

Economic Development Authority

- 1. ROLL CALL
- 2. APPROVAL OF AGENDA
- 3. APPROVAL OF MINUTES
 - A. May 14, 2018
- 4. MATTERS FROM THE FLOOR
- 5. PUBLIC HEARING
- 6. ACCOUNTS PAYABLE
- 7. OLD BUSINESS
 - A. North Central Redevelopment Update
- 8. NEW BUSINESS
- 9. **REPORTS OR COMMENTS: Executive Director, President, Members**
- 10. ADJOURNMENT

OSSEO ECONOMIC DEVELOPMENT AUTHORITY REGULAR MEETING MINUTES May 14, 2018

1. ROLL CALL

Vice President Mark Schulz called the regular meeting of the Osseo Economic Development Authority to order at 6:00 p.m., Monday, May 14, 2018.

Members present: Juliana Hultstrom, Harold E. Johnson, Sherry Murdock, Duane Poppe, Mark Schulz, and Larry Stelmach.

Members absent: None.

Staff present: Executive Director Riley Grams, City Accountant Teri Portinen, and City Planner Nancy Abts.

Others present: City Attorneys Andrew Biggerstaff & Doug Shaftal, and Rebecca Kurtz.

2. ELECTION OF OFFICERS

Executive Director Riley Grams stated the EDA will need to elect a new President due to a vacancy. Current officers are:

President: (Vacant) Vice President: Mark Schulz Treasurer: Larry Stelmach Assistant Treasurer: Harold E. Johnson Executive Director: Riley Grams Secretary: LeAnn Larson

Grams reported two EDA members are eligible to be President (Murdock and Hultstrom). However, the vacant position could also be the President. The EDA has the option to either elect the President from the two current eligible members, or wait until the vacant seat is filled before electing the President.

Stelmach asked if the EDA could wait until a new member had been appointed to elect a President. Grams reported the EDA could wait to appoint a President until a new member has been appointed.

Johnson stated he supported the EDA appointing a President at this time and did not support waiting.

Stelmach anticipated that the Vice President could serve as the President during the interim.

Schulz commented he would be willing to serve as the President during the interim.

Stelmach requested staff define the word "shall" for EDA. Attorney Shaftal reported he believes the Board is empowered to appoint someone new at this meeting. However, he stated he did not know enough to understand what the impact would be if someone was not appointed. He explained the work of the Board could continue without the appointment and the appointment at this meeting was not imperative. Murdock asked if the EDA was seeking an Board member for the vacancy or the President. Grams commented the City was seeking an individual to serve as a Board member.

A motion was made by Murdock, seconded by Johnson, to appoint Juliana Hultstrom as President. The motion carried 6-0.

3. APPROVAL OF AGENDA

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

4. APPROVAL OF MINUTES – APRIL 9, 2018

A motion was made by Stelmach, seconded by Johnson, to approve the minutes of April 9, 2018, as presented. The motion carried 6-0.

- 5. MATTERS FROM THE FLOOR None.
- 6. PUBLIC HEARINGS None.
- 7. ACCOUNTS PAYABLE

Grams presented the EDA Accounts Payable listing.

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

- 8. OLD BUSINESS None.
- 9. NEW BUSINESS
 - A. NORTH CENTRAL REDEVELOPMENT UPDATE

Grams stated the EDA formed a committee (then EDA President Todd Woods, Commissioners Johnson and Hultstrom, and Executive Director Grams and City Planner Abts) charged with reviewing the two proposals received from the North Central Redevelopment project site. The committee met several times to begin looking into the timeframe and costs associated with this project. The committee reviewed potential long-term costs and an increased timeline and would like the Board members to hear more information on those two topics.

Grams explained the committee invited Rebecca Kurtz (Ehlers & Associates) to give a presentation to the EDA on Tax Increment Financing (TIF) basics and how the EDA could establish a TIF district.

Grams indicated the committee invited City Attorney Mary Tietjen and Doug Shaftal (Kennedy & Graven) to discuss relocation costs. Since neither the City nor EDA own any properties on the North Central Redevelopment site, the EDA needs to be mindful of the costs of purchasing properties and relocating the current owners or tenants.

