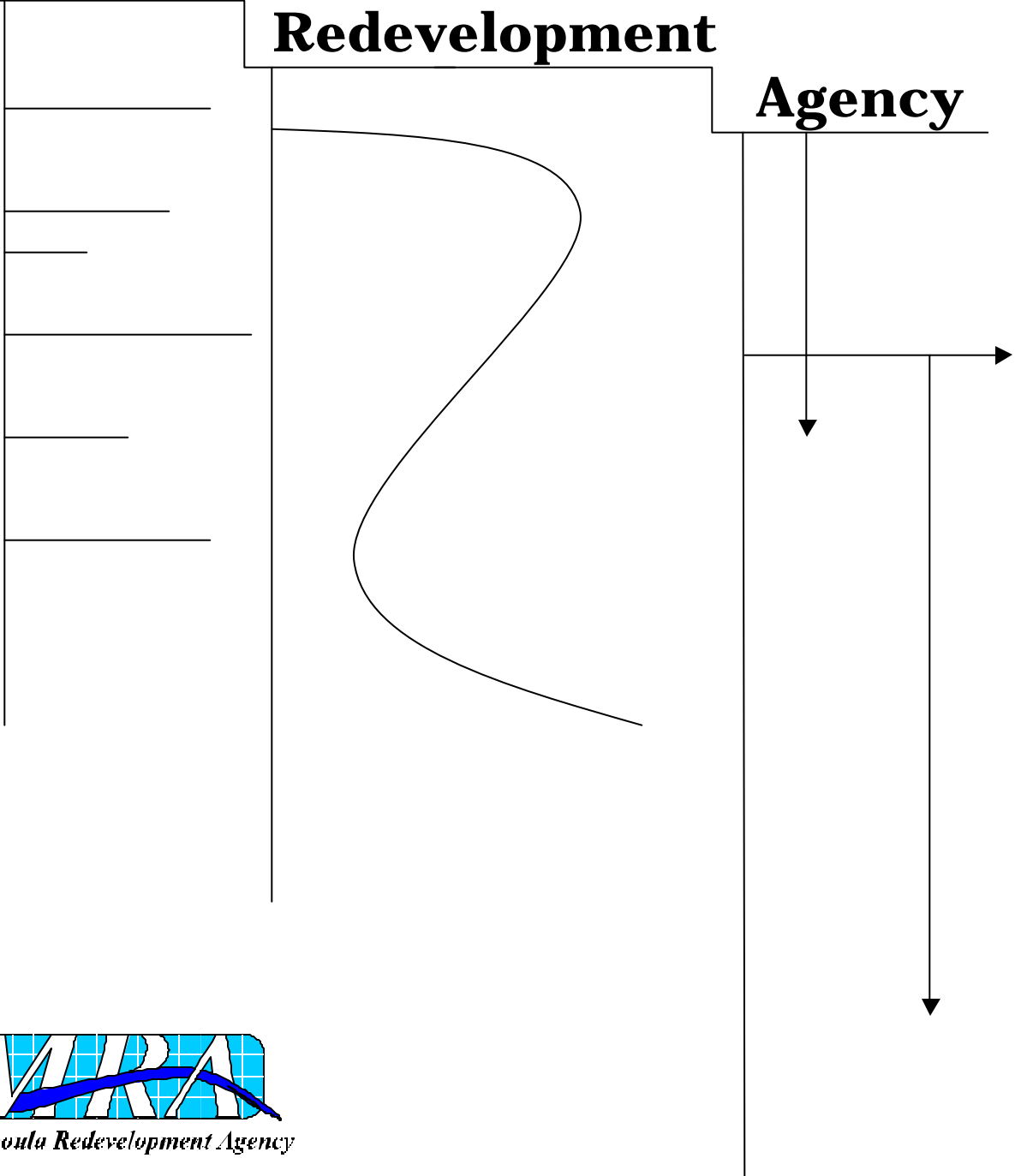


Missoula

Redevelopment

Agency



Annual Report
FY 2000

CITY OF MISSOULA

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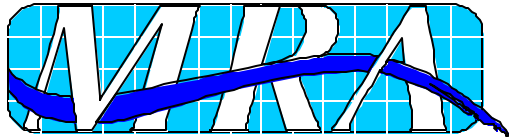
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Missoula Redevelopment Agency

October 1, 2000

Dear Mayor Kadas and Members of the City Council:

We are pleased to present the Missoula Redevelopment Agency's Annual Report for fiscal year 2000. 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.

Two very exciting projects got underway in FY 2000. The first, St. Patrick Hospital's new Ambulatory Care Facility, got underway with the demolition of the "Broadway Building" of the hospital which was built nearly a half a century before. Thousands of Missoula citizens crowded the periphery of the safety zone on a Sunday morning in November 1999 to watch the implosion of the structure and its graceful fall to earth. MRA paid for the bulk of the demolition of the Broadway Building as part of its pledge to the \$51 million project. When it is completed, in addition to being a state of the art medical care facility, it will also represent nearly \$28 million in new value to the downtown tax base.

The second project launched during FY 2000 was the Millennium Building on Pattee Street. This eight story building is the first new office building constructed in downtown in several years. Interestingly, the top two floors of the project will be residential. Inclusion of market rate housing in this project represents a pioneering effort which, by its example, will encourage the development and marketing of much needed higher density multifamily housing in the urban core. The project also includes a new deck of public parking and a new "pocket park" as another example of urban amenities to be found downtown.

During the past fiscal year, we saw the construction of the long-awaited Mountain Line Transit center. This project was identified as necessary in 1983 and has finally been realized. MRA is proud that it was able to help this project get built in the core of our community. Not only is it an important public amenity, but it will also increase ridership for the Transportation District while giving the people who ride the bus greater comfort and safety.

Progress on the redevelopment of the Fox Site at Front Street and Orange Street has taken another disappointing turn when the developer proved unable to fulfill the terms of the Development Agreement. Pursuant to the terms of the Development Agreement, the City has an option to acquire the Mustard Seed property that is adjacent to the City's property. This would finally consolidate the City's holdings and allow it to sponsor a more comprehensive

development opportunity. Recommendations to the City about future steps to take with the Fox property will be forthcoming to the City from MRA toward the end of calendar year 2000.

During FY 2000 concerns emerged about the health of retailing in downtown Missoula. Small retailers are facing tougher competition than ever before from a variety of fronts including “big box” retailers and the Internet. Recognizing that retailing remains one of the cornerstones of a healthy downtown, the MRA will continue to monitor this situation and promote the health of downtown retailing in appropriate ways.

During the last half of the year, the MRA worked with citizens and property owners from the south side of the community who were interested in determining if their neighborhood is a suitable candidate for redevelopment. It is a reflection of MRA’s success when citizens outside the two urban renewal districts seek MRA’s help in re-energizing their neighborhoods. That matter will be examined more fully in FY 2001 and the findings placed before the City Council for their review.

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/

Harold J. Fraser, MRA Board Chairman

/s/

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 which 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. The MRA Director also represents 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 and the City/County Technical Advisory Group. 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 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 including computer skills enhancement, land use planning, community and economic development, and the Chamber's Leadership Missoula training program. 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 both Urban Renewal Districts (URD) to make public improvements in public and private projects. Also, two additional programs assist owners and businesses in renovating buildings in the Districts. 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 City Council authorized MRA to extend the Façade Section of the CRLP (for the repair and renovation of the exterior of buildings) to URD II in 1996 and to extend the Life-Safety Code Compliance Program to URD II in fall 1998.

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 106 individual projects. CRLP interest subsidies provided during that time total \$822,143 and in conjunction with other MRA subsidy amounts have attracted \$20,479,458 in private investment.

In fiscal year 2000, nine CRLP Façade subsidies were provided and two CRLP Economic Development subsidies were provided. \$73,495 of CRLP assistance was instrumental in leveraging \$1,895,000 in private investment, a ratio of approximately one public dollar for every twenty-six private dollars.

COMMERCIAL REHABILITATION LOAN PROGRAM - FISCAL YEAR 2000

Project	Total Project Cost	CRLP Subsidy	CRLP Type	Other MRA Amount	Other MRA Type	Total MRA
140 W Pine St. (former Moose)	70,000	3,636	Façade	8,636	CCP	12,272
224 E Pine St. (Warren)	300,000	3,241	Façade	10,000	CCP	13,241
228 N Higgins Ave (Nelson)	360,000	16,935	Econ. Dev.	15,000	CCP	31,935
319 W Pine St. (Maphis/Lentz)	225,000	6,320	Façade	13,200	CCP	19,520
323 W Pine St. (Wills)	255,000	6,844	Façade	12,800	CCP	19,644
Bitterroot Flower Shop	105,000	8,286	Façade			8,286
Catalyst	60,000	4,099	Econ. Dev.			4,099
Knights of Columbus	130,000	8,474	Façade	7,588	CCP	16,062
Paradigm Architects	20,000	3,636	Façade			3,636
Swift Building	250,000	8,380	Façade	25,000	CCP	33,380
Trappings	120,000	3,644	Façade	3,500	TIF	7,144
TOTALS	1,895,000	73,495		95,724		169,219

Number of Projects	11	Average Project Total	172,273
Total Project Cost	1,895,000	Average CRLP Subsidy	6,681
Total CRLP Subsidy	73,495	Average CRLP Leverage	1:26
Total Other MRA Amount	95,724	Average Total MRA Leverage	1:11

Breakdown by CRLP type:

Façade Projects

Number of Loans	9
Total Project Cost	1,475,000
Total MRA Façade Subsidy	52,461
Average Project	163,889
Average Subsidy	5,829

Economic Development Projects (ED)

Number of Loans	2
Total Project Cost	420,000
Total MRA Econ. Dev. Subsidy	21,034
Average Project	210,000
Average Subsidy	10,517

SUMMARY OF CRLP PROJECTS 1983-2000

Number of Projects	106	Average Project Cost	193,202
Total Project Cost	20,479,458	Average CRLP Subsidy	7,756
Total CRLP Subsidy	822,143		

LIFE-SAFETY CODE COMPLIANCE PROGRAM

Many structures in the Urban Renewal Districts 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 threatens 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 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 downtown 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 downtown buildings and help protect property owners, fire fighters, and the public from potential tragedy. Fire code violations in URD II are primarily located in smaller structures than downtown. However, rectifying them has no less impact to the small businesses that occupy them. Therefore, in 1998 the CCP was extended to URD II.

