

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING MINUTES
August 1, 2011**

1. ROLL CALL

President Kevin Rebman called the regular meeting of the Osseo Economic Development Authority to order at 7:00 p.m., Monday, August 1, 2011.

Members present: Allan Hartkopf, Will Lienemann, Terry McNeil, Duane Poppe, Kevin Rebman, and Dan Sadler.

Member absent: Chris Mercadante.

Staff present: Executive Director Jeffrey Dahl and City Attorney Loren Magsam.

Others present: Vinay & Kavita Mehta, Tom Spanier, Dan Spanier, Nick Stanoch, and Ron Barger.

2. APPROVAL OF AGENDA

A motion was made by Sadler, seconded by Lienemann, to approve the Agenda as presented. The motion carried 6-0.

3. APPROVAL OF MINUTES – July 5, 2011

A motion was made by Poppe, seconded by Hartkopf, to approve the minutes of July 5, 2011, as presented. The motion carried 6-0.

4. MATTERS FROM THE FLOOR – None.

5. SPECIAL BUSINESS – None.

6. ACCOUNTS PAYABLE

Dahl noted that the MN Center for Energy & Environment invoice was for another resident taking advantage of the EDA Home Improvement Program.

A motion was made by Lienemann, seconded by Poppe, to approve the Accounts Payable (Listing 080111EDA, run 07/28/11, 11:29AM, for \$76,423.87). The motion carried 6-0.

7. OLD BUSINESS

A. REVIEW PROPOSALS FOR THE ITEN BUILDING

Executive Director Jeffrey Dahl stated the EDA has discussed the Iten building at several meetings. The issue had been tabled from July to allow both interested parties, VKAS LLC and Osseo Historic Redevelopment/Dayton Properties LLC, to make formal presentations at the August meeting. More specifically, the presentations are to provide additional detail in terms of building design, ultimate investment, and new employees.

Vinay Mehta, VKAS LLC, presented a proposal for the Iten building. Mehta said he was offering a \$70,000 purchase price for the property, and Mehta would be paying the special assessments of about \$30,000. He stated if additional incentives were needed for an investment of a restaurant, for example, he would be approaching the EDA at a future time. Mehta estimated repairs to roof and other maintenance is estimated at \$60,000. The addition of a full commercial kitchen is estimated at \$160,000. Interior design and other items are estimated at \$100,000. Mehta estimates a total investment for the Iten building at \$390,000 with a resulting future market value of \$480,000-\$600,000. He stated a destination restaurant would generate traffic and be an active storefront. Jobs would be added for a destination restaurant and the possibility of a deli-style eatery, if a restaurant did not occupy the whole space. Mehta stated he anticipates adding an outdoor patio in the "L" shaped area behind the building. He would honor the Iten Family with a plaque honoring the gift to the City.

Dahl stated concerns about parking would be addressed in the Conditional Use Permit process, which would be required for a restaurant serving alcohol at this location. Mehta stated he would consider arrangements with neighboring businesses that have nearby parking.

Dan Spanier, representing Osseo Historic Redevelopment LLC & Dayton Properties LLC, presented a concept of the building being revitalized for use as an upscale hotdogs and/or pizza parlor and possible rental space for Bounce House inflatable rentals. Repairs to the building are required, and new windows and doors would help illuminate the building. Stucco would be added to the exterior. A paving stone patio in the rear could be used for outdoor eating and a small drive-in movie. Nearby parking would be available for use. Spanier estimated roof work, plumbing alterations, and other improvements would amount to \$190,000-\$220,000. He stated most of the jobs created with this proposal would be entry-level jobs. Spanier was offering \$85,000 for purchase price, resulting in an estimated future market value of \$400,000-\$450,000. He said he was willing to negotiate the special assessments on the property.

Sadler said he was concerned with the EDA selling this property at such a low purchase price and the effect on other commercial market values on Central Avenue. He said he wanted to see more specific numbers for the proposals to better determine which proposal was the best for Osseo. Sadler asked if Osseo needs another restaurant.

McNeil said he understood from Hennepin County Taxpayer Department that there should be "no" impact on other property values given the nature of this sale. He said he preferred the EDA sell to Spanier given the financial arrangements could be worked out sooner and Spanier was ready to go with his proposal. McNeil said he did not want to wait at least four months for Mehta to find a destination restaurant and then work on financial arrangements for the purchase of the property. McNeil said he wanted to get this property back on the tax rolls sooner, rather than later.

Lienemann said Mehta's proposal of paying the special assessments essentially results in a "purchase price" of \$100,000.

Poppe noted that both proposals likely would need a "contingency period" to evaluate environmental concerns and any other factors involved in the property.

A motion was made by Sadler, seconded by Lienemann, to table this item to the next meeting, allowing the Iten building committee to meet with the two parties and negotiate with them to come up with the best offer based on price, use, building improvements, investment, etc.

Hartkopf stated more time is needed to evaluate the two options.

The motion carried 5-1 (Poppe-nay).

B. UPDATE ON BLOCK 6 REDEVELOPMENT

1) Recap Work Session with the Beard Group, Inc.

