
5 Implementation

The Redevelopment Master Plan is intended to be a relevant and useful tool for guiding public and private redevelopment actions. To serve as such a tool, the Master Plan must provide direction on the steps that are needed to convert ideas into realities. This chapter focuses on the keys to sustaining and enhancing the traditional small town community, and in particular a unique and revitalized Downtown district.

Keys to Implementation

The experience of other cities shows that several factors are important ingredients for the successful implementation of redevelopment master plans:

Patience: The community's vision cannot be implemented overnight. The time frame for implementation reflects its evolutionary nature; it looks forward over a period of years. The desired change often requires the patience to wait for the right things to happen, rather than making changes simply to be seen as getting something done.

Commitment: Commitment to this Redevelopment Master Plan and patience go hand-in-hand. This Master Plan does not simply seek to attract redevelopment to Osseo; it also seeks to move Osseo toward a vision for the future. There is a difference. Commitment to the Redevelopment Master Plan means the willingness to actively promote public and private investments that achieve the vision and to deter developments that do not fit. Not all of these decisions will be easy.

Public-Private Partnerships: Implementation of this Redevelopment Master Plan requires a continuation of the public-private partnerships that have achieved success in Osseo for many years. Both city government and businesses must actively work to achieve Osseo's vision for redevelopment.

Passionate Advocacy: The process utilized to carry out the master plan is often an exciting and sometimes very challenging process for members of the community. Clearly, there is passion behind some of the ideas both in a positive and negative way. Finding a passionate advocate and empowering that advocate to implement the idea is a key to implementation.

Financial Reality: Implementing the Redevelopment Master Plan requires the careful investment of public funds, but the private side of the financial equation must not be overlooked. New development and existing businesses will pay for part of the improvements

called for in the Redevelopment Master Plan. Implementing the Redevelopment Master Plan seeks to balance the public investment in initiatives with the creation of an economic environment that sustains businesses.

Strategic Investments: If financial support for the Redevelopment Master Plan was unlimited, the need for strategic decisions would be less important. With the City's limited funds, every expenditure decision is a crucial one. It is not possible to immediately undertake all of the initiatives described in this Redevelopment Master Plan. Needs and opportunities not contemplated in this Redevelopment Master Plan may arise in the future. Every public investment must be evaluated for its impact on achieving the vision for the future of Osseo.

Roles and Responsibilities

There is a temptation to place all the responsibility for implementation of the Redevelopment Master Plan on the City of Osseo. In fact, many of the powers and resources needed to undertake the actions described in this Redevelopment Master Plan are held by the City. However, the success of the Master Plan cannot be made the sole responsibility of city government. Achieving the vision for Osseo requires ongoing collaboration of both public and private stakeholders. This section describes the roles and responsibilities of key parties.

Business and Property Owners

While the City influences the community's physical development, Osseo will continue to be primarily a place of private activity. For instance, individual businesses determine the type of goods and services available in downtown Osseo and along County Road 81. Individual businesses make decisions about how they operate. Property owners decide how to maintain and improve their buildings. All of these private decisions play a role in the long-term success of Osseo.

Osseo Business Association

The Osseo Business Association (OBA) has been an active participant in this project and previous planning for economic development in Osseo. In 2006, the OBA worked with a team of students from the College of Business at the University of St. Thomas to conduct a strategic marketing study for Osseo business development. Several OBA members were also members of the Redevelopment Master Plan Task Force. OBA's involvement with the Redevelopment Master Plan should continue into the implementation phase of the City's redevelopment process.

Osseo's business areas, both Downtown and County Road 81, consist of a collection of independent businesses. This independence adds to the unique character and quality of Osseo's business environment but may also be a barrier to beneficial collective actions. The

OBA provides a means for organizing and engaging Osseo’s many businesses; however, less than half of Osseo’s businesses are currently members of the OBA. Roles of the OBA include:

- Provide a forum for discussion, consensus and action on issues of importance to the Redevelopment Master Plan.
- Act as a passionate advocate for City actions needed to undertake redevelopment projects and public improvements.
- Provide business-oriented input to public decision making.
- Collaborate with the City to attract new businesses and redevelopment projects to Osseo.

