



**AGENDA – REGULAR MEETING**  
**6:00 p.m., April 9, 2018**

## **Economic Development Authority**

- 1. ROLL CALL**
- 2. APPROVAL OF AGENDA**
- 3. APPROVAL OF MINUTES**
  - A. March 12, 2018
- 4. MATTERS FROM THE FLOOR**
- 5. PUBLIC HEARING**
- 6. ACCOUNTS PAYABLE**
- 7. OLD BUSINESS**
  - A. Update on Annexation and Redevelopment Opportunity
- 8. NEW BUSINESS**
  - A. Tax Increment Financing Annual Review – Rebecca Kurtz, Ehlers & Associates
  - B. Update on 5 Central Property Tax Value Appeal Process
- 9. REPORTS OR COMMENTS: Executive Director, President, Members**
- 10. ADJOURNMENT**

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY  
REGULAR MEETING MINUTES  
March 12, 2018**

1. ROLL CALL

President Todd Woods called the regular meeting of the Osseo Economic Development Authority to order at 6:00 p.m., Monday, March 12, 2018.

Members present: Juliana Hultstrom, Harold E. Johnson, Sherry Murdock, Duane Poppe, Mark Schulz, 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: Dan Spanier.

2. OATH OF OFFICE FOR NEW COMMISSIONER

City Attorney Mary Tietjen administered the Oath of Office to newly appointed Commissioner Sherry Murdock. A round of applause was offered by all in attendance.

3. APPROVAL OF AGENDA

**A motion was made by Schulz, seconded by Johnson, to approve the Agenda as presented. The motion carried 7-0.**

4. APPROVAL OF MINUTES – February 12, 2018

**A motion was made by Johnson, seconded by Stelmach, to approve the minutes of February 12, 2018, as presented. The motion carried 7-0.**

5. MATTERS FROM THE FLOOR – None.

6. PUBLIC HEARINGS – None.

7. ACCOUNTS PAYABLE

Executive Director Riley Grams presented the EDA Accounts Payable listing.

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

8. OLD BUSINESS – None.

9. NEW BUSINESS

A. DISCUSS ANNEXATION AND REDEVELOPMENT OPPORTUNITY

Grams stated Richard Welk is the current owner of a property located at 9970 County Road 81 in Maple Grove. Welk would like to sell the property for possible redevelopment. The City of Osseo has been approached as a possible buyer. However, because the property is technically in Maple Grove, the Maple Grove City Council would need to approve the annexation of the property into Osseo's boundary. Grams said he has had only preliminary discussions with Maple Grove officials about annexing this property.

Grams reported an old gas station sits on the site currently. A Phase I and Phase II environmental study has been completed on the property. A pre-demo report has also been completed on the property. An underground storage tank removal report proposal is also available, along with a site demo proposal.

Grams explained if the City does purchase the property and annexes it from Maple Grove, the property will automatically be zoned as R-1 Residential (per Osseo Code 153.003). However, the City Council could then take the necessary steps to re-zone the property into a more appropriate zone.

Dan Spanier, 208 4<sup>th</sup> Avenue NE, addressed the EDA and discussed the future use for the property being proposed for annexation. He discussed the history of this property and explained the property owner was interested in seeing a recreational use on this property, which may include a hockey rink. He indicated the property owner would like to have Osseo annex the property as Maple Grove appears to not be interested in its redevelopment. It was noted the property was currently zoned industrial, per the City of Maple Grove.

Johnson asked who owns the adjacent property. Mr. Spanier explained the property was privately owned by an individual in Champlin. He noted a Phase I and Phase II environmental study had been completed on the gas station property.

Johnson stated if this particular property were annexed, he would like to see the adjacent property annexed as well. Mr. Spanier commented the City of Maple Grove was interested in the annexation. He explained that many people believed this gas station was already in Osseo. He noted the site was in need of redevelopment. He provided further comment on the State of Minnesota's brownfield program.

Stelmach stated he has spoken with the stakeholders and the Maple Grove City Council. He believed this would be a great piece of property for the Osseo School District but understood the redevelopment of this site would be too difficult for them. He agreed this was a good redevelopment opportunity for Osseo. He supported the EDA pursuing the annexation of this property for future redevelopment. City Attorney Tietjen stated she would be happy to provide the EDA with further information on the annexation process.

