

# MISSOULA REDEVELOPMENT AGENCY

## CONDENSED BOARD MEETING MINUTES

August 19, 2019

FINAL

A **Special** meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held on Monday, August 19, 2019 at the Hal Fraser Conference Room, 140 W. Pine, at 11:00 a.m. Those in attendance were as follows:

**Board:** Karl Englund, Nancy Moe, Melanie Brock

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

**Public:** Martin Kidston, Missoula Current; Matt Neuman, Missoulia; Bryan von Lossberg, Missoula City Council; David Erickson, Missoulia; Luke Jonker, Citizen; Mayor John Engen

### **CALL TO ORDER**

11:00 a.m.

### **APPROVAL OF MINUTES**

None to approve

### **PUBLIC COMMENTS AND ANNOUNCEMENTS**

Englund asked if there was any general public comment or announcements. There was none.

### **ACTION ITEMS**

#### **Fiscal Year 2020 Tax Increment Remittance – Request for Approval**

Englund said he believed the remittance item was not indeed an Action item for the MRA Board because the decision to make a remittance lies with City Council. He said the MRA's purpose was to hear from the Mayor about what is being done. He said the only thing the Board will need to do, which doesn't require action, is direct staff to come up with a plan for implementing the remittance.

Mayor John Engen said he was before the MRA Board for two reasons. One is informed consent because he respects the work that the Board does and its role in governing the MRA. He said fiscal year 2020 represents the best set of taxable values he has seen in his career as Mayor. The last numbers that even approached where the City is today were in

2005-2006. Mayor Engen said the numbers are good all over. They're good in terms of new construction, new taxable value and very strong in each of the Urban Renewal Districts (URD).

Mayor Engen said the City Council will consider and hopefully take action on the budget that reflects the good numbers this evening. The budget allows the City to take care of a lot of work that has been deferred over the years. The Police Department will add six officers, a staff person, fund an Internet Crimes Against Children program, and transition from a radio system that has been sketchy at best. Mayor Engen said things will be done in several other departments as well and the City is still able to lower mills. He said that is the result of a number of things, one being the development activity in the City the last three years. Mayor Engen said that activity is also happening in the URDs. They are thriving and vibrant.

Mayor Engen said the City received the taxable values on August 5<sup>th</sup>. He said he made this proposal to Buchanan and Englund on August 14<sup>th</sup> as the numbers were still being refined and plugged in. He said he, Buchanan, and some other City staff members identified priorities for all of the URDs and then applied what the revenue needs are to support those projects. Mayor Engen said there are adequate revenues to execute those projects, although he was unsure the City has adequate staff to execute them because there are a lot. At this point, he said it occurred to him that this is an opportunity to apply some of the excess revenues for a much different reason than how they were applied last year. With last years remittance, the City was filling a hole, and this year the success of those Districts presents the City with an opportunity to further temper the tax burden, not only for municipal tax payers, but also for the other taxing jurisdictions.

Mayor Engen said the City is asking for a remittance of \$2.3 million. \$725,000 to the City's General Fund, which would trigger a remittance to the other taxing jurisdictions. The General Fund balance is one of the things the City did not take care of in the 2018-2019 budget cycle. Mayor Engen said the General Fund balance is an indicator of the City's overall financial health. It has significant relevance when considering the City's credit rating and it has a significant impact as being the "rainy day fund". Mayor Engen said the City's policy calls for it to have about 7% of its general fund budget in reserves. This gets the City within \$1 million of having met that policy goal. He said the City believes over the course of the next two years, provided revenues remain solid, it should have that fund balance policy goal met. That will allow the City to think about almost everything it does differently in terms of the fact that it won't need to build fund balance.

Mayor Engen said but for lack of policy, this is the right thing to do. He said as a matter of policy it could make sense to think about doing a remittance differently, rather than on an ad hoc basis annually. He said he does not like being in the position of rushing it in front of the MRA Board. However, he said circumstances are what they are and he would like to think that anytime the City is finding itself in the position where it has excess revenue that is not programmed, it wants to have enough money in the bank to ensure it can take advantage of opportunities that present themselves outside of what may have been planned for. Engen said the revenues will be available to the Districts next year, just like they are this year, if they don't alter policy. In the end, he said this is the right thing to do for everyone. He said

it is a testament to the success of the Districts and the work MRA is doing that it is generating this kind of revenue.

Bryan von Lossberg, Missoula City Council, said he concurred with everything Mayor Engen said. He said when Dale Bickell, Chief Administrative Officer (CAO), was going through the taxable values and when they talk about the growth of the Districts and the growth of the tax base, they saw about a 53% growth in the Districts and 14% growth in the general tax base. He said those are both exceedingly healthy numbers within the Districts so when the Mayor talks about that growth and seeing those numbers, he said as he and a majority of the Council members see it, it is a tremendous affirmation of the work that is going on in the Districts and it's right there in the numbers. von Lossberg said he also is not fond of the fast sequencing of events in this process and is present today because he wanted to hear discussion and deliberation from the Board and staff. He said he is deeply respectful of the role the Board plays and work the staff does. von Lossberg said when this idea was presented he thought about it long and hard. He said the \$725,000 will put the fund balance at about 68% of the 7% goal, which is within striking distance of closing that gap. He said there is good work to be done in the Districts and doesn't want to hamper the MRA and City's ability to do that work and at the same time balance it out against the opportunity with the fund balance. von Lossberg said this is not something he or his colleagues view lightly. He said there is good work to do in the Districts and they don't want to compromise that ability, but at the same time, the opportunity to get the fund balance close to goal is a critical need to work towards.