City Council

The City Council sets the foundation for implementing this Redevelopment Master Plan consistent with the overall mission of the City. While other bodies (Planning Commission and EDA) play key roles in the implementation process, important redevelopment powers reside solely with the City Council. Among the powers that may be needed to undertake public redevelopment initiatives in Osseo are:

- Approve amendments to the Zoning and Subdivision Ordinances;
- Approve the City’s five-year Capital Improvements Program (CIP);
- Allocate money in the annual budget to capital improvements;
- Approve the establishment of tax increment financing (TIF) redevelopment districts;
- Approve the establishment of special services or business improvement districts and the levy of additional taxes or service charges on properties in the business district;
- Levy of special assessments for public improvements;
- Issuance of general obligation bonds to finance redevelopment and public improvement projects;
- Approve City’s involvement in constructing, operating and financing public parking facilities.

The City Council must be engaged in the vision for Osseo and be prepared to take action as needed. Actions by the City Council can enhance the Master Plan in other ways. Some examples include:

- Adopt an “annual downtown action plan” to implement the Master Plan (see next section in this chapter);
- Organize community events that make Downtown Osseo a focal point;
- Keep civic institutions concentrated in Downtown and ensure that civic facilities contribute to Osseo’s traditional downtown character;
- Explore strategies for improving the Downtown parking system, including a public parking system;

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- Avoid subsidizing projects along County Road 81 that include businesses that should be located in Downtown;
 - Provide staff capacity and resources needed to plan and undertake projects in Downtown.
 - Provide staff resources that focus on specific implementation measures of the master plan (catalyst sites or initiatives). This position could be a collaborative position with assistance from the OBA. The position would become a broker or economic and redevelopment specialist forming a bridge between the City, OBA and business/developer prospects. The position would also serve as a guide for taking development projects through the sometimes challenging processes of redevelopment.

Planning Commission

The Planning Commission has the lead responsibility for evaluating the application of land use controls needed to implement the Redevelopment Master Plan. The Planning Commission advises the City Council on issues involving the establishment of and compliance with the Comprehensive Land Use Plan and the zoning, subdivision, and sign ordinances. The Commission also reviews residential, commercial, and industrial development proposals and makes recommendations to the City Council according to the goals and objectives of the comprehensive plan and requirements of the zoning, subdivision, and sign ordinances. The Planning Commission plays a key role in integrating the Redevelopment Master Plan with the update of the Comprehensive Plan.

Economic Development Authority

Osseo's Economic Development Authority (EDA), which was formed in 1995, plays a role in shaping City participation in specific redevelopment projects and support programs. The EDA assists with the development of a comprehensive plan designed to enhance the quality of, and provide balance for, the business and residential communities. The EDA seeks to encourage business development and promote long-term economic growth in Osseo. The EDA should be a supporter of the ideas and directives expressed in the Redevelopment Master Plan and utilize the Master Plan to promote the community's vision and aspirations for the future to business and development prospects. The Redevelopment Master Plan could function as an official redevelopment plan to meet the requirements of the Minnesota Statute Chapter 469 regarding municipal economic development powers.

Hennepin County

Hennepin County will play a major role in Osseo's redevelopment plans, most significantly as it plans for the redesign and reconstruction of County Road 81 (Bottineau Boulevard) and its involvement in planning for a future transit line along Bottineau Boulevard. Hennepin County's Housing, Community Works and Transit Division has also provided significant funding to support Osseo's planning and redevelopment efforts, including the creation of the Redevelopment Master Plan.

Osseo School District

Independent School District #279 is an important stakeholder in Osseo. There are three public schools currently located within the City of Osseo, covering all grade levels, as well as the Osseo Ice Arena. Significant population growth projected for the surrounding areas in Maple Grove and Brooklyn Park will also increase the school district's student population and need for additional and expanded school facilities. If the Osseo School District should decide to relocate existing facilities in Osseo, these sites become available for redevelopment.

Three Rivers Park District

The City has an opportunity to engage more directly with the Three Rivers Park District in the planning of regional trails that would connect Osseo to more regional parks and trails, including Elm Creek Park Reserve and the North Hennepin Regional Trail.

Barriers to Redevelopment

A key challenge with implementing Osseo's Redevelopment Master Plan is encouraging the development community to make an investment in the community. Critical to that endeavor is minimizing risk and unpredictability by removing the barriers that the development community must navigate through before a project becomes a reality. The following is a list of redevelopment barriers that the City should focus on.

Downtown Parking Needs

Whether perception or reality, the City needs to address the issue of adequate convenient parking for downtown businesses. The Master Plan provides various strategies, some of which will be done by the private sector. Others are public sector initiatives such as angled parking on side streets or facilitating the necessary financial mechanisms to construct public parking structures. The willingness to commit public assistance to this problem will help reduce risk to the private development community.