Grams stated he believed it was worthwhile to pursue this matter further. He commented his only concern with the annexation was if the property would be redeveloped once cleaned or simply donated to the school district. He feared that Maple Grove may object to the annexation if the site were redeveloped.

Schulz indicated he did not believe this had to be determined by the EDA at this time. In addition, he did not support the EDA simply donating the entire parcel to the school district. He supported the City annexing, cleaning, and turning this property around.

Woods stated he would like to better understand the tax incentives for this project.

Further discussion ensued regarding the recreational opportunities that could be placed on the annexed property.

Grams asked how much more would have to be spent to clean the site. Mr. Spanier estimated this to be \$80,000 to \$90,000.

Grams explained this would mean the EDA would have to invest close to \$600,000 to purchase and clean the site in order to prep it for redevelopment. This would mean the School District would have to purchase the property for \$600,000. Mr. Spanier commented the property owner may be willing to consider donating a portion of the purchase price to the City if the property was given to a non-profit.

Poppe commented on how valuable this land would be to the school if both the gas station and small strip center were annexed. He discussed how a year-round hockey rink would benefit the community.

Hultstrom asked if the Phase I and Phase II environmental would expire anytime soon. Mr. Spanier noted the Phase II was completed in January of 2018 and Phase I was completed in September of 2017.

Woods questioned if all three properties in this area should be annexed.

Poppe did not recommend the well house be annexed because there would be no revenue from this property. He suggested only the gas station and strip center be annexed. Mr. Spanier commented the City of Maple Grove would be expecting to hear from Osseo regarding the annexation of the gas station.

Grams questioned how the project should proceed if the School District was not interested in the property.

Stelmach suggested two paths be pursued, one that would allow for the School District to purchase the land once cleaned and another path that would allow for private redevelopment.

Schulz stated he believed this property would offer a great long-term solution for the School District in allowing them to remain in Osseo.

Grams stated the next step would be to set up a meeting with the City of Osseo, President Woods, Mr. Spanier, and the City of Maple Grove. The Commission thanked Mr. Spanier for coming to the EDA with this opportunity.

10. **REPORTS OR COMMENTS:** Executive Director, President, Members

City Planner Nancy Abts reported Hennepin County would be holding Blue Line planning sessions in March and April. The session in March would be held on Tuesday, March 20, at the Brooklyn Park Library.

Stelmach welcomed Ms. Murdock to the EDA.

Schulz welcomed Ms. Murdock to the EDA, as well.

Woods welcomed Ms. Murdock to the EDA and thanked her for her willingness to serve the community.

11. ADJOURNMENT

**A motion was made by Schulz, seconded by Johnson, to adjourn at 6:49 p.m. The motion carried 6-1 (Stelmach opposed).**

Respectfully submitted,

Heidi Guenther  
*TimeSaver Off Site Secretarial, Inc.*



## City of Osseo Economic Development Authority Meeting Item

### Accounts Payable Listing

4/9/18EDA

2018

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Check Name	Comments	Amount
CITY OF OSSEO	ENGINEERING REIMB - MAPPING OF NORTH CENTRAL	\$76.92
CITY OF OSSEO	GATEWAY SIGN LANDSCAPING	\$16,274.00
CITY OF OSSEO	GATEWAY SIGN CONTRIBUTION	\$45,574.31
EHLERS & ASSOCIATES, INC	5 CENTRAL MARKET VALUE APPEAL	\$120.00
EHLERS & ASSOCIATES, INC	TIF DISTR CALCS	\$176.25
EHLERS & ASSOCIATES, INC	2017 PRE-AUDIT REVIEW	\$480.00
EHLERS & ASSOCIATES, INC	COMPLETE TAX ABATEMENT FORM FOR COUNTY	\$240.00
HENN CO PROPERTY TAX	1311922140111 2018 ASSESSMENTS	\$188.12
KENNEDY & GRAVEN, CHARTERED	FEB 2018 LEGAL SERVICE	\$802.35
TIMESAVER OFF SITE	3/12/18 EDA MTG	<u>\$142.00</u>
		\$64,073.95

