

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING MINUTES
September 12, 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, September 12, 2016.

Members present: Rebecca Doran, Harold E. Johnson, Duane Poppe, Mark Schulz, Daniel Spanier (arrived at 6:02 p.m.), Larry Stelmach, and Todd Woods.

Members absent: None.

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

Others present: Kay Squiers.

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 – AUGUST 8, 2016

Executive Director Riley Grams noted one change to the July 11 minutes, stating on Page 1 the minutes were approved on a motion by Johnson and seconded by Doran.

A motion was made by Schulz, seconded by Johnson, to approve the minutes of August 8, 2016, as amended. The motion carried 6-0.

(Spanier arrived at 6:02 p.m.)

4. MATTERS FROM THE FLOOR – None.

5. PUBLIC HEARINGS – None.

6. ACCOUNTS PAYABLE

Grams presented the EDA Accounts Payable listing.

A motion was made by Johnson, seconded by Schulz, to approve the Accounts Payable. The motion carried 7-0.

7. OLD BUSINESS

A. DEVELOPMENT PROJECT UPDATE

Grams provided the EDA with an update on various development projects occurring in the City. He reported staff has been working behind the scenes on a few different development sites as identified by the EDA.

Rausch Property (116 1st Ave NW and 22 2nd Street NW)

Grams reported staff met with representatives from the Rausch family to discuss the potential of purchasing the property for redevelopment. This would include the L-shaped property at 116 1st Ave NW as well as the small parking area at 22 2nd Street NW. The Rausch family representatives expressed a willingness to sell the two properties together to the City/EDA. Staff also met with representatives from Rochon Corporation about partnering together for a new development on that site. Rochon expressed an interest in working with the City, but stated they would not want to move on the property unless they had a tenant or buyer in mind. Staff continues to explore opportunities for future tenants or buyers, but doesn't suggest purchasing the properties until a new tenant or buyer is lined up.

Doran questioned what the Rausch property was zoned. Grams explained this property was zoned CBD (Central Business District).

Schulz wanted to be sure the EDA was taking into consideration the safety of these properties and if buildings needed to be demolished.

Celtic Crossing Properties (110 Regan Lane, 120 Regan Lane, 130 Regan Lane, 140 Regan Lane, and 150 Regan Lane)

Grams explained these properties recently went on the market for sale. The Beard Group had reached out to the City to discuss the option to acquire the properties and develop the three undeveloped parcels. However, there are several hurdles to redeveloping the parcels. There is a current TIF agreement in place with MEER LLC, which includes the entire Celtic Crossing properties. That agreement states that 50% of the increment generated from the development of those parcels would go to MEER. If the City or another Developer would purchase the property, they would have to honor the development agreement in place. One option around this would be to offer to buy out the remaining TIF agreement at some reduced number. That would have to be negotiated between the buyer and MEER LLC. Another option may be that the City can find the original Developer in default of the agreement; however, Osseo's consulting bond counsel attorney warned against this option, assuming the City turned around and created a new TIF district with a different Developer.

If the City or Developer would be able to get MEER out of the current agreement and a new District were created, the only option would be a Housing District (versus a Redevelopment District). A Housing District requires an affordability component, which ultimately reduces the amount of rental income the Development could bring in and the project may not be economically feasible. A Housing District is the only option because the properties would not be able to be determined as 51% blighted (since there are no actual buildings on the site). The existing foundations, while unusable, would have to be removed before developing, and do not qualify as "structures" or "buildings" to satisfy the blighted requirement.

The Beard Group spoke with staff and asked about a project with the same density as the 5 Central Apartments (roughly one building, 3 stories, around 60-70 total rental units, including underground parking). The site would require that level of density to make the financial component work for the Developer. Even though there appears to be some hurdles with this site, staff is confident that a project can happen here. Staff will continue to work with prospective purchasers or developers in order to facilitate a new development at that location.

Schulz understood this property was being held in receivership. Grams stated this was the case.

Schulz asked what type of receivership this was. Grams believed the receivership was court appointed.

Schulz suggested staff speak with the receiver to see if there was an interest in rescinding the TIF agreement. He believed the receiver would have a hard time moving this property, as well. It was his opinion the City would have to get creative on how to address this property or it would remain vacant until it was foreclosed upon.

Johnson understood the property had five different property ID's. Grams explained Hennepin County has the property listed and mapped as five separate parcels; however, the receivership was trying to sell the parcel as one piece of land.

Spanier asked if the TIF District would remain with the property if it were to sell. Grams reported the TIF district would remain with the property.

Poppe discussed the sale timeline for a property in receivership.

Johnson asked if the property had outstanding property taxes. Grams was uncertain.

Osseo Sports Properties (340 Central Ave and 332 Central Ave)

Grams reported staff has worked with Premier Bank, who has the two properties up for sale, recently to look into some additional environmental review at the site. Pinnacle Engineering, who the City has worked with numerous times in the past on various developments, has been contacted to see what it would cost us to conduct some additional environmental work. Once that information is learned, staff will proceed with obtaining approval from the EDA to conduct that work and potentially share costs with Premier Bank. Staff is continuing to explore options at that site and will help facilitate any further development in the near future.

Schulz commented again on the structural integrity of this building and encouraged staff to consider this as this property moves toward redevelopment. He did not want to see the EDA "assume" this property without a plan in place for this property.

Johnson questioned if this property was going to be tested. Grams indicated he was waiting to hear back from Pinnacle Engineering on this matter.

8. NEW BUSINESS

A. CONSIDER RE-SUBORDINATE POSITION ON 604 1ST AVENUE NW SECOND MORTGAGE

Grams stated Osseo resident Kay Squiers 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 homeowner loans. Most, if not all, of subordination requests are granted, provided the action does not harm the EDA financially. Ms. Squiers's request, along with the loan particulars, were sent to Kennedy Graven for review and a recommendation. Staff recommended approval of the resubordinate position at 604 1st Avenue NW.

A motion was made by Schulz, seconded by Stelmach, to approve the re-subordinate position at 604 1st Avenue NW. The motion carried 7-0.

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

Stelmach commented he attended the Lions Roar and thanked staff for all of their work on the Pop Up Park.

Johnson reported he spent the last ten days visiting every business in Osseo. He believed there were 150 businesses and only three owners lived within the City. He explained that only two owners found any fault with the operation of the City, and business was good for nearly all. In addition, there was a great appreciation of the Police Department. He provided further comment on his findings after visiting with the local business owners.

10. ADJOURNMENT

A motion was made by Schulz, seconded by Stelmach, to adjourn at 6:34 p.m. The motion carried 7-0.

Respectfully submitted,

Heidi Guenther
TimeSaver Off Site Secretarial, Inc.