

SUMMARY OF ADMINISTRATIVE MEETING

February 19, 2014 – 4:00 p.m.

Room 326, City-County Building

1. Call to order, introductions, opening comments – Mayor Smith called the meeting to order. Commissioners Ellison, Elsaesser, Haladay and Haque-Hausrath were present. Staff present was: City Manager Ron Alles; Executive Assistant Sarah Elkins; Police Chief Troy McGee; Public Works Director Randall Camp; Community Development Director Sharon Haugen; City Attorney Jeff Hindoien; Human Resources Director James Fehr; Administrative Services Director Tim Magee; Budget Manager Robert Ricker, City Engineer Ryan Leland, Chief Building Official Jon Pallister and City Clerk Debbie Havens.

Others in attendance included Montana Business Assistance Connection Executive Director Chris Shove, Mark Runkel, MC Beebe and HCC Representative Elizabeth Andrews

2. February 5, 2014 Administrative Meeting Summary – The February 5, 2014 Administrative Meeting summary was approved as amended.

3. Commission comments, questions – Commissioner Haque-Hausrath asked if the R&D Home Loan information would be discussed later on during the meeting. If so, she wanted to state her support to sending a letter to the congressional delegation in an attempt to influence the implementation of the R&D Loan provision of the Farm Bill. Manager Alles stated he has visited with Mr. Runkel regarding this issue and will provide additional information to the commission.

Commissioner Haladay referenced a letter he had sent to the commission on HATS and invited the commission to re-raise some of the issues regarding the Westside commuter route. He would like to discuss this at a future time. Mayor Smith thanked Commissioner Haladay for the letter.

Commissioner Elsaesser concurred with Commissioner Haladay's comments and the need to explore additional funds and have the information brought forward.

Commissioner Ellison stated he too believes Commissioner Haladay's correspondence was excellent and looks forward to providing additional service to the citizens.

Commissioner Haque-Hausrath concurred with the previous comments and noted she would support a shuttle service and/or Westside commuter bus. She also reemphasized the importance of expending the total grant.

Mayor Smith stated he is not quite there with the recommendation to add a Westside bus service and/or the shuttle. He asked City Manager Alles when the commission would discuss the HATS budget. City Manager Alles stated staff is working on gathering the information on the questions the commission has asked and will present it during the budget work sessions.

General discussion was held on the importance of getting accurate information prior to any decision being made.

4. City Manager's Report - City Manager Alles spoke on the letter the mayor and commission received from Kermit Mueller notifying the city he will be closing public access to his property adjacent to Boulder Avenue. Staff has discussed with the county the re-routing of California Street; however, at this time there are significant problems with stormwater drainage and no funding available. It is going to take more planning than just cutting in the road.

It is staff's recommendation to work with the county on signage and re-directing vehicle traffic to Fee Street. In addition, California Street is where Centennial Trail is planned to go. Manager Alles stated he will authorize a temporary road closure prior to Mr. Mueller closing his property. Once the road is closed, the commission can anticipate phone calls. There is approximately 3,000 vehicle trips per day on that road.

Staff will begin warning residents that the road will be closed in the near future. MDT also has plans to begin work on the overpass and ultimately will need to close that portion of road. Staff will contact MRL and let them know of the closure.

Commissioner Ellison asked how much of Mr. Mueller's property is located in the city limits. City Engineer Leland stated a small portion of the property is in the city limits. The city and county will work together on signage. Another option would be to look at a prescription easement. Commissioner Elsaesser noted in the next few months, Boulder Avenue will become a dead-end road. City Manager

Alles concurred and again spoke of the signage staff is prepared to install to notify citizens.

Commissioner Elsaesser asked if there is a reason why Mr. Mueller is bringing this up now. City Manager Alles stated this discussion has been on going and the property owner made the decision to close access to his property. Manager Alles stated this road is heavily used and will have an impact on the community. Mayor Smith suggested this be discussed at an upcoming joint work session.

City Manager Alles reported that he has asked staff to begin making plans for a delegation to travel to Washington DC to discuss transportation grant funding with our congressional delegation.

5. Department Discussions Administrative Services

Mid-Year Budget Report – Administrative Service Director Magee and Budget Manager Bob Ricker gave the following report on the Mid-Year Budget:

Budget Review Process:

The City's budget components are continuously reviewed throughout the year. Each department is responsible for managing and monitoring their budget to ensure adherence to the legally adopted budget. In addition to these departmental reviews, the Budget Office periodically reviews major budget areas throughout the year and contacts departments whenever potential concerns are found. Appropriate actions, usually a budget amendment or an accounting adjusting entry, are initiated whenever necessary.