### EDA MONTH END CASH BALANCE

			DIRECTIONAL					
		3/12/2018	SIGNAGE	ADJUSTMENTS		3/12/2018	PROPOSED	3/12/2018
FUND	DESCRIPTION	BALANCE	REVENUE	(+/-)		BALANCE	EXPENSE	BALANCE
801	GENERAL	595,984.70		0.00		595,984.70	-63,953.95	532,030.75
806	TIF 2-5 REALIFE	5,031.57		0.00		5,031.57		5,031.57
817	TIF 2-4 BELL TOWER	159,988.63		0.00		159,988.63		159,988.63
819	TIF 2-6 CELTIC CROSSING	57,541.85		0.00		57,541.85		57,541.85
824	TIF 2-7 BARGER PROJECT	0.00		0.00		0.00		0.00
825	TIF 2-8 LANCOR/LYNDES	1,231.76		0.00		1,231.76		1,231.76
836	TIF 2-9 5 CENTRAL	117,578.55		-139,127.31	1	-21,548.76	-120.00	-21,668.76
		937,357.06	0.00	-139,127.31		798,229.75	-64,073.95	734,155.80
1	RECORD INTERFUND PAYMENT		-125,000.00					
	ADJUST BEGINNING INTERFUND BALANCE		-14,127.31	-139,127.31				



## City of Osseo Economic Development Authority Meeting Item

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**Agenda Item:** Update on Annexation and Redevelopment Opportunity

**Meeting Date:** April 9, 2018

**Prepared by:** Riley Grams, City Administrator

**Attachments:** Memo on Annexation from City Attorney Tietjen

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**Policy Consideration:**

Update on the annexation and potential redevelopment of the abandoned gas station located at 9970 County Road 81 in Maple Grove.

**Background:**

The EDA heard a presentation from Dan Spanier, who is assisting the current property owner, Dick Welk, in selling the gas station located at 9970 County Road 81, about a possible annexation and redevelopment opportunity at their previous meeting on March 12. The EDA directed Staff to further investigate the opportunity. Since that meeting, Staff discussed this opportunity with several stakeholders. At this time, the Osseo School District has taken a more active role in negotiating the purchase of this property for future athletic improvements. If the School District were to purchase the property for their own redevelopment needs, the City of Osseo and the Osseo EDA would not have any role in the transaction.

Prior to this update, City Attorney Mary Tietjen did research the annexation question, and provided the attached memo and information on the subject. Assuming the School District does end up purchasing this property, they would need to combine the parcel with their existing school parcel (assuming a redevelopment would occur), which requires a lot combination. Our assumption would be that the property would need to be annexed into Osseo in order for that to occur.

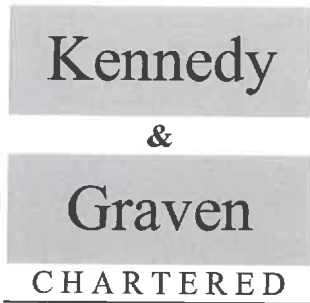
Staff will stay in communication with the stakeholders of this property.

**Previous Action or Discussion:**

The EDA heard a presentation from Dan Spanier about this opportunity at their March 12, 2018 meeting.

**Recommendation/Action Requested:**

Staff recommends the Economic Development Authority discuss this updated item and direct Staff accordingly.



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## MEMORANDUM

To: Osseo Economic Development Authority  
Riley Grams, Executive Director

From: Mary Tietjen, city attorney *mdt*

Re: Detachment/Annexation process

Date: March 30, 2018

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This is a follow-up to the discussion at the March EDA meeting relating to possible annexation of property located in Maple Grove. When the situation involves two municipalities, the process that is followed is called "concurrent detachment/annexation", pursuant to Minn. Stat. § 414.061:

"Property of one municipality which abuts another may be concurrently detached and annexed by the procedure set forth in this section."

The statute provides that the proceeding is initiated by:

- (1) Submitting to the chief administrative law judge (at the State Office of Administrative Hearings ("OAH")) resolutions of both municipalities describing the land and stating their desire to detach and annex the land; or
- (2) Submitting to the chief administrative law judge the petition of all property owners and the resolution of at least one municipality describing the land and stating its desire to have the land concurrently detached and annexed as provided in the property owners' petition.