Substandard Public Infrastructure

Osseo's aging and deteriorating infrastructure will require upgrading in order to accommodate the needs of redeveloped sites, including stormwater runoff, sanitary sewer and water. The City needs redevelopment to occur to generate the necessary revenues that will offset the high cost of reconstructing and upsizing old infrastructure. Committing to infrastructure investments through capital improvement planning and budgeting in conjunction with seeking support from the community for improved public services will minimize risk.

Necessary Scale and Land Assembly of Redevelopment

To make urban redevelopment financially feasible, a certain scale and intensity of redevelopment is necessary to accommodate the additional costs of land acquisition and assembly, removal of existing structures, potential site cleanup, and improvements to public infrastructure. Most likely the threshold area for redevelopment in Osseo is one-half to a full block, which would require the difficult task of assembling land currently owned by multiple property owners. In some cases, the City may be able to play a role in land assembly to shorten the process and reduce costs.

Outdated Land Use Controls

Updating official land use controls (comprehensive plan, zoning and subdivision ordinance) to articulate the vision identified in the master plan provides a step that shows commitment to the vision.

Establish Clear Written Policies on City Participation

Often the development community will need public subsidies to achieve profitable redevelopment projects in older communities like Osseo. The question of public subsidies has cost many politicians and staff people their jobs in recent times. Public subsidies are necessary in many instances but must be supported by clear and convincing public benefits and needs. The City should establish a position in the form of a written policy outlining to what degree the project is eligible or would be supported for gap financing or assistance with infrastructure, etc. Use of Tax Increment Financing or other tools is an important part of redevelopment. If the message of support for such tools is unclear, a project may be deterred from ever reaching the drawing board.

Annual Downtown Action Plan

Implementation of the Redevelopment Master Plan is not a single action. Implementation is a collection of public and private actions that occur over a period of years. The City of Osseo should create an Annual Downtown Action Plan as a means of focusing on current actions to be taken. The Annual Plan should be prepared by the City Council with the input of key stakeholders such as advisory board members, civic groups, OBA and other land owners and developers. The Annual Plan would include:

- Review of progress made in the past year.
- Identification and prioritization of steps to be taken in the next year.
- Assignment of responsibilities for guiding these implementation steps.
- Determination of budget, funding needs and possible funding sources.

The use of an Annual Downtown Action Plan keeps an active and current focus on achieving the vision for Downtown Osseo. This Plan also becomes a tool for communication and collaboration between the City and the OBA.

The elements of the Downtown Action Plan should include at least the following items.

1. Public District Parking System

The City should take the first steps toward the establishment of a public parking system in Downtown. These steps include:

- Identify opportunities to maximize on-street parking, such as diagonal parking on side streets just off of Central Avenue;
- Identify preferred locations for public shared off-street parking areas in Downtown;
- Negotiate the assembly and acquisition of land for off-street parking;
- Create budget for operation and maintenance of public off-street parking areas;
- Work with developers to coordinate development of public parking, including a parking structure, with large redevelopment projects;
- Modify existing or establish new special service district to fund acquisition and maintenance of public parking spaces;
- Design and install informational signage to promote use of public shared parking spaces (wayfinding).

2. Osseo Gateway

The Osseo Gateway is one of the most important public initiatives of the Redevelopment Master Plan. Gateway design and improvements will help to define and visualize the identity of Osseo, particularly Downtown. Several questions about the Gateway need to be answered:

- Explore alternative concepts and designs for a downtown gateway area to help identify important features (e.g. public art, fountain, monument, park, etc.) and space needs.
- Determine how much open space is needed to create the gateway area.
- Determine whether the gateway open space or plaza needs to be publicly owned or could be privately owned that is public-oriented.
- Explore the potential for closing and possibly vacating 1st Street North, where it connects to Central Avenue, in order to create a better gateway area that integrates seamlessly with Central Avenue redevelopment.
- Initiate discussions with property owners to investigate the potential for redevelopment and the appropriate public role in supporting redevelopment that incorporates a public gateway area.
- Identify ways to coordinate redevelopment of the gateway area with planned redesign and reconstruction of County Road 81.
- Identify strategies for funding the necessary improvements for the gateway area.

3. *Catalyst Site #1 (West Side of Central Avenue between 3rd St N and 4th St N)*

This potential redevelopment site is ripe for redevelopment for several reasons. Most notably, half of the block contains no structures, the City owns a significant portion of the site, existing stormwater flooding problems demand infrastructure upgrades and the block is located on Central Avenue which carries high traffic quantities. The key steps for the City to tackle first are:

- Initiate discussions with property owners to investigate their interest in redevelopment and the potential for land assembly.
- Determine what the City's roles should be in leading or supporting the redevelopment of this site. Determine the City's strategy and timeline for upgrading public infrastructure in this area, particularly the stormwater pipe system, to eliminate the current stormwater flooding problems.
- Explore concepts for incorporating a public parking facility in the redevelopment of this site.
- Evaluate the potential funding from the existing TIF District that includes this site.