Since its inception, the CCP has assisted in eighty-six projects and provided a total of \$1,055,759 in subsidies. In conjunction with other MRA subsidy amounts, CCP assistance has attracted \$16,495,280 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 2000, thirteen CCP subsidies were provided in URD I and two CCP subsidies were provided in URD II. In total, \$207,576 of CCP assistance helped leverage \$2,169,104 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.

CODE COMPLIANCE PROGRAM - FISCAL YEAR 2000

Project	Total Project Cost	CCP Subsidy	Other MRA Amount	Other MRA Type	Total MRA
140 W Pine St. (former Moose Lodge)	70,000	8,636	3,636	CRLP	12,272
180-210 S 3rd St. W (Kalberg)	22,204	11,202			11,202
224 E Pine St. (Warren)	300,000	10,000	3,241	CRLP	13,241
228 N Higgins (Nelson)	360,000	15,000	16,935	CRLP	31,935
319 W Pine St. (Maphis/Lentz)	225,000	13,200	6,320	CRLP	19,520
323 W Pine St. (Wills)	255,000	12,800	6,844	CRLP	19,644
Broadway / Higgins Projects	210,000	41,571			41,571
Cozy Court	7,000	2,857			2,857
First Baptist Church / Downtown School	31,000	11,262			11,262
Import Market	18,900	9,450			9,450
Knights of Columbus	130,000	7,588	8,474	CRLP	16,062
Loken Builders	15,000	4,010			4,010
Missoula Textile Services	253,000	25,000			25,000
Salvation Army	22,000	10,000			10,000
Swift Building	250,000	25,000	8,380	CRLP	33,380
TOTALS	2,169,104	207,576	53,830		261,406

Number of Projects	15	Average Project Cost	144,607
Total Project Cost	2,169,104	Average CCP Subsidy	13,838
Total CCP Subsidy	207,576	Average CCP Leverage	1:10
Total Other MRA Amount	53,830	Average Total MRA Leverage	1:8

SUMMARY OF CODE COMPLIANCE PROGRAM 1989-2000

Number of Projects	86	Average Project Cost	191,806
Total Project Cost	16,495,280	Average CCP Subsidy	12,276
Total CCP Subsidy	1,055,759		

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 in the FY 2001 budget for this program. 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.

In fiscal year 2000, MRA participated in five projects using the TIF program and provided \$97,287 in tax increment subsidies.

TAX INCREMENT FINANCING - FISCAL YEAR 2000

Project	Total Project Cost	TIF Subsidy	Other MRA Amount	Other MRA Type	Total MRA
121 Hickory Street (Ward)	850,000	56,743			56,743
1112 West Broadway (Grunow)	19,530	7,530			7,530
Trappings	120,000	3,500	3,644	CRLP	7,144
West Railroad St Parking Lot	19,900	6,000			6,000
Western MT Mental Health Center - Phase I	700,000	23,514			23,514
TOTALS	1,709,430	97,287	3,644		100,931

Number of Projects	5	Average Project Cost	341,886
Total Project Cost	1,709,430	Average TIF Subsidy	19,457
Total TIF Subsidy	97,287	Average TIF Leverage	1:18
Total Other MRA Amount	3,644	Average Total MRA Leverage	1:17

PUBLIC/PRIVATE PARTNERSHIPS

The following public/private projects were successfully completed during fiscal year 2000. There were nineteen projects completed in Urban Renewal District I, and four completed in Urban Renewal District II. MRA contributed \$378,358 to leverage \$4,063,734 in private investment. This results in a redevelopment ratio of approximately one public dollar for every eleven private dollars expended.

URD I Projects

121 Hickory St. (Ward)
140 West Pine St. (former Moose Lodge)
180-210 South 3rd St. West (Kalberg)
224 East Pine St. (Warren)
228 North Higgins Ave. (Nelson Brothers)
319 West Pine St. (Maphis/Lentz)
323 West Pine St. (Wills)
Bitterroot Flower Shop
Broadway / Higgins Projects
Catalyst
First Baptist Church / Downtown School
Import Market

Knights of Columbus
Missoula Textile Services
Paradigm Architects
Salvation Army
Swift Building
Trappings
West Railroad St. Parking Lot

URD II Projects

1112 West Broadway (Grunow)
Cozy Court
Loken Builders
Western MT Mental Health Center - Phase I

The following public/private projects were in progress during fiscal year 2000. Completion of these projects is expected in FY 2001.

URD I Projects

228-232 West Main St. (WMD)
325-327 East Broadway (Watercolor)
Lenox Flats
Millennium Building
St. Patrick Hospital - Ambulatory Care Facility

Studebaker Building - Public Art Project
Wilma Building

URD II Projects

Western MT Mental Health Center - Phase II

Activity doubled in URD I compared to the amount experienced in FY 1999. This is partly attributable to more businesses and developers becoming aware of MRA's assistance programs for redeveloping downtown property. Success of MRA programs is evident in the establishment of new businesses and the refurbishment of existing businesses in downtown. Activity in URD II has remained fairly steady for the past few years. URD II activity often follows a pattern of intense planning and then resulting building phases, which is not unusual in MRA's second district. The lower activity is reflective of URD II's make-up, which is more residential and less commercial than URD I's downtown area. Activity in URD II should increase over the next fiscal year with the adoption of the URD II Residential Rehabilitation Program.

~ PROJECTS COMPLETED ~

URD I Projects

121 Hickory Street (Ward)

121 Hickory Street – URD I

Project Cost:	\$850,000
MRA Assistance:	\$56,743
Leverage Ratio:	1:15

MRA Programs: TIF



Known as Hickory Trail Business Park, this building was constructed on a vacant lot. The building is designed to accommodate businesses that may need industrial-type amenities, such as construction firms, land surveyors and materials-testing companies. To create the necessary parking for this project, a partial vacation of unused Dakota Street was obtained. The vacations, approved by the City

Council in June 1998, stipulated the developer provide a trail easement for a connection between Hickory Street and the Milwaukee Trail. MRA assisted with demolition and removal of a small refuse dump and replacement of sidewalks and curbs.

140 West Pine Street (former Moose Lodge)

140 West Pine Street – URD I

Project Cost:	\$70,000
MRA Assistance:	\$12,272
Leverage Ratio:	1:6

MRA Programs: CCP, Façade CRLP

Through two separate FY 2000 projects, the Moose Building complied with basic Fire Codes by installing a fire-suppression sprinkler system throughout the street level and made additional exterior repairs.

180-210 South 3rd Street West (Kalberg)

180-210 South 3rd Street West – URD I

Project Cost:	\$22,404
MRA Assistance:	\$11,202
Leverage Ratio:	1:2

MRA Programs: CCP

This project involved installing a fire-suppression sprinkler system and smoke detector system in two historic mixed-use (retail/residential), adjacent buildings. Both structures are included on the National List of Historic Places.

~ PROJECTS COMPLETED ~

224 East Pine Street (Warren)

224 East Pine Street - URD I

MRA Programs: CCP, Façade CRLP

Project Cost:

\$300,000

MRA Assistance:

\$13,241

Leverage Ratio:

1:23



The overall project was to renovate both the interior and exterior of this historic multi-tenant residential building and to expand the building to include a third floor. The project received guidance and approval from the City Design Review Board and Historic Preservation Commission. Items eligible for MRA assistance included exterior renovation and fire code compliance on the original portion of the building.

228 North Higgins (Nelson Bros.)

228 North Higgins – URD I

MRA Programs: CCP, ED CRLP

Project Cost:

\$360,000

MRA Assistance:

\$31,935

Leverage Ratio:

1:11

This project entailed renovation of the second story (vacant for several decades) for office use. In addition, fire code violations throughout the building were rectified, accessible restrooms were constructed, and handicapped accessibility was upgraded on both the first and second floors.

319 West Pine Street (Maphis/Lentz)

319 West Pine Street – URD I

MRA Programs: CCP, Façade CRLP

Project Cost:

\$225,000

MRA Assistance:

\$19,520

Leverage Ratio:

1:12

Built in the 1920s as a residence, this building served as rental housing until 10 years ago when it was purchased by Missoula County as office space. Interior renovation created an architect's office and two apartments. The structure was renovated to restore the building's original appearance following a trend set by several other building owners on the block. Code compliance work included exit systems and fire-rated walls.



~ PROJECTS COMPLETED ~

323 West Pine Street (Wills)

323 West Pine Street – URD I

Project Cost: \$255,000

MRA Assistance: \$19,644

Leverage Ratio: 1:13

MRA Programs: CCP, Façade CRLP



This project converted a 1920s residential row house to office use. The owner received an historic preservation award for the renovation of the exterior of the building, which was also placed on the National List of Historic Places. Code work included new exiting systems and fire rated walls and windows.

