruments for the investment in the City’s investment pool is available in the City’s comprehensive annual financial report. 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.

### Note 3 – Due from Missoula County

The amount due from Missoula County is the second half of the state personal property tax reimbursement which is received by the County in June, but not received by the City until July.

### Note 4 – Long-Term Debt

Changes in long-term debt for the year ended June 30, 2001, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Debt Retired</u>	<u>Ending Balance</u>
Refunding Tax Increment Bonds	\$ 1,255,000	\$ -	\$(225,000)	\$ 1,030,000
Compensated Absences	<u>31,816</u>	<u>3,020</u>	<u>-</u>	<u>34,836</u>
Total	\$ <u>1,286,816</u>	\$ <u>3,020</u>	\$( <u>225,000</u> )	\$ <u>1,064,836</u>

MRA issued \$3,000,000 of Tax Increment Renewal Bonds in December 1989. The bonds were issued to finance construction of a multi-level parking structure located within District I. In 1997, MRA defeased the 1989 bonds by placing the proceeds of Tax Increment Renewal Refunding Bonds issued in April 1997 in an irrevocable trust to provide all future debt service payments on the old bond issue. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in MRA's financial statements. As of June 30, 2001, the outstanding balance of the 1989 defeased bonds is \$1,325,000.

The refunding bonds have an average yield of 4.96% over the life of the bonds and have stated interest rates ranging from 4.2% to 5.3%. Final payment is due July 1, 2005; however, the refunding bonds may be redeemed early beginning July 1, 2001.

The City assigned MRA with the responsibility to manage the construction of the parking structure. Upon completion in 1991, the parking structure was leased to the Missoula Parking Commission, another component unit of the City, for \$1 annually. The Missoula Parking Commission is responsible for the ongoing operations of the parking structure.

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's 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 activities within District I, including additional expenses for the parking structure, to redeem all or a portion of the Series 1989 bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District I, as provided by state law. In 2001, the City Council returned \$250,000 of District I's tax increment revenues to the applicable taxing jurisdictions.

Note 4 – Long-Term Debt (Continued)

Annual debt service requirements are as follows:

Fiscal Year Ending <u>June 30,</u>	
2002	\$ 293,105
2003	291,105
2004	293,355
2005	<u>289,575</u>
	1,167,140
Less interest payments	<u>(137,140)</u>
	\$ <u><u>1,030,000</u></u>

Note 5 – Designated Fund Balances

The Board of MRA has committed a portion of fund balance for certain urban renewal projects, as follows:

Urban Renewal District I:

Public:

City – County Health Department	\$ 63,220
Civic Stadium	996,500
County Renovation	398,500
Downtown Alley Rehabilitation	100,000
Downtown Street Renovation	100,000
Fox Site – Mustard Seed Demolition	40,000
Kiwanis Park Trail	20,000
Northside Railroad Bridge Enclosure	40,000
Orange Street Bridge Supplement	644,020
Orange Street Bridge Underpass	69,763
Tennis Courts	100,000
Transfer Center – Public Art Project	15,000

Private:

Lenox Flats	700
Millennium Building	221,029
Monte Dolack Gallery	2,500
St. Patrick Hospital	525,003
Watercolor Computer Training	<u>20,136</u>
Total	\$ <u><u>3,356,371</u></u>

Urban Renewal District II:

Private:

Nutritional Laboratories	\$ <u><u>53,000</u></u>
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#### Note 6 – Retirement Plan

All full-time employees of MRA 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 provides retirement, disability, and death benefits to plan members and beneficiaries. Contribution rates are determined by state law. The contribution rate for employees was 6.8%, employers was 6.7%, and State of Montana was .1% in 2001, expressed as a percentage of covered payroll.

The amounts contributed during the years ended June 30, 1999, 2000, and 2001 were equal to the required contribution for each year. The amounts contributed by both the Agency and its employees were as follows:

1999	\$ 23,209
2000	27,301
2001	28,459

PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from PERS at:

Public Employees Retirement Division  
P.O. Box 200131  
1712 Ninth Avenue  
Helena, Montana 59620-0131  
Telephone (406) 444-3154

#### Note 7 – Leases

MRA leases office space for its operations on a yearly basis. In 2001, MRA leased its office space from an outside party under a triple net lease for \$20,928.

#### Note 8 – Interfund Transactions

Urban Renewal District I has \$572,669 due from the Debt Service Fund for tax increment revenue in excess of debt service requirements in URD I.