Mid-Year Review:

A comprehensive budget review is performed after the close of the December accounting period in early January. This budget review includes analysis of the current budget status and projection of trends and expectations through the end of the fiscal year by the Budget Office. Departments are solicited for feedback on areas of potential concern and any other questionable areas departments may know of. Although the process cannot catch all budget management challenges, the review does provide for detection of more obvious or predictable concerns.

Findings:

Aside from the exceptions listed below, the fiscal year 2014 mid-year review shows that city operations are proceeding as anticipated and are expected to stay within their bottom line budget parameters. A summary of findings is as follows.

PERSONAL SERVICES: Generally, personal services expenses are on track at mid-year and are projected to remain within original budget parameters aside from the following possible exceptions.

Urban Wildlife: Personal Services was about 85% expended at mid-year but has since exceeded budget by about \$2,350 due to on-going deer culls. The total amount of the overrun could vary depending on the time necessary to complete remaining culls, but is estimated to be up to \$4,000 at this time. There may be some savings in other Police budgets that could help offset some of this projected overrun, but probably not all of it. A budget amendment will be submitted after the culls are completed this spring.

HATS: An overrun is anticipated by year-end for the Helena Bus program. This is due to an unanticipated retirement payout of slightly over \$10,000 that has been paid. This will require a budget amendment (BA) that will use HATS operational reserves to cover. The mid-year review also discovered a coding error for one of the drivers that would have pushed the program even farther over by year-end. A cost correction will be computed and an adjusting journal entry (AJ) will be submitted to reverse the error.

Trolley: This fund (561) is currently over budget in the personnel area by about \$1,600. This is due to expenses associated with special charters. However, the fund also has exceeded its revenue projections from charters that will more than offset the expenditure overrun. Operations will continue for the remainder of the year and a budget amendment (BA) will be submitted at the end of the year that will cover the additional expenses and revenues for the program.

M&O

In the course of any budget year some line items end up with a budget surplus while others show a budget overrun. This is normal and is the nature of the budget plan and predicting estimated costs and usage versus the actual costs and requirements to maintain operations.

There were line items found in various departments that appeared might cause budget concerns by fiscal year-end on an individual line item basis. However, in nearly all cases, as confirmed with each department, the analyses have shown either no anticipated budget problem by year-end or that possible line item budget overruns would be covered with savings from other lines

within their bottom line budget authority.

Park Maintenance: This division of the General Fund has exceeded its line budget authority for Water, Sewer & Solid Waste by approximately \$38,000. This was due to a misunderstanding by Park staff during the FY14 budget process where an estimated use for watering city parks was not updated to the final numbers resulting in that line being under-budgeted. Budget discussions since then have clarified the process with department staff and have been implemented for the FY15 budget process. The department has indicated that it will manage the overrun within the Park Maintenance bottom line authority or, if needed, within the Park & Recreation divisions within the General Fund.

GENERAL FUND REVENUES

General Fund revenues are looking to be on track and are anticipated to come in very close to original projections in all major areas.

OTHER FUND REVENUES

Revenues in funds other than the General Fund are looking to come in at or above projected levels assuming no significant changes in trends. The Public Works utilities funds (Streets, Water, Wastewater, Solid Waste, Transfer Station/Recycling, Bus and Shop are all projected to meet or exceed their budgeted revenues due to budgets being set based on rates in effect at the time budgets were adopted. Rate increases adopted for those funds in August are projected to bring in revenues at or in excess of budgeted levels.

CONTINUING REVIEWS

The Budget Office will continue to monitor department budgets throughout the remainder of the fiscal year in order to determine if projections or budget conditions have changed. Any significant changes will be discussed with the appropriate department and, where necessary, possible courses of action will be determined and conveyed to the City Manager.

City Manager Alles made the following comments:

- The water for the parks are averaged and billed out monthly.
- The watering of Northwest Park is now with well water.
- The deer program to date, there has been 51 deer culled and the program has been shut down at this time.
- Municipal Court fines are up; partially due to cell phone fines. During budget discussions the commission will consider a request for additional staff at Municipal Court.
- There is approximately 2.6 million in protested taxes.
- Budget staff will pay close attention to the Parking budget due to it becoming a city department.

