

**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.