

MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

January 18, 2012

FINAL

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

Board: Nancy Moe, Ruth Reineking, Karl Englund, Rosalie Cates, Dan Kemmis

Staff: Ellen Buchanan, Chris Behan, Jilayne Lee, Tod Gass, Juli Devlin

Public: Jeremy Keene, WGM Group; Jamie Herring, Anderson Zurmuehlen; Paul Sepp, Anderson Zurmuehlen; Mickey Mucholland, CBC/WMBT's; Greg Stricker, Farran Group; Pat Corrick, Farran Group; Jim McLeod, Farran Group; John Wolverton, Bike Walk Alliance Missoula/CBC; Jackie Corday, Parks & Recreation

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

October 19, 2011 Regular Meeting Minutes were approved as submitted.
November 3, 2011 Special Meeting Minutes were approved as submitted.
December 7, 2011 Regular Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

Englund announced that City Council has appointed two individuals to work on the Fox Site Working Group. He said MRA needed a couple of Board members to sit on that group as well. Dan and Rosalie have served and spent quite a bit of time on the Millsite so it was decided that Karl Englund and Nancy Moe would serve and Ruth Reineking would serve as back-up.

Behan said that sounded great and encouraged anyone to attend the session and MRA would try to keep everyone informed on the subject.

Englund said Staff has put together an Initial Agreement between the developers and MRA which gave them access to the site and set certain deadlines or timelines for things to happen.

Behan said no meetings have been scheduled until the market study is in place. Marilyn Marler, who is now the City Council President, would be asking Jason Wiener and Caitlin Copple to represent the Council.

ACTION ITEMS

FY11 Audit Report – Request for Acceptance (Lee)

Jil Lee introduced Jamie Herring and Paul Sepp from Anderson Zurmuehlen & Co (AZ's).

Sepp thanked everyone for their assistance with the audit. He handed out the presentation agenda and spoke about the actual financial audit report, which ended up being 52 pages long. He thanked Buchanan and Lee for all their hard work and thought that once again the audit went smooth. The scope of the audit didn't change. There is one change when looking at the financial statements and that is MRA's participation in the new parking facility. Between Sepp and Herring they briefly went through the audit report. On pages two and three was the independent auditor's report. The Management's Discussion and Analysis showed a great synopsis for 2011 in which he thanked Buchanan and Lee for their contributions. Sepp handed the conversation over to Herring to talk about the main highlights of the financial statements.

Herring said there were three main changes from last year. One was the debt related to the new parking facility. Also the Riverfront Triangle URD, listed under the governmental funds, was added as a major fund. The Government Accounting Standards Board (GASB) 54 was implemented so that also changed the report a bit. The total assets went down by about 3% which wasn't a significant change. This was largely due to project expenditures and timing. In the liability section, the liabilities were very comparable to the prior year. The loans payable was up by about \$5 million which was largely due to the Parking Commission, FIB, and the Wilma Notes. Under the statement of activities, the housing and community development was up by about \$3 million which was attributable to the parking structure. The interest expense went down from the prior year. It was about \$425,000 last year which was related to the Safeway project which had a large interest payment in 2010. The interest expense went to more normal levels in 2011. In the revenues section everything was pretty consistent other than an increase in property taxes by about \$400,000 and in the grant revenue there was an increase due to the Community Transportation Enhancements Program (CTEP). The balance sheet shows the governmental funds and major debt service. This gives more detail on a fund to fund level. In current assets, the major debt service fund now has \$134,000 which is related to receivables. The Parking Commission bonds were structured so that MRA will receive some cash back. Under accounts payable, the administrative expenses are being paid out of URD III rather than URD II. The fund balances are now divided between nonspendable and restricted funds. GASB 54 was implemented this year which requires fund balances

to be divided based on different classifications. Because of what MRA does there are really two classifications that pertain to MRA by state law. The tax increment revenue has to be spent on development activities, therefore most everything is classified as restricted. A small amount is classified as nonspendable because it is a pre-paid expense.

Sepp talked more about GASB 54 and that it was implemented as a result of the financial crisis, when government entities were trying to hide funds. There was a desire to see what funds were really restricted and which funds were not restricted. Pretty much everything that MRA does is under the restricted category which means legislation requires MRA to spend its money a certain way.