Dahl stated Bill Beard, President of the Beard Group, Inc., gave a presentation at the work session held earlier this evening about redevelopment options for Block 6. The Beard Group is a commercial real estate and development company. Several options exist for Block 6, depending on how much property is involved with the redevelopment. The proposal is a mixed-use housing project that would incorporate up to 96 units of rental housing, with some retail/commercial space. Sample site plans and financing measures were discussed.

McNeil said the original proposal when the EDA was awarded a \$626,000 Met Council grant included a 15-unit townhome on one-half the block. Now, the proposed development would involve a greater portion of the block and accommodate 90+ apartment units. He asked about the grant impact with the latest Beard proposal.

Dahl stated higher density would likely be welcome since the grant terms required a component of affordability and transit-oriented-development.

Rebman asked for EDA consensus on the Memorandum of Understanding between the EDA and the Beard Group, which allows the Beard Group to have exclusivity for a period for redevelopment of Block 6.

Poppe said this Memorandum of Understanding is a typical step in which the Beard Group would determine the scope of the project. They likely would do a market study to assess what type of project is viable.

Sadler asked if a public open house about the possible redevelopment should be held in the future.

Rebman stated it is a long process for redevelopment.

A motion was made by Sadler, seconded by Hartkopf, to authorize staff to enter into a Memorandum of Understanding between the Beard Group, Inc., and the EDA. The motion carried 5-1 (McNeil-nay).

City Attorney Loren Magsam stated the purpose of the Closed Session was to discuss draft purchase agreements for the properties located at 25 5th Street NW and 33 5th Street NW. An update on negotiations with Poseiden Ventures LLC for 501 Central Avenue would also be discussed in Closed Session.

A motion was made by Hartkopf, seconded by Sadler, to recess the EDA meeting to a Closed Session at 9:02 p.m. The motion carried 6-0.

2) Consider Purchase Agreement for 25 5th Street NW (Closed Session)

3) Consider Purchase Agreement for 33 5th Street NW (Closed Session)

- 4) Update on Negotiations with Poseiden Ventures, LLC, for 501 Central Avenue (Closed Session)

The EDA returned from the Closed Session at 9:05 p.m.

City Attorney Loren Magsam stated the EDA reached consensus in Closed Session on draft purchase agreements for the properties located at 25 5th Street NW and 33 5th Street NW were discussed. There is no update for the property at 501 Central Avenue.

A motion was made by Hartkopf, seconded by Lienemann, to approve the purchase agreement for 25 5th Street NW, by and between the City of Osseo Economic Development Authority and Emily Sundstrom. The motion carried 5-1 (McNeil-nay).

A motion was made by Lienemann, seconded by Hartkopf, to approve the purchase agreement for 33 5th Street NW, by and between the City of Osseo Economic Development Authority and Nicholas & Kelli Stanoch. The motion carried 5-1 (McNeil-nay).

Funds for the purchase of these properties will come from the Met Council as part of the Block 6 Redevelopment Project.

7. C. CONSIDER ARCHITECTURAL DESIGN GUIDELINES FINANCIAL ASSISTANCE GRANT FOR 1ST AVENUE COMMONS

Dan Spanier requested an additional month to present more details relating to improvements being made to the 1st Avenue Commons building.

A motion was made by Poppe, seconded by Lienemann, to table action on this matter to the September meeting. The motion carried 6-0.

8. NEW BUSINESS

- A. DISCUSS 2012 EDA LEVY

Dahl gave a general update of the process for the 2012 Budget.

McNeil asked about general expenditures for EDA activities. Staff will gather information on general fund revenues and expenditures over the last several years for EDA review at the next meeting.

Poppe said the Council would like to see a plan for any 2012 EDA levy since it is an additional tax and should be justifiable.

Dahl noted the 2011 Strategic Plan includes a primary priority of, "Foster and promote economic development in the City." The Action Plan to achieve this priority includes the following: Foster and promote economic development in the City and provide a quality housing stock. An economic development plan will be discussed at the next meeting. The Housing Loan Program and Business Subsidies are a few ways that the EDA promote quality housing stock.

Rebman stated the EDA could levy on property taxes up to a maximum percentage of 0.01813" of the taxable market value. Last year the maximum amount was about \$45,000, but the EDA levy was approved for \$30,000.

Dahl noted the Public Services Department has time spent maintaining the EDA properties.

9. REPORTS OR COMMENTS: Executive Director, President, Members

Poppe reminded everyone about Night to Unite tomorrow evening in Osseo.

Lienemann asked if the rent received from Lubbe Dental went into the EDA general fund. Dahl said yes.

Dahl noted Jimmy John's sandwich shop is now open on Jefferson Highway. The Hearing Health Clinic opened this summer in the Realife building. Luna's Liquid Lava Lounge coffee shop and bakery will be opening this fall. A planned unit development will be presented to the Planning Commission in August for redevelopment of the Premier Wine & Spirits building and property on Co Rd 81.

10. ADJOURNMENT

A motion was made by Sadler, seconded by Lienemann, to adjourn at 9:18 p.m. The motion carried 6-0.

Respectfully submitted,

LeAnn Larson
Deputy Clerk