If option 1 is followed and both cities submit resolutions, the chief administrative law judge at OAH may simply order the detachment and annexation, assuming the judge finds that both resolutions are in order. If that occurs, the detachment and annexation would be effective upon the issuance of the judge's order, or at a later date if that is stated in the order.

If the annexation becomes effective on or before August 1 of a levy year, the city acquiring the detached area (Osseo) of another city (Maple Grove) may levy on it beginning with that levy year. If the annexation is effective after August 1 of a levy year, the city losing the detached area



(Maple Grove) may continue to levy on it for that levy year, and the acquiring city (Osseo) may not levy until the following levy year.

If the proceeding is initiated by the property owner, and one city's resolution (option 2 above), the petition and resolution are submitted to the chief administrative law judge and the judge must conduct a hearing. The hearing must be conducted within 30 to 60 days from receipt of the petition by the judge and an order must be issued no later than one year from the hearing date. Minn. Stat. § 414.09, subd. 1(a).

The judge is required to mail notice of the hearing to the following parties: the city presently governing the affected land; any city or township abutting the affected land; the county where the land is situated; and each planning agency which has jurisdiction over the affected area. Minn. Stat. § 414.09, subd. 1(c). The judge must also see that notice of the hearing is published for two successive weeks in the legal newspaper in the area.

In arriving at a decision on a petition that is subject to a hearing, the judge looks at several factors, all of which are outlined in Minn. Stat. § 414.02, subdivision 3. (Copy attached.) By statute, the judge "shall order the proposed action on finding that it will be for the best interests of the municipalities and the property owner. In all cases, the chief administrative law judge shall set forth the factors which are the basis for the decision."

## 2017 Minnesota Statutes

Authenticate**414.02 EXCLUSIVE METHOD OF MUNICIPAL INCORPORATION.**

**Subdivision 1. Initiating the proceedings.** This section provides the exclusive method of incorporating a municipality in Minnesota. Proceedings for incorporation of a municipality may be initiated by petition of 100 or more property owners or by resolution of the town board within an area which is not included within the limits of any incorporated municipality and which area includes land that has been platted into lots and blocks in the manner provided by law. The petition or resolution shall be submitted to the chief administrative law judge and shall state the proposed name of the municipality, the names of all parties entitled to mailed notice under section 414.09, the reason for requesting incorporation, and shall include a proposed corporate boundary map.

**Subd. 1a. Notice of intent to incorporate.** (a) At least 30 days before submitting the petition or resolution to the chief administrative law judge under this section, the township must serve the clerk of each municipality and each township that is contiguous to the township by certified mail a notice of the township's intent to incorporate.

(b) If the proceedings for incorporation are initiated by the requisite number of property owners, the notice of intent to incorporate must be served by the property owner or owners or designee in the manner required under this paragraph. The property owner or owners or designee must serve a notice of intent to incorporate on the town board of the township containing the area proposed for incorporation. The property owner or owners or designee must also serve the clerk of each municipality and each township that is contiguous to the area proposed for incorporation by certified mail a notice of intent to incorporate.

**Subd. 2. Hearing time, place.** Upon receipt of a petition or resolution made pursuant to subdivision 1, the chief administrative law judge shall designate a time and place for a hearing in accordance with section 414.09.

**Subd. 3. Relevant factors, order.** (a) In arriving at a decision, the chief administrative law judge shall consider the following factors:

(1) present population and number of households, past population and projected population growth for the subject area;

(2) quantity of land within the subject area; the natural terrain including recognizable physical features, general topography, major watersheds, soil conditions and such natural features as rivers, lakes and major bluffs;

(3) present pattern of physical development, planning, and intended land uses in the subject area including residential, industrial, commercial, agricultural, and institutional land uses and the impact of the proposed action on those uses;

(4) the present transportation network and potential transportation issues, including proposed highway development;

(5) land use controls and planning presently being utilized in the subject area, including comprehensive plans, policies of the Metropolitan Council; and whether there are inconsistencies between proposed development and existing land use controls;

(6) existing levels of governmental services being provided to the subject area, including water and sewer service, fire rating and protection, law enforcement, street improvements and maintenance, administrative services, and recreational facilities and the impact of the proposed action on the delivery of the services;