Mayor Engen said another moving part here is that there is considerable discussion around Tax Increment Financing (TIF). He said there is considerable misunderstanding in the community about what TIF does, as well as the purpose and reason that the City has redevelopment districts. He said the City is doing some work to help folks better understand TIF. He said there is fundamental misunderstanding that MRA is giving money to the private sector. The City is producing some explainers that will help folks understand that MRA is actually creating public infrastructure that supports private investment that creates taxable value that expands the tax base and allows fewer mills to be levied and tax individuals less and get more done. Mayor Engen said at the end of the day this is a success story. He said his guiding notion here is that URDs are created to improve public infrastructure outside of the General Fund and generate new taxable value for the good of the community. When that taxable value becomes available to the community to use then it should use it.

Moe said she agrees with the premise Englund started with that the City Council has the authority to make a remittance to the taxing jurisdictions and MRA does not. She said she appreciates Mayor Engen and von Lossberg recognizing the work that MRA does and the quality staff that makes it possible. She said the Board doesn't have the current figures on what the increment is nor have they seen an analysis that looks at each District and says what the anticipated projects are. She said they haven't had the time to do that and she feels it is the Board's responsibility so they know and agree where the money is coming from to fund what City Council wants to do. Moe asked what the time period is. Mayor Engen said tonight is the night he hopes City Council approves the budget. Englund said MRA then has to decide within the districts how to make up the remittance. Mayor Engen said some of that analysis has been done and they have identified revenue in the districts

based on projects that are afoot and/or proposed and they have an idea that all of the work can continue unabated. Mayor Engen said the part MRA will play is to refine the budget based on the priorities. He said things are just out of order because people are busy.

Englund wanted to clarify and stated that the next job for the MRA Board is to hear from staff as to where the money can come from and then the Board will approve that part of it. Mayor Engen concurred and said as a function of the City Council decision tonight that needn't happen right away. Moe said the City Council will approve the remittance of \$725,000 to the City as part of the budget and then because of that remittance to the City it creates a requirement of a \$2.3 million remittance to all of the taxing jurisdictions. Mayor Engen concurred. There was discussion about whether MRA or the City will enter the agreements to remit. The conclusion under state law is that the City has the power to remit to the taxing jurisdictions and should be a party to the agreements. Englund said the agreement can come from MRA on the City's behalf, but it's the City's call. Dunn said the City Council's decision sets in motion the requirement of state law and the agreements are set up between MRA and the taxing jurisdiction. Moe said the format on the agreement needs to be changed because it is really the local government that enters into an agreement, not MRA. She said she wanted to make sure there is signature from the City on that. MRA is the implementer of the transfer, but only City Council can approve the remittance and forward it to MRA. Buchanan said her guess is that when MRA was doing the annual remittance from URD I, the City may have authorized MRA to enter into those contracts on its behalf.

Brock asked what the Mayor meant when he said the funds will be available to the Districts next year unless there are policy changes. She asked if it was something his office was looking at doing. Mayor Engen said that is a conversation to have with the MRA Board. He said it's interesting, and whether it's necessary he does not know. He said part of what will inform that conversation is what's on the horizon. Moe said as a Board they would like to participate in that discussion before the day of a decision. Mayor Engen said he doesn't blame her a bit and had things gone differently the Board would have been part of the conversation earlier.

Englund said when talking about what is on the horizon there needs to be a broader discussion about what the long-term plan is for the priorities and future of the Districts. He said it has to be done in conjunction with the Mayor's office, City Council, and MRA Board and staff. Moe said if there is a working group set up to discuss that and consider a policy some members of the MRA Board would like to be part of the discussion. Mayor Engen said he would like the MRA Board to be part of that discussion. He said the work of the MRA over the last 15 years is much different from what it was before. He said the projects and needs are both different, as well as the resources. He said traditionally the MRA tended to react to proposals rather than make the proposals, which has been a shift. MRA is now doing more of that and he suspects there will be even more of that in the future as they move forward based on community need. He said housing policy is where he thinks the MRA and the City's policy goals can be brought into elegant alignment and planned for. von Lossberg said he was also going to highlight the housing policy. He said it's not to say that MRA hasn't been a great tool relative to housing to date because it has been. However, he said the City just passed a comprehensive policy umbrella and they would be remiss to not have a conversation with MRA staff, Board, administration, and City Council

around what parts of that should change, what should be affirmed, what parts are changing and what the right thing to do is. Moe said both the City and MRA have been involved in planning and studies in the past. Englund said it seems to him that a point has been crossed here and they ought to be having these discussions before they cross that point again. He said he knows the Mayor, MRA and City Council all want to do that and are on the same page. Englund said MRA has always maintained, as long as he has been on the MRA Board, that one of the most important things for an appointed Board of the MRA to do is to stay in its lane. He said this is the City's call to make and he appreciates that. He said MRA doesn't need to approve this because it has no role in approving this. Budgeting is the City Council's business and it's their call to make.

**NON-ACTION ITEMS**

**STAFF REPORTS**

**COMMITTEE REPORTS**

**OTHER ITEMS**

**ADJOURNMENT**

Adjourned at 11:28 a.m.

Respectfully Submitted,



Lesley Pugh