

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING MINUTES
September 6, 2011**

1. ROLL CALL

President Kevin Rebman called the regular meeting of the Osseo Economic Development Authority to order at 7:00 p.m., Tuesday, September 6, 2011.

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

Staff present: Executive Director Jeffrey Dahl and Deputy Clerk LeAnn Larson.

Others present: Vinay & Kavita Mehta, Dan Spanier, Al Lindquist, Bruce Wiley, and Ron Barger.

2. APPROVAL OF AGENDA

A motion was made by Lienemann, seconded by Rebman, to approve the Agenda as presented. The motion carried 7-0.

3. APPROVAL OF MINUTES – August 1, 2011

A motion was made by Hartkopf, seconded by Sadler, to approve the minutes of August 1, 2011, as presented. The motion carried 7-0.

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 McNeil, to approve the Accounts Payable (Listing 090611EDA, run 08/31/11, 3:24 PM, for \$1,618.46). The motion carried 7-0.

7. OLD BUSINESS

A. APPROVE PURCHASE AGREEMENT FOR THE ITEN BUILDING (Closed Session)

Executive Director Jeffrey Dahl stated the EDA had discussed the Iten building committee recommendation at its last meeting. The issue had been tabled to this meeting for the committee to negotiate the best deal (based on price, use, building improvements, investment, etc.) with both interested parties. The parties are VKAS LLC and Osseo Historic Redevelopment/Dayton Properties LLC. The committee met on August 24 with both parties and decided to discuss its recommendation on the matter in a closed session.

A motion was made by McNeil, seconded by Mercadante, to close the EDA meeting for the purpose of receiving the information from the committee and to develop or consider

an offer or counteroffer for the sale of the property at 226 Central Avenue, Osseo. The motion carried 7-0.

The EDA went into Closed Session at 7:06 p.m.

The EDA adjourned the Closed Session and returned to the EDA table at 8:17 p.m.

Dahl stated no official action was taken in the Closed Session. He further stated a consensus by the EDA members was reached in this matter.

A motion was made by Mercadante, seconded by Poppe, to authorize EDA staff to negotiate an agreement for the sale of the property at 226 Central Avenue in Osseo to VKAS LLC at a sale price to \$85,000, with the purchaser assuming the levied and pending special assessments and with an agreement to improve the property in accordance with a development agreement to be negotiated with the purchaser. The motion carried on a roll call vote of 4 ayes (Lienemann, Mercadante, Poppe & Rebman) - 3 nays (Hartkopf, McNeil & Sadler).

B. UPDATE ON BLOCK 6 REDEVELOPMENT

Dahl said staff is reviewing a draft memorandum of understanding/letter of intent with the Beard Group per the recommendation from the August EDA meeting. The document will outline the EDA relationship with the Beard Group until the end of the year.

Since the August meeting, staff has obtained two signed purchase agreements with the property owners at 25th Street NW and 33th Street NW and provided them each with \$500 earnest money. Closing dates for those two properties will likely be set before the end of the month.

Staff has commenced negotiation with the owner of 501 Central Avenue. A draft purchase agreement for the property may be considered as early as October. In addition, staff will be attending a grant workshop on Wednesday, September 7, regarding petroleum-based clean up funds offered by the State of Minnesota, Metropolitan Council, and Hennepin County.

Since the EDA is officially pursuing a development project of a different scale (rental vs. owner occupied and higher density) with the Beard Group, staff has been working with the Metropolitan Council to assure the change in project scope is consistent with the intent of the Livable Communities Program. Once the EDA receives confirmation from the Metropolitan Council, the acquisition cost of 25th Street NW and 33th Street NW will be reimbursed. In the interim, the acquisition costs will be paid out of the General EDA fund.

A couple of EDA members have expressed some concern regarding the EDA obligation to “pay” the Metropolitan Council back if an approved project is not completed by the absolute latest deadline (December 31, 2012 plus two-year extension = December 31, 2014). As long as the project continues to be a high priority for the EDA, staff feels that there is ample time for completion. The EDA must continue its communication with the Metropolitan Council to ensure any changes in scope meet the intent of the program. If for some reason the EDA would decide to go a different direction with the site, it would likely have to fully reimburse the Metropolitan Council by way of the EDA General Fund.

McNeil asked about a preparedness plan to repay the Met Council should the Beard Group not follow through with a timely project to meet grant requirements.

Poppe and Rebman stated the homes could be rented back to the former owners or “recycled” back to private ownership.

Rebman stated he thought the grant requirement criteria were generous and flexible.

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 Sadler, to table action on this matter to the October meeting. The motion carried 7-0.