Grams commented the EDA General Fund currently has approximately \$525,000. Average EDA expenses are about \$96,000 annually. He stated he was concerned that the EDA did not have enough upfront cash available to do this project at this time. With the 5 Central Apartments project, multiple funds were tapped for the project to shorten the TIF note as much as possible. Even with some available grant money to acquire properties, EDA funds would be required to

purchase some of the properties. Then, other up-front expenses would include relocation of businesses, environmental cleanup, site demo, etc.

Grams stated staff has explored the idea of using an EDA levy as part of the annual budgeting process. Such a levy would amount to approximately \$47,000 annually.

Grams indicated the long-term funding strategy would be to acquire as much grant funds possible for site purchase, environmental cleanup (if any), and site demo. However, grant funds alone would not cover those expenses.

The EDA Board should consider what level of risk is appropriate. One option is the City issues bonds for the upfront costs, but the City would need to levy taxes to pay the debt service payments until the project starts generating increment. There is no guarantee that a project would generate enough increment to pay 100% of the debt service.

Another option is the long approach and requires patience with a potential project. This could take years, similar to the 5 Central project, but involves lower risk. A developer would be responsible for all up-front financing, and the City would have minimal risk associated with the project. Assuming TIF is provided as part of the financing package, the term may need to be much longer, but that would be part of the developer's risk.

Grams stated that currently the EDA has a Letter of Interest to purchase the Chris Rains property at the north end of Central Avenue. The LOI states that the purchase would be contingent on receiving grant funds. The outcome of our grant application will not be known until June 2018. If the EDA decides not to proceed on a project, the EDA can get out of the LOI per the terms placed on it. Staff requested the EDA discuss the matter and determine what level of risk the City wants with this project. The North Central Redevelopment Committee is seeking direction on how to proceed with this project (if at all). Staff noted the City did not receive any grant funding for this project from Hennepin County.

Rebecca Kurtz, Ehlers & Associates, provided the EDA with a presentation on TIF and how this would work for the proposed North Central Redevelopment Project. She noted it would take 60 to 90 days to establish a TIF District and reviewed all of the steps that would have to take place in order for this to occur. She explained a Purchase Agreement would take another 60 days to negotiate. The Redevelopment TIF District requirements were described for the EDA. She provided further comment on how increment could be spent within a proposed Redevelopment TIF District. Lastly, she reviewed the types of TIF financing options that were available to the City and the timing with each option. She encouraged the EDA to consider where to go with this project and how much risk the City was willing to take.

Johnson questioned how staff would define substandard. Ms. Kurtz explained this was defined by the code violations within a building.

Hultstrom asked if relocation costs could be paid through TIF. Ms. Kurtz reported TIF funding could assist with covering relocation costs.

Johnson asked what it would cost the City to create a Redevelopment TIF District. Ms. Kurtz estimated this would cost the EDA \$30,000 to \$35,000, which would include inspections within the redevelopment area. She described how the City could have these fees reimbursed over time through increment or a future developer.

Doug Shaftal, Kennedy & Graven, introduced himself to the EDA and noted he was a relocation attorney. He addressed the EDA regarding the context with which rental assistance relocation expenses would have to be paid and discussed the types of relocation assistance that were available, noting the cap for each type. He commented further on how eminent domain could be

used for projects. He reported relocation assistance was a real asset for redevelopment projects and encouraged the City to consider hiring a relocation consultant if the EDA was going to pursue the North Central Redevelopment Project.

Johnson requested further information on how relocation assistance would apply to tenants within a leased building. Mr. Shaftal described when and how relocation assistance would apply in this situation.

Johnson asked if the City would hire a relocation consultant or the moving business. Mr. Shaftal indicated both parties could hire a relocation consultant if an expensive move was anticipated.

Grams recommended this item come back to the EDA at a future meeting for further discussion. The EDA supported this recommendation.

B. UPDATE ON OSSEO SPRING OPENER EVENT

Grams explained Stelmach had an update for the EDA on the Osseo Spring Opener Event.

Stelmach stated the Osseo Spring Opener would be scheduled next year.

C. UPDATE ON OSSEO URBAN TOWNHOMES

Grams stated staff has been sorting through the complicated history of the Osseo Urban Townhomes and how these agreements will affect the EDA. Staff has been working with the City's legal firm, Kennedy & Graven, to research the agreements currently in place. City Attorney Mary Tietjen and Kennedy & Graven Paralegal Nancy England have put considerable time into the research side of this program and are currently awaiting information from Hennepin County. Staff anticipates a review of the Osseo Urban Townhomes at the June EDA meeting.

