



**AGENDA – REGULAR MEETING
6:00 p.m., July 12, 2021**

Economic Development Authority

- 1. ROLL CALL**
- 2. APPROVAL OF AGENDA**
- 3. APPROVAL OF MINUTES**
 - A. June 14, 2021
- 4. MATTERS FROM THE FLOOR**
- 5. PUBLIC HEARING**
- 6. ACCOUNTS PAYABLE**
- 7. OLD BUSINESS**
- 8. NEW BUSINESS**
 - A. Annual Tax Increment Financing (TIF) Overview - Rebecca Kurtz, Ehlers & Gary Groen
 - B. Bell Tower TIF Decision – Rebecca Kurtz, Ehlers & Gary Groen
- 9. REPORTS OR COMMENTS: Executive Director, President, Members**
- 10. ADJOURNMENT**

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING MINUTES
June 14, 2021**

1. ROLL CALL

Vice President Larry Stelmach called the regular meeting of the Osseo Economic Development Authority to order at 6:00 p.m., Monday, June 14, 2021. Due to the COVID-19 pandemic this meeting was held virtually.

Members present: Teresa Aho, Deanna Burke, Harold E. Johnson, Sherry Murdock, Larry Stelmach, and Alicia Vickerman.

Members absent: Duane Poppe.

Staff present: Executive Director Riley Grams and City Attorney Mary Tietjen.

Others present: None.

2. APPROVAL OF AGENDA

A motion was made by Burke, seconded by Murdock, to approve the Agenda as presented. A roll call vote was taken. The motion carried 6-0.

3. APPROVAL OF MINUTES – MAY 10, 2021

A motion was made by Johnson, seconded by Aho, to approve the minutes of May 10, 2021, as presented. A roll call vote was taken. The motion carried 6-0.

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 Johnson, seconded by Vickerman, to approve the Accounts Payable. A roll call vote was taken. The motion carried 6-0.

7. OLD BUSINESS – None.

8. NEW BUSINESS

A. American Rescue Plan Update

Grams stated the American Rescue Plan (ARP) will deliver \$350 billion for eligible state, local, territorial, and Tribal governments to respond to the COVID-19 emergency and bring back jobs. The Coronavirus State and Local Fiscal Recovery Fund provides a substantial infusion of resources to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery. The funding objectives are as follows:

- Support public health expenditures by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- Provide premium pay for essential workers, and offering additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors;
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

Grams commented within these overall categories, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. The ARP funding builds on previous COVID-19 funding including the 2020 CARES Act / Coronavirus Relief Funding (CRF) distributed to local governments last year. Unlike the CRF, ARP funding is more flexible, provides a longer period for recipients to use funds and can be used for revenue losses incurred during the pandemic. ARP funding is intended for continued responses to COVID-19 and for addressing longer term effects of the pandemic. Additional ARP funding will be distributed to other entities for childcare, Head Start, family caregivers, mental health, transit, education, small businesses, and other uses.

Grams explained Minnesota counties will receive \$1.1 billion and 21 cities considered as eligible or entitlement cities will receive \$644.1 million. All other cities and towns will receive \$376.9 million. Entitlement cities and all counties will receive funds directly from the US Department of the Treasury (UST); other cities will receive their funding from the state. The state has 30 days to distribute funds once they are received, and funding will be distributed in two payments, with half in 2021 and the second half in 2022. Minnesota Management and Budget (MMB) stated that they expect to receive the first half of funding within the next couple weeks. States may request a 30-day extension to distribute funds and MMB noted they will likely request this extension.

Grams explained he recently attended an update webinar regarding the ARP. During the webinar, MMB staff discussed eligible uses that include, but are not limited to, vaccinations, PPE, testing, mental health treatment, essential worker premium pay, unemployment and training, food, housing, small business loans and grants, assistance to impacted industries such as hospitality and tourism, re-hiring public sector employees, lost revenue replacement,

addressing health disparities, violence intervention, access to infrastructure (broadband, drinking water, modern technologies), urgent response efforts to continue decreasing virus spread, and immediate economic stabilization for households and businesses. MMB noted that funding used to address health disparities and assistance in qualified census tracts (low income and tribal areas) are presumed to be eligible uses. Any diminishment in revenues since the pandemic began is presumed to be the result of COVID-19 and recipients will not be required to provide proof of revenue losses. All local units of government, whether receiving funds directly from the UST or the state, will report spending directly to the UST through an online portal. Funds will be allowed for expenses incurred between March 3, 2021, and December 31, 2024. Once funds are obligated, cities will have until 2026 to expend funds.