Moe asked if Sepp could talk a bit about the nonspendable section. Sepp said that the nonspendable section really was just pre-paid expenses.

Moe also asked about deferred revenue. Herring said MRA records taxes received on June 30th but can only represent those receivables that have collected within 75 days of year end. Anything that is uncollected after that is backed out and that represents the deferred revenue. On page 20 are the income statements. There were little changes other than the Front Street Parking Structure Notes. All of the collected revenue is now being represented in the major debt service fund. URD II was pretty comparable to last year. URD III shows more activity than last year as well as the Front Street URD. Herring went on to talk about the footnotes in which there were very few changes other than the implementation of GASB 54. The categories are listed on page 25. The cash and investment section shows the City's policies related to cash. Note 3 is the long term debt. There were new additions this year but for each Note there is a fair amount of detail including the history, the maturity schedule, and the debt services. On page 34, the commitment section (Note 4) includes projects that the Board committed to at year end and are in progress into the new fiscal year.

Moe asked whether there would be enough receipts for the district to clear long term debt.

Sepp said that analysis was probably done in conjunction with the individual bond issues. He said we have to assume with the development of those districts that the increment revenue will be sufficient to cover debt service.

Herring continued with Note 5 which is related to retirement plans. That hasn't changed from prior years. Also Notes 6, 7, and 8 haven't changed from prior years. She said they're pretty standard Notes. Note 10 gives a little more detail about GASB 54 and what the restrictions are with the fund balance. Note 11 talks about subsequent events that occurred after June 30th that management felt was necessary to disclose to the readers in the financial statement. This included the progress with the Fox Site and details with the Civic Stadium project. Following this section is the required supplementary information. The supplementary information is based on the major debt service.

Sepp continued the presentation with everyone turning to page 50. This is AZ's report on internal controls and compliance. The report had no findings so the language used was

pretty standard. Sepp then continued by summarizing the transmittal letter. Under significant findings there were no new accounting policies except for GASB 54. This letter also includes accounting estimates which for MRA included the benefit plan and health insurance for retirees and employees. Page two talks about any difficulties performing the audit or disagreements with management, and Sepp said there were none. The last section of the letter talks about any adjustments, findings, or issues. There was one adjustment which is also attached to the letter. It was an adjustment related to the interest accrual on the Parking Structure Project. Sepp said as part of the audit they ask for written management representations, which would have been asked from Buchanan and Lee. The audit also reveals accounting practices, management issues, etc. Sepp said it was a good year from the audit stand point and everything ran smoothly.

Reineking thanked Buchanan and Lee for all their hard work.

CATES: I MOVE TO ACCEPT THE AUDIT.

Moe seconded the motion. No discussion. Motion passed unanimously.

Intermountain Lumber Site (Farran Group) – TIF Request (Behan)

Behan summarized his staff memo explaining the project. The developers have met with the Board twice to present their residential and commercial project on Russell Street. Farran has been working on two different financing scenarios. They now have a very clear road to get the project started this year. Behan gave a short recap of the project. Farran will purchase approximately 9.3 acres of the 11 acres that the Missoula Housing Authority (MHA) owns. They will develop the site in two distinct phases. The first phase will be construction of 196 market rate or “workforce housing” apartments to include parking and amenities for both phases. The second phase will be construction of two multi-level commercial buildings on Russell Street totaling about 15,000 square feet of floor space. A third building will be constructed at a point when the Housing Authority has the ability to move their offices from the south side to the north side of town. Behan said the tax increment financing analysis in his memo is associated with phase one. Phase two is contingent on the design of Russell Street. The Farran Group is hoping to complete the project by 2015. The total cost of phase one is about \$18 million of which \$12 million is construction related. The costs eligible for tax increment assistance include continuation of construction of Milwaukee Way, demolition and utility extension. In order for MRA to be involved in this project, we would have to incur debt or a bond. Behan highlighted a couple of sections of his memo including tax generation. He has some unofficial calculations of taxes but the estimates are getting closer to reality. He has looked at the taxes from Copper Run which is a similar development. Behan said this gives MRA an idea of what the tax generation will be in the future. Behan also pointed out the opportunity section of his memo. This development has the ability for growth; new neighborhoods replacing industrial activities in the center part of the city and easily connecting people to shopping and working opportunities in a non-motorized way. The private sector is finding markets that we’ve always wished or hoped would exist. Behan said the developers also have a high level of equity in the project. Staff is recommending a bond and a development

agreement which will require legal services from Dorsey Whitney and financial advice from Springsted Associates. The costs would roll into the bond if it's sold. If it's not sold then MRA would have to cover those costs. Behan estimated it would cost \$35,000 for this work.