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

Johnson thanked staff for the thorough reports on the North Central Redevelopment project.

Stelmach stated he enjoyed attending the Vintage Foreign Car and Craft Show this past Saturday.

Poppe thanked Hultstrom for her willingness to serve as the President of the EDA.

Grams congratulated Ms. Hultstrom on her appointment as EDA President and stated he looked forward to working with her.

City Planner Nancy Abts stated she would be attending the Northwest Metro Development Meeting tomorrow with Mayor Poppe and a representative from Rochon.

11. ADJOURNMENT

A motion was made by Schulz, seconded by Johnson, to adjourn at 7:08 p.m. The motion carried 6-0.

Respectfully submitted,

Heidi Guenther TimeSaver Off Site Secretarial, Inc.



Accounts Payable Listing 6/11/18EDA

2018

	6	
Check Name	Comments	Amount
EHLERS & ASSOCIATES, INC	4/9/18 ANNUAL TIF UPDATE	\$480.00
EHLERS & ASSOCIATES, INC	4/3/18 STATUS OF TAX PETITION FOR 5 CENTRAL	\$480.00
KENNEDY & GRAVEN, CHARTERED	APR 2018 TOWNHOME RESEARCH	\$1,237.75
KENNEDY & GRAVEN, CHARTERED	APR 2018 SERVICES	\$527.83
TIMESAVER OFF SITE	5/14/18 EDA MTG	\$176.50
		\$2,902.08

	1	EDA MONTI	H END CASH	BALANCE				
			DIRECTIONAL					
		5/14/2018	SIGNAGE	ADJUSTMENTS		6/11/2018	PROPOSED	6/11/2018
FUND	DESCRIPTION	BALANCE	REVENUE	(+/-)		BALANCE	EXPENSE	BALANCE
801	GENERAL	524,671.27		18.29	1	524,689.56	-2,422.08	522,267.48
806	TIF 2-5 REALIFE	5,031.57				5,031.57		5,031.57
817	TIF 2-4 BELL TOWER	159,988.63				159,988.63		159,988.63
819	TIF 2-6 CELTIC CROSSING	57,541.85				57,541.85		57,541.85
825	TIF 2-8 LANCOR/LYNDES	1,231.76				1,231.76		1,231.76
836 TIF 2-9 5 CENT	TIF 2-9 5 CENTRAL	-2,754.46				-2,754.46	-480.00	-3,234.46
		745,710.62	0.00	18.29		745,728.91	-2,902.08	742,826.83
1	JAN - FEB INTEREST	18.29						



City of Osseo Economic Development Authority Meeting Item

Agenda Item:	North Central Redevelopment Update
Meeting Date: Prepared by:	June 11, 2018 Riley Grams, City Administrator
Attachments:	TIF Development Agreement Information from Ehlers Relocation Memo and Information from Kennedy Graven Email from Chris Rains

Policy Consideration:

Consider next steps with the North Central Redevelopment project.

Background:

At the May 14, 2018 EDA meeting, Commissioners heard a lot of great information regarding the development process for the North Central Redevelopment area. The Committee invited Rebecca Kurtz (Ehlers) to give a presentation to the EDA on some additional TIF basics, but also to discuss how the EDA sets up a TIF district (which is something the Committee feels would be absolutely necessary with this project), the costs associated with setting up a district and Development Agreement, and to talk about how the increment can be spent (eligible TIF costs). The Committee also invited both Mary Tietjen and Doug Shaftal (Kennedy Graven) to talk about relocation costs. As we saw with the 5 Central project, we were hit with some rather large invoices on the relocation of several businesses in order to make the project larger. Since the City or EDA currently owns no properties on the North Central Redevelopment site, we will need to be mindful of purchasing properties and relocating the current owners or tenants and how much that will really cost (in addition to any environmental cleanup and demo costs).

The EDA ran out of time for further discussion on this topic, and instead tabled discussion and any action on this item to the June 11 EDA meeting. EDA members have had several weeks now to contemplate next steps of this development project.