Bitterroot Flower Shop

811 South Higgins Avenue – URD I

Project Cost: \$105,000

MRA Assistance: \$8,286

Leverage Ratio: 1:13

MRA Programs: Façade CRLP

This project included a complete renovation of the building's exterior including reshaping the roof outline. Along with the exterior work, the interior was remodeled to a more open format, which included the removal of several multiple ceilings and walls dating from previous additions and numerous remodeling efforts.



~ PROJECTS COMPLETED ~

Broadway / Higgins Projects

119–127 North Higgins Avenue
115 West Broadway – URD I

Project Cost:	\$210,000
MRA Assistance:	\$41,571
Leverage Ratio:	1:5

MRA Programs: CCP

Owners of four buildings, each required to install a basement fire-suppression sprinkler system, found that obtaining adequate water volumes for their individual structures to be inordinately expensive. The high cost was due to the high degree of difficulty associated with excavating across Higgins or Broadway. A plan was devised to provide a single, new water main across Broadway prior to scheduled repaving of that Street, extension of the water main under the Higgins sidewalk to three buildings, and west along the Broadway curb line to one building. The second part of the project coincided with planned sidewalk replacement and sidewalk void abandonment. The project saved the owners a considerable amount of money as well as prevented degradation of the major arterial streets by multiple excavations. For the project to work, partnerships with the Public Works Department, Fire Department, Montana Department of Transportation, and Mountain Water Company were essential. MRA participation included project coordination and Code Compliance Program assistance to the property owners for water lines and sprinkler systems. Sidewalk replacement, void abandonment and the remaining water main costs were placed on a long-term assessment program to further assist property owners in paying for the project.

Catalyst

111 North Higgins Avenue – URD I

Project Cost:	\$60,000
MRA Assistance:	\$4,099
Leverage Ratio:	1:15

MRA Programs: ED CRLP

Interior improvements to this business, which is located in the Florence Building, included complete remodeling of the kitchen area, creation of a mezzanine and additional seating into an area previously used for storage. Exterior improvements in the project were relatively minor including an air-lock vestibule that will cause little change to the current appearance of the building's exterior.

First Baptist Church / Downtown School

308 West Pine Street – URD I
MRA Programs: CCP

Project Cost:	\$31,000
MRA Assistance:	\$11,262
Leverage Ratio:	1:3

This building is owned by the First Baptist Church, but is leased by the non-profit and non-secular Downtown School. The building also houses meetings of numerous community-based organizations. MRA funding assisted the Downtown School in complying with safety codes by installing a fire-suppression sprinkler system, providing new water service to the building, reconstructing an existing exit and constructing one new emergency exit.

~ PROJECTS COMPLETED ~

Import Market

201 West Broadway – URD I

Project Cost: \$18,900

MRA Assistance: \$9,450

Leverage Ratio: 1:2

MRA Programs: CCP

In FY 1999, common ownership of nearly the whole south side of the 200 block of West Broadway allowed a linked set of fire-suppression sprinkler systems to be installed with MRA assistance in the basements of five adjacent buildings. Late in that project, it was discovered that additional code compliance work was required for the upper floor of the 201 West Broadway building (Import Market). This FY 2000 project addressed those additional violations.

Knights of Columbus

312 East Pine Street – URD I

Project Cost: \$130,000

MRA Assistance: \$16,062

Leverage Ratio: 1:8

MRA Programs: CCP, Façade CRLP

This project included historically correct renovations of the exterior and the second floor interior of this building. The Chalice of Repose, which provides care to terminally ill people, relocated their national headquarters to this building. The Chalice of Repose undertook the interior renovations while Knights of Columbus addressed fire code compliance work and the exterior improvements, which included removal of lead paint.

Missoula Textile Services

111 East Spruce Street – URD I

Project Cost: \$253,000

MRA Assistance: \$25,000

Leverage Ratio: 1:10

MRA Programs: CCP

This project included extension of a new water service and installation of a fire-suppression sprinkler system. The CCP work was completed in conjunction with a building expansion project for the installation of a new materials handling system.

Paradigm Architects

125 ½ West Main Street – URD I

Project Cost: \$20,000

MRA Assistance: \$3,636

Leverage Ratio: 1:5

MRA Programs: Façade CRLP

MRA contributed interest subsidy to this project, which included renovation of the “storefront” façade in the alley between Front and Main Street. The overall project renovated the structure from restaurant to office use.

~ PROJECTS COMPLETED ~

Salvation Army

339 West Broadway – URD I

Project Cost:	\$22,000
MRA Assistance:	\$10,000
Leverage Ratio:	1:2

MRA Programs: CCP

A new fire-suppression sprinkler system was installed in the basement of the Salvation Army Thrift Store. New water service for the system was extended from the north side of Broadway.

Swift Building

315 South 4th Street East – URD I

Project Cost:	\$250,000
MRA Assistance:	\$33,380
Leverage Ratio:	1:7

MRA Programs: CCP, Façade CRLP

This turn-of-the-century railroad building received general renovation to its interior and exterior focusing on meeting current accessibility and fire code standards. The project provided handicapped accessibility to the building and additional exiting from the basement, first and second floors. In addition to fire code work, the interior was renovated to allow use by a greater variety of tenants.

Trappings

129 West Alder – URD I

Project Cost:	\$120,000
MRA Assistance:	\$7,144
Leverage Ratio:	1:17

MRA Programs: Façade CRLP, TIF



The new building owners converted this former second-hand store into retail and showroom uses. The Alder façade was renovated in accordance with its turn-of-the-century appearance and the interior of the building was remodeled to accommodate an open-format showroom and a separate workspace. Also, a dilapidated lean-to structure added to the south side of the building in the 1950s was demolished, and the original south façade was restored.

West Railroad St. Parking Lot

200 West Railroad Street – URD I

Project Cost:	\$19,900
MRA Assistance:	\$6,000
Leverage Ratio:	1:3

MRA Programs: TIF

This parking lot had gone unpaved for decades. The Depot Restaurant leases the property from Montana Rail Link railroad and undertook this paving project, which was completed in fall 1999. In addition to addressing an air quality degradation situation, this project created a number of affordable parking spaces for use by City, County and State employees as well as by other workers in the area.

~ PROJECTS COMPLETED ~

URD II Projects

1112 West Broadway (Grunow)

1112 West Broadway – URD II

MRA Programs: TIF

Project Cost: \$19,530

MRA Assistance: \$7,530

Leverage Ratio: 1:3

This building, which is the home of Perugia Restaurant and Trails End Bar, was an architectural amalgamation of several structures. MRA assisted in the removal of a dilapidated portion of the building and the property owner made other improvements to the property.

Cozy Court

1430 West Broadway – URD II

MRA Programs: CCP

Project Cost: \$7,000

MRA Assistance: \$2,857

Leverage Ratio: 1:2

This project involved installation of appropriate emergency egress and fire-rated walls and ceilings in this apartment complex.

Loken Builders

1327 ½ Dakota Street – URD II

MRA Programs: CCP

Project Cost: \$15,000

MRA Assistance: \$4,010

Leverage Ratio: 1:4

This project involved renovation of a mixed-use building to meet current fire and accessibility codes.

Western MT Mental Health Center Phase I

1305 Wyoming Street – URD II

MRA Programs: TIF

Project Cost: \$700,000

MRA Assistance: \$23,514

Leverage Ratio: 1:30

The first phase of Western Montana Mental Health Center's (WMMHC) plan to construct an office and treatment campus at this location was accomplished through construction of Share House, which is dedicated to counseling recovering drug and alcohol dependent persons. MRA's participation in this phase included extension of a water main across the property that can be accessed both by the campus and the neighborhood to the north of the development, which is currently not served by Mountain Water Company.



WMMHC – Share House

~ PROJECTS IN PROGRESS ~

URD I Projects

228-232 West Main Street (WMD)

228-232 West Main Street – URD I
Expected Completion Date: May 2001

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

MRA Programs: CCP, Façade & ED CRLP



Renovation to the interior of this building will expand the usable floor space. This will allow tenants to use space on the ground and second floor that had been closed for several years due to fire code restrictions and water damage from a leaky roof. The exterior is receiving restoration to near-original 1921 appearance by removing a façade added in the 1950s. The roof will be replaced, parapet and brick walls repointed and all windows replaced. The interior of the building is to be completely cleared and rebuilt. New electrical, plumbing and mechanical systems will be installed, along with an elevator. ADA compliant restrooms will be constructed on each floor. Code issues to be addressed within

the building include installation of a fire-suppression sprinkler system to serve the entire building and construction of fire-rated corridors and emergency exits.

325-327 East Broadway (Watercolor Computer Training)

325-327 East Broadway – URD I
Expected Completion Date: November 2000

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.



~ PROJECTS IN PROGRESS ~

Lenox Flats

301 West Broadway – URD I

Expected Completion Date: November 2000

Project Cost:

\$1,080,000

MRA Assistance:

\$50,000

Leverage Ratio:

1:22

MRA Programs: TIF, CCP, Façade CRLP



The Lenox Flats (former Lenox Hotel building)

This historic building will be redeveloped from the County's convict pre-release center into ten studio and 1½-bedroom apartments for low-income tenants, in addition to street level commercial space. Renovation design will be 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 issues and replacement of sidewalks.

Millennium Building

125 Bank Street – URD I

Expected Completion Date: November 2000

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 early 1990s. During the past twelve-month period, a former electrical substation building was demolished to allow construction of the Millennium Building to begin. Currently, the building is “topped out” and the brick façade is nearly complete. In addition, environmental remediation of the abandoned asbestos-lined steam pipes under Bank Street was commenced. Bank Street, now vacated and given to the City by First Interstate Bank, will be transformed into a pocket park in the coming year. A 152-space public parking deck will be constructed adjacent to the Millennium Building and the Bank Street park.