Commissioner Ellison referred to the HAT's budget where it mentions the HATS operational reserve; he asked how much is in the reserve fund. Budget Manager Ricker stated there is approximately \$100,000 in capital reserves and \$100,000 in M&O.

Commissioner Ellison asked if the automated parking system is up and running in the parking garages. City Manager Alles stated the Getchell Street garage is using the automated system and the 6th Avenue garage will begin using the system on February 20th. There has been a few obstacles; however, parking staff is on-call if an issue comes up.

Mayor Smith referred to the HATS budget and noted the projection is to overspend; however, there is the reserve of \$100,000. Manager Alles noted the mid-year report gives line items. The two reserves are necessary to assure the funds are available in case it is needed prior to the end of the fiscal year. The left over grant funding is another topic the commission will discuss in March. Administrative Services Director Magee explained staff has \$100,000 grant authority; it is allocated on a reimbursement basis and the match would have to be identified. Mayor Smith clarified that staff is trying to expend the total grant funding.

Mayor Smith asked for clarification on the protested taxes; are the protests from private citizens or corporations. Administrative Services Director Magee stated it is mostly from Charter and Verizon. Once the tax is protested, the process takes time to receive a final determination.

Commissioner Elsaesser referred to M&O budgets and asked what is bottom line budget authority; how much flexibility is there in the bottom line budget authority. Budget Manager Ricker explained if a certain budget is short in a specific line item and has funds left in other line items that specific budget would still be within their overall budget authority.

Community Development

Building Permit Fees – Manager Alles reported staff met with the contractors/builders and had positive feedback from them. Overall, they understand the need; however, they do not necessarily concur with the recommendation.

Community Development Director Sharon Haugen referred the commission to the memos in the packet that outlined the following information:

The Building Division proposes to increase fees for residential, commercial and industrial building construction permits, mechanical and plumbing permits, and electrical permits by using the 1994 fee schedules at full value. Also, adopt an alternative energy incentive to help promote the use of solar panel and wind turbine systems within the city of Helena.

Currently the Building Division is operating under fees established by Resolution No. 19263 on July 25, 2005 and City Ordinance No. 3134. The fee schedules adopted by resolution reflect those that were published in the 1994 Uniform Building Code and companion codes as adopted by the State of Montana of which the Building Division is using a percentage of those fees (96%). The last fee increase was in 2005 using the 2005 ICC valuations and the 1994 fees set by the State of Montana.

The Building Department recognizes that increasing fees to meet the standards of the division's operation would unavoidably add to the overall cost of the projects, which would then be passed down to the building owners and lessees. In the spirit of the division's efforts to continue to work with the contracting community, the division has communicated the intentions of the division's proposed fee increases through discussions with the HBIA and other contractors within the community. An example reflecting the permit fee comparisons is attached. The Division suggests increasing the currently used 1994 fee schedule at 96%, to 100% of the fee schedule, (a 4% percent increase).

Staff also recommends that the City provide an alternative energy incentive to promote the installation of solar panel and wind turbine systems. The recommendation would be to discount the valuations of the systems by 50%. Since the majority of the system is based on that valuation, the net effect would be a reduction of approximately 47% of the total paid to the City. An example of this scenario is attached.

Staff recommends that the division's revenues be brought more into line with program expenditures to ensure a continued level of service provided to the contracting community and to the public. The adoption of the fee schedules for the Building Division will more accurately reflect the division's cost of doing business.

Recognizing the Building Department as a public safety entity, and maintaining its' self-sufficiency and independence from the general fund, it is the divisions goal to assure that those parties making use of the services provided by the division are also paying for those services and not placing an undue burden on the general taxpayer. Adoption of the fee schedules would help the City achieve its' goals.

Commissioner Elsaesser asked what the overall fee increase is. Community Development Director Haugen stated there are two components to the recommendation; the current fee structure is such that the proposal is to increase the base building permit fee by 4%. This would include all building, electrical, plumbing and mechanical fees. The other component under the current city ordinance, the city is allowed to go up to the 100% of the current valuation. The ICC establishes the value per square foot every six months. For various reasons the city is operating under a 2005 ICC table instead of the 2012 table. The major change will be in the 4% increase. At this time, most contractors use the updated evaluation scale and they will not see a large increase. However, some contractors may see up to a 22% increase. City Manager Alles and Chief Building Official Pallister further explained the current valuation table the city uses.