4. *Catalyst Site #2 (West Side of Central Avenue between 1st St N and 2nd St N)*

This potential redevelopment site is directly north of the Osseo Gateway Area and was viewed by developers as the site with the greatest redevelopment opportunity because of its location along both County Road 81 and Central Avenue. This prime location allows this site to be redeveloped with a wider range of uses, including retail, housing or office. The key steps for the City to tackle first are:

- Initiate discussions with property owners to investigate their interest in redevelopment and the potential for land assembly.
- Determine what the City's roles should be in leading or supporting the redevelopment of this site.
- Evaluate the City's willingness to close and vacate 1st Street N as a strategy to improve the redevelopment potential of this site and more directly link it to the gateway site.
- Initiate discussions with the Post Office to evaluate future plans, particularly when 1st Street W access to CR 81 is closed, and the potential for relocating to the downtown mixed-use district on Central Avenue.
- Explore concepts for incorporating a public parking facility in the redevelopment of this site.
- Evaluate the potential funding from the existing TIF District that includes this site.

5. *Catalyst Site #3 (North Bottineau Boulevard Commercial Area)*

This potential redevelopment site has seen some recent redevelopment but it has all been typical highway-oriented suburban retail development types. The planned redesign and reconstruction of County Road 81 (Bottineau Boulevard) will significantly impact this

site by consolidating all access points south of Central Avenue into one access at 4th Avenue. The key steps for the City to tackle first are:

- Communicate the vision and concepts of the Redevelopment Master Plan to Hennepin County and initiate discussions regarding the potential removal of frontage roads when CR 81 is redesigned and reconstructed.
- Determine the potential for frontage road rights-of-way to be vacated and converted into developable land.
- Explore redevelopment concepts for this site that include the possibility of the City vacating a portion of 3rd Ave SE.
- Evaluate the need for establishing a TIF District in this area.

6. Green Space System/Green Streets

The City's lack of natural open areas, green spaces and community parks should be addressed and opportunities to coordinate the addition of these amenities with future redevelopment identified. Some key steps for the City to tackle first are:

- Establish street and streetscape design standards, including green street techniques, which can be implemented over time but particularly as streets are reconstructed as part of upgrades to public infrastructure (sewer, water, stormwater). These standards should encompass appropriate pavement width, bike lanes, sidewalks, street trees, lighting, benches, signage, etc.
- Evaluate and make necessary improvements to the City's park dedication ordinance and fees to capitalize on the potential to link redevelopment to needs for additional parks.
- Update the Comprehensive Plan to incorporate a connected city-wide park and trail system.

Land Use Controls

An important aspect of implementing the plan will be the establishment of appropriate land use controls through the Comprehensive Plan and zoning regulations. Without the foundation of these land use controls, the City will have little power to realize the community's vision.

The primary application of the Comprehensive Plan comes from the Land Use Plan. The proposed Future Land Use Plan is shown in Figure 5.1. The current Comprehensive Plan contains guidance for commercial, residential, manufacturing/industrial, and public land uses. The Central Business Area is one of five Land Use Categories identified in the current Comprehensive Plan and provides guidance for intended uses, densities and design standards. To help implement the Redevelopment Master Plan's clear vision of the desired character, scale, form and mix of uses of future redevelopment, the City should

consider adopting “form-based” land use categories that are more flexible relating to land uses but more informative relating to the desired development form, such as building placement, building height, relationship to the street, and open space. These “form-based” land use categories can be applied to areas and sites based upon their street, block and district characteristics. Using this “form-based” approach, the Land Use Plan can better represent a community’s future vision, providing more guidance and flexibility at the time that redevelopment is being considered.

The Comprehensive Plan is the basis for all land use controls used by the City. State Law prohibits the City from adopting any fiscal device or official control which is in conflict with its comprehensive plan (M.S. 473.858, Subd. 1). A “fiscal device” is defined as the valuation of property pursuant to section 273.111, the designation of urban and rural service districts, pursuant to section 272.67, and the establishment of development districts pursuant to sections 469.124 to 469.134, and any other statutes authorizing the creation of districts in which the use of tax increment bonding is authorized. “Official controls” are ordinances and rules which control the physical development of the city or any part or detail thereof and implement the general objectives of the comprehensive plan. Official controls may include ordinances establishing zoning, subdivision controls, site plan regulations, sanitary codes, building codes and official maps.

