

MISSOULA REDEVELOPMENT AGENCY

CONDENSED SPECIAL BOARD MEETING MINUTES

March 29, 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: Karl Englund, Nancy Moe, Rosalie Cates, Ruth Reineking

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

Public: Janet Fiero, Community Benefits Coalition; Tom Swenson, Bank of Montana; Erin McCrady, Dorsey & Whitney LLP; Pat Corrick, Farran Group; Jim McLeod, Farran Group

CALL TO ORDER

12:00 p.m.

APPROVAL OF MINUTES

February 15, 2012 Regular Meeting Minutes were postponed.
March 9, 2012 Special Meeting Minutes were approved as submitted.

PUBLIC COMMENTS & ANNOUNCEMENTS

Janet Fiero, a member of the Sierra Club and their representative of the Community Benefits Coalition, said the group is very collaborative and is looking at what's best for the community. Englund thanked her for being there and said the public process was going to be lengthy and welcomed her participation. Behan said the Hotel Fox Feasibility Study is broken into three sections. The first section is complete so Behan has suggested working on a development agreement. The group will probably know by early May if there's going to be any action.

ACTION ITEMS

Fire Hydrant Installation – URD II & URD III TIF Request (Gass)

Gass said this is a TIF request from the Missoula Fire Department (MFD) for fire hydrant installation in URD II and URD III. This is a continuing effort to install fire hydrants throughout the City. Historically, the City of Missoula had funded fire hydrant installation through an annual maintenance fee paid to Mountain Water Co. Gass said in 2006, the Public Service Commission shifted the maintenance cost to Mountain Water customers and installation of new fire hydrants has since been reliant upon alternative funding sources. In prior years, MFD has been successful in receiving grants and obtaining funds from the City's CIP. Because of City budget constraints, the funds have been limited. Gass said MFD will continue seeking grant funds but is also requesting tax increment financing for fire hydrant installations within URD II and III. Gass said MRA and MFD have been coordinating the potential fire hydrant locations to coincide with the recent MRA sidewalk projects to ensure that hydrant installation does not disturb newly constructed sidewalks. The Staff recommends the Board move to approve a reimbursement to the MFD in the amount of \$24,400 for URD II fire hydrant installations and \$47,250 for URD III fire hydrant installations as detailed in the Staff report, with the understanding that any cost savings will be realized by MRA or any cost overages will be covered by the MFD.

Moe asked what the difference was between a \$9,000 fire hydrant and a \$15,000 hydrant. Gass said the length of pipe used from the water main to the fire hydrant and the appropriate valves that are used affect the cost. He said Mountain Water provided these figures which were estimates from independent contractors.

Moe said when obtaining home owner's insurance, the home owner is asked if they are located near a fire hydrant. Moe asked if the Fire Department would be notifying the home owner's of these new fire hydrants. Gass said that was a good idea and would pass the information on to Jason Diehl, Fire Chief.

CATES: I MOVE TO APPROVE THE REQUEST AS PRESENTED BY GASS.

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

Intermountain Lumber Site – Farran Group (Behan)

Behan said the MRA Board last talked about the Farran Group project in January when the Board gave an initial commitment to the project, which allowed Staff to engage the services of Dorsey-Whitney for legal advice and Springsted, Inc. for financial advice. Since then Staff has worked with a potential bond purchaser. The bond would be used for basic infrastructure and a portion of the demolition. Behan said Staff recommends the Board approve the recommendation stated in the memo. Part of that recommendation requests Missoula City Council adopt a resolution. The resolution would declare the City's intent to issue tax increment revenue bonds using \$1,370,000 as the maximum bond amount. It would also provide certain boundaries to work within so that future

considerations could be brought forward for approval. The resolution would call a Public Hearing to discuss modifying the URD II Urban Renewal Plan to include the project as an official Urban Renewal Project.

Corrick said the "Russell Street Apartments" packets he provided at the MRA Board meeting were also distributed at the A&F Committee meeting last week. He said Erin McCrady, Dorsey-Whitney and Tom Swenson, Bank of Montana were here to answer any questions on the bond. Buchanan said the Board has seen this information multiple times but the City Council saw it for the first time last week and their reactions were very positive.

Moe said that it seemed as if the \$1.37 million was driven by the anticipated tax revenue rather than what's needed for the project. She said the memo estimated the total TIF eligible items to be \$1.152 million dollars which included \$192,000 for contingencies but yet the recommendation was for \$1.37 million in which \$218,000 would be used for contingencies. Moe asked why there was a difference in the numbers. Behan stated part of the difference is capitalized interest. He explained that it could take up to 18 months from the time that the bond is sold to when the first tax increment is received since the state assesses taxes the first of January. Behan said for example if the project is complete by the end of 2013 then the first time it would pay taxes would be November of 2014 even though the bond had been sold in 2012. During this time frame interest is accruing and would be capitalized. Buchanan said the other reason for the difference in contingency funds was the cost of services from Dorsey-Whitney and Springsted, Inc. Moe asked if the 7.5% fixed rate from Bank of Montana was a competitive rate for the bond. Behan said it was not a competitive bond because in a competitive market, the bond would not sell. A project specific Tax Increment Financing Revenue Bond is not marketable in the open market because there is no history of tax payments. Behan said if a project is presented to MRA and the developer asks for a revenue bond, then the developer has to find their own private purchaser. Erin McCrady said that the City's financial advisor reviewed the interest rates and found the interest rates to be fair. Cates asked if the debt service fund was considered standard. Behan said yes. Cates asked if it was redundant to have the debt service reserve fund and the 125% coverage. McCrady said that in drafting the bond documents, yes it might seem redundant but these were the terms MRA was presented with and are fairly standard. She said the guarantee is coming from the developer not the City.