Commissioner Haque-Hausrath referenced the alternative energy incentive recommendation that includes solar panels and wind turbines; however, it does not apply to solar hot water and ground source heat pumps. She noted she would support including both the solar hot water and ground source heat pumps and asked the commission if they would concur.

Commissioner Elsaesser stated one of the issues with permitting the solar panels is the high value of the system. He noted he distributed information on alternative energy sources. Commissioner Elsaesser stated he would be interested in the conversation to include both solar hot water and ground source heat pumps. He then asked if the recommendation includes solar thermal.

Director Haugen stated as drafted the resolution includes solar panels and wind turbines; however, it could be amended to include solar hot water and ground source heat pumps. Hot water heaters are considered a plumbing fixture; the actual value would not be significant. Director Haugen

stated staff currently accesses solar panels; it was translated into the document Commissioner Elsaesser handed out that they were not accessed.

Commissioner Haladay concurred to add solar hot water and ground water heat sources. He stated he will bring forward some ideas on how homeowners could include these environmental improvements on their houses.

Commissioner Haque-Hausrath stated she will propose an amendment to include solar hot water and ground water heat sources. The alternative heat sources are addressed in the draft resolution. City Manager Alles stated staff will prepare an amendment for commission consideration to include solar hot water and geo thermal sources. Commissioner Elsaesser stated the various ground source heat should be included in the amendment.

Commissioner Elsaesser recognized the out-reach staff has done to let the building community know of the proposed increases.

Mr. Runkel addressed the commission on the proposed building fees. He stated his development is located within the city limits and is in direct competition with the county for single family houses. Mr. Runkel recommended the commission consider, if not now, but eventually eliminating the single family fees and re-coup the funding through commercial development. It is a long term bet and is supported by the growth policy. If the fees continue to increase, the sprawl out into the valley will continue.

City Attorney

MBAC Authorization – City Manager gave an overview of the documents being discussed at today's meeting.

City Attorney Hindoi reported the city of Helena presently has economic development Revolving Loan Fund (RLF) that dates back to 1994. The RLF consists of funds that were initially received and lent out through the Community Development Block Grant (CDBG) program, and those funds have since been repaid and, in some instances, re-lent and repaid yet again through the RLF program. The present balance of funds available for lending is approximately \$690,000.

The City entered into a Sub-Recipient Agreement with Gateway Economic Development Corporation (Gateway) in 1999 that authorized Gateway to provide management and administrative services for the RLF. That Sub-Recipient Agreement has been amended twice since then, and MBAC is now the successor-in-interest to Gateway and currently provides the management and administrative services for the city's RLF under the terms of the January 2003 Sub-Recipient Agreement.

The Sub-Recipient Agreement requires that all city of Helena RLF income, principal and interest be used for third-party RLF loans "unless otherwise approved by the City Commission." The Sub-Recipient Agreement also requires that MBAC "comply with the [RLF] Policies [and Procedures] as approved by the City and the Department of Commerce."

As outlined more fully in its January 30, 2014 "*Caird Engineering, Inc. Property cleanup Business Plan*", MBAC is interested in acquiring the Caird Property and performing certain environmental clean-up work on the property to place it back into a condition where it can be re-sold and readily utilized for economic development purposes. By virtue of its status as a member of the Central Montana Brownfields Coalition, MBAC has advised that it has ready access to sub-grant and loan funds from a EPA Brownfields RLF grant made to the Coalition in 2011. As outlined in its *Business Plan* document, MBAC's current plan would be to (1) finance the acquisition of the property through direct use of a portion of the City's RLF and (2) finance the environmental remediation work through the use of sub-grant and loan proceeds from the Brownfields Coalition RLF grant.

In order to allow for that type of use of the City's RLF, however, director approval by the City Commission is required under the terms of the Sub-Recipient Agreement. As also required by the Sub-Recipient Agreement, the RLF Policies and Procedures will also need to be amended and submitted to the Montana Department of Commerce for filing and approval, but the Commission has already vested the City Manager with the authority to approve any amendments to the Policies and Procedures (Resolution 11445)

The resolution the commission will consider on February 24th is intended to provide for the City Commission's approval of MBAC's use of a portion of the RLF funds for the purposes described above. It

contemplates that MBAC will secure the use of the RLF funds through a written loan agreement between the City and MBAC, with the terms of that loan agreement (i.e., interest rate, repayment term, etc.) and its accompanying security instrument (i.e., mortgage/trust indenture) to be established, approved and entered into by the City Manager on behalf of the City. That type of loan structure would be consistent with the type of loan structure that was utilized in 1988 for the loan agreement between the City and MBAC's predecessor (HAEDCO) for the acquisition of the Phoenix Building ("Small Business incubator"), and consistent with the collateral requirements under the RLF Policies and Procedures. The resolution also requires that MBAC make changes to the currently operative RLF Policies and Procedures to authorize the use of the RLF funds for this specific purpose, and that it remain otherwise compliant with its obligations to the City under the Sub-Recipient Agreement.