Pat Corrick from Farran Group wanted to discuss the financing plan. Farran has not closed on the project primarily because they are waiting for the Department of Housing and Urban Development (HUD) and have been for about two years. They are working towards a loan which includes mortgage insurance through Wells Fargo. The process is to apply to HUD which they call an invitation. There's a mandatory 60 day period that is applied to the application. Getting into that 60 day period was an issue. They actually applied to HUD in 2010 but it took almost all year to receive an invitation. There was a second funding option which was through a private party in Missoula which was more of a back-up option in case the HUD option didn't happen. They didn't actively pursue the private funding. They did receive HUD approval toward the end of 2011 and are now gathering equity from the investors.

Corrick said the equity is about \$3.6 million, roughly, TIF is about \$1.1 million and the debt would be about \$13.2 million. Wells Fargo provides the actual Note and HUD provides the back stop.

Jim McLeod added that it was a 40 year term with a fixed rate of 4% which was very attractive.

Corrick added that the taxes at Copper Run were closer to the \$160,000 - \$170,000 range. Behan concurred and said he backed out the SIDS, etc. in his memo. Corrick said Behan did a great job of summarizing the project and asked if there were any questions.

In response to a question from Reineking, Corrick said that Farran plans on complying with current energy codes but when they looked at the cost of actually being LEED (Leadership in Energy and Environmental Design) certified they were not convinced to spend the money. They are pretty sensitive as far as costs to this project. It would cost about 7-14% of the project cost to be LEED certified. They have looked into low VOC (Volatile Organic Compound) carpeting and other flooring materials. They feel that the products used will be environmentally friendly. They do plan on integrating power stations for future electric car parking. He said it is easier to do this now than in the future. Corrick said they plan on providing covered bike storage for all the units. The development is near the trail so there will be more walking and biking to and from areas. They have explored the idea of purchasing a "ride share car". They're not quite there yet but are evaluating future needs.

Moe asked when the commercial phase would begin and how these areas would be presented in the interim.

Corrick said they weren't sure at this point. The parking has been an issue. On the site plan, there is parking on the west side of commercial lot one and two. This will be classified as "flex parking". This means that during the day it will be used for commercial

purposes and in the evenings it will be used for residential purposes. They don't know yet what's going to be required by the City or HUD. Corrick added that they may not start building on the commercial lots for at least a year. There's a possibility they would wait until Russell Street is complete. Currently they plan on grading and smoothing that area for natural planting purposes. Corrick said they do plan on building sidewalks along Russell Street as part of phase one.

Kemmis said the staff memo states that "to complete the last stages of the financing program, Farran Group needs a solid indication that the TIF portion is possible. That document will likely have to be at least a Resolution of Intent to authorize a TIF bond by the City Council." Kemmis asked Behan what more he might need to proceed.

Behan responded that it would be wonderful for Farran to be able to go to their lender and say that the City has approved a bond but in the time constraints that Farran has right now, if they want to be constructing this construction season then they need to start closing some of their financing. Before a bond is sold a recommendation needs to be made by the Board to City Council. MRA needs to put all the legal documents together before a bond can be sold so we can go to the Resolution stage rather than a public hearing and Ordinance stage which will follow at its own pace.

Kemmis asked how likely a council Resolution of Intent was to do the trick. Do we have to put public money into doing this before we're sure they will get the financing?

Corrick replied that they were waiting on clarification from HUD on what level of City documentation is acceptable at this time.

McLeod said that Bank of Montana is also assisting them with a letter of intent to HUD.

Corrick said that the financing from HUD is contingent on receiving the TIF, which allows HUD to move forward with the commitment.

Kemmis asked if Farran was still waiting to hear from the bank and/or HUD about what they were expecting.

Behan replied that MRA wouldn't spend any money until they had assurance that the project financing was progressing and feasible.

Cates asked what chain of events was anticipated.

