



**AGENDA – REGULAR MEETING  
6:00 p.m., May 13, 2019**

## **Economic Development Authority**

- 1. ROLL CALL**
- 2. APPROVAL OF AGENDA**
- 3. APPROVAL OF MINUTES**
  - A. April 8, 2019
- 4. MATTERS FROM THE FLOOR**
- 5. PUBLIC HEARING**
- 6. ACCOUNTS PAYABLE**
- 7. OLD BUSINESS**
- 8. NEW BUSINESS**
  - A. FY2018 EDA Audit Review (Michael Bosl, BerganKDV)
  - B. Notice of Intent to Seek Reduction in Tax Valuation of 5 Central Apartments
- 9. REPORTS OR COMMENTS: Executive Director, President, Members**
- 10. ADJOURNMENT**

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY  
REGULAR MEETING MINUTES  
April 8, 2019**

1. ROLL CALL

President Poppe called the regular meeting of the Osseo Economic Development Authority to order at 6:00 p.m., Monday, April 8, 2019.

Members present: Teresa Aho, Deanna Burke, 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: Lindsey Bye.

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 – March 11, 2019

**A motion was made by Stelmach, seconded by Aho, to approve the minutes of March 11, 2019, 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.

Johnson requested further information regarding the Hennepin County tax assessment on the 2<sup>nd</sup> Avenue lot. Grams explained this payment was for the City owned parking lot on 1<sup>st</sup> Avenue NW.

Johnson commented on the fund accounting balance for 5 Central Apts noting there was now a negative balance. Grams commented he would investigate this further and report back to the EDA.

**A motion was made by Stelmach, seconded by Johnson, to approve the Accounts Payable excluding the 5 Central payment. The motion carried 7-0.**

7. OLD BUSINESS – None.

8. NEW BUSINESS

A. REVIEW POSITION DESCRIPTION FOR ECONOMIC DEVELOPMENT AUTHORITY MEMBER

City Planner Nancy Abts explained some communities provide position descriptions for their appointed boards and commissions. This may help prospective applicants decide whether a board position is something they would like to pursue.

Stelmach thanked staff for reviewing this matter and offering a position description for the EDA to consider. He suggested the description be reviewed by the EDA on a yearly basis. Abts supported this recommendation.

Stelmach recommended the position description be posted on the City website at all times and not just when there were openings.

Schulz thanked staff for their efforts on this document.

**A motion was made by Schulz, seconded by Johnson, to approve the position description for the Economic Development Authority. The motion carried 7-0.**

B. DISCUSS UPDATES FROM OSSEO STRATEGIC PLANNING SESSION

Grams stated the EDA participated in a Strategic Planning Session on Saturday, April 6. The purpose of the session was to gain understanding of the City's strengths and weaknesses, and then develop a set of actionable goals or priorities with some obtainable benchmarks to achieve in a 3-5-year window. While several of the goals may focus on internal City-related items, some may include external goals, which is where the Economic Development Authority will come in.

Grams requested the EDA members consider the process that played out on April 6 and discuss how the EDA may or may not be involved in some of those goals/priorities. It was noted the final draft of the Strategic Planning Session results will not be completed for a few more weeks, but staff believes the EDA should consider what role, if any, they would like to play in the developed goals.

Stelmach thanked staff for pulling the strategic planning session together. He stated he was pleased by the ideas and conversations that were offered at this event.

Johnson explained the EDA went through a similar process four years ago. He encouraged the EDA to review the information gathered from the most recent session in order to achieve current and future goals.

Stelmach agreed stating it would be important to address the EDA goals on a quarterly basis.

Schulz commented he appreciated the discussions at the recent strategic planning session. He encouraged the City and the EDA to commit to actively reviewing the guidelines quarterly or semi-annually. Grams commented it would be his intent to hold more joint work sessions between the EDA and the City Council in order to address City goals.

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

Grams thanked the EDA members for attending the strategic planning session.

Grams sent his condolences to the Dan Spanier family. He noted Dan Spanier was a long-time member of the community.

Abts invited the EDA to attend a Kick Off Walk as part of the Step To It Challenge on May 1, which would begin at Boerboom Park at 4:30 p.m.