Capital improvements must be made in compliance with the Comprehensive Plan. No capital improvement may be authorized by the City (any other political subdivision having jurisdiction within Master Plan) until after the Planning Commission has reviewed the proposed acquisition, disposal, or capital improvement and reported in writing its findings as to compliance of the proposed acquisition, disposal or improvement with the Comprehensive Plan (M.S. 462.356, Subd. 2).

Both tax increment financing plans (M.S. 469.175, Subd. 3) and redevelopment plans (469.028, Subd. 2) require findings that these plans conform to the Comprehensive Plan (the general plan for the development of the city as a whole).

By the end of 2008, Osseo will have completed the process of updating the entire Comprehensive Plan. The pending update influences the options for modifying the Comprehensive Plan. The options include:

- Adopt the Redevelopment Master Plan as a part of the current and the updated Comprehensive Plan.
- Make technical changes in the current Comprehensive Plan to support the objectives of the Redevelopment Master Plan and use the Redevelopment Master Plan to influence changes made during the update.
- Make no immediate changes and use the Redevelopment Master Plan to influence changes made during the update.

State Law requires that zoning regulations be in compliance with the Comprehensive Plan. After amending the Comprehensive Plan, the City has nine (9) months to make corresponding changes in the zoning ordinance.

These decisions will be made by the City after completion of the Redevelopment Master Plan. This section identifies issues that should be considered in updating the Comprehensive Plan and zoning ordinance.

Land Use and Zoning Changes

The Redevelopment Master Plan suggests a series of potential changes in land use, particularly in and adjacent to Downtown. Changes in the Comprehensive Plan may require corresponding changes in zoning district designations. Modification of the City's existing Land Use Categories and addition of new Land Use Categories will require reclassification of some properties, a review of the City's current Zoning Districts to bring them into alignment with the modified Land Use Categories, rezoning of particular properties, and consideration of issues of non-conforming land uses and structures.

A non-conforming use or structure is created when an existing use or building does not comply with all of the municipal zoning regulations that are applicable for that particular use's and building's site. Changes proposed in the Redevelopment Master Plan will not create any non-conforming uses or structures, rather any future amendments to the City's Zoning Ordinance could create non-conforming uses or structures. Under MN State law, any non-conforming use or structure existing at the time of the adoption of a new land use control (e.g. rezoning, building setbacks, parking requirements, etc.) may continue, including the repair, maintenance, restoration, replacement or improvement of a non-conforming structure, unless the non-conforming use is discontinued for a period of one year or more or a structure is destroyed by fire or other peril to extent greater than 50% of its market value. Expansion and relocation of a non-conforming structure is not allowed unless these changes bring the use or structure into conformance with the applicable zoning regulations. The City of Osseo's regulations for non-conforming uses and structures are contained in sections 153.130 – 153.13 of its Zoning Ordinance.

Tools for Public Investments

The vision for Osseo is not likely to be achieved without investment by the City of Osseo. These investments may take the form of public improvements, such as the Gateway or a public parking facility. The City may also face the need to participate in private redevelopment projects. This section highlights the primary finance tools currently available to support public investments in Osseo. This information is not intended to be an exhaustive list, but rather a starting point for further investigation. The use of these tools may be subject to requirements not discussed in this section. In addition, the statutes that govern these tools can be changed by the State Legislature.

Special Service District

A special service or business improvement district is a tool for financing the construction and maintenance of public improvements within a defined area. Minnesota Statutes Sections 428A.01 through 428A.101 govern the creation and use of special service districts. Under current State Law, the authority to establish new special service districts expires on June 30, 2009. This sunset provision does not affect the ability to use an existing district. Additionally, the Legislature has acted to extend this sunset on previous dates.

The nature of activities that can be funded through a special service district is very flexible. The statute authorizes a special service district to finance “improvements” but does not define or restrict the type of improvement. The City specifies the eligible improvements in the ordinance that establishes the district. A special service district is not limited to capital improvements. The district may also be used to finance the delivery of services. Like improvements, the type of services is defined by local ordinance, not State Law. The only statutory limitation is that the service may not ordinarily be provided throughout the city from general fund revenues of the city unless an increased level of the service is provided in the special service district.

The improvements and service are financed with a “service charge”. The service charge can be designed to fit the unique needs of each setting and application. A service charge can function like a property tax (spread on the basis of taxable property valuation). It can also be spread in any other manner.