(7) existing or potential environmental problems and whether the proposed action is likely to improve or resolve these problems;

(8) fiscal impact on the subject area and adjacent units of local government, including present bonded indebtedness; local tax rates of the county, school district, and other governmental units, including, where applicable, the net tax capacity of platted and unplatted lands and the division of homestead and nonhomestead property; and other tax and governmental aid issues;

(9) relationship and effect of the proposed action on affected and adjacent school districts and communities;

(10) whether delivery of services to the subject area can be adequately and economically delivered by the existing government;

(11) analysis of whether necessary governmental services can best be provided through the proposed action or another type of boundary adjustment;

(12) degree of contiguity of the boundaries of the subject area and adjacent units of local government; and

(13) analysis of the applicability of the State Building Code.

(b) Based upon these factors, the chief administrative law judge may order the incorporation on finding that:

(1) the property to be incorporated is now, or is about to become, urban or suburban in character; or

(2) that the existing township form of government is not adequate to protect the public health, safety, and welfare; or

(3) the proposed incorporation would be in the best interests of the area under consideration.

(c) The chief administrative law judge may deny the incorporation if the area, or a part thereof, would be better served by annexation to an adjacent municipality.

(d) The chief administrative law judge may alter the boundaries of the proposed incorporation by increasing or decreasing the area to be incorporated so as to include only that property which is now, or is about to become, urban or suburban in character, or may exclude property that may be better served by another unit of government. The chief administrative law judge may also alter the boundaries of the proposed incorporation so as to follow visible, clearly recognizable physical features for municipal boundaries.

(e) In all cases, the chief administrative law judge shall set forth the factors which are the basis for the decision.

(f) Notwithstanding any other provision of law to the contrary relating to the number of wards which may be established, the chief administrative law judge may provide for election of council members by wards, not less than three nor more than seven in number, whose limits are prescribed in the chief administrative law judge's order upon a finding that area representation is required to accord proper representation in the proposed incorporated area because of uneven population density in different parts thereof or the existence of agricultural lands therein which are in the path of suburban development, but after four years from the effective date of an incorporation the council of the municipality may by resolution adopted by a four-fifths vote abolish the ward system and provide for the election of all council members at large as in other municipalities.

(g) The chief administrative law judge's order for incorporation shall provide for the election of municipal officers in accordance with section [414.09](#). The plan of government shall be "Optional Plan A", provided that an alternate plan may be adopted pursuant to section [412.551](#), at any time.

(h) The ordinances of the township in which the new municipality is located shall continue in effect until repealed by the governing body of the new municipality.

**Subd. 4. Effective date of incorporation.** The incorporation shall be effective upon the election and qualification of new municipal officers or on such later date as is fixed by the chief administrative law judge's order.

**History:** [1959 c 686 s 2](#); [1961 c 645 s 2](#); [1963 c 807 s 6, 7](#); [1965 c 899 s 6-11](#); [1969 c 1146 s 8](#); [1973 c 123 art 4 s 5](#); [1975 c 271 s 6](#); [1978 c 705 s 12](#); [1986 c 444](#); [1988 c 719 art 5 s 84](#); [1989 c 329 art 13 s 20](#); [1Sp1989 c 1 art 2 s 11](#); [1996 c 303 s 8](#); [2002 c 223 s 5](#); [2006 c 270 art 2 s 3](#); [2008 c 196 art 1 s 6](#); [art 2 s 15](#); [2009 c 86 art 1 s 69](#)



## City of Osseo Economic Development Authority Meeting Item

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**Agenda Item:** Economic Development Authority TIF Annual Review

**Meeting Date:** April 9, 2018

**Prepared by:** Riley Grams, City Administrator

**Attachments:** Osseo TIF Review Presentation

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**Background:**

Each year, Rebecca Kurtz provides an update on the City of Osseo's Tax Increment Financing districts and any other TIF related information.

Rebecca will be on hand Monday evening to provide her annual update for the EDA.



**EHLERS**  
LEADERS IN PUBLIC FINANCE

## Osseo TIF Review

Rebecca Kurtz – Ehlers



April 9, 2018



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## Basics of Tax Increment

### Minnesota Statutes 469.174 – 469.1811

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## What is TIF?