Schulz sent his condolences to the Dan Spanier family and commented on the economic development work his family has completed in Osseo. He stated Mr. Spanier was a tremendous asset to the community and would be dearly missed.

10. ADJOURNMENT

**A motion was made by Schulz, seconded by Stelmach, to adjourn at 6:27 p.m. The motion carried 7-0.**

Respectfully submitted,

Heidi Guenther  
*TimeSaver Off Site Secretarial, Inc.*



## City of Osseo Economic Development Authority Meeting Item

### Accounts Payable Listing

5/13/19 EDA

2019

5

Check Name	Comments	Amount
EHLERS & ASSOCIATES, INC	2018 TIF AUDIT	\$1,470.00
KENNEDY & GRAVEN, CHARTERED	MAR 2019 LEGAL FEES	\$240.17
TIMESAVER OFF SITE	4/8/19 EDA MTG	<u>\$145.00</u>
		\$1,855.17

EDA MONTH END CASH BALANCE								
		4/8/2019		ADJUSTMENTS		5/13/2019	PROPOSED	5/13/2019
FUND	DESCRIPTION	BALANCE	DEPOSITS	(+/-)		BALANCE	EXPENSE	BALANCE
801	GENERAL	469,916.31		24.22	1	469,940.53	-1,855.17	468,085.36
806	TIF 2-5 REALIFE	11,094.04				11,094.04		11,094.04
817	TIF 2-4 BELL TOWER	151,115.06				151,115.06		151,115.06
819	TIF 2-6 CELTIC CROSSING	59,606.94				59,606.94		59,606.94
825	TIF 2-8 LANCOR/LYNDES	13,970.52				13,970.52		13,970.52
836	TIF 2-9 5 CENTRAL	-44,836.46				-44,836.46		-44,836.46
		660,866.41	0.00	24.22		660,890.63	-1,855.17	659,035.46
1	FEB 2019 INTEREST			24.22				



## City of Osseo Economic Development Authority Meeting Item

**Agenda Item:** Fiscal Year 2018 EDA Audit Review

**Meeting Date:** May 13, 2019

**Prepared by:** Riley Grams, Executive Director

**Attachments:** Audit Information from BerganKDV

**Consideration:**

The Economic Development Authority may consider and accept the Fiscal Year 2018 Audit from the audit firm of BerganKDV.

**Summary:**

Matthew Mayer, Audit Partner from BerganKDV, is providing a summary of EDA funds below. A copy of the EDA funds statements is also attached.

1. EDA General Fund currently has no significant inflows other than investment income. The fund makes a transfer to the City of \$45,000 annually for administration costs and had \$26,000 in direct expenses during the year. Fund Balance went from \$535 thousand to \$467 thousand.
2. TIF 2-4 Bell Tower Fund – This fund's resources pay for the 2011A TIF Refunding Bond. This bond has \$630 thousand of principal left at 12/31/18 and will be retired in 2022. The TIF district is not set to decertify until 2028. An estimated \$170 thousand a year would be generated for several years after the bond obligation is satisfied.
3. TIF 2-9, 5 Central – is used to assist with payments on the City's 2014A Bonds, makes full payment on the 2014B, finance a pay as you go note with the developer and with also pays down an internal loan to the water fund. After making external payments to bond holders and developers, the fund had a surplus of \$116 thousand, improving fund balance from a deficit of \$464 thousand to a deficit of \$348 thousand. The loan with water fund was reduced to \$406 thousand. \$365 thousand remains on this fund's portions of the 2014A bond which will be paid off in 2025. \$470 thousand remains on the 2014B bonds which will be retired in 2028. This District is scheduled to decertify in 2040.
4. TIF 2-5 Realife Coop, TIF 2-6 Celtic Crossing and TIF 2-8 Lancor Lyndes Inn are all pay as you go funds with developer notes. All generating TIF adequate to make the scheduled payments and have modest fund balances at the end of 12/31/18.

**Recommendation/Action Requested:**

Staff recommends the Economic Development Authority accept the Fiscal Year 2018 EDA Audit as presented.

