

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING MINUTES
December 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, December 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: Marc Swerdlow and Bruce Kimmel.

2. APPROVAL OF AGENDA

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

3. APPROVAL OF MINUTES – NOVEMBER 13, 2018

A motion was made by Murdock, seconded by Flynn, to approve the minutes of November 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.

Stelmach expressed concern with monies that were requested for a recent EDA event (\$133) and stated he feared a precedent would be set because the event had not been approved by the whole body prior to the cost being incurred. He explained he would not be supporting the EDA covering this expense.

Hultstrom stated developers came to her and Johnson requesting a tour of Osseo. She explained she called a special meeting and all members of the EDA were invited to attend. She reported the EDA had parties interested in several different sites. She believed that the EDA was focused on development and that this was a justified development tour. She noted Mayor Poppe was present at the tour. She indicated the meeting date was set to meet the needs of the developers and a bus to tour these sites together cost Johnson \$133.

Stelmach expressed concern with the fact the meeting was set by the President without any input from the EDA. He stated he was also concerned with the fact that an invoice for the event was generated after the fact, and without receiving input from a quorum of the EDA.

Johnson indicated he was willing to remove this invoice seeking reimbursement from the Accounts Payable listing and would personally pay it and consider the expense a donation to the City.

Stelmach thanked Johnson for taking this action.

A motion was made by Schulz, seconded by Stelmach, to approve the Accounts Payable, except for the \$133 reimbursement to Harold Johnson. The motion carried 7-0.

7. OLD BUSINESS

A. APPROVE AMENDMENT TO 5 CENTRAL TIF DEVELOPMENT AGREEMENT

Bruce Kimmel, Ehlers & Associates, discussed the proposed amendment to the Development Agreement for the 5 Central TIF District. The amendment has been drafted by the EDA's tax increment attorney and was reviewed by representatives from Magellan Investments, the new owner of 5 Central. The terms of the proposed amendment have not significantly changed since the review and discussion of terms at the November EDA meeting. Staff provided further comment on the proposed changes and recommended approval.

Grams thanked Rebecca Kurtz for all of her work on this document.

Johnson stated he was pleased with the amendments that were made to the 5 Central TIF Development Agreement.

Marc Swerdlow, Magellan Investment Partners LLC, stated he was looking forward to becoming a partner with the City of Osseo. He explained he would be willing to work to promote Osseo and its local businesses. He thanked Grams and Ms. Kurtz for all of their efforts on the TIF Development Agreement.

Johnson asked if 5 Central Apts would be managed by Magellan Investments or by a subcontractor. Mr. Swerdlow reported a subcontractor named Pinnacle would manage 5 Central.

A motion was made by Schulz, seconded by Stelmach, to approve the amendment to the 5 Central TIF Development Agreement. The motion carried 7-0.

B. APPROVE UPDATED EDA BYLAWS

Grams stated the EDA recently reviewed its bylaws and recommended several changes. Staff took those proposed changes and incorporated them into a draft version. Staff conferred with City Attorney Mary Tietjen on a number of the proposed changes for legal clarification and legal opinion. The proposed changes were reviewed in detail with the EDA and staff recommended approval.

Schulz thanked staff for incorporating of the EDA's comments into the bylaws. He asked if any edits were made to the treasurer position. Grams explained some clarifying language could be included. He reported this language could read as follows: Staff shall prepare checks and financial reports at the request of the Treasurer who reviews this information and brings it forward to the full EDA.

Johnson reported he had brought this issue to staff as well. He noted when the bylaws were drafted a staff person did not assist with the EDA.

Schulz requested a summary of Section 5 and how it would read with the proposed language change. City Attorney Tietjen read the language that was being proposed for Section 5.

Hultstrom asked if the City Ordinance would also be amended to reflect the proposed changes that were being made to the EDA bylaws. Grams suggested the Council take this action in 2019.

A motion was made by Schulz, seconded by Murdock, to approve the EDA bylaws as amended. The motion carried 7-0.

C. UPDATE ON OSSEO URBAN TOWNHOMES

City Attorney Tietjen stated in July she provided information to the EDA regarding the terms of the 2003 loan agreement with the Hennepin County Housing & Redevelopment Authority. Since that meeting, she has had further discussion with the Hennepin County HRA regarding the terms and conditions of the loan agreements.

City Attorney Tietjen noted the EDA is not required to repay the loan before the 30-year period as long as the conditions in the agreement and mortgage documents are met. This includes the condition that the premises continue to be occupied by eligible homeowners and that certain units remain affordable to very low-income households as determined by HUD. She also confirmed with the HRA that the Amended and Restated Promissory Note provides for full forgiveness of the loan amount after the 30-year period assuming that the conditions are met.

City Attorney Tietjen clarified with the County the terms in the agreement relating to the use of repaid funds to the EDA. The agreement states that loan documents must include certain conditions related to a resale of any of the units. In the event of a sale or transfer of title of a unit, the homeowner must repay the loan funds to the EDA. If the loan funds are repaid before the maturity date of the loan, the EDA is required to allocate those funds, within one year from the date of the sale of the premises, to an “affordable housing activity” within the City benefitting low-income households. The County emphasized that it would interpret this requirement in the “broadest sense” possible.