Grams reported the most recent updated figures shows that the City of Osseo should receive \$287,490 in ARP funds. The Council will have a future discussion about how best to use these funds on behalf of the City. One potential use is another round of small business grants, like the round of grants during the CARES Act funding.

Vickerman stated she supported replacing lost public sector revenue along with the two water projects.

Johnson commented he understood the City would be receiving two payments. He asked if these would be equal payments. Grams commented he was uncertain but could look into this further.

Johnson questioned if there was a payout deadline. Grams reported the funds must be expended by December 31, 2024.

Stelmach stated he appreciated that these funds could be used to assist the business community in Osseo.

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

Grams sent his condolences on behalf of the City to Harold Johnson for the loss of his wife Gayle over the weekend.

Vickerman sent her condolences to Commissioner Johnson as well.

Burke extended her sincerest condolences to Commissioner Johnson on the loss of his wife, Gayle.

City Attorney Tietjen stated she was sorry to hear of the passing of Gayle Johnson. She encouraged Commissioner Johnson to hang onto the lifetime of memories that he had with his wife to comfort him during this sad time.

Murdock sent her condolences to Commissioner Johnson.

Commissioner Aho stated she was sorry to learn about the passing of Commissioner Johnson's wife and sent her condolences.

Stelmach commented he was sad to hear about the passing of Commissioner Johnson's wife.

Johnson thanked the Commissioners for all of their kind words and stated he greatly appreciated the staff at North Memorial Hospice. He noted the funeral for his wife would be held on Friday with a reviewal on Thursday at Evans Norby.

10. ADJOURNMENT

A motion was made by Vickerman, seconded by Aho, to adjourn at 6:23 p.m. A roll call vote was taken. The motion carried 6-0.

Respectfully submitted,

Heidi Guenther
Minute Maker Secretarial

City Of Osseo

Payments

07/08/21 11:29 AM

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Current Period: JUNE 2021

Payments Batch 7-12-21_EDA_PAYABLE \$370.03

Refer	0	KENNEDY & GRAVEN, CHARTERED	-		
Cash Payment	E 801-71000-304	LEGAL SERVICE - CIVIL	MAY 2021 EDA MEETINGS		\$219.03
Invoice	MAY 2021	6/16/2021			
Transaction Date	6/24/2021	Due 7/24/2021	EDA PREMIER CHECKING	10110	Total \$219.03
Refer	0	MINUTE MAKER SECRETARIAL	-		
Cash Payment	E 801-71000-106	PART TIME WAGES	EDA MEETING MINUTES 6/14		\$151.00
Invoice	M1296	6/15/2021			
Transaction Date	6/24/2021	Due 7/24/2021	PREMIER CHECKING	10100	Total \$151.00

Fund Summary

	10100	PREMIER CHECKING	
801 GENERAL EDA		\$151.00	
		\$151.00	
	10110	EDA PREMIER CHECKING	
801 GENERAL EDA		\$219.03	
		\$219.03	

Pre-Written Checks	\$0.00
Checks to be Generated by the Computer	\$370.03
Total	\$370.03



Tax Increment Financing Review

City of Osseo, MN

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Why Consider Providing Assistance?

Part of an economic development strategy

- Create or retain jobs
- Redevelop blighted areas
- Remediate polluted sites
- Construct affordable housing
- Increase tax base
- Change the market in the community

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Why Consider Providing Assistance?

Fill a financing gap / encourage development that would not normally occur without assistance.

The development is only possible **but for** the use of tax increment.

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What is Tax Increment Financing (TIF)?