**City of Osseo  
Combining Balance Sheet -  
EDA Funds  
December 31, 2018**

	<u>General Fund</u>	<u>Debt Service</u>		
	Economic Development Authority (801)	TIF 2-4 Bell Tower TIF (817)	TIF 2-9, 5 Central (836)	Total
<b>Assets</b>				
Cash and investments	\$ 468,513	\$ 156,677	\$ 148,888	\$ 305,565
Mortgages receivable	187,142	-	-	-
Interest receivable	124,433	-	-	-
	<u>780,088</u>	<u>156,677</u>	<u>148,888</u>	<u>305,565</u>
Total assets	<u>\$ 780,088</u>	<u>\$ 156,677</u>	<u>\$ 148,888</u>	<u>\$ 305,565</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,329	\$ 7,413	\$ 91,347	\$ 98,760
Due to other funds	667	-	405,851	405,851
Total liabilities	<u>1,996</u>	<u>7,413</u>	<u>497,198</u>	<u>504,611</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - mortgages	<u>311,574</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted	-	149,264	-	149,264
Committed	466,518	-	-	-
Unassigned	-	-	(348,310)	(348,310)
Total fund balances	<u>466,518</u>	<u>149,264</u>	<u>(348,310)</u>	<u>(199,046)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 780,088</u>	<u>\$ 156,677</u>	<u>\$ 148,888</u>	<u>\$ 305,565</u>

**City of Osseo**  
**Combining Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - EDA Funds**  
**Year Ended December 31, 2018**

	Special Revenue	Debt Service		
	Economic Development Authority (801)	TIF 2-4 Bell Tower TIF (817)	TIF 2-9, 5 Central (836)	Total
<b>Revenues</b>				
Tax increments	\$ -	\$ 168,823	\$ 403,537	\$ 572,360
Intergovernmental	151	-	-	-
Miscellaneous				
Investment income	2,296	578	-	578
Total revenues	<u>2,447</u>	<u>169,401</u>	<u>403,537</u>	<u>572,938</u>
<b>Expenditures</b>				
Current				
Economic development	26,177	13,989	172,182	186,171
Debt service				
Principal	-	-	90,000	90,000
Interest and other charges	-	-	25,000	25,000
Total expenditures	<u>26,177</u>	<u>13,989</u>	<u>287,182</u>	<u>301,171</u>
Excess of revenues over (under) expenditures	(23,730)	155,412	116,355	271,767
<b>Other Financing Uses</b>				
Transfers out	<u>(45,000)</u>	<u>(168,392)</u>	<u>-</u>	<u>(168,392)</u>
Net change in fund balances	(68,730)	(12,980)	116,355	103,375
<b>Fund Balances</b>				
Beginning of year	<u>535,248</u>	<u>162,244</u>	<u>(464,665)</u>	<u>(302,421)</u>
End of year	<u>\$ 466,518</u>	<u>\$ 149,264</u>	<u>\$ (348,310)</u>	<u>\$ (199,046)</u>



Capital Projects				
TIF 2-5 Realife Co-op (806)	TIF 2-6 Celtic Crossing Condos (819)	TIF 2-8 Lancor Lyndes Inn (825)	Total	Total EDA Funds
\$ 67,912	\$ 27,427	\$ 27,821	\$ 123,160	\$ 695,520
-	-	-	-	151
44	-	-	44	2,918
<u>67,956</u>	<u>27,427</u>	<u>27,821</u>	<u>123,204</u>	<u>698,589</u>
62,033	25,362	16,073	103,468	315,816
-	-	-	-	90,000
-	-	-	-	25,000
<u>62,033</u>	<u>25,362</u>	<u>16,073</u>	<u>103,468</u>	<u>430,816</u>
5,923	2,065	11,748	19,736	267,773
-	-	-	-	(213,392)
5,923	2,065	11,748	19,736	54,381
5,031	57,542	1,232	63,805	296,632
<u>\$ 10,954</u>	<u>\$ 59,607</u>	<u>\$ 12,980</u>	<u>\$ 83,541</u>	<u>\$ 351,013</u>