A special service district provides a means to levy taxes (service charges) and fund improvements to and services for a commercial area.

The use of a special service district could be used to finance services and public improvements in Downtown. One or more districts could be established for specific projects in Downtown. A special service district has several applications for Downtown Osseo:

- The district can provide an alternative to special assessments as a means of financing some of the public improvements in Downtown. The service district approach avoids the benefits test imposed by special assessments. The test for the service district is that the amount of service charges imposed must be reasonably related to the special services provided. The costs of shared parking or streetscape improvements, for example, may be better spread across a district than through assessments to individual properties.
- A special service district can provide for maintenance of public improvements. Items such as banners and planted materials must be maintained and replaced at a faster rate than that expected for streets or utilities. A higher standard of cleaning and snow removal may be expected in Downtown.
- A special service district provides a means of providing and operating a Downtown parking system.

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- The use of a special service district is subject to some important constraints:
 - The process to create a district and to levy taxes must be initiated by petition of property owners and is subject to owner veto. The use of a special service district requires a collaboration of property owners and the city. The OBA could serve as an advocate for this financing tool, initiating the discussion among its members and then bringing the request to the City. There are two separate steps in the process: (1) adoption of an ordinance establishing the service district and (2) adoption of a resolution imposing the service charges. Neither step can be initiated by the City; the City must receive a petition to undertake the processes to create the special service district and to impose service charges. At a minimum, the petition must be signed by owners representing 25% of the area that would be included in the district and 25% of the tax capacity subject to the service charge.
 - The actions of the City Council to adopt the ordinance and the resolution are subject to veto of the property owners. To veto the ordinance or the resolution, objections must be filed with the City Clerk within 45 days of initial City Council action to approve. The objections must exceed 35% of area, tax capacity, or individual/business organizations in the proposed district. The specific veto requirements depend on the nature of the service charge.
 - The service charge applies solely to non-residential property. State law limits the application of a service charge only to property that is classified for property taxation and used for commercial, industrial, or public utility purposes, or is vacant land zoned or designated on a land use plan for commercial or industrial use. Other types of property may be part of the service district, but may not be subject to the service charge. A housing improvement area could be employed for owned housing elements of a redevelopment project.

Tax Increment Financing

Tax increment financing (TIF) is the primary development finance tool available to Minnesota cities (Minnesota Statutes, Sections 469.174 through 469.179). TIF is simple in concept, but complex in its application. Through tax increment financing, the property taxes created by new development (or redevelopment) are captured and used to finance activities needed to encourage the development. The challenge in using TIF lies with the complex and ever-changing statutory limitations. These complexities make it impractical to provide a thorough explanation of tax increment financing as part of this plan. Instead, this section highlights the use of TIF as it relates to the implementation of the plan.

Future Uses

Tax increment financing can be used to finance many actions needed to facilitate redevelopment, including land acquisition, site preparation, parking, and public improvements. In addition, TIF creates a means to borrow money needed to pay for redevelopment costs. The City can issue general obligation bonds to finance TIF eligible expenses. These bonds may be supported with tax increments and other legally available revenues.

Type of TIF Districts

The following overview highlights some of the considerations in creating a TIF district. This information is intended solely as a basic framework for finding applications within Osseo. All specific uses will require a thorough analysis of all statutory factors.

The ability to meet the statutory criteria for establishing a district is a key to the use of TIF. Three types of TIF districts have application to the plan.

- **Redevelopment:** A redevelopment TIF district has two basic criteria: (1) parcels consisting of 70% of the area of the district are occupied by buildings, streets, utilities, or other improvements; to be occupied, not less than 15% of the parcel's area must be covered by the improvements; and (2), more than 50% of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance (as defined by statute). A redevelopment district may consist of noncontiguous areas, but each area and the entire area must meet these criteria;
- **Renewal and renovation:** A renewal and renovation district requires similar, but reduced criteria. The following three factors must exist: (1) the same 70% occupied test applies; (2) the minimum amount of structurally substandard buildings drops to 20%; (3) 30% of the other buildings require substantial renovation or clearance to remove existing conditions (such as inadequate street layout; incompatible uses or land use relationships; overcrowding of buildings on the land; excessive dwelling unit density; obsolete buildings not suitable for improvement or conversion; or other identified hazards to the health, safety, and general well being of the community);
- **Housing:** A housing TIF district is intended to contain a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income. A district does not qualify as a housing district if the fair market value of the improvements, which are constructed in the district for commercial uses or for uses other than low and moderate income housing, consists of more than 20% of the total fair market value of the planned improvements in the development plan or agreement. Several variations of housing districts may also apply different rent and income restrictions and apply to owner-occupied and rental housing.