Millennium Building

~ PROJECTS IN PROGRESS ~

St. Patrick Hospital

Ambulatory Care Facility

500 West Broadway – URD I

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 – Ambulatory Care Facility (looking south)

St. Patrick Hospital worked with MRA staff for over a year on planning the construction of this facility. When completed, the Ambulatory Care Facility will house offices, diagnostic and treatment facilities, as well as a medical library, meeting space and a 400-car 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 old Broadway building and will assist with relocating and upgrading utilities and making improvements to public infrastructure.

Studebaker Building - Public Art Project

216 West Main Street – URD I

Expected Completion Date: October 2000

Project Cost:

15,000

MRA Assistance:

7,500

Leverage Ratio:

1:2

MRA Programs: TIF

Working in conjunction with the Mayor's Public Art Committee and the building owners, MRA agreed to fund one-half of the cost of a public art mural that will hang 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.

~ PROJECTS IN PROGRESS ~

Wilma Building

131 South Higgins Avenue – URD I
Expected Completion Date: June 2002

Project Cost:	\$2,400,000
MRA Assistance:	\$350,000
Leverage Ratio:	1:7

MRA Programs: CCP

The historic Wilma Building is a community landmark and a visual cornerstone to the downtown area north of the Clark Fork River. By the 1980s it became evident, both visually and through an increase in fire calls, that deferred maintenance, repairs 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 eventually led the Missoula Fire Marshal to disallow live performances in the theater.

Since purchasing the Wilma Building in 1994, the current owner has invested over \$2,500,000 in attending to life-safety code violations along with other repairs and renovations. The owner anticipates spending an equivalent amount before all issues are resolved. MRA's CCP assistance in this project takes into account fire code work conducted since 1994 that was needed to bring the building into compliance with adopted life-safety codes.

URD II Projects

Western MT Mental Health Center Phase II

1305 Wyoming Street – URD II
Expected Completion Date: May 2000

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

MRA Programs: TIF



Western MT Mental Health Center

The second phase of the WMMHC campus project includes construction of three new service buildings, resident housing, a parking area for employees and clients and related landscaping. MRA assistance is for right-of-way improvements, utility work and demolition and site preparation for the parking area. After project completion, the WMMHC will enter into an agreement with Play Ball Missoula, Inc. for off-hours use of more than 100 parking spaces for

activities held at the proposed Civic Stadium. 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 property and the neighborhood to the north.

RECAP OF FISCAL YEAR 2000
PUBLIC / PRIVATE PARTNERSHIPS

~ Projects Completed ~

Project Name	Total Cost	Total Ratio	TIF	CCP	Façade CRLP	ED CRLP	Total MRA
URD I Projects							
121 Hickory Street (Ward)	850,000	1:15	56,743				56,743
140 West Pine Street (former Moose Lodge)	70,000	1:6		8,636	3,636		12,272
180-210 South 3rd Street West (Kalberg)	22,404	1:2		11,202			11,202
224 East Pine Street (Warren)	300,000	1:23		10,000	3,241		13,241
228 North Higgins Avenue (Nelson Bros.)	360,000	1:11		15,000		16,935	31,935
319 West Pine Street (Maphis/Lentz)	225,000	1:12		13,200	6,320		19,520
323 West Pine Street (Wills)	255,000	1:13		12,800	6,844		19,644
Bitterroot Flower Shop	105,000	1:13			8,286		8,286
Broadway / Higgins Projects	210,000	1:5		41,571			41,571
Catalyst	60,000	1:15				4,099	4,099
First Baptist Church / Downtown School	31,000	1:3		11,262			11,262
Import Market	18,900	1:2		9,450			9,450
Knights of Columbus	130,000	1:8		7,588	8,474		16,062
Missoula Textile Services	253,000	1:10		25,000			25,000
Paradigm Architects	20,000	1:5			3,636		3,636
Salvation Army	22,000	1:2		10,000			10,000
Swift Building	250,000	1:7		25,000	8,380		33,380
Trappings	120,000	1:17	3,500		3,644		7,144
West Railroad Street Parking Lot	19,900	1:3	6,000				6,000
URD II Projects							
1112 West Broadway (Grunow)	19,530	1:3	7,530				7,530
Cozy Court	7,000	1:2		2,857			2,857
Loken Builders	15,000	1:4		4,010			4,010
Western MT Mental Health Center - Phase I	700,000	1:30	23,514				23,514
TOTALS	4,063,734	1:11	97,287	207,576	52,461	21,034	378,358

~ Projects In Progress ~

Project Name	Total Cost	Total Ratio	TIF	CCP	Façade CRLP	ED CRLP	Total MRA
URD I Projects							
228-232 West Main Street (WMD)	950,000	1:12		49,000	9,634	19,269	77,903
325-327 East Broadway (Watercolor)	200,000	1:10		15,000	5,136		20,136
Lenox Flats	1,080,000	1:22	15,800	25,000	9,200		50,000
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
Studebaker Building - Public Art Project	15,000	1:2	7,500				7,500
Wilma Building	2,400,000	1:7		350,000			350,000
URD II Projects							
Western MT Mental Health Center - Phase II	3,000,000	1:64	47,000				47,000
TOTALS	63,795,000	1:23	2,287,831	439,000	23,970	19,269	2,770,070

PUBLIC PROJECTS

ART MUSEUM OF MISSOULA

Originally built as the Carnegie Library, the City of Missoula owns the historic building at 335 North Pattee Street and leases it to the Art Museum. Through this project, the Art Museum building received a new roof, gutter system as well as repaired or rebuilt soffits and cornices. MRA contributed \$10,358 toward this project, which matched City of Missoula Capital Improvement funds to cover project costs.

BROADWAY RATTLESNAKE TRAIL



MRA spent \$1,000 toward clean up and removal of a transient camp and other fallen debris in this proposed trail area near Rattlesnake Creek. By using the efforts of the Montana Conservation Corps, remnants of years of neglect and abuse on the land were removed. Although this trail project is currently on hold, the area may someday be the route of a trail that connects the Van Buren Street corridor to downtown Missoula. Initial clean up of this area was required before further surveys for the trail could be completed; it also removed an unsafe, unsightly situation.

CARAS PARK IMPROVEMENTS

MRA spent \$4,069 toward improvements in this downtown park. Work included repairing and replacing bricks in the plaza area and restoring edging along the seating area. These repairs corrected a condition that constituted a public safety issue due to years of use and abuse.

CITY HALL EMERGENCY GENERATOR

MRA spent \$70,000 toward replacing the City of Missoula's emergency generator in conjunction with the demolition of the former Fire Station #1 adjacent to City Hall. Other infrastructure improvements of approximately \$6,000 were also undertaken during the course of the demolition. The new generator will provide back-up power to several essential City functions and offices in the event of a power failure.

CITY HALL REMODEL

At the request of the Mayor and concurrence by the City Council, the MRA contributed \$250,000 in tax increment funds to the expansion and renovation of City Hall. This project filled in an area between City Hall's east and west towers and created much needed space for the staff

of the Office of Planning and Grants. MRA had no other role in the project other than as a funding source.

DOWNTOWN ALLEYS

In 1994, MRA identified five alleys in the poorest condition in the downtown commercial area. Alley reconstruction projects significantly improve vehicle and delivery access to businesses and reduce the need for street front delivery that disrupts traffic flow. Reconstruction also helps prevent damage to adjacent structures resulting from poor drainage along deteriorated asphalt alleys. Many downtown alleys are popular pedestrian routes and business entry locations. Reconstruction provides safer and more comfortable foot traffic through the alley and encourages development of “backdoor” businesses.

The property owners adjacent to the five identified alleys were offered an incentive of MRA participation of one-half of the cost of replacement under the condition that the alleys be reconstructed using concrete. Concrete is recommended over asphalt for alleys by the Public Works Department because of its superior wear life, the ability to construct adequate drainage, and the relative ease of future repair and maintenance. Additionally, if the alleys are constructed of concrete, the City may finance the private portion of the cost under the Sidewalk Assessment Program because of their high use by pedestrians. Reconstruction of the alleys 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 parallel to the 100 block of East Pine Street and East Broadway (connecting Higgins Avenue and Pattee Street), which was one of the five alleys identified in 1994 as being in the poorest condition.

In FY 2000, owners along two more of the alleys on the original list asked the Public Works Department to design and evaluate costs of concrete reconstruction. The North Higgins alley, parallel to the 100 block of East Spruce Street and East Pine Street (between Zimorino’s and the Trail Head) and the West Broadway alley, parallel to the 200 block of West Broadway and West Main Street (behind the Shack Restaurant and Bagels On Broadway), were completed with MRA assistance in spring of 2000.

For FY 2001, owners along three other alleys have requested concrete reconstruction with MRA assistance. The alleys requested are: the alley parallel to the 100 block of West Pine Street and West Spruce Street (behind Worden’s Market); the alley parallel to the 100 block of West Broadway and West Pine Street (behind Garlington, Lohn and Robinson), and a north – south alley parallel to the 200 block of North Higgins Avenue and Pattee Street (between U.S. West

and Sterling Bank). The first two alleys were on the abovementioned list of the five worst alleys. The third alley was not considered for the list, even though it is in very poor condition, because in 1994 it did not appear likely that even half of the adjacent property owners would accept the reconstruction terms.

DOWNTOWN CORNER PAVERS

In the mid 1980s, MRA installed brick pavers at several downtown street intersections to enhance the aesthetics of the Central Business District. The pavers require periodic maintenance in order to maintain the appearance of the bricks and provide a safe walking surface. In FY 2000, MRA completed a maintenance project on the pavers involving the replacement of missing and broken bricks and cleaning the remaining bricks. The corner paver restoration project helped ensure a safe walking surface for downtown pedestrians and restored the bricks to their original appearance.

