

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY  
REGULAR MEETING MINUTES  
October 3, 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, October 3, 2011.

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

Staff present: Executive Director Jeffrey Dahl, City Attorney Loren Magsam, and Deputy Clerk LeAnn Larson.

Others present: Marilyn Bina, Tim Walsh, Al Lindquist, 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 7-0.**

3. APPROVAL OF MINUTES – September 6, 2011

**A motion was made by Poppe, seconded by Hartkopf, to approve the minutes of September 6, 2011, as presented. The motion carried 7-0.**

4. MATTERS FROM THE FLOOR

Ron Barger, 521 Central Avenue, said there is no tax benefit to the City for selling the Iten Building for \$85,000. He asked the EDA and Council to wait for a better use.

Tim Walsh, 33 4<sup>th</sup> Avenue NE, said Osseo would benefit from having a hotel, making it a city of destination. He wondered if the Master Plan should be amended for this use.

Al Lindquist, 625 1<sup>st</sup> Avenue NE, said RJ Wiley was selling a double garage located at 609 1<sup>st</sup> Avenue NE.

5. SPECIAL BUSINESS – None.

6. ACCOUNTS PAYABLE

Dahl presented the EDA Accounts Payable listing.

**A motion was made by Lienemann, seconded by Sadler, to approve the Accounts Payable (Listing 100311EDA, run 09/29/11, 10:56 AM, for \$5,153.25). The motion carried 7-0.**

7. OLD BUSINESS

A. APPROVE DIRECTION FROM CITY COUNCIL REGARDING ITEN BUILDING

Executive Director Jeffrey Dahl stated that at its September 12 meeting, the City Council failed to confirm the EDA's action of authorizing sale of the Iten Building to VKAS, LLC. Several of

the Council members brought forth concerns regarding the upkeep of the existing property VKAS owns in Osseo and the lack of investment in the property despite promises from the property owner. The Council indicated after the vote that it desired the EDA to come up with a different solution in order to get the property back on the tax rolls.

**A motion was made by Sadler, seconded by Lienemann, to demolish the Iten Building at 226 Central Avenue.**

Rebman said the Council direction was to put the property back on the tax rolls.

Sadler said selling the property at such a low price would not result in much new tax value. He expressed concern that a property sale at \$85,000 for this commercial property would negatively affect all commercial property values along Central Avenue.

Rebman stated the resulting value of the building with improvements would be about \$300,000. He said if it was demolished, the City would get nothing and the result is more property waiting for redevelopment. Rebman stated there is no need for a City parking lot at this location. He said the City needs more store fronts, not more vacant lots. Rebman encouraged another business into Osseo, which brings more value to the City and contributes to a successful downtown.

Lienemann agreed with Sadler, stating the two options thus far were not viable options for the City. He was also concerned about the sale price of \$85,000 affecting commercial values.

McNeil asked how much money the EDA has invested in this property thus far. Dahl stated the EDA had about \$1,500 into the property plus the 2011 property taxes (about \$16,000).

McNeil asked how many additional spaces would be gained on this site if the building were demolished. Dahl said current parking behind the building plus parking stalls where the building was would amount to about 15 total spaces. McNeil said the cost of a new parking lot with demolition of the building would result in high costs compared to the gain of only 6-8 more spaces.

Dahl stated the County Assessor has already established that the proposed sale of the building for \$85,000 would not be considered a market rate sale.

Mercadante said the City had discussed two proposals for this property. He stated if the EDA did not like the VKAS proposal, it should negotiate a potential agreement with the other group of Osseo Historic Redevelopment/Dayton Properties LLC.

**The vote on the motion failed 3 ayes (Hartkopf, Lienemann & Sadler) – 4 nays (Mercadante, McNeil, Poppe & Rebman).**

**A motion was made by Poppe, seconded by Mercadante, to authorize EDA staff to negotiate an agreement for the sale of the property at 226 Central Avenue in Osseo to Osseo Historic Redevelopment/Dayton Properties 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 (Mercadante, McNeil, Poppe & Rebman - 3 nays (Hartkopf, Lienemann & Sadler).**

B. UPDATE ON BLOCK 6 REDEVELOPMENT AND REPAYMENT PLAN

Dahl said staff and the Beard Group have drafted a Letter of Intent for the Block 6 Redevelopment Project. As of Thursday, September 29, there were still a few minor revisions that needed adjustment. Staff presented a signed Letter of Intent/Term Sheet with The Beard Group, Inc., to the EDA.

The EDA closed on purchasing 25 5<sup>th</sup> Street NW and 33 5<sup>th</sup> Street NW on Wednesday, September 28, 2011. The Stanochs plan to lease 33 5<sup>th</sup> Street NW for a 6-month period. Sundstrom plans to lease 25 5<sup>th</sup> Street NW until November.

Staff and the Block 6 Subcommittee (Rebman, Hartkopf, and Poppe) continue to work with the property owner of 501 Central Avenue to negotiate a purchase agreement.

Staff received notice on September 13 from the Metropolitan Council that the change in scope of the Block 6 Redevelopment Project (rental vs. owner occupied and higher density) with the Beard Group will not require approval from its Committee and Met Council board, rather the change can be done administratively through staff. This notice ultimately means the EDA will have to jump through fewer hoops down the road and will be reimbursed quicker.