Limitations

The use of TIF requires a clear understanding of the statutory limitations. Three of the limitations most applicable to Osseo include use of revenues for redevelopment, pooling, and timing:

- **Use of Tax Increments.** The use of tax increment revenues is controlled by both State Law and by local plan. State Law sets forth specific limitations based on the type of TIF district. These limitations generally tie back to the original criteria used for establishing the district. For example, at least 90% of the revenues derived from tax increments from a redevelopment district or renewal and renovation district must be used to finance the cost of correcting conditions that allowed for the designation of

the district. The use of tax increments must also be authorized by a tax increment financing plan adopted by the city.

- **Pooling.** The term pooling refers to the ability to spend money outside of the boundaries of the TIF district. For redevelopment districts, not more than 25% of revenues can be spent on activities outside of the TIF district. The limit is 20% for all other districts. Monies spent on administrative expense count against this limit. This limit reduces the ability of TIF to pay for area-wide improvements and to use excess revenues to support other development sites.
- **Timing Constraints.** Timing factors must be considered in creating a TIF district. Establishing a district too far in advance of actual development may limit future use. Within 3 years from the date of certification, the city must undertake activity within the district. The statutory criteria of activity include issuance of bonds in aid of a project, acquisition of property or the construction of public improvements. Without qualifying activity, no tax increment can be collected from the district. Within 4 years from the date of certification, the city or property owners must take qualifying actions to improve parcels within the district. All parcels not meeting these statutory criteria must be removed (knocked down) from the district. Upon future improvement, any parcel so removed may be returned to the district. After 5 years from the date of certification, the use of tax increment is subject to new restrictions. Generally, tax increment can only be used to satisfy existing debt and contractual obligations. The geographic area of the TIF district can be reduced, but not enlarged, after 5 years from the date of certification.

The State Legislature periodically makes changes in the TIF statutes. The City should receive guidance from a qualified advisor as part of evaluating its specific use for redevelopment projects in Osseo.

Tax Abatement

Tax abatement acts like a simpler and less powerful version of tax increment financing. With TIF, the city controls the entire property tax revenue from new development. Under the abatement statute (Minnesota Statutes, Sections 469.1812 through 469.1815), the city, county and school district have independent authority to grant an abatement. Acting alone, the city cannot use tax abatement to generate the same amount of revenue as TIF. Nonetheless, tax abatement provides a valuable tool for redevelopment initiatives. Certain projects may be of sufficient importance to encourage county and/or school district abatement and achieve additional funding capacity.

Uses

Abatement in Minnesota works more like a rebate than an abatement. The city (and other units abating taxes) adds a tax levy equal to the amount of taxes to be abated. The revenue from the abatement levy can be returned to the property owner or retained and used to finance development activities. Tax abatement can be used to finance key redevelopment actions such as land acquisition, site preparation and public improvements.

Tax abatement is perhaps best suited as an incentive for reinvestment in existing property. While TIF deals with only the value from new development, abatement can apply to both new and existing value. This power provides the means to encourage building rehabilitation and storefront improvements. The City could agree to abate all or part of the municipal share of taxes to encourage reinvestment tied to the plan.

The statute grants the authority to issue general obligation bonds supported by the collection of abated taxes. The proceeds of the bonds may be used to pay for (1) public improvements that benefit the property, (2) land acquisition, (3) reimbursement to the property owner for improvements to the property, and (4) the costs of issuing the bonds.

Limitations

State law places several important limitations on the use of tax abatement:

- In any year, the total taxes abated by a political subdivision may not exceed the greater of 10% of the current levy or \$200,000;
- If one political subdivision declines to abate, then the abatement levy can be made for a maximum of 20 years. If the city, county and school district all abate, then the maximum period drops to 15 years;
- Taxes cannot be abated for property located within a tax increment financing district.

The current version of the statutes should be reviewed to understand other limitations and procedural requirements for tax abatement.

Special Assessments

Public improvements are often financed using the power to levy special assessments. The use of special assessments for the majority of public improvements is governed by Minnesota Statutes Chapter 429. Additional authority related to parking facilities comes from Minnesota Statutes, Section 459.14.

Uses

A special assessment is a means for benefiting properties to pay for all or part of the costs associated with improvements and to spread the impact over a period of years. The method of spreading the assessments and the terms of the assessments are set by the City. The primary legal constraints on special assessments are:

- The amount of the assessment cannot exceed the benefit the property receives from the improvement. The benefit is measured by the increase in property value.
- The method of assessment must be uniformly applied to the same type of property.