DOWNTOWN STREET RENOVATION

For 10 years MRA has contributed tax increment funds to the City of Missoula for repairing, resurfacing and repaving downtown streets. The FY 2000 segment of the program to upgrade downtown streets milled and repaved West Spruce Street from Higgins Avenue to Orange Street. Through this program, TIF funded street improvements often accompany sidewalk and utility service replacement funded by the property owners. MRA's participation in street renovation frees up City General Fund and Gas Tax monies to be used throughout the rest of the community.

MOUNTAIN LINE TRANSIT CENTER

This site between Missoula County Courthouse and City Hall was selected for the new Transit Center following extensive analysis and public involvement. With the coming together of need and resources, this project was undertaken in 1997 and opened in April 2000. MRA participated in this project by providing funds toward the demolition of the former Fire Station #1 building. The site is leased from the City by Missoula Urban Transportation District (Mountain Line).



Mountain Line Transit Center (downtown Missoula)

ORANGE STREET BRIDGE

In anticipation of the construction of the new Orange Street Bridge, MRA was able to purchase fill material from the nearby St. Patrick Hospital project. The relatively short hauling distance between the two locations is material reduced the amount of street disruption and congestion and



resulted in significant cost savings for both projects. MRA had earlier made a commitment of \$800,000 to the Orange Street Bridge project and the cost of hauling the fill, \$155,981, was deducted from the amount pledged.

In another development related to the Orange Street Bridge project, a citizens' group convinced the City Council to re-prioritize local TEA-21 funds in order to construct a bicycle-pedestrian underpass beneath the Orange Street Bridge. MRA pledged tax increment funds in the amount of \$75,000 to the \$313,000 project. In FY 2000, \$5,238 was expended from MRA's pledge for engineering and design fees. The underpass will serve bicyclists and pedestrians traveling east and west along Missoula's Bicycle Commuter Network and Riverfront Trail System.

MISSOULA CIVIC STADIUM

During 1998 a group of Missoula citizens undertook relocating a minor league baseball team to Missoula. Following on the work begun by another citizen group nearly a decade earlier, Play Ball Missoula, Inc. initiated site selection, facility design and fund-raising for the proposed civic stadium during FY 2000. In conjunction with a donation of several acres of riverfront property from Champion International, Inc. to the City of Missoula, Play Ball Missoula's work culminated in the approval of a Civic Stadium Development Agreement and Use Agreement with the City of Missoula. While not a member of Play Ball Missoula, the MRA Director attended several meetings with Play Ball Missoula representatives, citizens, City committee members, etc. to provide information and insight on several aspects of this project.

In the spring of 2000, City Council by an 11-1 vote declared the MRA-sponsored public amenities related to the proposed civic stadium an urban renewal project and authorized the expenditure of up to \$1 million in tax increment funds for improvements such as the acquisition and development of off-street parking facilities, trail improvements, utility relocation, etc. to support the stadium as a community facility. This action was subsequently referred to the voters as a referendum by a group of citizens, organized as Fair Play Missoula, Inc., who oppose the expenditure of public funds for the parking and riverfront improvements related to the stadium project. Missoula voters will decide the matter at the November 2000 election.

STREETSCAPE AMENITIES

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. During FY 2000, MRA contributed \$3,471 toward these improvements.

URBAN RENEWAL PLANNING

FOX SITE REDEVELOPMENT

In late December 1998, the City and Fox Development Group entered into a Development Agreement for redevelopment of the former Fox Theater Site. By early 2000, it was apparent the Developer could not complete the agreed upon project and the Development Agreement was terminated by MRA and City Council. Upon default, the Development Agreement contained an option for the City to purchase the recently vacated Mustard Seed property from the developer. In late FY 2000, the City Council directed MRA to exercise the option and purchase the Mustard Seed site. 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. Purchase of the Mustard Seed site will be completed in FY 2001.



NON-MOTORIZED TRANSPORTATION PLAN

The MRA's collaborative efforts with several government agencies to create a plan to guide the development of non-motorized transportation in the community culminated in the adoption (by the City Council and the Missoula County Board of Commissioners in 1993) of the Non-motorized Transportation Plan (NMTP) benefiting the Greater Missoula Area. 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. Cooperation among such a broad range of public agencies is a milestone for the local area and could be used as a model for future planning efforts.

The NMTP identifies a number of barriers to non-motorized transportation and among them is the Clark Fork River. Working with TEA-21 CMAQ funds as well as tax increment funds generated by URD II, the MRA completed construction of the California Street Bicycle Pedestrian Bridge, which spans the River upstream of the Russell Street Bridge. Immediately following completion of the Bridge, Staff began work on the California Street Bridge Enhancements project, which will be under way in the spring of 2001. That project will add lighting and other amenities to the trail in the area of the Bridge. By developing alternative transportation opportunities that are safe, convenient and pleasant, MRA's project work effectively dovetails with the efforts of other groups in the community such as Feet First, MRTMA and Missoula in Motion.

URD II – HOUSING ANALYSIS & PROGRAM

When the second Urban Renewal District (URD II) was created, a condition of deterioration of the housing stock within the district was identified. One objective of the URD II Plan is to "promote rehabilitation of existing housing units and improvements to neighborhoods". In response to the URD II Plan, the MRA Board authorized a study to be conducted by the *Human Resource Council* (HRC) to evaluate housing in URD II. The study quantified the cost of doing external renovation and rehabilitation to the housing in this area.

The work done by HRC included development of a program to address the deficiencies found by study. HRC drafted a program that addresses identified needs of the district in terms of residential rehabilitation. The MRA Board approved the recommended housing program on April 26, 2000; it was then forwarded to City Council for creation of an ordinance. The City Council created the MRA URD II Housing Rehabilitation Program on June 5, 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.

URD II – ZONING

When the second Urban Renewal District (URD II) was created in 1991, a significant portion of land lying within its boundaries was under County jurisdiction with related County zoning designations. As this land is annexed into the City, it automatically becomes part of the Urban Renewal District. To date, all of the County land annexed in this area has been brought in with an un-zoned status.

In FY 1999, MRA contracted with OPG to complete the necessary neighborhood planning and zoning updates. Using a combination of MRA funds and neighborhood planning funds provided by the City Council, OPG staff retained the services of a professional consultant to complete a land-use planning analysis of the area.

Along with the consultant's information, the OPG staff recommendations were submitted to the Planning Board and City Council for inclusion in the Comprehensive Plan and Zoning Ordinance. In FY 2000, the City Council updated both the comprehensive land-use Plan and the area zoning.

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

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

Final construction of the California Street Bicycle Pedestrian Bridge was completed in early fall of 1999; a Grand Opening took place on October 9, 1999 (UM Homecoming). U.S. Senator Max Baucus, and a number of the members of the Land Board including Secretary of State Mike Cooney, State Auditor Mark O'Keefe, Attorney General Joe Mazurek and Superintendent of Public Instruction Nancy Keenan attended the ceremony. The kids staying at Missoula Youth Homes decorated the Bridge with balloons for the occasion, as the Bridge is "right out their back door". Bridge engineers, HDR Engineering, Inc. and Carter & Burgess, Inc. provided refreshments at the ceremony. The Bridge contractor, Bodell Construction, Inc., built a float with scale models of both the California Street Bridge and the Northside Railroad Crossing for presentation in the Homecoming Parade later that morning.



NORTHSIDE RAILROAD CROSSING

Since the opening of the Northside Railroad Crossing in July 1999, vandalism, especially to the elevators, has been a concern. MRA staff has continued to work on solutions to help alleviate this problem. In the spring of 2000, the MRA Board approved several modifications to the elevators that are anticipated to curb the vandalism and graffiti. The modifications are scheduled to be complete by fall of 2000.

CALIFORNIA STREET BRIDGE ENHANCEMENTS

In the course of public meetings, most concerns related to the California Street Bridge project were regarding potential bicycle/pedestrian conflicts. The Non-motorized Transportation Plan also points out a need to provide space for bicyclists and pedestrians to stop, contemplate and converse without disrupting the flow of traffic on bridges. The California Street Bridge Enhancement project will address these concerns by directing traffic flow and providing seating at the bridge-ends. Also, providing lights on the adjacent Shady Grove Trail will allow it to be used safely and conveniently as part of the overall pedestrian transportation system. Finally, landscaping along the trail and at the bridge-ends (including concrete pads for public art) will enhance these principal components of the bicycle commuter network.

Final paperwork for the use of Community Transportation Enhancement Program (CTEP) funds has been completed. Project design is expected to occur during the winter of 2000-01 with construction following in the spring of 2001.

MILWAUKEE RAILROAD RIGHT-OF-WAY TRAIL

The Grand Opening for the Milwaukee Trail was held in October 1999 along with the opening of the second phase of the Bitterroot Branch Line Trail. The Milwaukee Trail was funded through a partnership composed of Community Transportation Enhancement Program (CTEP), National Recreational Trails Program and MRA. The project provides an important east-west link in the City's non-motorized transportation network. The mile-long landscaped trail along the former Milwaukee Railroad right-of-way (between Russell Street and McCormick Park) connects non-motorized commuters from western neighborhoods to both the Riverfront Trail System and the cross-town Bitterroot Branch Line Trail. The trail also serves users of the California Street Bicycle Pedestrian Bridge and will be an important feature in the future development of the Intermountain Lumber Mill site, Ram Activity Center, Riverfront Trail System and nearby neighborhoods.



Milwaukee Trail (looking west)

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 development 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.