Behan said that right now we're looking for approval of TIF assistance. The documentation of that assistance is going to take place in stages. First of all we need to put together a bond then the Board would approve that action and recommend that the City Council issue bonds.

Cates commented that the Farran Group would be following energy codes but not being LEED certified. She thinks that's great but it would be nice to have some sort of a check

list as to what other things they are doing. Cates doesn't want to cause extra work but it would be interesting.

Englund stated that we are putting \$34,000 into this project to decide whether this could all work. The bond still needs to come back to the Board for approval.

Discussion ensued.

Behan stated that he expects the Farran Group to meet the basic building code which is the base level of LEED. The Board can focus on whether they're comfortable or uncomfortable with the financing piece.

Buchanan said this discussion was very similar to the one they had with the parking structure. They could require some kind of check list and they could require them to be LEED certified but do they really want to spend the \$50,000-\$60,000 that it takes for a certification when most of it is already being done under the current building code.

Cates said she was not stuck on LEED.

Buchanan asked if Cates wanted more detail on the design. Buchanan said if MRA were looking at a Façade Improvement Grant then design would be discussed in great detail. Generally design decisions aren't discussed when building roads, sidewalks, or trails for a project. Buchanan gave some examples.

Reineking wanted to confirm that they were not building the retail or commercial spaces but that the infrastructure in the current phase would take care of that.

Corrick replied that she was correct.

Reineking continued by saying, that the project may create more tax increment so that some tax increment would go into URD II.

Buchanan answered that the multi-family will continue to support the debt service.

Reineking asked if they were still raising equity and trying to find a private bond buyer. Reineking saw in the memo that the retail/commercial section could produce as many as 45 jobs. She was curious as to how Farran or MRA Staff came up with that number.

Behan said no one knows who is going to move into that space but using the rule of thumb for the number of employees per square feet, it ended up being 45.

Corrick continued by saying that this figure was based on the square footage of these two buildings but who knows what kind of businesses were going to open whether it be a restaurant or business offices.

Reineking said that hopefully they find some businesses that would also be beneficial to the people who live there or in the general area.

Cates asked if the Farran Group would be back for phase two.

Corrick didn't think so. Once Milwaukee Way and Russell Street are constructed we'll be set.

Cates asked if MRA wanted to play a consulting role in design of the next stage.

Buchanan said that was a good suggestion. She then asked if the sidewalks on Russell would be built as part of the multi-family development even though Russell Street isn't necessarily locked in.

Corrick said that was their intention but it needed to be discussed with the City and the State regarding their construction plans for Russell Street. The right of way has been established for the west side of Russell. Farran does have money allocated to finish Russell Street.

McLeod added that the commercial buildings on Russell Street will be very similar to Higgins in which the buildings will be right up to the sidewalk. Parking will be behind the buildings which is a nice feature.

Buchanan said that there was no agreement that said once the commercial section is ready to be built, then it must come back to the Board for review and comment.

Discussion ensued.

Kemmis asked when talking about bonding are they contemplating or dedicating tax increment on the entire project or just this phase.

Buchanan answered that was part of the analysis that they would need to look into. What is the coverage ratio going to be, what is this going to generate, can the multi-family development service the debt and provide the coverage? A lot of those questions will be answered during negotiation with the buyer.

Englund asked to refresh his memory in terms of demolition and clearing of the site.

Behan said what was left was asphalt, concrete, and foundations. Buildings were taken out several years ago by the Housing Authority.

Englund then asked about the Russell Street improvements and whether the sidewalks were part of the reconstruction project that the State will fund.

Buchanan said the City could include them but whenever a private developer is required to pay for them rather than using federal money, they will be funded that way.

Englund then clarified that this was part of Farran's building permit. He also asked about lighting.

Behan had talked about the lighting on the public right of way on Milwaukee Way and Russell but not within the actual development. The lighting will be part of a larger lighting package with different standards.

Englund asked what the plan was for Russell and Milwaukee Way intersection.

McLeod answered that it has been communicated to them that Russell will be five lanes in which the middle lane will be a turning lane. There will be a light on Wyoming Street and then Wyoming Street will be extended all the way to Orange Street at some time.

Moe asked if the blue section on the map represented a water feature.