Currently the EDA General Fund has approximately \$525,000 available for property purchases. We have an average monthly EDA expense of about \$8,000 (or \$96,000 annually). I am concerned that we do not have enough upfront cash available to do this project. With the 5 Central project, we were able to tap into multiple funds that had money available for a project such as this. However, the City tapped all of those funds with the 5 Central project in order to shorten the TIF note as much as possible. Even with some available grant money to acquire properties, we'd be looking at using some EDA funds to purchase some of the properties. Additionally, we'll have many other up front expenses, including: relocation of businesses, environmental cleanup, and site demo and so on.

We have explored the idea of doing an EDA levy as part of the annual budgeting process. We are only able to levy so much money per year, which equates to approximately \$47,000 annually. If the Council wanted to enact an EDA levy for a few years, we could only collect roughly \$47,000 per year, which comes directly from the City's tax payers.

The long term funding strategy would be to acquire as much grant funds possible for site purchase, environmental cleanup (if any), and site demo. As always, the fickle nature of grant funding means we cannot rely 100% on grant funds to cover those expenses. The EDA may need to kick in funds to cover those expenses. There are ways for the City to provide the upfront funding, however, it is very risky. Part of the discussion amongst the EDA on Monday night should be to consider what level of risk is appropriate. On the extreme end the City can issue bonds for the upfront costs, but that means the City would need to levy taxes to pay the debt service payments until the project starts generating increment, and as we all know, there is no guarantee that a project would ever generate enough increment to pay 100% of the debt service.

On the other end of the spectrum, we could take the long approach and be extremely patient with the project. This could take years, like the 5 Central project did, but involves lower risk. We could identify a Developer who would be willing to do all the up-front financing, and the City would have minimal risk associated with the project. Assuming TIF is provided as part of the financing package, the term may need to be much longer (perhaps the full 26 years?), but that is the Developer's risk.

For Monday night, I am looking for a discussion amongst the EDA members to determine what level of risk we want with this project. The North Central Redevelopment Committee will need some direction on next steps on how to proceed with this project (if at all).

The EDA should consider next steps for the North Central Redevelopment Area

Here are the identified available options to the EDA at this time:

Option 1: Staff has approached Chris Rains about an option to purchase his property (located at 624 Central Ave). Mr. Rains has reached out to Staff and explained that he would be willing to enter into a purchase agreement with a closing date of May 2019. While this is certainly an option for us, there would have to be several contingencies attached to the purchase agreement, much like the original Letter of Intent to purchase the property. The biggest contingency would be successful awarding of grants funds to purchase the property. If the EDA feels this is a worthwhile endeavor, they can direct Staff to begin negotiating such a document with Mr. Rains.

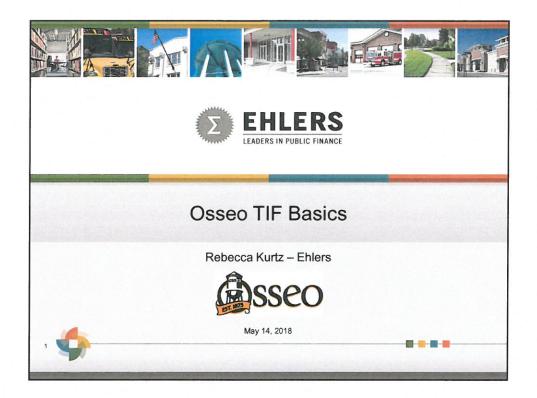
Option 2: Another option would be to seek developers who are willing to take on most, if not all, of the risk associated with the project, including, but not limited to, property acquisition, relocation and demo/clean up. Of course, that means the Developer would most likely seek TIF assistance to recoup their costs. But if a project were to happen here, TIF would be needed.

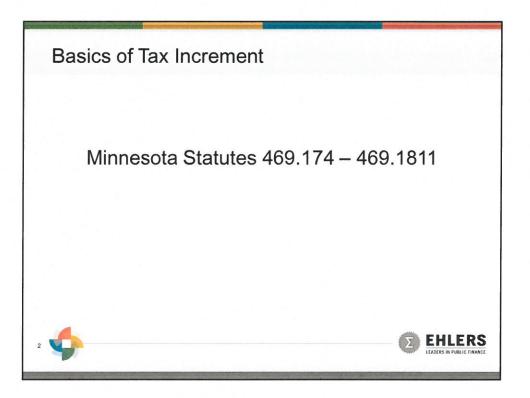
Option 3: Another option would be to acquire properties on that half block as they became available for purchase. The EDA would then consider each opportunity and make a decision at that time, rather than attempting to buy all of the properties at one time. This way we would be working with willing sellers. This option increases the time frame for the project, however.