Moe asked if these funds were going to be spent in phase one. Behan said yes, in the residential phase. She then asked if the Farran Group would be requesting additional funds for phase two. Corrick said the bond is not currently structured to cover phase two. There might be a timing issue as to when Milwaukee Way and Russell Street are complete which are factors as to when the commercial (phase 2) will be built. The developers plan on extending the water, sewer, and other public utilities so that when they are ready to move forward with phase two, the residential infrastructure will be tied to the commercial piece. Moe said she was concerned that the \$255,000 that was set aside for Russell Street improvements, would just be sitting there for the next few years, accruing interest, until work began on Russell Street. A rough timeline, Behan said, would be the completion of the design of Russell Street in year 2013 or 2014. The bridge work would probably be

started in late 2014 and this commercial area would be complete in year 2015 or 2016. He said the Public Works Department has a pretty good idea as to where the bike lanes and sidewalks are going to be but will have to work more with the designer. Buchanan added that the Home Resources buildings for the most part, establish the right-of-way in that area.

Moe asked if the construction of Milwaukee Way with curb and sidewalk (\$300,000) also included the completion of the road. Behan said yes. Moe said in the past, building a road in a private development was a discussion of concern. The example that she gave was the Millsite Project. Behan said the road discussed in the Millsite Project is an eligible item to be considered for tax increment financing. Englund said building Milwaukee Way is also an eligible item in the Intermountain Project. Buchanan said a section of Milwaukee Way was built with MRA assistance when the Housing Authority built on the property. They are a non-profit organization and therefore tax exempt. Buchanan said they set a precedent when the first piece of Milwaukee Way was built. Buchanan said the original financing plan for the Millsite Project was that tax increment dollars would be used to build the infrastructure but that the developers would buy the bonds or find buyers for the bonds. The revenue from the development would be used to pay off the bonds, which is the same concept for the Intermountain Project. Buchanan said the Board had recommended the Millsite financing be structured this way; therefore a resolution was passed years ago by City Council. She said the difference now is the Millsite developers, MRP, want tax increment revenue from URD II to be used to build the road, not the revenue produced by the development.

Moe said that under the Project Feasibility section there seems to be a strong market for this type of apartment unit but she asked if there was supporting documentation. Corrick said they had discussed this with property management firms to see what people were searching for. He said they also did two market studies and three appraisals on the property.

McCrary asked if there were any questions about the financing piece. She said MRA is quite a ways from putting the final bond documents together. She thought the loan from Bank of Montana would be ready around November 2012. Swenson said he hoped it would be sooner. McCrary said MRA, Bank of Montana, and the Farran Group have some work to do as far as setting the final terms of the bond. It is understood, the maximum level of the bond is \$1.37 million but once the Farran Group gets their bid costs for construction back, the agreement can be refined. The maximum of \$1.37 million may not be needed.

Englund asked the Farran Group how comfortable they were with the estimated project cost being \$17.9 million.

Corrick said they have spent the last couple of years working with contractors so they feel relatively comfortable. He said the cost has to be within a set range or the deal won't go through. He said they rely on their investors. The investors have a certain return criteria. He said they wouldn't build with TIF money if it didn't make sense. Discussion ensued.

CATES: I MOVE THAT WE APPROVE THIS CONCEPT THAT BEHAN HAS BROUGHT BEFORE US TODAY AND THAT UNDER THE TAX INCREMENT FINANCING PROGRAM APPROVE REIMBURSEMENT OF CERTAIN PUBLIC INFRASTRUCTURE AND SITE CLEARING PORTIONS OF THE PROJECT AT THE FORMER INTERMOUNTAIN LUMBER SITE ON RUSSELL STREET, CONTINGENT ON FINAL NEGOTIATION AND SALE BY THE CITY COUNCIL OF A TIF REVENUE BOND TO FINANCE THE REIMBURSEMENT. AND I ALSO MOVE THAT WE RECOMMEND THE MISSOULA CITY COUNCIL ADOPT A RESOLUTION AS PRINTED IN THE MEMO AND USE \$1,370,000 AS THE MAXIMUM BOND AMOUNT.