REVENUE

In fiscal year 2000, Urban Renewal District I received \$1,897,043 in tax increment revenue. After releasing a portion of the tax increment collected to the local taxing jurisdictions, net tax increment to URD I was \$1,647,043. When combined with investment earnings, ISTE/TEA-21 reimbursement grants, miscellaneous revenue and State personal property reimbursements, URD I's total revenue amounted to \$2,208,990. Urban Renewal District II had tax increment revenue totaling \$206,852. When combined with investment earnings, ISTE/TEA-21 reimbursement grants, miscellaneous revenue and State personal property reimbursements, URD II's total revenue amounted to \$769,996.

EXPENDITURES

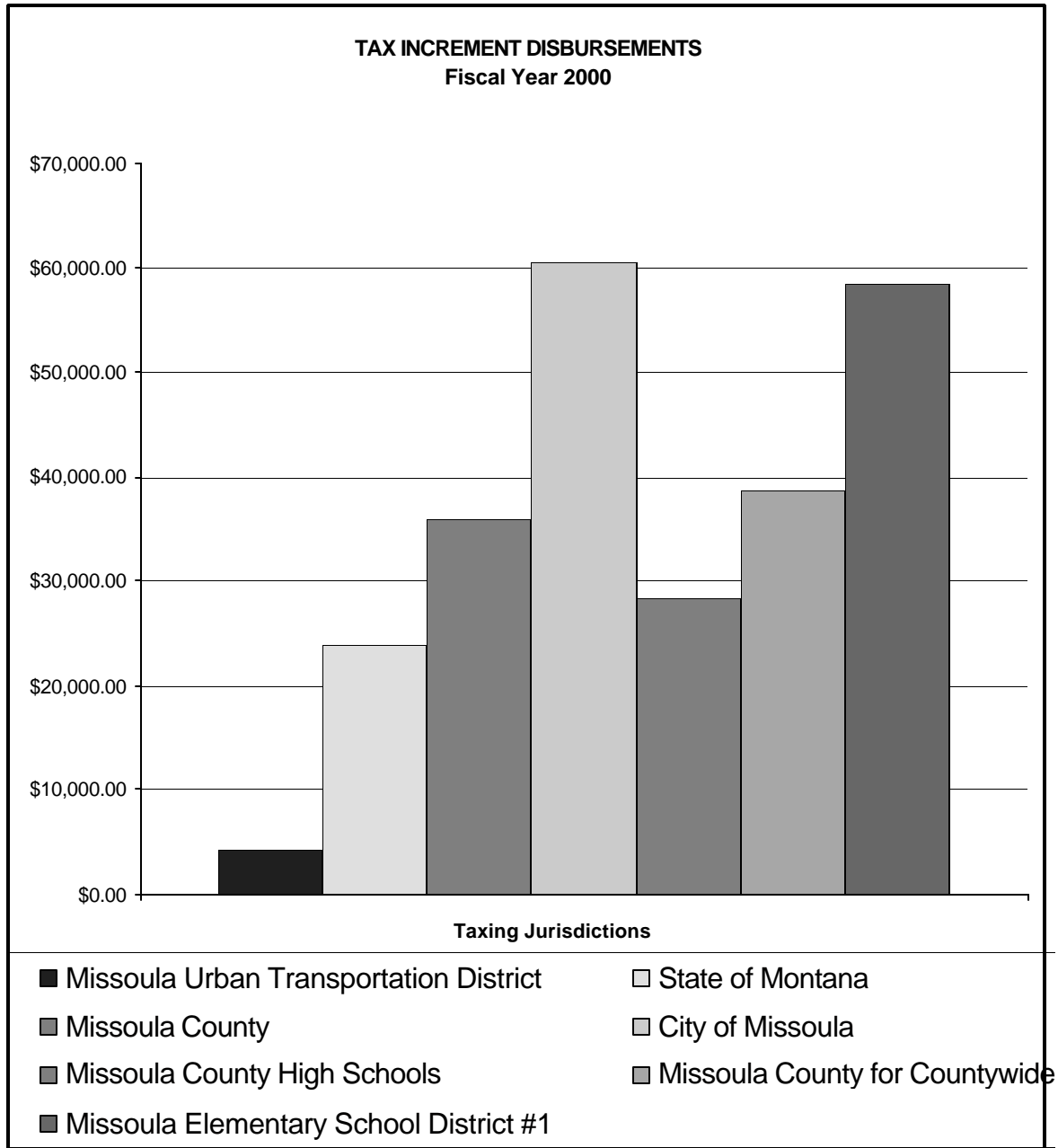
The following table shows MRA's expenditures on current operations (*administration, public works, private rehabilitation, planning and other*), capital outlay and transfers for both districts in addition to the debt service funds activity.

Type of Expenditure	URD I	URD II	Debt Service Funds
<u>Current Operations</u>			
Community Redevelopment	2,486,327	91,527	
<u>Capital Outlay</u>			
City Improvements	414,911	602,530	
Equipment and Other	5,278		
<u>Debt Service</u>			
Principal			215,000
Interest & Fees			74,235
<u>Other Financing (Sources)/Uses</u>			
Transfers (In)/Out	263,186	100,000	
Total Expenditures	\$3,169,702	\$794,057	\$289,235

The total URD I adjusted fund balance at the beginning of fiscal year 2000 was \$4,697,270. At the end of the fiscal year, the balance was \$3,736,558. The total URD II adjusted fund balance at the beginning of fiscal year 2000 was \$231,706. At the end of the year, the balance was \$207,645.

TAX INCREMENT DISBURSEMENT

As a part of the fiscal year 2000 Budget, the City Council agreed to remit \$250,000 of MRA's tax increment revenue to the local taxing jurisdictions. Below is a table of the tax increment distributed this past year.



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 2000 was the second 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.

Due to MRA's sponsorship of several federally funded transportation projects, this year's audit required a Single Audit of all financial statements relating to Federal Awarded Programs. Over \$300,000 in Federal funds was expended this past year, which initiated the single compliance audit requirement.

Elmore & Associates, P.C. also conducted a review of MRA's internal control structure and compliance with general requirements applicable to the Federal financial assistance programs, Community Transportation Enhancement Program (CTEP) and Congestion Mitigation Air Quality (CMAQ). Elmore & Associate, P.C. reported, "*The audit disclosed no instances of noncompliance . . .*" and "*The audit disclosed no reportable conditions or material weaknesses in internal control over the major program of the Missoula Redevelopment Agency.*"

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, 2000, 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 generally accepted auditing standards 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, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2000, 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.

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 17 - 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 15, 2000

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

Combined Balance Sheet
June 30, 2000

	Governmental Funds			General	Totals	
	Urban	Urban	Debt Service	Long-Term	(Memorandum Only)	
	Renewal	Renewal	Funds	Debt Account	2000	1999
	District I	District II		Group		
ASSETS						
Cash and Investments	\$ 3,069,605	\$ 160,515	\$ 443,524	\$ -	\$ 3,673,644	\$ 5,773,367
Tax Increment Receivable	-	50,036	573,563	-	623,599	136,860
Accrued Interest	10,666	558	1,541	-	12,765	22,185
Other Receivables	-	1,318	-	-	1,318	1,318
Due from Missoula County	-	4,650	239,804	-	244,454	64,458
Due from Other Funds	724,170	-	-	-	724,170	-
Grants Receivable	9,524	2,100	-	-	11,624	471,748
Notes Receivable	6,653	-	-	-	6,653	13,572
Amount Available in Debt Service Funds	-	-	-	445,065	445,065	541,475
Amount to Be Provided to Retire Long-Term Debt	-	-	-	841,751	841,751	959,754
Total assets	<u>\$ 3,820,618</u>	<u>\$ 219,177</u>	<u>\$ 1,258,432</u>	<u>\$ 1,286,816</u>	<u>\$ 6,585,043</u>	<u>\$ 7,984,737</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 74,238	\$ 49	\$ -	\$ -	\$ 74,287	\$ 907,423
Accrued payroll	9,822	-	-	-	9,822	6,920
Due to other funds	-	-	724,170	-	724,170	-
Deferred revenue	-	11,483	89,197	-	100,680	98,714
Compensated absences	-	-	-	31,816	31,816	31,229
Bonds payable	-	-	-	1,255,000	1,255,000	1,470,000
Total liabilities	<u>84,060</u>	<u>11,532</u>	<u>813,367</u>	<u>1,286,816</u>	<u>2,195,775</u>	<u>2,514,286</u>
Fund Balances						
Unreserved						
Designated for debt service	-	-	445,065	-	445,065	541,475
Designated for future projects	3,192,272	207,645	-	-	3,399,917	3,212,158
Undesignated	544,286	-	-	-	544,286	1,716,818
Total fund balances	<u>3,736,558</u>	<u>207,645</u>	<u>445,065</u>	<u>-</u>	<u>4,389,268</u>	<u>5,470,451</u>
Total liabilities and fund balances	<u>\$ 3,820,618</u>	<u>\$ 219,177</u>	<u>\$ 1,258,432</u>	<u>\$ 1,286,816</u>	<u>\$ 6,585,043</u>	<u>\$ 7,984,737</u>

The accompanying notes are an integral part of these financial statements.