Based on Director Haugen and City Attorney Hindoien's ongoing dialogue with the Montana Department of Commerce and our review of what we understand to be the applicable CDBG program materials, it has been and remains our understanding that the use of the RLF funds for this purpose by MBAC will not be contrary to any CDBG-related requirements so long as the use is otherwise authorized by the terms of the Sub-Recipient Agreement and the applicable RLF Policies and Procedures. The proposed resolution will provide authorization for the use as required by the Sub-Recipient Agreement.

The Caird Property has been for sale for several years, with the environmental conditions that MBAC proposes to address being an obvious obstacle to any sale and renovation of the property. The loan agreement authorized by the resolution will facilitate the purchase of the Caird Property by MBAC for purposes of conducting those environmental clean-up measures to allow for new commercial economic development on the site. MBAC's proposed actions are consistent with the intended use of the RLF and the CDBG funds from which it was created and maintain private sector jobs, to create higher per capita incomes, and to enhance the tax revenues for the City of Helena.

MBAC's Business Plan document indicates that the RLF funds, if not use for this proposed loan, can otherwise be lent out to local individual s and businesses with a higher rate of return (i.e. 7% plus 2% origination) for the RLF than it will see from the low or no-interest loan presently being contemplated for the Caird acquisition. Additionally, the proposed loan will temporarily remove \$500,000 from the pool of economic development financing that would otherwise be available for MBAC to lend to qualified individual and small business applicants in the City of Helena.

City Manager Alles reported the MBAC board took action on the amendment and the commission will consider a resolution at the February 24th meeting.

MBAC Executive Director Chris Shove offered to answer any questions the commission may have. He thanked the commission for their consideration.

MC Beebe spoke in support of the resolution and giving MBAC the authority to move forward to purchasing the Caird property. The neighborhood is in support of commercial development.

City Attorney Hindoien walked the commission through the amendment. Step one is the action of authorizing the RFL funds which is required by the sub-recipient agreement. The amendment requires the use of the funds have to be consistent the MBAC's Policies and Procedures.

MBAC approved the amendment and City Manager Alles has the authority to approve the amendment. City Manager Alles stated he is prepared to approve the amendment on Tuesday, contingent if the resolution is approved at the Monday night meeting.

Commissioner Elsaesser asked if the property is not sold, does the city ultimately lose the \$500,000. Attorney Hindoien concurred and noted it would be a secured loan.

Commissioner Haque-Hausrath asked what would be the terms of re-payment. City Attorney Hindoien stated the details have not been worked out; however, discussion has been held as soon as possible and a fairly short number of years with a balloon payment due at the end of the contract. City Manager Alles stated the terms of the agreement need to be negotiated.

Mayor Smith asked if re-payment is contingent upon the property being sold. Manager Alles stated if for some reason the property does not sale by the end of the contract, the city would have to

work with MBAC to renegotiate the contract. Mayor Smith commented that a repayment schedule will be agreed upon and then asked when would the payments begin; before or after the sale of the property. Attorney Hindoiien stated it is contemplated that the loan would be set up to be paid off as a balloon payment; if the property does not sale prior to the end of the contract the city would have to decide how to renegotiate the contract. It is not contemplated that monthly payments will be made.

Mayor Smith stated City Clerk Havens has researched past city commission minutes and noted the parcel of land that Constitution Park is on is for sale for \$1.00. Mayor Smith continues to be concerned with the repayment of loan.

Commissioner Ellison asked when was the last time the Revolving Loan Fund (RLF) was used for its primary purpose. Mr. Shove stated he does not have the information. Mr. Shove stated a list of loans from the RLF is provided to the city manager and community development offices on a quarterly basis. City Manager Alles stated he can get a copy of the monthly report for the commission. He noted the current balance of the RLF is approximately \$680,000 and this transaction is for \$500,000; therefore, there are funds to assist with other projects.