Urban Renewal District II transferred \$100,000 to Urban Renewal District I for its share of administrative costs. Urban Renewal District I transferred \$17,500 to the City's Capital Improvements Fund; of this transfer, \$10,000 was for the Basketball Courts project and \$7,500 was for the Studebaker Building Public Art project.

The Urban Renewal District I also transferred \$3,354 to the City for a portion of railroad insurance and \$6,922 was transferred to the City's employee benefits fund.

#### Note 9 – Risk Management

MRA is exposed to various risks of loss related to torts, damage or loss of assets, errors and omissions, injuries to employees, employee medical claims, and natural disasters. MRA manages these risks through participation with the City's risk management practices. Information related to the City's risk management is available in its comprehensive annual financial report.

#### Note 10 – Change in Tax Financing

In its 2001 session, the Montana Legislature passed House Bill 124, which significantly changed the manner in which local governments are financed. The new law replaces certain transfer payments that were previously apportioned to local governments (motor vehicle, alcohol, gambling, financial institutions taxes and personal property tax reimbursements) with a single entitlement. The portion of this entitlement that is allocated to tax increment districts statewide is set by statute at an amount equal to the actual transfer payments received in 2000. In addition, the new law repeals previously existing limits on property tax assessments and permits local governments to increase their mill levies by one half of the inflation rate as measured by the Consumer Price Index. The new law, which is effective for fiscal year 2002 and later, is not expected to have a materially adverse affect on the Districts.

MISSOULA REDEVELOPMENT AGENCY  
(A Component Unit of the City of Missoula)

Schedule of Expenditures - Budget and Actual - Urban Renewal District I  
For the Year Ended June 30, 2001

	Budget	Actual
Administration		
Personnel	\$ 250,493	\$ 207,666
Other	158,001	124,229
Total administration	<u>408,494</u>	<u>331,895</u>
Acquisition of Property		
Civic Stadium	-	3,500
Contingency	100,000	-
Total acquisition of property before capital outlay	<u>100,000</u>	<u>3,500</u>
Acquisition of property - capital outlay		
Civic Stadium	250,000	-
Fox Site - Mustard Seed Property	500,000	574,890
Total acquisition of property capital outlay	<u>750,000</u>	<u>574,890</u>
Total acquisition of property	<u>850,000</u>	<u>578,390</u>
Public Works		
Bank Street Pedestrian Mall	48,000	46,044
Basketball Courts	10,000	10,000
County Renovation	228,500	-
Downtown Street Renovations	100,000	-
Kiwanis Park Trail	7,200	-
Lenox Flats	15,800	22,475
Millennium Project	159,407	123,379
Orange Street Bridge	713,783	-
St. Patrick Hospital - Ambulatory Services	394,781	-
Station Drive Park	6,000	3,645
Studebaker Building - Public Art Project	7,500	7,500
Weir Debris Removal at Caras Park	10,000	4,000
Contingency	585,819	-
Total public works before capital outlay	<u>2,286,790</u>	<u>217,043</u>
Public Works Capital Outlay		
Bank Street Pedestrian Mall	352,000	202,384
Civic Stadium	750,000	-
Downtown Alley Rehabilitation	75,000	-
Downtown Corner Pavers	-	120
Kiwanis Park Trail	52,800	-
Northside Bridge Modifications	18,652	18,208
Orange Street Bridge - Tunnel	4,500	5,510
Station Drive Park	44,000	-
Streetscape Amenities	45,000	-
Weir Debris Removal at Caras Park	30,800	2,000
Total public works capital outlay	<u>1,372,752</u>	<u>228,222</u>
Total public works including transfers to other city funds	3,659,542	445,265
Less transfers to other city funds	<u>(117,500)</u>	<u>(17,500)</u>
Total public works	<u>3,542,042</u>	<u>427,765</u>

MISSOULA REDEVELOPMENT AGENCY  
(A Component Unit of the City of Missoula)

Schedule of Expenditures - Budget and Actual - Urban Renewal District I  
For the Year Ended June 30, 2001