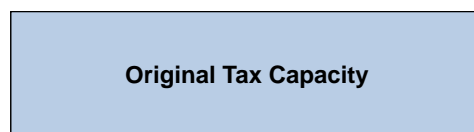
Tax Increment Financing (TIF):

The ability to capture and use most of the increased local property tax revenues from **new development** within a **defined geographic area** for a defined period of time without approval of the other taxing jurisdictions.



## Building Blocks of TIF

There is a starting property value in the TIF District when it is created (also called “base value”)

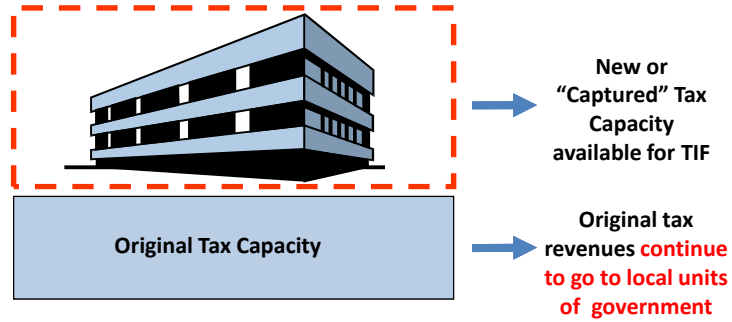


→ Tax revenues go to all local units of government



## Building Blocks of TIF

Development Occurs = New Tax Capacity  
TIF District can "capture" the increased value from the new development



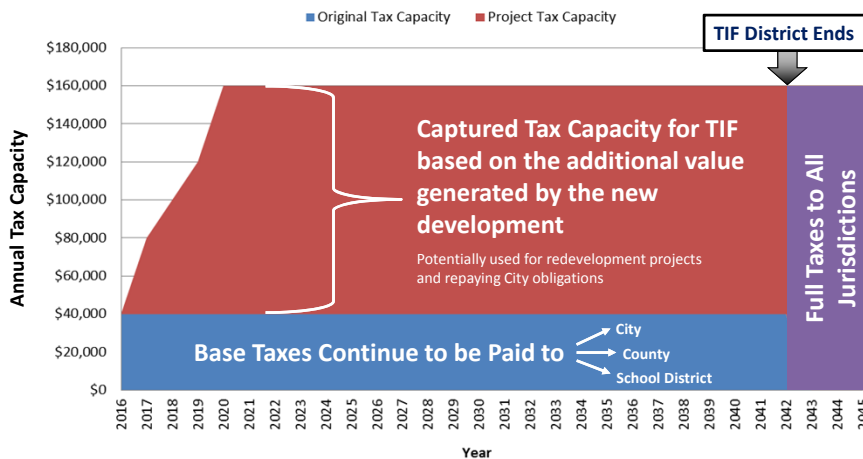
$$\text{TIF} = \text{Captured Tax Capacity} \times \text{Tax Rate}$$

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**EHLERS**  
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## TIF Example (26 year district)



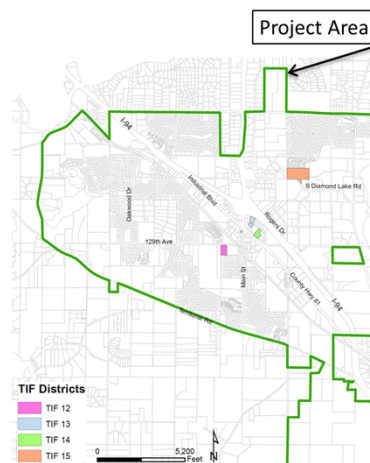
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## Project Area: Where increment may be spent

- TIF Districts must be located in a Project Area or Development District
- Multiple TIF Districts can be in a Project Area
- Increment can be spent outside a TIF District in Project Area (aka “pooling”)