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, 2000

	Urban Renewal District I	Urban Renewal District II	Debt Service Funds	Totals (Memorandum Only)	
				2000	1999
Revenues					
Tax increment (T. I.) property taxes	\$ 1,897,043	\$ 206,852	\$ -	\$ 2,103,895	\$ 2,029,809
Less payment to other taxing jurisdictions	(250,000)	-	-	(250,000)	(250,000)
T. I. property taxes - net	1,647,043	206,852	-	1,853,895	1,779,809
State personal property tax reimbursement	279,853	11,127	168,142	459,122	135,320
Investment earnings	248,980	10,204	24,683	283,867	318,305
Grant and miscellaneous revenue	33,114	541,813	-	574,927	1,392,100
Total revenues	<u>2,208,990</u>	<u>769,996</u>	<u>192,825</u>	<u>3,171,811</u>	<u>3,625,534</u>
Expenditures					
Current operations					
Community development	2,486,327	91,527	-	2,577,854	911,921
Capital outlay					
City improvements	414,911	602,530	-	1,017,441	2,727,583
Equipment and other	5,278		-	5,278	10,816
Debt service					
Principal	-		215,000	215,000	210,000
Interest and fees	-		74,235	74,235	83,860
Total expenditures	<u>2,906,516</u>	<u>694,057</u>	<u>289,235</u>	<u>3,889,808</u>	<u>3,944,180</u>
Deficiency of revenues over expenditures	(697,526)	75,939	(96,410)	(717,997)	(318,646)
Other Financing Sources (Uses)					
Transfers out	<u>(263,186)</u>	<u>(100,000)</u>	<u>-</u>	<u>(363,186)</u>	<u>(23,190)</u>
Deficiency of revenues over expenditures and other financing sources	<u>(960,712)</u>	<u>(24,061)</u>	<u>(96,410)</u>	<u>(1,081,183)</u>	<u>(341,836)</u>
Fund Balances					
Beginning of year	4,290,554	638,422	541,475	5,470,451	5,812,287
Fund reclassification	406,716	(406,716)	-	-	-
Beginning of year as adjusted	<u>4,697,270</u>	<u>231,706</u>	<u>541,475</u>	<u>5,470,451</u>	<u>5,812,287</u>
End 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>

The accompanying notes are an integral part of these financial statements.

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

Combined Statement of Revenues, Expenditures and Transfers - Budget Basis - Budget and Actual - Governmental Funds
For the Year Ended June 30, 2000

	Urban Renewal District I		Urban Renewal District II		Debt Service Funds		Totals (Memorandum Only)	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues								
Tax increment (T. I.) property taxes	\$ 1,644,670	\$ 1,897,043	\$ 220,000	\$ 206,852	\$ -	\$ -	\$ 1,864,670	\$ 2,103,895
Less payments to other taxing jurisdictions	(250,000)	(250,000)	-	-	-	-	(250,000)	(250,000)
T. I. property taxes - net	1,394,670	1,647,043	220,000	206,852	-	-	1,614,670	1,853,895
State personal property tax reimbursement	-	279,853	2,400	11,127	73,000	168,142	75,400	459,122
Investment earnings	200,000	248,980	14,000	10,204	-	24,683	214,000	283,867
Grant and miscellaneous revenue	11,612	12,447	1,209,547	1,013,561	-	-	1,221,159	1,026,008
Total revenues	1,606,282	2,188,323	1,445,947	1,241,744	73,000	192,825	3,125,229	3,622,892
Expenditures								
Current operations								
Community development								
Administration	404,849	342,930	-	-	-	-	404,849	342,930
Acquisition of property	-	-	20,000	-	-	-	20,000	-
Public works	2,301,797	500,583	62,905	24,031	-	-	2,364,702	524,614
Private rehabilitation	767,082	473,182	54,010	4,010	-	-	821,092	477,192
Relocation	100,000	-	20,000	-	-	-	120,000	-
Planning	60,000	35,688	35,000	14,700	-	-	95,000	50,388
Clearing and demolition	2,347,580	1,415,886	36,780	7,530	-	-	2,384,360	1,423,416
ISTEA activity	391,005	389,651	1,382,760	1,117,643	-	-	1,773,765	1,507,294
Total current operations	6,372,313	3,157,920	1,611,455	1,167,914	-	-	7,983,768	4,325,834
Debt service								
Principal	-	-	-	-	215,000	215,000	215,000	215,000
Interest and fees	-	-	-	-	74,231	74,235	74,231	74,235
Total expenditures	6,372,313	3,157,920	1,611,455	1,167,914	289,231	289,235	8,272,999	4,615,069
Excess (deficiency) of revenues over expenditures	(4,766,031)	(969,597)	(165,508)	73,830	(216,231)	(96,410)	(5,147,770)	(992,177)
Other Financing Sources (Uses)								
Transfers in (out)	(301,709)	(263,186)	(100,000)	(100,000)	-	-	(401,709)	(363,186)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ (5,067,740)	\$ (1,232,783)	\$ (265,508)	\$ (26,170)	\$ (216,231)	\$ (96,410)	\$ (5,549,479)	\$ (1,355,363)

The accompanying notes are an integral part of these financial statements.

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

Notes to Financial Statements
June 30, 2000

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 redevelopment 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 two urban renewal districts: District I in 1978 and District II in 1991. 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 a redevelopment 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 5). 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.

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:

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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.
- (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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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. In prior years, MRA prepared its budget generally on the cash basis.

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.

A reconciliation of the change in fund balance-GAAP basis to the change in fund balance-budget basis, follows:

	Urban Renewal District I	Urban Renewal District II	Debt Service Funds
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses) – GAAP Basis	\$ (960,712)	\$(24,061)	\$(96,410)
Grants Receivable 2000	(20,667)	-	-
Grants Receivable 1999	-	471,748	-
Accounts Payable 1999	<u>(251,404)</u>	<u>(473,857)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses) – Budget Basis	<u>\$(1,232,783)</u>	<u>\$(26,170)</u>	<u>\$(96,410)</u>

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Taxable valuations for all taxing districts and the corresponding tax increment amounts for November 1999 property tax billings were as follows:

	<u>Taxable Valuation</u>	<u>Number of Mills</u>
Taxable Value of All Taxing Districts, City of Missoula	\$ 75,328,551	599.13
Incremental Value of Tax Increment Districts:		
Urban Renewal District I	3,133,084	206.10
Urban Renewal District II:		
Missoula School District No. 1	251,819	83.94
Hellgate School District No. 4	78,705	110.51

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	\$ 286,926
Government Securities	2,981,934
Investment in State Short-Term Investment Pool	<u>404,784</u>
Total	<u>\$ 3,673,644</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 – Note Receivable

The note receivable is a 5% note from United Way with monthly payments of \$620, including interest, through May 2001.

Note 4 – 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 5 – Long-Term Debt

Changes in long-term debt for the year ended June 30, 2000, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Debt Retired</u>	<u>Ending Balance</u>
Refunding Tax Increment Bonds	\$ 1,470,000	\$ -	\$(215,000)	\$ 1,255,000
Compensated Absences	<u>31,229</u>	<u>587</u>	<u>-</u>	<u>31,816</u>
Total	<u>\$ 1,501,229</u>	<u>\$ 587</u>	<u>\$(215,000)</u>	<u>\$ 1,286,816</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, 2000, the outstanding balance of the 1989 defeased bonds is \$1,545,000.

Note 5 – Long-Term Debt (Continued)

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 with 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 2000, the City Council returned \$250,000 of District I's tax increment revenues to the applicable taxing jurisdictions.

Annual debt service requirements are as follows:

Fiscal Year Ending <u>June 30,</u>	
2001	\$ 289,130
2002	293,105
2003	291,105
2004	293,355
2005	<u>289,575</u>
	1,456,270
Less interest payments	<u>(201,270)</u>
	<u>\$ 1,255,000</u>

Note 6 – 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:

Basketball Courts	\$ 10,000
City – County Health Department	39,016
Civic Stadium	1,000,000
County Renovation	398,500
North-side Railroad Bridge Elevator Modifications	18,652
Orange Street Bridge Supplement	644,020
Orange Street Bridge Underpass	69,763

Private:

228 – 232 West Main – WMD	77,903
325 East Broadway – Watercolor Computer	20,136
Lenox Flats	50,000
Millennium Building	181,779
St. Patrick Hospital	525,003
Studebaker Building Public Art Project	7,500
Wilma	<u>150,000</u>

Total \$ 3,192,272

Urban Renewal District II:

Public:

California Street Bridge	\$ 235,000
Milwaukee Trail Plaques	1,200

Private:

1308 River Street – Thrasher/Huff	22,241
1340 West Broadway – Sweetheart Bread	25,000
1430 West Broadway – Cozy Court	2,938
Western Montana Mental Health Center	<u>47,000</u>

Total designations 333,379
Designations funded with fiscal year 2001 revenues (125,734)

Total \$ 207,645

The designation for the Civic Stadium project in Urban Renewal District I is contingent upon a public vote in November 2000, which will determine whether MRA funds will be used for this project.

Note 7 – 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 2000, expressed as a percentage of covered payroll.

The amounts contributed during the years ended June 30, 1998, 1999, and 2000 were equal to the required contribution for each year. The amounts contributed by both the Agency and its employees were as follows:

1998	\$ 22,108
1999	23,209
2000	27,301

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 8 – Leases

MRA leases office space for its operations on a yearly basis. In 2000, MRA leased its office space from an outside party for \$20,316.

Note 9 – Interfund Transactions

Urban Renewal District I has \$724,170 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 \$363,186 to the City's Capital Improvements Fund; of this transfer, \$250,000 was for the City Hall Breezeway project, \$69,999 was for the City's emergency generator project, and the remaining \$43,187 was for the Spruce street renovation project.

Note 10 – 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 11 – Prior Period Adjustment and Fund Reclassifications

The fund reclassification represents a correction for an expenditure recorded in URD I in fiscal year 1999 that should have been recorded in URD II.

The 1999 presentation has been restated to record a \$251,404 expenditure for URD I in the proper period. This correction had the effect of increasing URD I's deficiency of revenues over expenditures by \$251,404.