At the September EDA meeting, a couple of EDA members had expressed concern regarding the EDA's obligation to pay the Metropolitan Council back the \$626,000 in grant funds if an approved project is not completed by the absolute latest deadline (December 31, 2012 plus two-year extension = December 31, 2014). The worst-case scenario is that the EDA would have to deplete its general fund by \$626,000 in order to pay back the grant proceeds. Other options would be potentially using Tax Increment Financing dollars to pay the proceeds back OR issuing debt (\$626,000 bond, 10-year term w/6% interest, equals an annual payment of approx. \$75,000 per year).

Because this project is a high priority for the EDA and is consistent with the City Council's Strategic Plan and the City's Comprehensive Plan, the EDA should be able to work with the Metropolitan Council in order to complete a redevelopment project. While having to pay back the grant funds is a risk that the EDA assumed when accepting the grant, the Metropolitan Council would not have approved the grant if it ultimately wanted to take its money back.

C. CONSIDER ARCHITECTURAL DESIGN GUIDELINES FINANCIAL ASSISTANCE GRANT FOR 1<sup>ST</sup> AVENUE COMMONS

Dan Spanier requested an additional month to present more details relating to improvements being made to the 1<sup>st</sup> Avenue Commons building. Proposed improvements are somewhat contingent upon a new tenant who is going through the conditional use permit process for a wellness and massage center.

**A motion was made by Poppe, seconded by Mercadante, to table action on this matter to the December EDA meeting or sooner. The motion carried 7-0.**

D. DISCUSS 2012 EDA BUDGET AND LEVY

Dahl stated staff has updated the preliminary 2012 EDA General Operating Budget as a result of comments made at the September EDA meeting. The following amendments were made:

- Other Professional Services was reduced from \$7,500 to \$5,000 (Estimated services from Ehlers and Associates were reduced as most charges come from TIF); and
- Transfer to City's General Fund was reduced from \$35,000 (general estimate) to \$31,300 (\$3,500---Finance Officer, \$7,100 Deputy Clerk, \$10,650 Executive Director, and \$10,000 for Public Services).

These amendments mean that the preliminary 2012 EDA General Operating Budget Deficit was reduced from -\$37,500 to -\$31,300.

Sadler asked how many years before the Council allows an EDA Levy to offset the EDA Operating Budget deficit. He asked about the cost of staff time for EDA work. Dahl stated development normally bears the cost of staff time. At this time, Dahl, Larson, and Braaten incur time for EDA activities. The Public Services Department also incurs time for general maintenance of EDA properties.

Rebman stated any operating budget deficits will eat away on the EDA General Fund.

Sadler stated he would vote against any motion approving the 2012 EDA General Operating Budget as he disagrees with the City Council eliminating an EDA Levy. He stated redevelopment is vital for Osseo.

**A motion was made by Lienemann, seconded by McNeil, to approve the 2012 EDA General Operating Budget. The motion carried 6-1 (Sadler-nay).**

8. NEW BUSINESS

A. CONSIDER AD IN MAPLE GROVE MISTLETOE & MEMORIES GUIDE

Deputy Clerk LeAnn Larson stated an important marketing opportunity ahead includes advertising in the 2011 Mistletoe & Memories Holiday Event Guide. This publication goes to 33,000 households in the Maple Grove and Osseo areas, and it is one of the important guides used for family event planning for the holidays. It arrives in area mailboxes right before the Thanksgiving holiday. Advertising Osseo's Minidazzle/Tree Lighting Ceremony is perfect for this Mistletoe & Memories guide. The ½-page ad proposed by Prime Advertising would cost \$700.

Larson noted in late 2009 the EDA allocated \$25,600 for marketing efforts. This was from unused EDA levy funds accumulated in 2007, 2008, and 2009. In 2010, the EDA authorized the expenditure in the 2010 Mistletoe & Memories Guide. Staff recommends approval of this EDA expenditure for marketing purposes.

Marilyn Bina, Prime Advertising and Design, stated the 2011 Mistletoe & Memories Guide would be all glossy, handed out in all grocery stores, and include a mobile version. She said this is an important opportunity for Osseo to advertise a special event in the community.

**A motion was made by Sadler, seconded by Poppe, to authorize the EDA expenditure of \$700 for a ½-page ad in the 2011 Mistletoe & Memories Holiday Event Guide. The motion carried 7-0.**

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

Dahl stated Hennepin County has a new program for small business retention, called "economic gardening," and other business development strategies to help businesses in Hennepin County expand and create jobs.

Rebman noted an upcoming 2<sup>nd</sup> Annual Roundtable of Knowledge for the Sensible Land Use Coalition in St. Louis Park on October 26. He asked if EDA members would like to attend. Mercadante indicated his interest in the meeting.

Sadler asked for future discussion on adding County Road 81 businesses for eligibility for the Architectural Design Guidelines program. He also asked about Osseo signage from the north as you approach Osseo on southbound Hwy 169. Hartkopf said additional signage will be bid with the Co Rd 30/Hwy 169 project in 2013.

Poppe thanked everyone who participated in this past Saturday's Oktoberfest. He also noted the upcoming Halloween Kiddie Parade on October 29.

McNeil said he looked forward to the upcoming Minidazzle event the first Friday night in December and thanked everyone who contributed to this wonderful event.

Hartkopf noted Santa was "staying overnight" in Osseo this year so kids could enjoy him at the annual Minidazzle event and the new Lunch with Santa on Saturday at the Community Center.

Rebman asked about potential revenue for the EDA through Visit Minneapolis North.

10. ADJOURNMENT

**A motion was made by Poppe, seconded by Sadler, to adjourn at 8:09 p.m. The motion carried 7-0.**

Respectfully submitted,

LeAnn Larson  
Deputy Clerk