Minnesota Statutes 469.174-469.1794

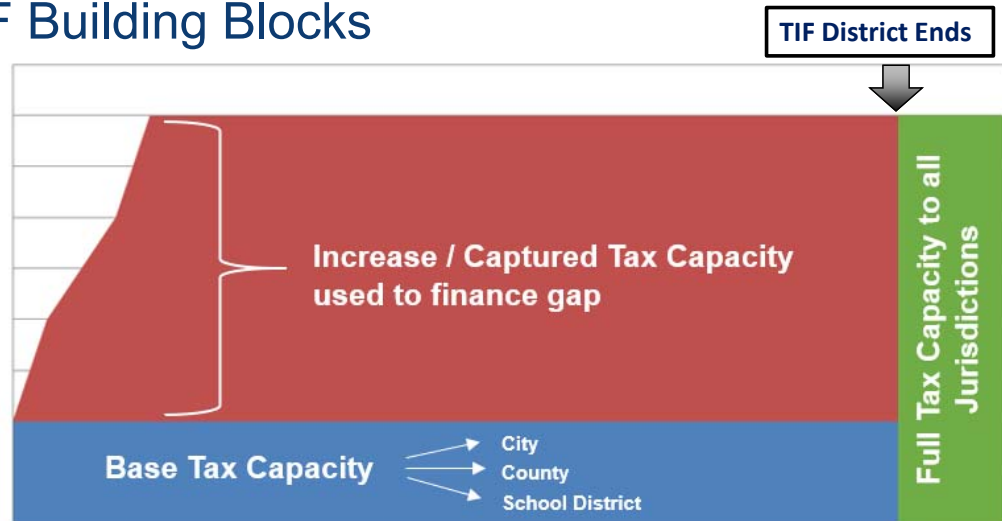
The ability to capture and use most of the **increase** in local property tax revenues from **new development** within a defined geographic area for a defined period of time **without** approval of the other taxing jurisdictions.

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TIF Building Blocks



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What to exclude from TIF?

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	276,176
less State-wide Taxes	(6,118)
less Fiscal Disp. Adj.	(7,511)
less Market Value Taxes	(29,072)
less Base Value Taxes	(1,346)
Annual Gross TIF	232,129

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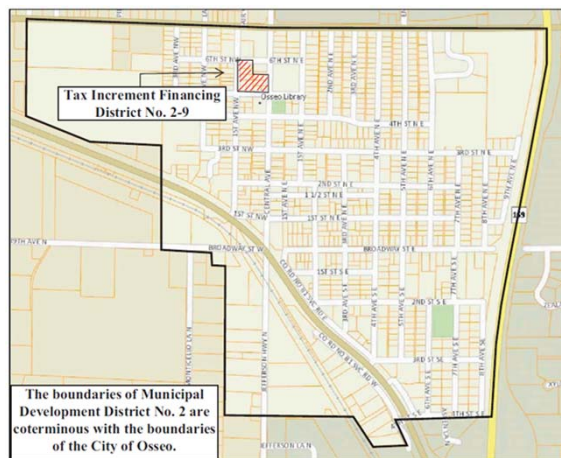
Project Area & TIF Districts

Project Area

- Where increment can be spent

TIF District

- Where increment is collected
- Defines parcels whose increased value will be captured



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Redevelopment TIF District – 26 Years

Parcels consisting of 70% of area must be improved

More than 50% of buildings must be substandard

90% of TIF must be used to correct redevelopment issues

Reasonable distribution of conditions



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Housing TIF District – 26 Years

Affordable housing

Income test is main qualification

- TIF law references federal rules on income limitations

100% TIF used for affordable housing; but 20% of project's value can include commercial/industrial development (mixed-use)

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Process: TIF Plan

TIF Plan includes:

- Project description
- Parcels in TIF district and map of project area & TIF district
- Maximum budget
- Estimated fiscal impacts of TIF district

Notice(s) to county and school district

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Process: Public Hearing

Council holds public hearing & considers resolution adopting TIF plan:

- Type of district
- But-For finding
- Fiscal disparities election
- District conforms to general plan for development
- TIF Plan affords maximum opportunity consistent with needs of the city for development of project area

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How can increment be spent?