McLeod said yes it would be some kind of water feature more or less to tie two ends together.

Moe asked if it could potentially be a hazard for children.

Corrick said it wouldn't be a pool but more or less a landscaping feature such as a water fountain.

Englund asked if the green section of the map was lawn and if it would be used for a ball field of some sort.

Corrick said it wasn't large enough to be a ball field but maybe a small amphitheater of some sort or they could even have small musical performances there. More or less it was a grassy area to play in.

Englund asked about the garages.

Corrick and McLeod said that the garages would be for lease and that they only provided about 25 garages. The garages were a small component.

Reineking asked if they broke ground this summer, would it impact the development of the Fox Site.

McLeod answered that they just signed for the twelve month period. He gave a quick update of the project, and said they just ordered the market study. A meeting was scheduled later that day to talk about the parking study. McLeod says that they plan on meeting with Saint Pat's, the University, and other stake holders.

Behan asked Reineking if that was a "capacity" question.

Reineking answered “perhaps”.

Behan answered that the Fox project team is much larger than just Farran. He felt that Farran could handle two projects at once.

Corrick also added that the two other partners working on the Fox project were very experienced and had a great track record.

Englund asked what the timeline was between January and this summer.

Corrick said that they were currently working on the 90% level construction drawings. They then will provide the plans to HUD. HUD does a third party review of all the construction, contractor, etc. They’ll review pretty much every aspect of the project. Over the next three months Farran will be finishing up on the drawings, they will need to have a contract in place which the contractor will sign and be executed and reviewed by HUD. All of the financing needs will be in place. They will then go back to HUD probably in April and provide a final package in which they have a 60 day period to review. This puts them at the beginning of July for a ground breaking.

Englund asked if there were any additional questions or comments.

Corday from the Parks Department said she was very excited about this project and that she and Dave Shaw had reviewed this project a few times. They’re excited to see this tying into the trails system and she personally is excited since she lives within that area.

MOE: WITH THE UNDERSTANDING THAT THIS IS AN INITIAL COMMITMENT OF THE BOARD TO WORK ON THIS PROJECT, I MOVE THAT THE BOARD AUTHORIZE STAFF TO NEGOTIATE AND ENTER INTO AGREEMENTS WITH DORSEY AND WHITNEY AND SPRINGSTED ASSOCIATES IN A TOTAL AMOUNT NOT TO EXCEED \$34,520 FOR SERVICES RELATED TO A TIF REVENUE BOND FOR THE FARRAN GROUP PROJECT AT THE FORMER INTERMOUNTAIN LUMBER SITE ON RUSSELL STREET. THIS IS WITH THE UNDERSTANDING THAT THE DEVELOPERS WILL MEET ALL CODE AND OTHER REQUIREMENTS AND THAT THE DEVELOPERS ARE INTERESTED IN SATISFYING LEED REQUIREMENTS EVEN IF THEY ARE NOT REQUIRED FOR CERTIFICATION.

Kemmis seconded the motion. Discussion ensued. Motion passed unanimously.

NON-ACTION ITEMS

URD III Sidewalk Needs Assessment – Final Report Presentation (Gass)

Gass introduced Jeremy Keene, WGM Group, who presented the final report of the Needs Assessment. He discussed the goals and other information which depict the infrastructure needs in URD III.

Keene started the presentation with goals and objectives of the project. They looked back at the original vision of the Urban Land Institute (ULI) report to get ideas of what they could do to make this a more livable and mixed use area. Keene said they identified three major factors that need to happen and that includes identity, connectivity, and desirability, which is explained more on page one of the report. They looked at the existing conditions as far as how the land is being used, the zoning, and what the transportation network looked like, etc.

Moe asked if MRA would be financing this all on their own.

Keene answered no.

Moe then asked who else would be participating.

Gass said that they have discussed who other financial partners could be.

Keene said part of their strategy is to work with other potential partnerships, whether that is with other agencies and/or private partners.