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

URD III Streets – Chip & Seal – TIF Request (Gass)

Gass said the Street Division is requesting TIF funds to chip seal streets in URD III. He said that Brian Hensel, Street Division Superintendent, has explained the benefit of chip sealing and how it extends the life of the pavement. The MRA Board expressed reluctance to fund chip sealing as a maintenance item for the Street Division, but expressed a willingness to use tax increment to fund chip sealing on streets MRA paid to have milled and repaved. The Staff recommends the Board authorize MRA to enter into a Memorandum of Understanding with the City Street Division for the chip sealing of the URD III Residential Sidewalk Project Phase Three area in an amount not to exceed \$83,318.46, and authorize the Director to sign the MOU. Gass said MRA will most likely continue to see these types of requests.

Cates said maybe MRA should think about adding chip seal funding to the sidewalk presentation that they discussed recently. Buchanan said chip sealing is based on a project by project basis. Moe asked if there was concern that MRA was using about 13% of the contingency funds from URD III for fire hydrant installation and chip sealing. Buchanan said MRA tries to maintain a good balance when it comes to projects. She said the two projects didn't have to be paid this fiscal year but reminded the Board it was a priority of theirs to maintain the streets that MRA paved.

MOE: I MOVE THAT MRA ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH THE CITY STREET DIVISION FOR CHIP SEALING OF THE URD III RESIDENTIAL SIDEWALK PROJECT PHASE 3 AREA IN AN AMOUNT NOT TO EXCEED \$83,318.46, AND AUTHORIZE THE DIRECTOR TO SIGN THE MOU.

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

FY13 Preliminary Budget – Request for Approval (Lee)

Lee reviewed the budget handout. She said District III is the district in which the administration fees are paid out of. She said \$250,000 is budgeted as a transfer from URD II to URD III to pay for URD II's portion of the administrative budget. Because of the

small revenue numbers in Riverfront Triangle and Front Street URD, these districts are not paying administrative fees yet. Lee briefly went over the projects in URD III. The URD III Infrastructure – Sidewalks project totaled \$1.2 million in which Buchanan explained roughly \$750,000 had been rolled over to FY13 from FY12 for the Dore Lane project. Lee said the \$922,615 under the Sources of Funds section in URD II, has been adjusted because the Civic Stadium payment is paid from this URD as part of the debt service before tax increment revenue flows into the development fund. The Civic Stadium payment is \$500,000 per year for the next three years. Moe asked if these figures included the carry over and Lee said yes. Lee said she estimates what tax revenue will come in based on the prior year and includes any funds that are unexpended at year end.

Lee said the MRA budget is submitted to the Finance Department where it will be prepared as part of the overall City budget. The Finance Department then presents it to City Council. Buchanan said the City Administration is anticipating the budget approval in June.

MOE: I MOVE THE APPROVAL OF THE PRELIMINARY FY13 BUDGET.

Cates seconded the motion. Motion passed unanimously.

Cates asked in the future if the Board could see previous year's budget compared to the current year's budget.

NON-ACTION ITEMS - None

Before Cates left at 1:15 p.m. she asked if MRA could give an update on the Millsite Project. Buchanan said MRA and MRP still needed to finalize the Brownfields Loan Agreements and if they could do it quickly they would have something ready for the next Board meeting on the 18th of April, or if necessary, MRA would call for a special meeting. She said the Board had requested that any Millsite discussion be done during a Board meeting rather than via email or phone. The Board continues to be concerned that the \$250,000 was going to be adequate to complete the clean up.

STAFF REPORTS - None

DIRECTOR'S REPORT

Buchanan said when the City bought the Civic Stadium the Extraordinary Events Committee was modified. There is now MRA representation on that committee and Buchanan was asked to fill this position. The first meeting is on Monday.

Buchanan said she would be happy to arrange a tour of the Front Street Parking Structure if anyone is interested. She said the Parking Structure, so far, is pretty impressive. The Public Art Committee had narrowed their art selection down to three artists, and then ended up not proceeding with any of them. The committee will be meeting again to further

discuss the process. They need to move quickly or some opportunities will not be available as the structure continues to be built.

Reineking asked when the Board could expect some results from the St. Patrick Hospital and Riverfront Triangle Parking Study. Behan said the consultants would most likely have a draft report either the end of April or first part of May. Buchanan said the other interesting study is the Transit Study. She said with this Study the consultants came back and had several different alternatives. They talked about bringing transit inward which would provide more frequent and better coverage for the urbanized area. The consultants also talked about changing or even discontinuing the routes with low ridership. Buchanan said the outcome has the potential to have a positive impact to the urban renewal districts. She said the other piece is possibly extending the hours to 10:00 p.m. rather than 6:00 p.m. That has been one of the biggest requests.

Behan said Wayne Paffhausen, owner of the Elbow Room, has offered to host a tour of the new Elbow Room if anyone is interested.

BUDGET REPORTS – URD II, URD III, Front Street URD, Riverfront Triangle URD

No discussion.

ADJOURNMENT

Meeting adjourned at approximately 1:25 p.m.

Respectfully Submitted,

Juli Devlin