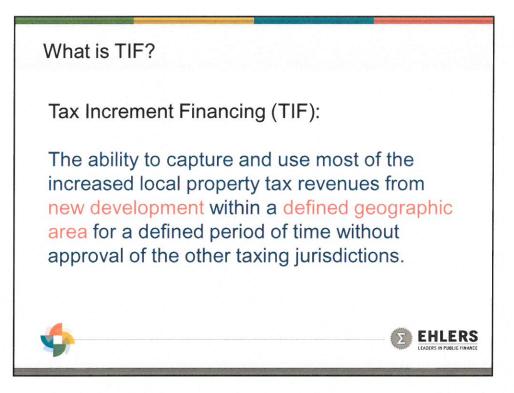
Option 4: And finally, the last option would be scrap plans for this project and focus the EDA's efforts elsewhere in the City (either with a different development opportunity, or with a completely different focus to strengthen Osseo development opportunities).

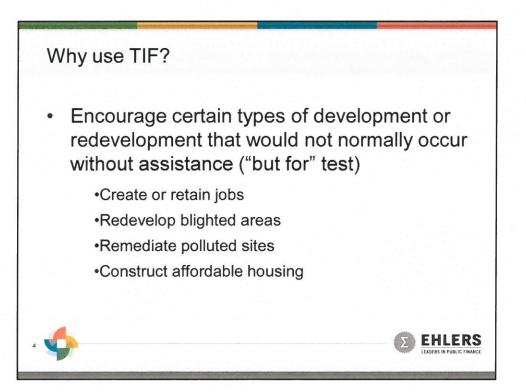
Recommendation/Action Requested:

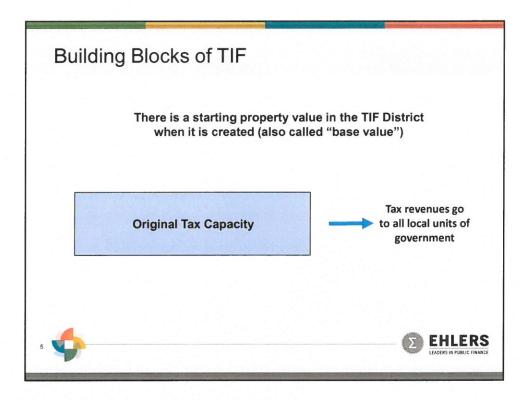
Staff recommends the Economic Development Authority discuss this project in detail, and direct the North Central Redevelopment Committee and Staff accordingly.