City Attorney Tietjen reported the County requested that it be notified of any future repayments at the time that the EDA or City has been notified of a sale or transfer by the homeowner and how the EDA intends to use the proceeds of the repayment.

City Attorney Tietjen stated another question was whether the homeowners’ loans are forgiven if they stay in their units for the full 30 years. The loan and mortgage documents do not explicitly address this issue. The Second Mortgage Promissory Note states that principal and interest payments do not need to be made prior to the Maturity Date unless the property is sold or there is an event of default. If the property is sold or transferred or there is a default, then the principal balance of the Note and interest become due and payable. In addition, the Note states that prepayment of principal is permitted and “partial prepayment” does not affect the Debtor’s obligation to pay succeeding installments. These provisions do not seem consistent with the idea that the loan is forgivable after the 30-year period. If the intent was to forgive the loans in cases in which residents stay in the units for at least 30 years (which seems reasonable given that the EDA’s loan from the HRA is forgivable after that time period), then staff would recommend amending the Second Mortgage Promissory Notes to reflect this intent.

Hultstrom stated because no repayment plan terms were in place, she was inclined to not hold the homeowners liable.

Murdock indicated she was the first signature on a loan with Hennepin County. She reported her understanding of the caveat at the end was that if she stayed in the house for 30 years, then the loan was forgiven. She was pleased that the City was off the hook for repaying these loans.

Stelmach commented if the EDA was not liable and the intent was to have the purchasing resident not be liable after 30 years, he was comfortable documenting this.

Johnson indicated none of the current Council or EDA members were serving at the time this agreement was entered into with Hennepin County. He stated he had read the documents and thought there have been two or three defaults on these properties, along with a property sale.

Hultstrom asked what month and date Murdock purchased her home.

Murdock mentioned she has been in her home for approximately 17 years and would have 13 years left on her loan. She estimated she purchased her home in 2000. She reported there were only five original owners left in the nine townhome units.

Johnson commented he would like to see this item brought up to date properly. Grams indicated he would work with City Attorney Tietjen to further address this matter.

8. NEW BUSINESS

A. APPROVE 2019 EDA BUDGET

Grams stated each year the EDA must approve its annual operating budget at the last meeting of the year. The EDA discussed the 2019 budget in previous meetings this year. Those recommendations have been incorporated into this budget. Staff reviewed the proposed budget in detail with the Authority and recommended approval.

Schulz stated he would like to see staff keeping track of their time more closely for EDA tasks. Grams indicated staff had discussed this and would be taking this on for 2019.

Johnson commented on the administrative expense that was charged for TIF Districts. He noted 10% is accumulated over the years for administrative purposes and reported the City had to account for these expenses.

Stelmach explained the City had good accounting practices in place to account for TIF administrative expenses.

Schulz recommended the 2019 EDA budget be approved as amended to include full EDA meeting pay (per diem) for all EDA members.

A motion was made by Stelmach, seconded by Murdock, to approve the amended 2019 Economic Development Budget. The motion carried 7-0.

B. REVIEW 2019 EDA MEETING SCHEDULE

Grams reviewed the scheduled meetings for the Osseo Economic Development Authority in 2019. All EDA meetings will begin at 6:00 p.m. and be held in the Council Chambers at City Hall, unless otherwise noted:

Monday, January 14, 2019
Monday, February 11, 2019
Monday, March 11, 2019

Monday, April 8, 2019
Monday, May 13, 2019
Monday, June 10, 2019
Monday, July 8, 2019
Monday, August 12, 2019
Monday, September 9, 2019
Monday, October 14, 2019
*Tuesday, November 12, 2019
Monday, December 9, 2019

Grams commented three EDA members' terms will be up at the end of 2018. Commissioners Poppe, Stelmach, and Murdock all have terms expiring at the end of 2018. Assuming the two current Councilmembers (Poppe and Stelmach) wish to remain on the EDA for another term, they will take the Oath of Office at the January EDA meeting. Commissioner Murdock's seat will be open, and if she wishes to re-apply for another term, she will need to submit a letter of interest to Mayor Poppe for Council review. The Commission will elect EDA officers as well at the January meeting: President, Vice-President, Secretary, Treasurer, Assistant Treasurer, and Executive Director.

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

City Planner Nancy Abts commented on a webinar that would be held on Tuesday, December 18, regarding DEED's Redevelopment Program.

Hultstrom updated the EDA on the Special EDA meeting that was held on Tuesday, November 20, from 9:00-11:30 a.m. She noted a tour was held of the City of Osseo with several developers and the group reconvened at City Hall for a debriefing session. It was noted Hennepin County was interested in helping with site cleanup for one of the potential redevelopment sites.

Hultstrom commented on a potential housing redevelopment opportunity that could occur for the 6 Central property. SEH was proposing to work with developers on this project. She discussed several grant opportunities that may be available for this potential project.

Hultstrom reported she and Councilmember Johnson would be attending the Metro Cities Development Conference on Tuesday, December 11, at 9 a.m.

10. ADJOURNMENT

A motion was made by Schulz, seconded by Stelmach, to adjourn at 6:59 p.m. The motion carried 7-0.

Respectfully submitted,

Heidi Guenther
TimeSaver Off Site Secretarial, Inc.