## City of Osseo Economic Development Authority Meeting Item

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**Agenda Item:** Notice of Intent to Seek Reduction in Tax Valuation of 5 Central Apartments

**Meeting Date:** May 13, 2019

**Prepared by:** Riley Grams, Executive Director

**Attachments:** Memo from Rebecca Kurtz, Ehlers

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**Background:**

On April 18, the City received official notice from Magellan Investment Partners, the new owners of the 5 Central Apartments property, that they would be seeking a reduction in market value for taxes payable 2019. The total reduction is \$1,427,000 to an official value of \$22,540,000. As you know, the amendment to the Development Agreement, which was approved on December 10, 2018, allows the owner to seek reduction in market value to a floor of \$22,540,000 (or \$161,000 per unit). As a reminder, the recent amendment increased that floor from \$105,000 to the \$161,000. The amendment requires the owner to notify the EDA if they are submitting a petition to seek a reduction of market value.

There is no official action to be taken by the EDA or the City. The official petition will be sent to Hennepin County and eventually reviewed and settled by the County. This could take multiple years, as we have recently seen with the petition from the previous owner of 5 Central, Dean Lundski. That petition has still not be settled by the County.

Taxes will continue to be paid at the current value. After the County settles the petition, the EDA will make the necessary adjustments to the various payments.

**Recommendation/Action Requested:**

Staff recommends the Economic Development Authority discuss this matter. There is no official action needed by the EDA at this time. This is simply meant as an update item.

# Memo

**To:** Riley Grams and Board Members, Osseo Economic Development Authority  
**From:** Rebecca Kurtz, Ehlers  
**Date:** April 24, 2019  
**Subject:** Notice for reduction in market value for 5 Central

On April 18, 2019, the City received notice from Magellan Investment Partners, the owners of 5 Central, that they will be seeking a \$1,427,000 reduction in market value to a value of \$22,540,000 for taxes payable 2019.

## Background

The 5 Central development includes two parcels (13-119-22-11-0166 and 13-119-22-11-0167) located at 20 – 6<sup>th</sup> Street NW. The combined market value for taxes payable 2019 is \$23,977,000.

The First Amendment to the Development Agreement, dated December 10, 2018, allows the owner to seek reduction in the market value to a minimum of \$22,540,000 (\$161,000 per unit). This amount was increased at the time of the First Amendment; the original Agreement assumed a minimum market value of \$105,000 per unit.

## Next Steps

Until the petition is settled by Hennepin County, the owner should make tax payments on the 2019 assessed market value of \$23,977,000, and the tax increment settlement to the City will be based on the actual taxes paid. After the tax settlement is received by the City, the EDA will make payments on the Pay-as-you-go Note based on the minimum market value of \$22,540,000 versus the actual market value. The difference in tax increment will be held by the EDA until the petition is reviewed and settled by the County.

This review and settlement process could take up to three years, and during that time, the City may see additional requests to reduce the market value. It is not uncommon for the County to hold the requests and review multiple years at one time. The preliminary market value for Pay 2020 is \$27,166,000, per review of Hennepin County's website. If additional requests are received in future years, the same process for payments on the Pay-as-you-go Note will be followed.

After the County settles the petition for a reduction in market value, the EDA will reconcile the payments for the Pay-as-you-go Note based on the settled market value. If the market value does not change, the tax increment which has been held by the EDA will be paid to the owner as part of the next Pay-as-you-go payment. If the market value is reduced, the amount of increment attributable to the reduction will be returned to the County and redistributed to the taxing jurisdictions.

Any reduction in market value will decrease the payment on the Pay-as-you-go Note held by Magellan. The impact of the lower payment is that the term of the TIF District may be extended. With a market value of \$22,540,000, it is estimated that the final payment on the Note will be in 2028.

The fixed, semi-annual amount of \$99,010 that is retained by the EDA will not be impacted by a reduction in market value, and funds will continue to be available for payments on the 2014A and 2014B Bonds, as well as the Interfund Loan. In addition, the City will continue to retain 10% of the tax increment for administration of the District.

There is no action that the EDA needs to take at this time.