

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING MINUTES
August 8, 2016**

1. ROLL CALL

President Todd Woods called the regular meeting of the Osseo Economic Development Authority to order at 6:00 p.m., Monday, August 8, 2016.

Members present: Rebecca Doran, Harold E. Johnson, Duane Poppe (arrived at 6:10 p.m.), Mark Schulz, Daniel Spanier, Larry Stelmach, Todd Woods.

Members absent: None.

Staff present: Executive Director Riley Grams, City Planner Nancy Abts, and City Attorney Mary Tietjen.

Others present: Steve Erickson.

2. APPROVAL OF AGENDA

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

3. APPROVAL OF MINUTES – JULY 11, 2016

A motion was made by Johnson, seconded by Doran, to approve the minutes of July 11, 2016, as presented. The motion carried 6-0.

4. MATTERS FROM THE FLOOR

Sherry Murdock, 606 1st Avenue NW, discussed her subordinate request and thanked the EDA for its consideration.

5. PUBLIC HEARINGS – None.

6. ACCOUNTS PAYABLE

Executive Director Riley Grams presented the EDA Accounts Payable listing.

A motion was made by Schulz, seconded by Johnson, to approve the Accounts Payable. The motion carried 6-0.

7. OLD BUSINESS – None.

8. NEW BUSINESS

A. CONSIDER RE-SUBORDINATE POSITION ON 606 1ST AVENUE NW

Grams stated Osseo resident Sherry Murdock purchased a townhome in the Osseo Urban Townhome project with participation from the Osseo EDA. Many cities with HRA type boards (in Osseo's case, the EDA) offer home owners loans. Most, if not all, of subordination requests are granted, provided the action does not harm the EDA financially. Ms. Murdock's request,

along with the loan particulars, was sent to Kennedy & Graven for review and a recommendation. After reviewing the information, Kennedy & Graven found the following:

Grams explained if the EDA Board chooses to subordinate, Ms. Murdock is still required to pay both her primary home loan mortgage and the EDA loan, along with any other obligations she has secured by liens against her home. If Ms. Murdock ran into financial trouble and there was a foreclosure by the primary home loan bank, the EDA's mortgage would most likely not be paid and the EDA's mortgage would be terminated. Ms. Murdock would still have a contractual obligation to pay the loan but the EDA would have no security for the repayment of the loan. However, the possibility of the EDA loan being paid after foreclosure is slim. On the other hand, it appears that Ms. Murdock wants the subordination in order to get a better rate on her primary home loan, which would put her on better financial ground.

Grams indicated a subordination would not cause a default or an acceleration of the promissory note or the mortgage so no amendments need to be made to those documents if the EDA Board decides to subordinate. The loan is owed both to the EDA and to Hennepin County HRA (it appears the County HRA gave the money to the EDA to make the loan). So, in addition to the EDA, Ms. Murdock will need the Hennepin County HRA to agree to the subordination. Given that the County HRA provided the funds for the loan, and as long as the County HRA agrees to the subordination, it would not harm the Osseo EDA economically to agree to the subordination.

Johnson believed this complex was a great portion of the City that has wonderful long-term residents. He supported the re-subordination request.

A motion was made by Johnson, seconded by Spanier, to approve the re-subordination to US Bank Home Mortgage at 606 1st Avenue NW. The motion carried 6-0.

B. DISCUSS PURCHASE OF OSSEO SPORTS PROPERTY

Grams explained the two Osseo Sports properties (332 and 340 Central Avenue) have become available again as a potential redevelopment site. These properties have been identified in the EDA Goals/Projects list for redevelopment at some point in the future. Premier Bank is the sole owner of the two properties and the bank reached out to staff to ask if the City/EDA might be interested again in purchasing these parcels for redevelopment.

Grams stated staff met with the owners of Rochon Corporation recently to discuss this site and potential redevelopment. The discussion was helpful, and City Staff feels that we may have a partner in Rochon on this project site.

Grams said staff feels the most logical participation for the EDA involves the purchasing of the properties from Premier Bank, handling the environmental cleanup (through state grants or funds), demolition of the site, and then re-sale of the property to a developer who would own the property and develop it. The question becomes, at what "investment" level would the EDA feel comfortable?

Grams presented some conservative numbers on a general idea of expected tax generation and anticipated pay off schedule.

Grams reported one of the key elements to a project at this site is the environmental cleanup costs. Staff recommends that some type of environmental analysis be done, with potentially the costs of that analysis shared between the EDA and Premier Bank. The level of contamination found will then help point in the direction we need to head for cleanup grants through the state. These grants are usually on a revolving yearly basis and do assist public entities with

determining levels of contamination and cleanup costs. Staff has begun to research these grant opportunities and should have more information at the next EDA meeting.

Grams proposed to continue working with EDA President Woods, EDA member Johnson, and Mayor Poppe on this project, including any potential purchase offers on the properties. Staff is seeking direction from the EDA.

Stelmach asked what had been identified as larger expenses for the building demolition. Grams stated this information was not shared with staff. Grams explained this was a very large building and understood there were heavy steel beams within the building that would need to be removed.

Stelmach questioned the expense to remove the asbestos. Grams was uncertain what this expense would be.