Special assessments can be used to finance all of the public improvements needed to implement the Redevelopment Master Plan. Eligible improvements include streets, sidewalks, street lighting, streetscape, and parking.

This authority provides a tool for borrowing money to finance public improvements. Chapter 429 conveys the power to issue general obligation improvement bonds to finance the design and construction of public improvements. Important factors in the use of improvement bonds include:

- A minimum of 20% of the cost of the improvement must be assessed against benefited properties.
- Beyond the 20% threshold, any other legally available source of municipal revenue may be used to pay debt service on improvement bonds.
- Improvements bonds are not subject to any statutory debt limit.
- Improvement bonds may be issued without voter approval.

Limitations

Careful consideration must be given to setting the amount of the assessment. From a legal perspective, the amount of an assessment cannot exceed the benefit to property as measured by increased market value. There are also practical considerations. Benefiting property owners should pay for a fair share of improvement costs without creating an economic disincentive to operating a business in downtown. Within this limitation, several factors will shape the amount of the assessment.

- The amount of the assessment must be 20% or more of the improvement cost to allow the issuance of bonds.
- Local improvement policies and/or decisions made on previous projects often create parameters for assessments. Likewise, assessment decisions should be made with consideration of the potential implications for future similar projects.
- The assessment must strike a balance between equity and feasibility. Properties that benefit from improvements should pay a fair share of the costs. The assessment must be affordable for both the property owner and the city. Reducing the assessment to the property requires the city to allocate other revenues to the project.

Housing Improvement Area

The City has the power to establish a special taxing district to make improvements in areas of owner-occupied housing (Minnesota Statutes, Sections 428A.11 through 428A.21). This tool may have application both in Downtown and in the surrounding neighborhoods.

The housing improvement area is similar in concept to the special service district. It is a special taxing district that can be used to finance a variety of improvements. However, there is an important administrative difference with the housing improvement area: the City has the ability to assign the procedures for imposing “fees” and administering the area to another “authority”, such as a local EDA.

A housing improvement area is a defined collection of parcels. The area may cover a single redevelopment project or a broader section of the Downtown area.

The City has the power to levy a “fee” on the housing units in the area. This fee may work like a property tax or may be spread using another approach determined by the City. The fee can be collected through the property tax system.

Uses

The statute allows each city to define the nature of housing improvements. This tool can be used to finance any form of public improvement, including streetscape, parking and trails. A housing improvement area can also be used for private improvements that are part of new or existing housing developments.

Limitations

The City does not have the unilateral power to establish a housing improvement area. The process must be initiated by petition of property owners. In addition, the actions to establish the area and impose the fees are subject to veto by the property owners. These potential complications become moot if the area is set up at the beginning of the development process. Typically, there is a single property owner at this stage of the process. In existing neighborhoods, this tool allows residents to take the initiative to improve local parks.

The current law is scheduled to sunset on June 30, 2009. If this tool becomes part of the ongoing plans of the City, then an extension or removal of the sunset provision will be necessary.

General Property Taxes

General property taxes can be used to finance many of the services, improvements, facilities and development activities needed to implement the master plan. Taxes may be levied through the General Fund, to pay debt service on bonds, and as a levy for the EDA. The ability to use property taxes provides another resource for the Redevelopment Master Plan.

Other City Funds

While property taxes are the largest and most obvious source of city revenues, other funds may play a role in implementing the Redevelopment Master Plan. The use of other city funds should be factored into capital improvements planning and earmarked for downtown. Some potential funding sources include:

- Utility revenues. Monies from municipal utilities may be available to certain portions of public improvement projects.
- Park dedication fees. New development contributes money (or land) toward the creation of the local park system. Revenues from park dedication may be available to support park and trail improvements.
- State aid for roads. The City receives money from the State for the construction and

maintenance of roads. These roads must be part of the City's designated state aid street system.

Commercial Rehabilitation Loans and Grants

Through EDAs, cities have broad powers to facilitate the revitalization of existing buildings. State law also creates specific statutory authority for loans by cities. The city may establish a program to make loans to finance the rehabilitation of small and medium sized commercial buildings (M.S. Section 469.184). Osseo has established Architectural Design Guidelines for Osseo Business Districts as well as a storefront rehabilitation grant program. These types of programs can be funded through the issuance of bonds. Other revenues of the city (tax increment or tax abatement proceeds, for instance) could be used to assist the program.

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