Keene said part of the process was to do a detailed inventory. WGM did this by breaking it up into eight different sub areas and going out and looking at what the conditions were. They rated them whether they were missing or in poor condition all the way up to brand new construction. They used some great aerial photos to rate the sidewalks, curbs, and streets, and to see whether or not they were ADA compliant. Keene said this was a great data base to develop from and this will help them with some cost estimates. They also looked at this from a 30,000 foot level to see the big picture as far as future land use and where strategic investment can occur. Some targeted ideas for infrastructure investment included:

- Creating and recognizing an identity for Midtown.
- Focusing on esthetics and public safety issues.
- Increasing the desirability of the railroad corridor for residential housing.
- Creating better connections for employment, education, and recreation purposes.
- Improving access and circulation to underutilized lands.
- Looking at some of the barriers for refuge crossings and pedestrian crossings.
- Providing some distinct orders and edges to help protect and stabilize the existing neighborhoods.

This analysis led them to a pretty complex map that includes recommended projects. It starts with the basic curb and sidewalk needs, which are located on page 21.

- Primary sidewalks
- Secondary sidewalks
- Median Refuge Crossings
- Curb extensions

Keene continued with Transportation Network Improvements which is located on pages 21 and 22.

Reineking asked about the new bus stops on page 21 and asked if this would be through Mountain Line.

Keene has met with Mountain Line and they have discussed future routes. They are currently working on a route study plan in which WGM will be partnering.

Discussion ensued.

Keene said that part of the recommendation is to add some more landscaping and signing which would provide gateways to Midtown.

Keene said this was a fairly long list of projects and they've assigned costs and some potential funding. More information is provided in the executive summary starting on page two. The total project cost is about \$19 million. Some projects may not be realistic but they're all great projects for the district; how MRA accomplishes them is another question.

Keene said WGM then went out to the stakeholders and asked what their thoughts and priorities were. WGM did make some refinements based on some recommendations; more than anything they received good direction and what the priorities were. The stakeholder groups are listed on page 26 and 27.

Keene spoke about the Investment Consideration which is on page 28. Part of their goal is to attract investors to this district. Some of the considerations for those who might be interested in investing are as follows:

- The fastest growing investment population is those individuals who are 55 years of age or older largely because those household sizes are decreasing.
- The economic down turn has changed what people can afford.

Keene talked more about Strategies to Encourage Investment and Community Building in URD III which can be found on pages 28 and 29.

Discussion ensued about the restructuring process of OPG.

Keene continued by talking about the Catalyst Projects and the Ranking Criteria. The top three projects on the Recommended Project Matrix were Bitterroot Branch Trail Extension, Median Refuge Crossings, and Primary Curb & Sidewalks.

Keene talked a bit about the Railroad Corridor Improvements. He mentioned that a Johnson Street extension and improvements on Dore Lane would both benefit that area for circulation purposes.

Gass said that Montana Department of Transportation (MDT) is doing a safety audit of Brooks Street at the intersection of Dore Lane, which will hopefully be done this spring. He said they have a fund for improvements which opens up the opportunity to improve Dore Lane, signalization, possible medians, along with other improvements.

Buchanan said a number of years ago, MRA partnered with the primary land owners of the property behind Bob Ward's to put together a redevelopment plan. The development so far of that property has not been successful but they still have the same primary players. She said it seems to be a renewed interest as the economy tends to heal itself. Buchanan said she would not make the recommendation to build the Johnson Street through that area without some kind of development commitment. MRA is trying to use tax increment as leverage to develop the property. Without a development, MRA would have the cost of the infrastructure improvements without the return on investment.

Keene said that when WGM realized that Johnson Street was one of MRA's top priorities, they met with the Lambros folks to see if there was interest in moving forward with a development plan. WGM and Lambros have been meeting on a regular basis and have come up with a development plan which includes hundreds of housing units as well as commercial units and a park. Keene is hoping to bring something to the Board on an informal basis in the near future.

Keene said Gass mentioned there was opportunity to partner with MDT on Dore Lane. MDT has a long list of safety and improvement projects, but would have more flexibility and prioritizing those projects if they had a funding partnership with MRA. URD III will sunset in 2015 unless there are outstanding financial commitments, such as a tax increment bond. WGM identified residential sidewalks and commercial sidewalk projects as potential catalyst projects. Keene said that's the summary of where MRA is at today and would like to schedule future working sessions.

Buchanan said she would like to schedule a Board workshop in the near future. She would like to discuss some different scenarios on how to accomplish the Catalyst Projects, as defined in the final Needs Assessment Report, and if the Board wants to issue debt and if so, when should this occur. MRA has had some discussion with the Forest Service but their process is so cumbersome that Buchanan's not sure if they would be able to finish by 2015. She's not sure if Montana Rail Link (MRL) would make any commitments if they have a private developer.