Doran inquired what type of building would be constructed over this site. Grams anticipated a two-story building would be built. He then discussed the surface parking that would be available on the property. He stated if a condo-type structure were built, underground parking may be needed.

Spanier was interested in investing in this historic building. He did not believe it was a \$1.3 million building on a 0.4 acre site. He understood it would be expensive to save the existing building and equally expensive to demolish and rebuild. He thought the footprint was too small for the proposed investment.

Stelmach asked what the value of a stacked building would be. Poppe explained this would depend on the uses within the building and the rent amounts that were being charged. Grams commented a restaurant property value would be high.

Grams asked if the EDA wanted to move forward with considering the purchase of the Osseo Sports property.

Stelmach wanted to see the EDA participate with Premier and/or Rochon in order to get this property redeveloped. He stated this Central Avenue property was in need of renovation.

Schulz agreed with the consensus of the group and said he wanted to see the building demolished and redeveloped. He stated he wanted to better understand the costs for the purchasing and demolishing the site, as this would assist the EDA in learning how quickly it can recover its costs. He also wanted staff to provide the EDA with additional information on grants that would be available to assist with the cleanup of the site. He did not anticipate the bank would be able to receive its current asking price. He looked forward to the EDA having further conversations regarding this property.

Doran did not want the EDA to work with only one developer and suggested the City keep the renovation and redevelopment of this property wide open. She also agreed that the entire building would have to be removed and rebuilt. Grams stated he would like to keep the building in place, given its historic nature; however, the condition was very poor. It was his opinion that the EDA should step in and assist with the redevelopment of this property given its poor condition.

Doran questioned who sets the demolition cleaning criteria. Grams indicated a Phase I was completed for this property and noted the State established the cleaning criteria for the site. He discussed the differences between the housing and commercial cleaning requirements. Further discussion ensued regarding the rental market in Osseo.

Schulz believed the expense to demolish the building should assist in driving down the cost of the property. He noted that if this building was renovated the EDA would have to consider additional parking in the downtown area.

Doran did not believe the private sector would pursue the renovation of this property given the cost to demolish the site.

Johnson agreed this property was an eyesore in the community and recommended staff move forward with seeing what the options were for the property.

It was the consensus of the EDA to direct staff to continue pursuing the purchase of the Osseo Sports property.

Grams questioned if someone was willing to assist staff with these future redevelopment meetings. Doran was willing to sit in on these meetings.

C. DISCUSS RENEWED ARCHITECTURAL DESIGN GUIDELINES PROGRAM FOR COMMERCIAL PROPERTIES

City Planner Nancy Abts stated the Architectural Design Guidelines (ADG) Program was previously offered by the EDA as an incentive for downtown Osseo businesses to update their facades. The guidelines were approved in 2000 by all City boards as a tool to help guide future redevelopment and facilitate facelifts in the downtown commercial district. The ADG Financial Assistance Program was offered through reimbursement. Its main purpose was to “enhance the preservation of the unique atmosphere of the community.” It was noted the program ended in 2012.

Abts indicated from 2000-2012, 12 properties were assisted through the ADG program. In recent years, staff has received requests from businesses that could benefit from a program like the ADG program.

<u>Amount*</u>	<u>Source</u>	<u>Year</u>
\$15,000	EDA General Fund	(2000)
\$15,000	EDA General Fund	(2003)
\$45,600	Levied by EDA	(2009)
\$ 4,400	Portion of EDA Levy	(2010)
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\$80,000 since inception	(*Allotments for ADG program ONLY)	

Abts reported the EDA may consider re-instituting the ADG Program or a similar incentive, using the EDA General Fund or levied funds. This could be included in the 2017 EDA budget.

Spanier discussed the history of the ADG program and noted it began to assist business owners in bringing their historic building façades to where they should be. As the program went forward, a different meaning was assumed and random signs were purchased. He supported the program, so long as the architectural guidelines were adhered to.

Stelmach believed the businesses not on Central Avenue should also be included in the program.

Spanier agreed that the businesses just behind Central Avenue should be included but did not see how the businesses off of Highway 81 could be included. Further discussion ensued regarding the businesses along Highway 81.

Doran asked why the program included only Central Avenue. Grams reported this was done to assist with restoring the historic look of downtown Osseo.

Schulz suggested the program be a business wide façade program. He anticipated the program would take over a year to implement. He supported the program moving forward with a low-interest or no interest loan versus giving money away.

Johnson questioned why this program was terminated. Grams was uncertain. Poppe recalled that no businesses had applied for grants in several years and the program was then terminated.

Johnson provided further comment on the Realife sign and understood this project was outside of the original ADG guidelines.

Discussion ensued regarding the funding for an ADG program. There was consensus to pursue the renewal of the ADG program for commercial properties in Osseo. Spanier and Doran were willing to assist staff with rewriting the ADG program.

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

Stelmach discussed Night to Unite and thanked the Police and Fire Departments for all of their efforts. He appreciated all of the feedback he received from the residents he met with.

10. ADJOURNMENT

A motion was made by Stelmach, seconded by Johnson, to adjourn at 7:01 p.m. The motion carried 7-0.

Respectfully submitted,

Heidi Guenther
TimeSaver Off Site Secretarial, Inc.