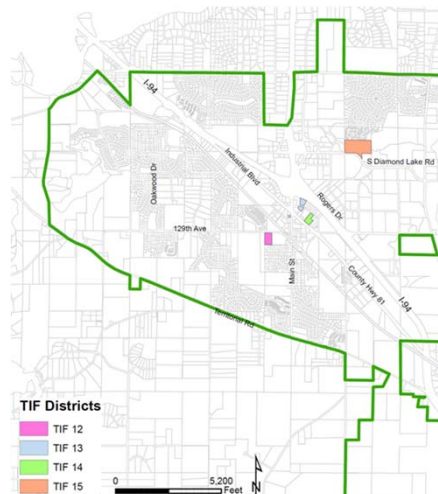
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## TIF District: Where increment is collected

- Defines parcels whose increased value will be captured
- Parcels do not have to be contiguous, but usually are
- Must meet criteria in State law for type of District being established



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## TIF District approval

- Established by EDA and must have approval of Council following public hearing
- TIF Plan and Project Area Plan
  - State policy objectives
  - Provide maximum budget authority for TIF revenues and expenditures

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## Types of Districts

Purpose	Type of District	Max. Term
Redo substandard / obsolete buildings	Redevelopment	26
	Renovation & Renewal	16
Affordable housing	Housing	26
	Economic Development - Workforce Housing	9
Job & tax base creation	Economic Development	9

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## Redevelopment District

- Parcels consisting of 70% of area must be improved
- More than 50% of buildings must be substandard
- 90% of TIF used to correct redevelopment issues
- Reasonable distribution of conditions



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## Renewal and Renovation District

- Parcels consisting of 70% of area is improved
- 20% of buildings are structurally substandard
- 30% of other buildings require substantial renovation or clearance
  - To remove inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, etc.



## Housing District

- Affordable Housing - Income test is main qualification
  - Rental: *Annual income compliance test for District term*
    - 40% of units restricted to 60% of median income
    - 20% of units restricted at 50% of median income
  - Owner occupied: *First buyer income* is limited to 100% or 115 % of state or local median income
- 100% tax increment used for affordable housing



## Economic Development

- At least 85% of new building space must be:
  - Manufacturing
  - Warehousing, storage, distribution
  - Research and development
  - Telemarketing
  - Space necessary and related to the above



## How can increment be spent?

- Must meet policy objectives in TIF Plan
- Must be in TIF Plan Budget



## How can increment be spent?

- Must be costs associated with new development:
  - Land Acquisition
  - Demolition and Relocation
  - Site improvements
  - Utilities, Streets, Sidewalks
  - Environmental Clean-up
  - Parking
  - Buildings (only for housing districts)



### “But For” Test

- The development is only possible *but for* the use of tax increment
- Council has to make this finding



### Summary of TIF Districts



### TIF District 2-4: Bell Tower (Redevelopment)

- Office / warehouse
- Established in 2000
- Decertified in 2028 or when obligations are paid
- Debt:
  - G.O. TIF Refunding Bonds, Series 2011A (\$485,000 outstanding; mature 2/1/2022)
  - Cotton's NAPA Paygo Note



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### TIF District 2-5: Realife Senior Housing (Redevelopment)

- Mixed-use senior housing cooperative
- Established in 2001
- Decertified in 2028
- Debt:
  - \$482,670 Taxable TIF Revenue Note, Series 2014
  - \$545,451 Taxable TIF Revenue Note, 2004B paid after 2014 Note is paid in full



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### TIF District 2-6: Celtic Crossings / Mary Patrice (Redevelopment)

- Celtic Crossing Condominiums
- Established in 2002
- Decertified in 2030 or when obligations are paid
- Debt:
  - \$350,000 Paygo Note



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### TIF District 2-8: Lynde's Project (Redevelopment)

- Restaurant and office / warehouse
- Established in 2007
- Decertified in 2034
- Debt:
  - \$283,000 Pay-as-you-go Note
  - Interfund Loan paid with increment from other parcels



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## TIF District 2-9: Five Central (Redevelopment)

- 140 units of rental housing
- Established in 2013
- Decertified in 2040 or when obligations are paid
- Debt:
  - \$510,000 G.O. Bonds, Series 2014A for sanitary sewer (issue included improvements not related to TIF 2-9)
  - \$550,000 G.O. Taxable TIF Bonds, Series 2014B
  - \$700,000 City Interfund Loan
  - \$1,495,719 Pay-as-you-go Note