Rehabilitation Loans/Grants		
City-County Health Department	39,016	-
Goldsmith's Bed & Breakfast	7,950	7,950
Lenox Flats	34,200	25,000
Mac's Restaurant	57,917	-
MacArthur, Means & Wells	7,480	7,480
Montana Antique Mall	19,400	19,400
Watercolor Computer Training	20,136	-
Western Montana Development	77,903	77,903
Wilma Theater	150,000	150,000
Contingency	72,951	-
Total rehabilitation loans/grants	<u>486,953</u>	<u>287,733</u>
Planning and Management		
Fox Site	10,000	8,092
Non-motorized Transportation Services	10,000	-
Office of Planning and Grants	5,000	-
Total planning and management	<u>25,000</u>	<u>8,092</u>
Clearing and Demolition		
County Renovation	170,000	-
Millennium Project	22,372	22,372
St. Patrick Hospital - Ambulatory Service	130,222	-
Total clearing and demolition	<u>322,594</u>	<u>22,372</u>
Total Expenditures	<u>\$ 5,635,083</u>	<u>\$ 1,656,247</u>



MISSOULA REDEVELOPMENT AGENCY  
(A Component Unit of the City of Missoula)

Schedule of Expenditures - Budget and Actual - Urban Renewal District II  
For the Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>
Public Works		
Residential Rehabilitation Program	\$ 36,000	\$ -
Sweetheart Bread	13,000	21,512
Thrasher/Huff Project	21,308	21,308
Western Montana Mental Health Center	47,000	47,000
Contingency	<u>19,271</u>	<u>-</u>
Total public works before capital outlay	<u>136,579</u>	<u>89,820</u>
Public Works - Capital Outlay		
California Street Bridge	-	2,630
Milwaukee Trail Interpretive Plaques	<u>1,200</u>	<u>1,380</u>
Total public works capital outlay	<u>1,200</u>	<u>4,010</u>
 Total public works	 <u>137,779</u>	 <u>93,830</u>
Rehabilitation Loans/Grants		
Cozy Court	-	2,857
Contingency	<u>75,000</u>	<u>-</u>
Total rehabilitation loans/grants	<u>75,000</u>	<u>2,857</u>
Planning & Management Activity		
West Broadway Island Trail	<u>-</u>	<u>750</u>
TEA-21 Activity		
California Street Bridge Enhancements	15,000	-
TEA-21 Activity - Capital Outlay		
California Street Bridge Enhancements	<u>220,000</u>	<u>-</u>
Total TEA-21 activity	<u>235,000</u>	<u>-</u>
Clearing and Demolition		
Sweetheart Bread	12,000	14,800
Thrasher/Huff Project	<u>933</u>	<u>933</u>
Total clearing and demolition	<u>12,933</u>	<u>15,733</u>
 Total Expenditures	 \$ <u>460,712</u>	 \$ <u>113,170</u>

# MISSOULA REDEVELOPMENT AGENCY

## Schedule of Tax Increment Funding by Taxing District For the Year Ended June 30, 2001

Taxing District	Urban Renewal District I		Urban Renewal District II				
	School District 1		School District 1		School District 4		Total
	Mills	Revenue	Mills	Revenue	Mills	Revenue	Revenue
City of Missoula	159.15	\$ 285,601	159.15	\$ 12,051	159.15	\$ 14,920	\$ 26,971
Missoula County	100.15	179,723	100.15	7,584	100.15	9,389	16,973
School District No. 1	307.86	552,467	307.86	23,312	171.14	16,044	39,356
School District No. 4	-	-	-	-	80.47	7,544	7,544
State of Montana (1)	49.00	87,932	49.00	3,710	49.00	4,594	8,304
Urban Transportation	10.94	19,632	10.94	828	10.94	1,026	1,854
Totals	<u>627.10</u>	<u>\$ 1,125,356</u>	<u>627.10</u>	<u>\$ 47,485</u>	<u>570.85</u>	<u>\$ 53,517</u>	<u>\$ 101,002</u>
Taxable Value of Property							
Within the Urban Renewal District		\$ 1,794,540		\$ 75,722		\$ 93,749	
Mills Levied		<u>627</u>		<u>627</u>		<u>571</u>	
Increment revenue generated		<u>\$ 1,125,356</u>		<u>\$ 47,485</u>		<u>\$ 53,517</u>	

(1) Excludes University mills

Board of Directors  
Missoula Redevelopment Agency  
Missoula, Montana

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

We have audited the component unit financial statements of Missoula Redevelopment Agency, as of and for the year ended June 30, 2001, and have issued our report thereon dated August 23, 2001. 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 Missoula Redevelopment Agency's component unit 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 component unit 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.

This report is intended for the information and use of the Board of Directors, management, the State of Montana Department of Transportation and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

/s/

Certified Public Accountants  
August 23, 2001