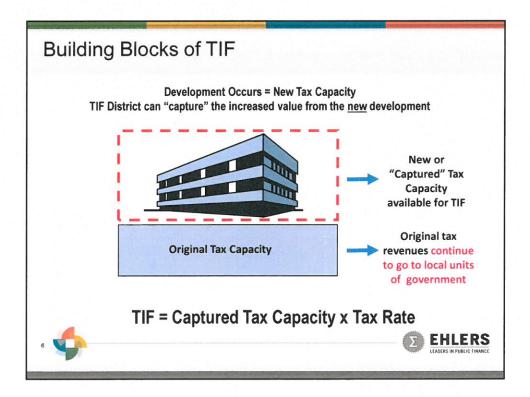


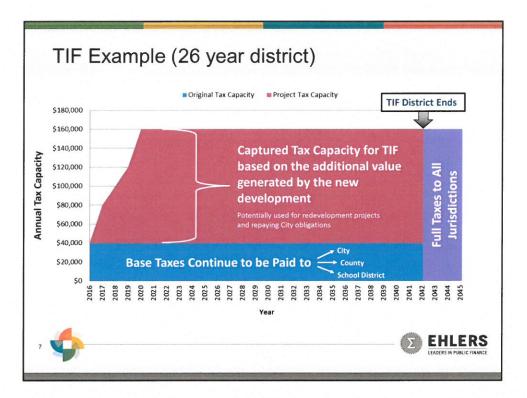


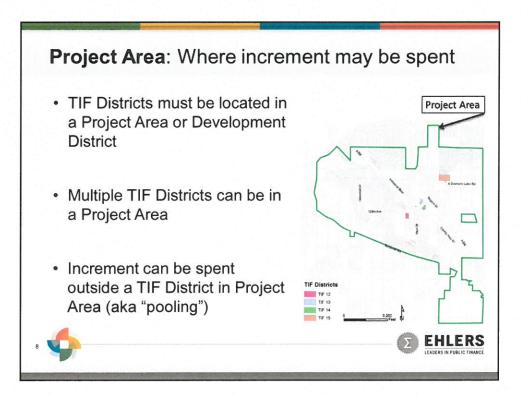


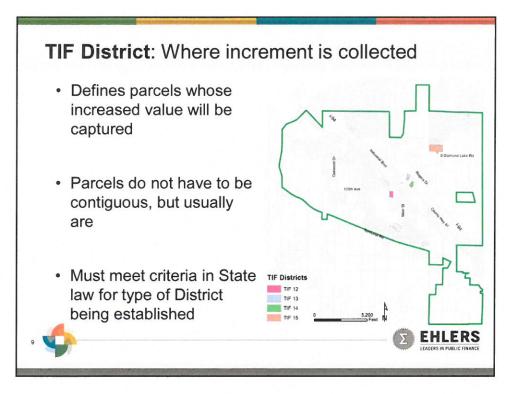


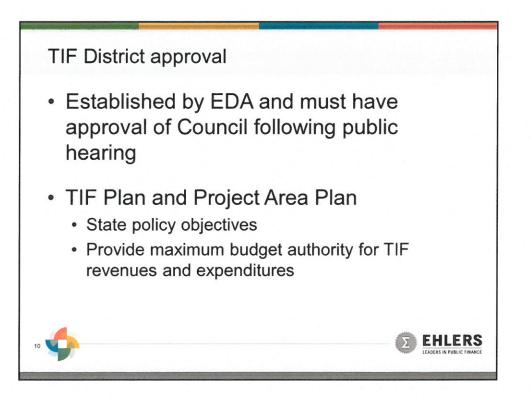












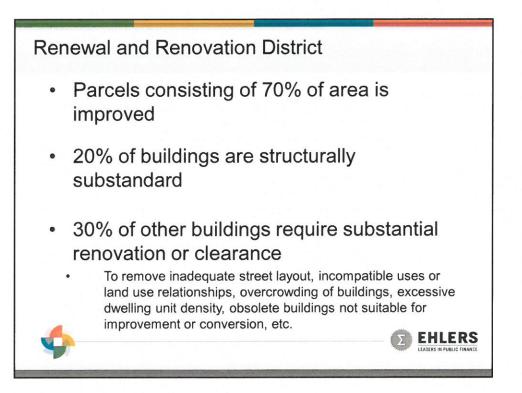


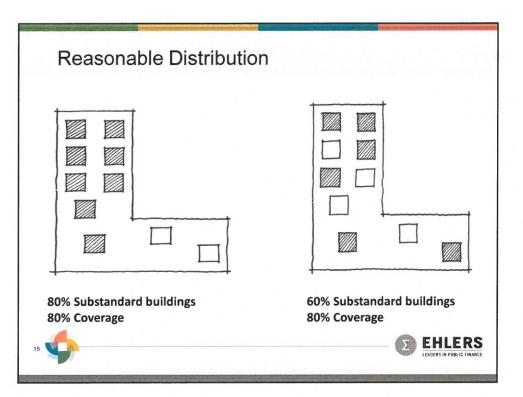
Purpose	Type of District	Max. Term
Redo substandard / obsolete buildings	Redevelopment	26
	Renovation & Renewal	16
Affordable housing	Housing	26
	Economic Development - Workforce Housing	9
Job & tax base creation	Economic Development	9