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## Decertified TIF Districts

- TIF 1: Main Street
- TIF 2: Main Street
- TIF 3: Main Street
- TIF 1-1: Rose Distribution
- TIF 2-1: Sharp
- TIF 2-2: Health Dimensions / Steeple Pointe
- TIF 2-3: Wiley
- TIF 2-7: Barger Housing

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## Options for redevelopment funds

- Establish EDA levy up to 0.01813% of EMV  
 $(259,663,000 \times 0.01813\%) = \$47,077$
- Establish TIF District or abatement area, if project/site meets requirements

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**Rebecca Kurtz**  
**Senior Municipal Advisor**

(651) 697-8516  
rkurtz@ehlers-inc.com

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## City of Osseo Economic Development Authority Meeting Item

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**Agenda Item:** Update on 5 Central Property Tax Value Appeal Process

**Meeting Date:** April 9, 2018

**Prepared by:** Riley Grams, City Administrator

**Attachments:** Memo from Rebecca Kurtz

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**Background:**

Recently, the owner/developer of the 5 Central Apartments project filed a petition to lower the property's market value, as assessed by the Hennepin County Assessor. The EDA was updated with this information, and directed Staff come back with additional information.

Rebecca Kurtz, with Ehlers, was invited to attend the EDA meeting to provide an update on the progress.

**Next Step:**

Staff and Ehlers will continue to monitor the situation and provide updates to the EDA as necessary.



# Memo

**To:** City Council, City of Osseo  
**From:** Rebecca Kurtz, Ehlers  
**Date:** April 10, 2018  
**Subject:** Status of Tax Petition for 5 Central

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In 2014, the City modified Tax Increment Financing District No. 2-9 for the development of phase II of the 5 Central multi-family housing development, located at 20 - 6<sup>th</sup> Street NW (PID: 13.119.22.11.0166). The Amended Agreement entered into by the EDA and developer assumed the development of 140 units of rental housing with a minimum market value of \$14.7 million or \$105,000 per unit.

In 2017, the assessor's market value was \$23.6 million or \$168,571 per unit. The City was notified by Hennepin County that the owner of 5 Central filed a petition seeking a reduction in the market value. Per the development agreement, the developer has the ability to seek a reduction to \$14.7 million.

Currently the City is not aware of a petition for the 2018 market value. However, the owner has until April 30 of this year to file. The assessor's market value for 2018 is \$23.1 million.

## **Priority of Tax Increment**

Under the Development Agreement, the City retains 10 percent of the increment for administration, and debt service payments for the 2014A Bonds and 2014B Bonds have priority over the tax increment. Semi-annual debt service payments are approximately \$61,000. The Note holder receives a semi-annual payment of \$57,500. This amount was based on a market value of \$14.7 million, and this payment is set until all other obligations are paid. Remaining increment is used to pay the balance on the City's Interfund Loan.

## **Impact on Tax Increment**

If the developer is successful at reducing the market value for the property, Hennepin County will reduce the next tax increment settlement to the City based on the market value settled through the tax court. The County then distributes the reduction to the City, County and School District (all taxing authorities) in their proportional share.

The reduced tax increment settlement would be used to make payments, per the Agreement, with administration and bond payments having priority. To the extent funds are available, the developer would then receive the semi-annual payment of \$57,500, and any remaining funds could be used to make a payment on the City's interfund loan. Depending on the amount of the reduction, there may not be sufficient funds to make a payment on the interfund loan during that semi-annual period.

For calendar year 2017, the gross tax increment settled by Hennepin County was approximately \$429,000. The City / EDA were able to retain up to \$42,900 in documented administration expenses, and debt service payments for the two bonds was \$123,375. Two semi-annual payments totaling \$115,000 were paid on the Pay-as-you-go Note, and the balance of approximately \$147,725 was available for payments on the City's Interfund Loan.

**Next Steps**

The EDA and City should continue to monitor the status of tax petitions. To the extent they are settled at a lower market value, the payment on the Interfund Loan will be adjusted accordingly.

It is not uncommon for developers to file tax court petitions for multiple years at a time, which would be settled simultaneously by the County. It also would not be uncommon for the property owner to continue to file petitions until a settlement is reached.