Englund suggested she email some proposed dates to meet for the working session.

Buchanan suggested that the Board allow Jeremy Keene to attend these working sessions since he has put so much work into it and has a better understanding. She would like him involved in the discussions.

John Wolverton thanked Keene and Gass on the work they've done and also thanked them for coming to his neighborhood and asking him and others in that neighborhood for their input.

STAFF REPORTS

Director's Report

Buchanan said that under the Old Sawmill District, the wood waste is gone but they are still working on the methane abatement. She said that as of today concrete was being poured at the new Parking Structure. Another big concrete pour was scheduled towards the end of the following week. She said the temperature isn't a big issue but the freezing rain and snow can slow them down. The retail space infrastructure is under contract. The timing is somewhat interesting. The architects have all been discussing this issue and have finally come to an agreement because the contractor is trying to pour over what will be a working kitchen space, so they will need to have hoods. Block outs are being established.

Reineking asked if this kitchen was being used for profit.

Buchanan said yes. From her understanding it will be a mini cold food/health food place but they will prepare food there as well. Right now they have a buy-sell agreement.

The purchase of the Civic Stadium should be done soon. The City Attorney is reviewing the final documents with some changes between Playball and First Security Bank. The second lawsuit that was filed is being settled. The Judge has asked the City Attorney's Office to draw up the summary judgment in favor of the City. The Judge will review it and make any necessary changes.

Moe asked if the four guarantors who are not paying, impact this part of the agreement.

Buchanan said that Mae Nan Ellingson has worked out an agreement with First Security and Playball where these four guarantors don't impact it. First Security is going to agree that they have no claim on the lease revenues; current or future. The other part of it is that Playball will create a new non-profit entity to raise the \$250,000. If all of the attorneys that are involved agree, the City can maybe schedule a closing as early as February.

Buchanan touched on the Downtown Master Plan Implementation which consists of Caras Park, Front/Main Conversion, and Wayfinding. MDT will not allow the City/MRA to manage the Front/Main Conversion. There is a serious Wayfinding effort within the Missoula area. There's a group who will try to put together the funding to bring a consultant on board to design the system. There will be a big fundraising effort to build it.

Moe made the suggestion to contact Barb Martinson at the County since they also had a similar signage issue. They've already completed their study so she might have some good information.

Discussion ensued.

Englund suggested that before the Board moves on to discuss the Millsite that they allow the two gentlemen from the public to talk about the Fox Site.

John Wolverton said that they look forward to working with the developers and having the opportunity to let them know what the community would like to see with the Fox Site.

Mickey Mucholland who is with the Working Labor Union is glad that the process is moving forward and is excited to start working with the developers. He hopes that the union can give some ideas to the developers.

John Wolverton also added that Mark Anderlik is the point of contact for the developers and has made himself accessible.

Buchanan continued with her Director's Report, briefly talking about the Old Sawmill District. The working group continues to meet with the developers to discuss various paths depending on what decisions are made. Buchanan said the last meeting was based on an agenda and rather than providing minutes of the meeting she gave a brief bulleted summary. There was a lot of commonality among the various parties and one of those was that everyone wanted to see the land cleaned up and the purchase finalized. Silver and MRA expressed that they would like a park completed as a priority as well as the project developed. City Council members felt that it was appropriate for the City/MRA to build Wyoming Street assuming that certain commitments are made. There were some concerns since everyone wanted a little bit different assurances:

- Silver wanted assurance that the land was going to be cleaned up
- MRP doesn't want to assume obligation in respect to borrowing the extra \$250,000 for cleanup and they would like some assurances that the City is going to build Wyoming Street, make improvements to the trestle, and assurance of MRA's willingness to issue a series of tax increment bonds
- MRA's concern is the impact on URD II of further obligation with large amounts, considering the capacity in the district and the effect that has on other projects
- MRA also wants assurances that the project will be built as envisioned and that there's a commitment of constructing buildings that will generate increment

With that she asked Dan Kemmis if he had any other items he might want to add.