Commissioner Ellison stated he shares the concerns of the repayment of the loan and essentially tying up the funds.

Commissioner Haladay asked if the information in the packet listed as "Loan Programs" is what is in effect. Attorney Hindoiien stated yes. Commissioner Haladay commented currently if a loan is given out for real estate it would be for a 15 to 20 year term with a second or third year balloon payment. Further discussion was held on the possible repayment with no money being paid upfront until the balloon payment.

Commissioner Haque-Hausrath commented in many instances when a clean-up is done, the original clean-up costs are more than what is estimated. She then asked what the plans are if the clean-up costs are more than the \$281,000, is MBAC willing to cover those costs by taking out loans. Mr. Shove noted a contingency of 10% has been included in the clean-up costs; however, if the costs exceed the original costs, then MBAC would have to take out a loan from the Brownfield Coalition. Mr. Shove stated he has confidence in the Tetra-Tech report; however, he does not want to go above the appraised market value of the property.

Commissioner Haque-Hausrath asked what happens if the clean-up costs are more than \$300,000. Executive Director Shove reiterated that MBAC would have access to a loan from the Brownfield Coalition to cover the costs and again stated he does not want to go above the appraised market value. Commissioner Haque-Hausrath asked what if the costs go above the appraised market value, what does MBAC intend to do, are they willing to take out loans. Mr. Shove stated if the clean-up costs goes above the appraised market value of \$340,000, MBAC would have to re-visit the proposal. Mr. Shove again emphasized his confidence in the report from Tetra-Tech. Commissioner Haque-Hausrath stated the commission needs to know if MBAC is willing to take out a loan to cover additional costs, if there are any.

Mr. Shove stated MBAC could get a grant in the amount of \$200,000; above that amount the Brownfield Coalition would prefer a loan. EPA has indicated they would approve a waiver for additional funding.

Commissioner Haque-Hausrath asked if MBAC will complete the commercial clean-up even if the clean-up costs exceed the \$281,000. Mr. Shove stated the appraised marked value is \$823,000; in essence the additional funding could be obtained for the clean-up. City Manager Alles gave the example if the clean-up costs were equal to the appraisal, essentially MBAC would break even.

Commissioner Haladay thanked Mr. Shove for getting the commission a copy of MBAC's final plan. He noted he had also read the draft plan and has several questions on the differences. The draft plan was somewhat ambiguous about what level MBAC was going clean-up the property. However, the final draft stated it would be cleaned up to B-1 standards. He asked if MBAC's intent is to clean-up the property for commercial standards but not to the B-1 Standards. Mr. Shove stated the property would be

cleaned up to the B-1 Standard. Commissioner Haladay noted the property would not allow for residential and the B-1 District allows for residential. Mr. Shove noted the commercial use is in compliance with the B-1 zoning. Commissioner Haladay again stated the property would not allow for residential development. Mr. Shove stated there would be a restricted covenant on the property that would allow for commercial development.

Commissioner Haladay stated if someone purchases this property and applies for a CUP to build a resident; the commission would have to say not because of the level of the clean-up. Mr. Shove stated MBAC's role is to clean-up the property for commercial development. Commissioner Haladay stated he is frustrated that the property will not be cleaned up for residential use.

Commissioner Haladay referenced the clean-up schedule and asked if October 2014 is when the clean-up is scheduled. Executive Director Shove concurred and explained the original date allowed for MBAC to apply and receive additional grant funding.

Commissioner Haladay asked if there is any reason MBAC would need to extend a balloon payment longer than two or three years. Mr. Shove stated the two or three years would be workable.

Commissioner Haladay stated in the draft report it states MBAC management believes the lease scenario provides for the highest financial return. The final draft has the lease option and does MBAC consider this the best option and do they plan on leasing the property. Executive Director Shove stated he would lean toward selling the property; however, that would depend on the market. Both options are viable. Commissioner Haladay asked if MBAC pays general fund taxes on properties they own. Mr. Shove stated MBAC is tax exempt; however, they pay assessment fees.

Commissioner Haladay commented if the property is leased, property taxes would not be paid, just fees. Mr. Shove stated selling the property would be the best option as the owners would pay property taxes.

Commissioner Haladay commented he would like to discuss the various options for the property; option one is to purchase the property for \$500,000 and the clean-up costs would be \$281,000. Mr. Shove stated that is the current option. Commissioner Haladay stated the current option lists the costs to MBAC as \$281,750; however, that factors in \$200,000 in grants. Mr. Shove concurred and noted there is the match. Commissioner Haladay stated the match is provided by staff work. Further discussion was held on option two and the costs associated with it.

