

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY  
REGULAR MEETING MINUTES  
September 10, 2018**

1. ROLL CALL

President Juliana Hultstrom called the regular meeting of the Osseo Economic Development Authority to order at 6:00 p.m., Monday, September 10, 2018.

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

Members absent: None.

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

Others present: Bruce Kimmel, Sue Watlov Phillips, Margaret Metzdorft, Elaine Morris, and Roxanne Smith.

2. APPROVAL OF AGENDA

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

3. APPROVAL OF MINUTES – AUGUST 13, 2018

**A motion was made by Murdock, seconded by Stelmach, to approve the minutes of August 13, 2018, as presented. The motion carried 7-0.**

4. MATTERS FROM THE FLOOR – None.

5. PUBLIC HEARINGS – None.

6. ACCOUNTS PAYABLE

Executive Director Riley Grams presented the EDA Accounts Payable listing.

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

7. OLD BUSINESS – None.

8. NEW BUSINESS

A. APPROVE SALE OF FIVE CENTRAL TIF NOTE

Bruce Kimmel, Ehlers & Associates, reported the Five Central property was for sale. He explained 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 - 6th 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. The owner also filed a petition for the 2018 market value. The assessor's market value for 2018 is \$23.1 million. At this time, the County has not settled either petition.

Mr. Kimmel reported the purchaser, Magellan Investment Partners, has been made aware of the two pending market value petitions for the property. Based on discussions with the current owner, Magellan has stated that the current owner will not withdraw the tax petitions. Therefore, if the sale is completed and the current owner 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 in their proportional share.

Mr. Kimmel stated the reduced tax increment settlement would be used to make payments, per the Agreement, with administration and bond payments having priority. Magellan 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 tax year 2018, it is anticipated that the annual tax increment will be approximately \$403,530. After the two bond issues' payment and the Pay-as-you-go payment, it is anticipated that a balance of approximately \$134,600 is available for the City Interfund Loan. He commented further on how these petitions could impact the property value.

Schulz asked if Magellan plans to further appeal the property value going forward. Grams stated Magellan has stated they would not pursue further appeals. He explained Magellan was a well-established national company that would be working to pay down this loan.

Hultstrom inquired if the EDA would notice any changes after the sale of this property occurred. Mr. Kimmel explained the EDA would see no change.

Stelmach requested further information on how the appeal would be managed by the City. Grams discussed how the situation would be handled if a reduction in property taxes were granted by the County and noted the EDA had funds set aside to cover this expense. He explained that this was a drawn-out process that may not occur until 2019.

Johnson questioned why five different company names were used within the TIF Note documents. He expressed concern with the fact that the original agreement stated a certain number of units were to be affordable housing. He asked if this would be altered through the change of ownership. Grams explained the different company names were in place to allow the purchaser to have another company manage the property. He reported all documents had been reviewed by Rebecca Kurtz and the City Attorney and were recommended for approval. He was under the assumption that the affordable housing units would transfer over with the TIF Note.

Johnson stated because the EDA received this information late on Thursday, he would like to table action on this item for further review and consideration and that a Special EDA meeting be held on Monday, September 17, at 8:00 p.m.

**A motion was made by Johnson to table action on the Five Central TIF Note to a Special EDA Meeting, to be held on Monday, September 17, 2018, at 8:00 p.m. The motion failed for lack of a second.**

Stelmach stated he appreciated Johnson's concerns but noted staff was responsive to EDA questions or comments.

Johnson clarified for the record that he sent an email on Friday, September 7, at 11:00 a.m., and again today and received no response from staff. He stated this was too important of a document for the EDA to be making assumptions or decisions without clarification.

Mr. Kimmel commented the sale of the TIF Note would not change any of the developers responsibilities within the Developers Agreement. He stated this was more of a technical matter changing the responsibilities from one entity to another. Grams apologized for the delay in getting the EDA packet to the Commissioners. He stated he was at the whim of outside consultants in processing and gathering all necessary information that had to be included in the packet.