Kemmis said it was a good summary and that from his own perspective during a recession, it was a bad time to be entering into "big picture plans" and making commitments and proceeding with bonding. He feels that nothing major is going to happen anytime soon. Kemmis said he would like to focus on the one thing that is within range and that is to finish the cleanup. It is possible that we might recommend putting a

modest amount of MRA funds into the cleanup to try and move that forward but MRP and Silver need to come up with an agreement which is not contingent to MRA commitments.

Englund asked if this was the additional \$250,000 or if it was more than that.

Kemmis answered that yes he was talking about the \$250,000 but not that MRA needed to come up with that out-of-pocket.

Buchanan said one thing that was discussed was if MRA used the existing tax increment from the site to service the debt, then in 2021 it becomes problematic because MRA then has to capitalize interest and principal on \$1.775 million over 10 years. Buchanan doesn't feel like there are any assurances there will be adequate tax increment from the property. There are a lot of different options and MRA should get the working group back together again. Ed Wetherbee seems to think there is adequate increment, so Buchanan and Behan will be meeting with him.

Reineking said that if Ed Wetherbee is confident, then maybe he would provide the backstop agreement.

Buchanan agreed, if he was confident in his figures.

Moe asked what the dollar amount for the backstop would be and do the developers have the resources.

Buchanan said MRP has no assets or resources. It would have to be an agreement outside of MRP because MRP could dissolve tomorrow and then there's nothing there. The other side is that MRP has a monetary investment on the property. One question is, are they willing to just sit on the lease until 2033 and then buy it for \$650,000 and let the money that they've invested just sit. Buchanan said these were things that everyone still needs to discuss. Everyone's common goal is to cleanup the property.

Moe asked if the discussion of cleanup included the discussion of maintenance.

Buchanan said that is a possibility. Currently, all MRP would have to abide by is City code. If the weeds get too high the City can mow it and put a lien against the property.

Moe asked if cleanup meant leveling too.

Buchanan said cleanup meant satisfying the Voluntary Cleanup Plan (VCP). This includes the soil cleanup, which has been completed and the wood waste, which is gone. The methane abatement is continuing. It doesn't address the shape that the ground is left in. They are not required under VCP to smooth the ground and plant grass. A trade off could be if MRA came up with the \$250,000 then MRP would have to enter into some sort of an agreement. MRA could require them to level the ground and seed it, but if it's not irrigated then that defeats the purpose.

Kemmis said the other consideration is that the additional \$250,000 would be coming from the Brownfield's revolving loan fund. This would have to go forth by the Board recommending to the Brownfield's committee that the \$250,000 be given for the cleanup. There are opportunity costs there in the sense that there are other eligible applicants for that additional money.

Buchanan said that it appears that there's been more approved but not funded yet. She said Kemmis is right that there are other projects that are looking for assistance. MRP may not get the full \$250,000 from the Brownfields Committee.

One of the concerns that Kemmis had was that if MRA let this opportunity go, there's no telling where they might be in the future. He thinks the cleanup should be a high priority if there's a reasonable way to get it done.

Englund asked if it was reasonable to come up with the full \$250,000 or was it reasonable to share 50/50.

Buchanan said that Silver, MRP, and MRA all think the number one priority of this project is to cleanup the ground. The City Council members even said that if they end up with a clean 45 acres and a park, then the City is doing pretty well. She said they felt that sooner or later the rest of it will happen.

Discussion ensued.

Englund concluded that they had gone through the director's report and asked if there was anything more on the financial reports or staff activity reports.

Lee said no unless anyone had questions. She did mention that under the revenue section on the URD II report the budgeted revenue is \$1.2 million at the top of the report. To date the revenue is \$188,000. She said it was that low because the revenue goes through the bond clearing account first and those transfers had not been made prior to the report being printed.

Buchanan added MRA did see the revenue go down in district two as did the reimbursement payment from the state. The legislature decreased that payment by a certain percentage so rather than receiving \$283,000 MRA is now receiving \$255,000.

Budget Reports – URD II; URD III, Front Street, Riverfront Triangle – No questions.

Staff Activity Reports – October 8, 2011, November 5, 2011, December 3, 2011, December 31, 2011

ADJOURNMENT

Meeting adjourned at approximately 2:20 p.m.

Respectfully Submitted,

Juli Devlin