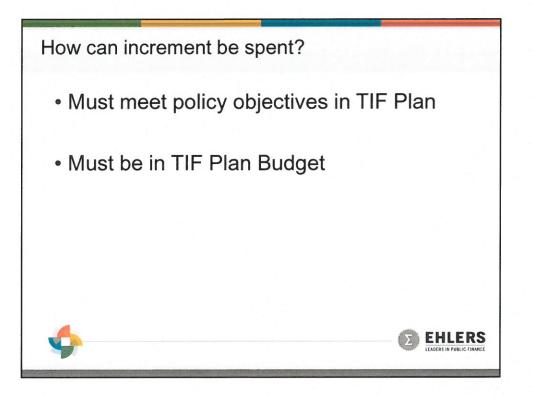
Redevelopment District

- · 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

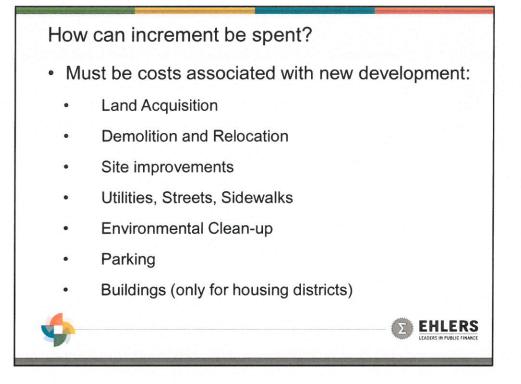


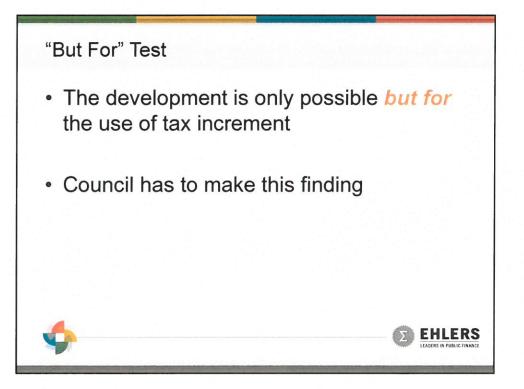


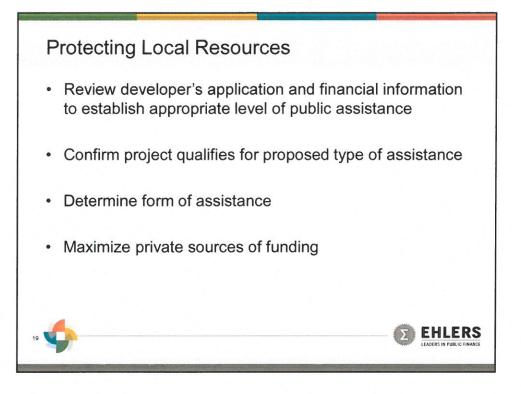


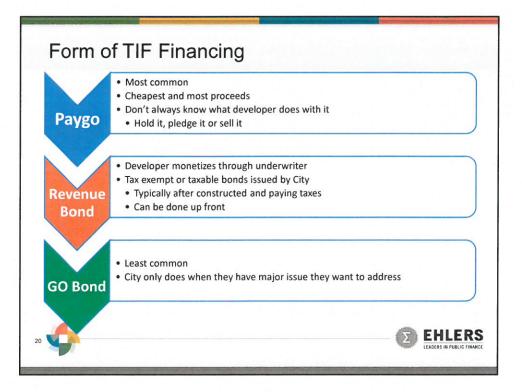


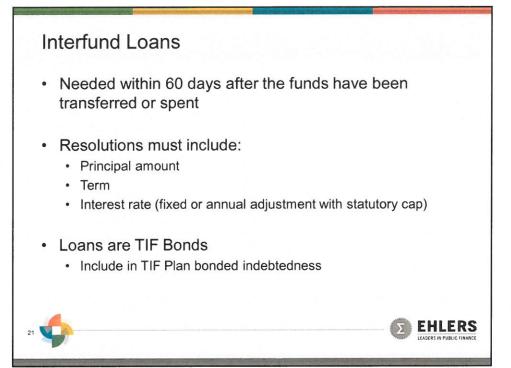
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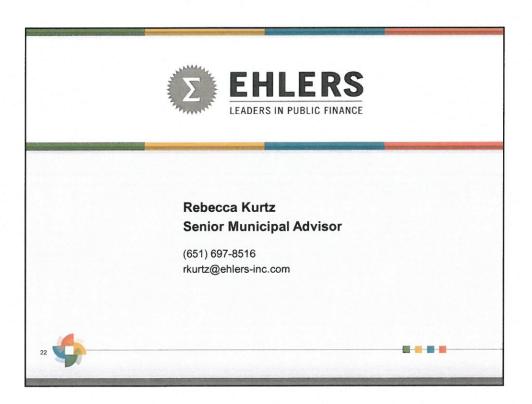














Douglas D. Shaftel 470 US Bank Plaza 200 South Sixth Street Minneapolis MN 55402

(612) 337-9248 telephone (612) 337-9310 fax dshaftel@kennedy-graven.com http://www.kennedy-graven.com

MEMORANDUM

To: Osseo EDA Riley Grams, Executive Director

From: Doug Shaftel, attorney

Re: North Central Redevelopment: Relocation Issues

Date: 5/10/18

Below are three topics I will broadly discuss at the EDA meeting on Monday, May 14, 2018.