D. DISCUSS 2012 EDA BUDGET AND LEVY

Dahl stated the City Council held a work session on Monday, August 29, regarding the 2012 Budget. There was consensus at the meeting to take the EDA Levy (maximum of .01813% of taxable market value) out of the City's general operating budget for next year.

Staff has drafted a preliminary 2012 EDA General Operating Budget because of comments made at the EDA August Meeting and the recent Council work session.

The EDA has not followed or approved an operating budget for several years. In the past, the EDA Levy has been utilized to off set staff time and other incentives like the Architectural Design Guidelines Program (ADG), Home Improvement Loans, and Marketing Plan to maintain a healthy EDA General Fund Balance.

Ultimately, the EDA budget should work to accomplish the mission of the EDA and the Strategic Plan of the City Council. As a reminder, the EDA mission is to promote and provide incentives for economic development.

The City Council's Goal for the EDA is to develop an Economic Development Plan that covers the following areas:

- Business Development
 - Provide resources for new entrepreneurs
- Block 6 Redevelopment
 - Work with developer to develop site
- Housing Reinvestment
 - Provide financial assistance for home improvement projects
 - Re-initiate scattered site home investment program
- Business Assistance
 - ADG Program
 - Tax Increment Financing
 - Tax Abatement
 - Grant/Loan Program for attracting new businesses
- Marketing
 - Continue Marketing Plan that was Developed in late 2009

As of August 31, the EDA General Unrestricted Fund Balance was at \$747,100.46---although that number will increase to about \$900,000 before the year ends after other funds are transferred in and the Iten building is sold.

Staff has drafted a preliminary operating budget for 2012 based on expected revenues and expenditures for the next year. Expenditures associated with previously allocated funds have

not been included. Ultimately, if there is no levy, the \$900,000 fund balance at the beginning of 2012 can be expected to fall to approximately \$862,500 at the end of 2012 due to a \$37,500 general operating budget deficit.

With the previously allocated incentive programs (\$3,538 for Marketing, \$35,566.75 for ADG, and \$18,301.43), the EDA Unrestricted General Fund balance will be at approximately \$805,000 at the end of the year.

Staff is working with the City's Financial Consultants to separate unrestricted and restricted funds. Showing this additional detail will help the EDA better understand its financial history so it can make more educated decisions down the road.

Sadler said he thought the transfer out for staff time for City employees/work for the EDA was too high.

Rebman stated development produces income. If there is no EDA levy, the EDA general fund will lose funds and it seems to indicate the Council is not willing to invest in City development. Rebman added an EDA levy is a small percentage when considering the whole.

McNeil stated he thought the EDA should fund itself and could tie its general fund income to redevelopment rather than a levy. He said the EDA owns a lot of property and should be self-sufficient.

Sadler commented on his concern with the Council not considering an EDA levy at this time since funds for redevelopment are important.

Poppe stated the Council sees value in an EDA levy but also is looking at the financial condition of the City overall. He said there were enterprise funds that are deficient and the Council is looking to "build up" the City.

Hartkopf suggested staff prepare more information on restricted versus unrestricted balances for the EDA to aid in overall economic planning.

8. NEW BUSINESS

A. APPROVE PAYOFF OF SECOND MORTGAGE FOR 612 1ST AVENUE NW

Dahl stated City Attorney Magsam prepared a memo outlining this item. In May 2004, the EDA loaned \$2,500 to the purchaser of 612 1st Avenue NW. The loan was secured by a second mortgage against the property. The terms of the mortgage were that the principal would earn interest at the rate of three percent per annum and would be due in 30 years or when the property were sold if sold before 30 years. The property has been sold. The pay-off of the second mortgage with accrued interest is now \$3,043.75, which has been paid to the Osseo EDA. The EDA is now obligated to release the lien against the property by making and delivering a satisfaction of mortgage.

A motion was made by Poppe, seconded by Lienemann, to accept the pay-off of the second mortgage on 612 1st Avenue NW and authorize the EDA president to execute and deliver a satisfaction of that second mortgage. The motion carried 7-0.

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

Poppe reminded everyone about the upcoming Lions Roar Festival. He is organizing a 5K benefit to support the Osseo High School cross country team.

McNeil said he hoped the Council would consider EDA by-law changes to incorporate an EDA budget that would defend an EDA levy.

Dahl noted a discussion being held Wednesday night at the American Legion about shared services of the Police Department. This meeting is not city sponsored or any official meeting but appears to be community stakeholders discussing the issue.

10. ADJOURNMENT

A motion was made by Poppe, seconded by Mercadante, to adjourn at 9:15 p.m. The motion carried 7-0.

Respectfully submitted,

LeAnn Larson
Deputy Clerk