Commissioner Haladay asked why the Department of Revenue's appraisal of \$909,000 is not a factor. Mr. Shove stated it is a general business practice to take a private appraisal instead of the DOR.

Commissioner Haladay asked in regards to lost opportunity, does MBAC have loan requests in the amount of \$500,000. Mr. Shove stated the current requests amount to approximately \$200,000.

Commissioner Haladay stated he does not believe the city should deviate from a two or three year balloon repayment. He recommended not re-negotiating the contract and is very skeptical of MBAC becoming the landlord for this property.

Commissioner Elsaesser commented potential buyers may include the school district or the state of Montana and he is leaning toward supporting the proposal. He is concerned on what is allowed on the property. The commission needs a definite answer on exactly what level of clean-up will be done on the property. What he is looking for is that the property is sold for its highest use.

Commissioner Elsaesser asked why the commission does not have a list on what uses would be allowed. Executive Director Shove reported the difference between the clean-up between commercial and residential is the amount of time of exposure during a 24-hour day. Commissioner Elsaesser stated based on that break out point, what entities would purchase this property. Mr. Shove stated there is interest in purchasing the property

Commissioner Ellison stated he is thinking of what the worst case scenario could be. He summarized that the city would lend the money, the clean-up costs are more than anticipated and allowed uses have not been identified. He stated he has serious reservations with the proposal and will read the information packet prior to Monday night.

Mayor Smith noted this is a regular item and he will take public comment at the city commission meeting. Mayor Smith stated this property was just re-zoned to B-1 and single family residents are allowed by right and this could become a problem. He asked if the commission should reconsider re-zoning. City Attorney Hindoiien stated the level the clean-up is being done will allow many uses in the B-1 Zone. There would be a deed restriction regarding residential uses. Director Haugen stated she would recommend the following language - the property would be cleaned up to commercial standards, where some uses are allowed in the B-1 zone.

Mayor Smith stated he would like to see a recommendation of a repayment schedule. Manager Alles stated he has not negotiated a repayment schedule and he would take direction from the commission. At the present time he is looking at a three-year zero interest loan with a balloon payment due at the end of three years.

Commissioner Haladay asked is there any chance the commission could see what a "deed restriction" would say. Attorney Hindoiien stated he would research some other brownfield clean-up projects and provide additional information to the commission.

Executive Director Shove stated each state has individual statues regarding the clean-up and in Montana it is DEQ who oversees the clean-up and they would have input on the deed restriction language. Commissioner Haladay stated it is important for him to see a list of allowed uses prior to taking action.

6. Committee discussions

- a) Audit Committee, City-County Board of Health, Civic Center Board, L&C County Mental Health Advisory Committee, Montana League of Cities & Towns - Mayor Smith - No report given.
- b) Audit Committee, Board of Adjustment, Helena Chamber of Commerce Liaison, Information Technology Committee, Montana Business Assistance Connection – Commissioner Dan Ellison – No report given.
- c) Intergovernmental Transit Committee, Non-motorized Travel Advisory Board, Transportation Coordinating Committee – No report given.
- d) ADA Compliance Committee, Business Improvement District/Helena Parking Commission, City-County Parks Board, Transportation Coordinating Committee – No report given.
- e) Audit Committee, City-County Administration Building (CCAB), Public Art Committee – Commissioner Haque-Hausrath – No report given.
- f) Helena Citizens Council – HCC Representative Elizabeth Andrews noted at the next meeting the HCC will review their guiding documents and develop the 2014 work plan.

7. Review of agenda for February , 2014 City Commission meeting – Mayor Smith referred to the correspondence from Mark Runkel regarding the R&D Loans and his request for a letter from the city commission. Mayor Smith asked the commission to read the information and let City Clerk Havens know if they support sending a letter.

Commissioner Haladay asked for an overview of land uses allowed for an R&D loans. City Manager Alles gave an overview on the qualifications of receiving R&D loans. The city of Helena has not qualified for the loans and even with the changes they continue not to qualify.

Community Development Director Haugen will provide the commission additional information on the qualifications of the R&D loan program.

8. Public Comment – No public comment received.

9. Commission discussion and direction to City Manager – No discussion held.

10. Adjourn – Meeting adjourned at 6:00 p.m.