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

Schedule of Expenditures - Budget Basis - Urban Renewal District I
For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>
Administration		
Personnel	\$ 306,333	\$ 251,208
Other	<u>98,516</u>	<u>91,722</u>
Total administration	<u>404,849</u>	<u>342,930</u>
Public Works		
Art Museum	10,358	10,358
Basketball Courts	10,000	-
City Hall Council Chambers	250,000	250,000
City Hall Emergency Generator	72,209	69,999
County Renovation	60,000	-
Downtown Street Renovations	62,000	43,187
Fox Site	3,000	-
Hickory Street Business Park	22,241	22,241
Millennium Project	246,415	38,879
Northside Railroad Bridge	4,500	3,962
Orange Street Bridge	700,000	4,347
Private Parking Lot	6,000	6,000
St. Patrick Hospital - Ambulatory Services	540,609	145,828
Streetscape Amenities	22,764	21,353
Studebaker Building - Public Art Project	7,500	-
Contingency	<u>141,562</u>	<u>-</u>
Total public works before capital outlay	<u>2,159,158</u>	<u>616,154</u>
Public Works Capital Outlay		
Broadway Alley	25,000	25,000
Broadway Rattlesnake Trail	-	1,000
Caras Park Stairs - West	26,950	26,900
Downtown Corner Pavers	-	18,917
Fox Site	17,000	-
Millennium Project	300,398	-
North Higgins Alley	30,000	20,693
Orange Street Bridge	100,000	151,634
Streetscape Amenities	<u>45,000</u>	<u>3,471</u>
Total public works capital outlay	<u>544,348</u>	<u>247,615</u>
Total public works including transfers to other city funds	2,703,506	863,769
Less transfers to other city funds	<u>(401,709)</u>	<u>(363,186)</u>
Total public works	<u>2,301,797</u>	<u>500,583</u>
Rehabilitation Loans/Grants		
Broadway & Higgins Projects	41,571	41,571
Catalyst	4,099	4,099
City-County Health Department	39,016	-
First Baptist Church/Downtown Schools	15,300	11,263
Nelson Brothers Project	31,935	31,935
Howards Apartments	50,000	-
Kalberg Project	11,202	11,202
Knights of Columbus	18,208	16,062
Maphis/Lentz Project	19,520	19,520
Missoula Textiles	25,000	25,000

Moose Project	12,272	12,272
Paradigm Architects	2,540	2,540
Salvation Army	10,000	10,000
Senne Project	9,450	9,250
Swift Building	33,860	33,380
Trappings	4,000	3,644
Warren Project	13,241	13,241
Bitterroot Flower Shop	8,286	8,286
Wills Project	19,644	19,644
Wilma Theater	300,000	200,000
Contingency	97,938	273
Total rehabilitation loans/grants	<u>767,082</u>	<u>473,182</u>
ISTEA Activity		
Northside Railroad Bridge	13,164	25,600
ISTEA Activity - Capital Outlay		
Northside Railroad Bridge	<u>377,841</u>	<u>364,051</u>
Total ISTEA activity	<u>391,005</u>	<u>389,651</u>
Planning and Management		
Fox Site	45,000	13,921
Millennium Project	-	9,275
Non-motorized Transportation Services	10,000	-
Northside Railroad Bridge	-	2,254
Office of Planning and Grants	5,000	5,000
Orange Street Bridge Underpass	-	5,238
Total planning and management	<u>60,000</u>	<u>35,688</u>
Relocation		
Fox Site - Mustard Seed	<u>100,000</u>	<u>-</u>
Clearing and Demolition		
County Renovation	148,500	-
Fox Site	34,500	-
Hickory Street Trail Park	34,502	34,502
MUTD - Old Fire Station	970	490
Millennium Project	120,453	98,081
St. Patrick Hospital - Ambulatory Service	1,363,066	1,232,844
Trappings	3,500	3,500
Total clearing and demolition before capital outlay	<u>1,705,491</u>	<u>1,369,417</u>
Clearing and Demolition - Capital Outlay		
Fox Site	595,500	-
Millennium Project	46,589	46,469
Total clearing and demolition capital outlay	<u>642,089</u>	<u>46,469</u>
Total clearing and demolition	<u>2,347,580</u>	<u>1,415,886</u>
Total Expenditures	<u>\$ 6,372,313</u>	<u>\$ 3,157,920</u>

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

Schedule of Expenditures - Budget Basis - Urban Renewal District II
For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>
Public Works		
California Street Bridge	\$ 1,000	\$ 432
Milwaukee Trail	-	85
Western Montana Mental Health Center	20,000	23,514
Contingency	<u>41,905</u>	<u>-</u>
Total public works	<u>62,905</u>	<u>24,031</u>
Rehabilitation Loans/Grants		
Loken Builders	4,010	4,010
Contingency	<u>50,000</u>	<u>-</u>
Total rehabilitation loans/grants	<u>54,010</u>	<u>4,010</u>
Relocation		
Contingency	<u>20,000</u>	<u>-</u>
Planning & Management Activity		
City Shops	-	2,500
Housing Analysis	15,000	12,200
Contingency	<u>20,000</u>	<u>-</u>
Total planning and management	<u>35,000</u>	<u>14,700</u>
Acquisition of Property		
Contingency	<u>20,000</u>	<u>-</u>
ISTEA Activity		
California Street Bridge	24,752	24,957
California Street Bridge Enhancements	15,000	-
Milwaukee Trail	<u>16,952</u>	<u>16,300</u>
Total ISTE activity before capital outlay	<u>56,704</u>	<u>41,257</u>
ISTEA Activity - Capital Outlay		
California Street Bridge	878,556	885,761
California Street Bridge Enhancements	220,000	-
Milwaukee Trail	<u>227,500</u>	<u>190,625</u>
Total ISTE activity capital outlay	<u>1,326,056</u>	<u>1,076,386</u>
Total ISTE activity	<u>1,382,760</u>	<u>1,117,643</u>
Clearing and Demolition		
Grunow Project	6,780	7,530
Contingency	<u>30,000</u>	<u>-</u>
	<u>36,780</u>	<u>7,530</u>
Total Expenditures	\$ <u>1,611,455</u>	\$ <u>1,167,914</u>

SINGLE AUDIT SECTION

Board of Directors and Management
Missoula Redevelopment Agency
Missoula, Montana

**INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

We have audited the component unit financial statements of Missoula Redevelopment Agency as of and for the year ended June 30, 2000. These 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 generally accepted auditing standards 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.

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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 15, 2000

MISSOULA REDEVELOPMENT AGENCY

Schedule of Expenditures of Federal Awards

Fiscal Year Ended June 30, 2000

Federal Grantor/Pass Through Grantor and Program Title	CFDA Number	Grant Award	Cash (Deficit) July 1, 1999	Receipts			Expenditures	Cash (Deficit) June 30, 2000
				Federal Receipts	Local Match	Total Receipts		
U.S. Department of Transportation								
Passed Through the State Department of Transportation								
Congestion Mitigation and Air Quality - Major Program	20.205	\$ 1,963,246	\$ (10,065)	\$ 814,916	\$ 603,540	\$ 1,418,456	\$ 1,408,391	\$ -
CTEP	20.XXX	204,000	(44,744)	197,213	9,984	207,197	162,453	-
Passed Through the Montana Department of Fish, Wildlife, and Parks								
National Recreational Trails Act	20.219	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total U.S. Department of Transportation		\$ <u>2,187,246</u>	\$ <u>(54,809)</u>	\$ <u>1,032,129</u>	\$ <u>633,524</u>	\$ <u>1,665,653</u>	\$ <u>1,610,844</u>	\$ <u>-</u>

MISSOULA REDEVELOPMENT AGENCY

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2000

Note 1 – Basis of Presentation

The accompanying schedule is presented on the cash basis of accounting. Accordingly, revenues are recognized when they are received and expenditures are recognized when they are paid.

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, 2000, and have issued our report thereon dated August 15, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 15, 2000

Board of Directors
Missoula Redevelopment Agency
Missoula, Montana

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

Compliance

We have audited the compliance of Missoula Redevelopment Agency, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. Missoula Redevelopment Agency's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Missoula Redevelopment Agency's management. Our responsibility is to express an opinion on Missoula Redevelopment Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Missoula Redevelopment Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Missoula Redevelopment Agency's compliance with those requirements.

In our opinion, Missoula Redevelopment Agency complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Missoula Redevelopment Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Missoula Redevelopment Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance 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 15, 2000

MISSOULA REDEVELOPMENT AGENCY

Schedule of Findings and Questioned Costs Year Ended June 30, 2000

Section I – Summary of Auditors' Results

Financial Statements

The auditors' report on the financial statements of Missoula Redevelopment Agency was unqualified.

There were no reportable conditions or material weaknesses in internal control disclosed in the audit of the financial statements of Missoula Redevelopment Agency.

Federal Awards

The audit disclosed no instances of noncompliance that are material to the financial statements of Missoula Redevelopment Agency.

The audit disclosed no reportable conditions or material weaknesses in internal control over the major program of Missoula Redevelopment Agency.

The auditors' report on compliance for the major program was unqualified.

The audit disclosed no findings which are required to be reported under OMB Circular A-133.

The major program for the year ended June 30, 2000, was as follows:

U.S. Department of Transportation, Congestion Mitigation and
Air Quality – CFDA 20.205

The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133 was \$300,000.

Missoula Redevelopment Agency did not qualify as a low-risk auditee under the provisions of OMB Circular A-133.

MISSOULA REDEVELOPMENT AGENCY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2000

(Continued)

Section II – Financial Statement Findings

The audit disclosed no findings relating to the financial statements which were required to be reported under *Government Auditing Standards* issued by OMB.

Section III – Federal Awards Findings and Questioned Costs

The audit disclosed no findings which were required to be reported under the provisions of OMB Circular A-133.

Summary Schedule of Prior Audit Findings

The audit report for the year ended June 30, 1999, contained no findings.