The first topic is under what circumstances the EDA, as a public entity acquiring property for an economic redevelopment project, must provide relocation services and financial assistance (collectively, "relocation assistance") under the Minnesota Uniform Relocation Act. While there are exceptions, the prudent approach is to assume that it must provide relocation assistance to every displaced tenant. It may also have to provide relocation assistance to owner-occupants, but there are at least two scenarios in which it may not. Where the EDA is acting like any other market participant because it lacks authority to condemn the property (i.e., it is not blighted, contaminated or a nuisance property), the federal regulations do not consider the owner-occupant a "displaced person" and do not require that it receive relocation benefits. Further, even when the EDA arguably has authority to condemn, when the owner has already indicated an intention to sell the property, the EDA may negotiate a waiver from the owner of its relocation benefits after providing a written summary of the benefits being waived. Such waivers often result in an increased purchase price.

The second topic is the role of the relocation specialist. While I can advise the EDA on the application of the Minnesota Uniform Relocation Act, relocation specialists are well-versed in the federal regulations and agency guidance that govern the scope of services and assistance. They are trained to provide relocation notices, such as the 90-day notice to vacate, and services, such as identifying replacement locations and housing. They also facilitate relocation claim preparation and processing. Should the EDA decide to proceed with acquiring properties for this project, I would encourage it to engage a qualified relocation specialist.

The third topic is the scope of relocation expenses for which the EDA may be responsible. The Relocation Act is a reimbursement program and the public entity is only responsible for paying for actual and documented expenses incurred by the displaced business or individual. There are numerous different expenses for which businesses may be eligible but they fall under two broad categories – moving expenses and reestablishment expenses.¹ A business must be reimbursed for both the actual costs of moving its personal property (uncapped) and the costs of reestablishment at the replacement location (up to \$50,000).

Residential displacements are generally less expensive than commercial as the typical household has less personal property to move. Like businesses, the eligible displaced residential occupant is eligible for all her actual costs of moving personal property.² While residential displacees do not receive reestablishment assistance, they can receive a replacement housing payment. For a homeowner, a replacement housing payment is the difference between the amount she is paid for the acquired property and the amount it costs to buy a comparable replacement property (capped at \$25,000). For a tenant, a replacement housing payment assists with increased rent payments for a period of 42 months (capped at \$7,200). If the EDA wants a rough estimate of the total costs of relocating certain businesses and residential occupants, it should consult a relocation specialist.

Because the act is a benefit program with limits on the scope of eligible expenses, disputes often arise. The claimant can appeal any denied claim to the Office of Administrative Hearings and shall conduct a full evidentiary hearing, when needed. The claimant can also seek review of the OAH decision by the Minnesota Court of Appeals. Although disputes over eligible expenses occur with some frequency, those that result in evidentiary hearings are uncommon. Nonetheless, on a significant redevelopment project, it would be prudent to assume that there will be additional expenses associated with resolving relocation appeals.

DDS

¹ Attached is a Minnesota Department of Transportation brochure that addresses many of the subcategories of eligible expenses.

² There are minimum lengths of occupancy that the residential displacee must meet to be eligible.

From:	Chris Rains <chris@chrisrains.com></chris@chrisrains.com>
Sent:	Tuesday, May 29, 2018 11:08 AM
То:	Nancy Abts; Riley Grams
Subject:	RE: 624 Central Avenue

Follow Up Flag:	Follow up
Flag Status:	Flagged

If the city is interested, I am willing to work with the city for one more year. I think we should meet and discuss our options. I would be willing to sign a purchase agreement that would have a closing date of May 2019. That would give the city time to work through the issue of funding the purchase. The PA would need to be subject to a few items but should not be very difficult to work out.

If you are interested let me know.

Chris Rains

eXp Realty m: <u>612.599.0372</u> o: <u>763.315.0000</u> a: 624 Central Ave | Maple Grove | MN | 55369 e: <u>Chris@ChrisRains.com</u> w: <u>www.ChrisRains.com</u>