Schulz stated he understood staff was sometimes forced into time crunches. However, he did not believe that just because the developer was under a time constraint that this should become an emergency for the EDA. He requested staff have all attachments included in the packet, especially for a document this important. He stated he was disappointed in the quality of workmanship within the documents and encouraged staff to pay closer attention to detail noting he had found several typos within the document. Mr. Kimmel apologized for the oversight and noted he would speak with the developer's attorney to have this document cleaned up.

Stelmach asked if Schulz could support the TIF Note with the understanding the typos would be fixed.

Schulz stated he was simply expressing his disappointment in the quality of the document. City Attorney Mary Tietjen explained it was permissible to approve the document with the understanding minor changes would be made.

Johnson indicated he would not be offering his support for the transfer of the TIF Note.

**A motion was made by Stelmach, seconded by Hultstrom, to adopt EDA Resolution No. 2018-1 Authorizing EDA Consent to Collateral Assignment of Development Agreement and TIF Note; Consent, Assignment, and Assumption of Development Agreements, with errors and omissions being corrected as noted. The motion carried 6-1 (Johnson opposed).**

**B. PRESENTATION FROM METROPOLITAN INTERFAITH COUNCIL ON AFFORDABLE HOUSING – Sue Watlov Phillips**

Sue Watlov Phillips, Metropolitan Interfaith Council on Affordable Housing, presented the EDA with information on affordable housing options in the metro area. She stated MICAH was a 30-year-old organization that works with individuals that have been impacted by the housing crisis. She explained it was MICAH's goal to find safe, decent, and affordable housing for all individuals. She commented on an award Housing for All recently received for an affordable housing development completed in Dayton. She indicated there was a growing number of individuals in need of affordable housing in the metro area, especially seniors. She discussed the number of units at risk of being upgraded and transferred away from affordable housing. She encouraged Osseo to maintain its current number of affordable units. She invited the EDA members to attend a Bus Tour on Tuesday, September 18.

**C. PRESENTATION FROM TWIN CITIES HOUSING DEVELOPMENT CORP – Margaret Metzdorft**

Margaret Metzdorft, Twin Cities Housing Development Corp, introduced herself to the EDA and explained her non-profit organization owns 900 affordable housing units in the metro area. She described how affordable housing was defined and who lives in this housing. She commented on 100% affordable housing development in Maple Grove called Hickory Ridge. She explained there was a very low vacancy rate for affordable housing, which meant there was not a lot of movement, which made it difficult to find housing for families.

D. PRESENTATION FROM COMMUNITY ACTION PARTNERSHIP OF HENNEPIN COUNTY – Ricardo Perez

Ms. Watlov Phillips explained Ricardo Perez from Community Action Partnership of Hennepin County was not able to attend this evening. She commented on how she and other advocates were working to improve the affordable housing market. She explained how cities could help by keeping converted or upgraded rental units affordable.

Stelmach thanked Ms. Watlov Phillips and Ms. Metzdorft for their presentations. He requested further information on how the elderly were being impacted by the housing crisis. Ms. Watlov Phillips explained the price of housing has increased considerably and seniors may have lost assets over the past decade.

Johnson asked if Ms. Metzdorft worked with cities on affordable housing developments. Ms. Metzdorft reported this could be done but noted her agency also worked on its own to keep units affordable. She encouraged the EDA members to watch Sold Out, a YouTube video on affordable housing.

Hultstrom thanked Ms. Watlov Phillips and Ms. Metzdorft for their presentations.

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

Stelmach stated Lions Roar was a wonderful event again this year. He thanked all the members of the community for attending.

City Planner Nancy Abts reported on Thursday, September 20, Hennepin County would be hosting a presentation on Economic Tools. She encouraged the EDA members to consider attending this event with her.

Hultstrom stated she enjoyed hearing the presentations on affordable housing. She invited the EDA members to attend the Housing for All Bus Tour on Tuesday, September 18, at 5:30 p.m.

10. ADJOURNMENT

**A motion was made by Stelmach, seconded by Murdock, to adjourn at 7:11 p.m. The motion carried 7-0.**

Respectfully submitted,

Heidi Guenther  
*TimeSaver Off Site Secretarial, Inc.*