Must meet policy objectives in TIF Plan and in TIF Plan budget:

- Land acquisition
- Demolition and relocation
- Site improvements
- Utilities, streets, sidewalks
- Parking
- Buildings (only for housing districts)

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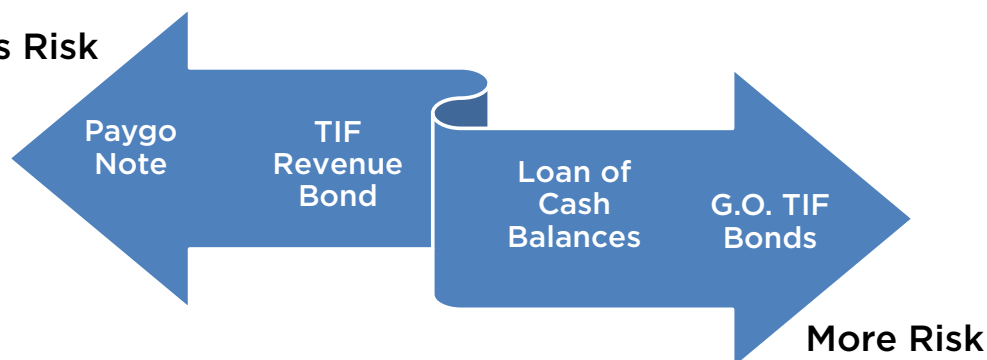
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Common Financing Options

Less Risk



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Common Financing Options

Pay as you go Note: Developer assumes risk by funding eligible expenses

- Authority reimburses developer with interest from future TIF
- Payment limited to "Available Tax Increment"

Interfund Loan: Authority assumes risk by funding eligible expenses with available funds

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Common Financing Options

General Obligation or Revenue TIF Bonds: Authority assumes risk by issuing bonds to fund eligible expenses

- Debt service paid with TIF
- G.O. Bonds: If TIF < Debt service, authority is required to cover the gap

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Summary of TIF Districts



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TIF 2-4: Bell Tower (redevelopment)

Use: Office / warehouse
 Established: 2000
 Decertified: 2028 / Obligations paid



Debt: G.O. TIF Refunding Bonds, Series 2011A
 (\$172,869 outstanding; mature 2/1/2022)
 \$447,790 Paygo Note (Balance: \$187,578)

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TIF 2-5: Realife Senior Housing (redevelopment)

Use: Mixed-use senior housing cooperative
 Established: 2001
 Decertified: 2028 / Obligations paid

Debt: \$482,670 Taxable TIF Revenue Note,
 Series 2014 (Balance: \$151,503)
 \$545,451 Taxable TIF Revenue Note,
 Series 2004B (paid after 2014 Note)



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TIF 2-6: Celtic Crossings / Mary Patrice (redevelopment)

Use: Celtic Crossing
Condominiums

Established: 2002

Decertified: 2030 / Obligations paid

Debt: \$350,000 Paygo Note.
(Balance: \$186,276)



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TIF 2-8: Lynde's Project (redevelopment)

Use: Restaurant and office / warehouse

Established: 2007

Decertified: 2034 / Obligations paid

Debt: \$283,000 Paygo Note. (Balance:
\$283,000)
Interfund Loan paid with increment
from other parcels



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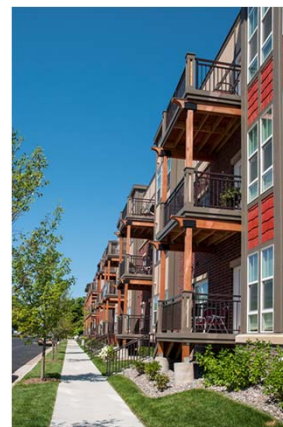
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TIF 2-9: 5 Central (redevelopment)

Use: 140 apartment units
Established: 2013
Decertified: 2040 / Obligations paid

Debt: \$510, 000 G.O. Bonds 2014A (\$265,000 outstanding; mature 2/1/2025)
\$550, 000 G.O. Taxable TIF Bonds 2014B (\$345,000 outstanding; mature 2/1/2028)
\$700,000 Interfund Loan (Balance: \$183,968)
\$1,495,719 Paygo Note. (Balance: \$1,301,320)



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Rebecca Kurtz

Ehlers

rkurtz@ehlers-inc.com

651-697-8516

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MEMORANDUM

TO: Board members, Economic Development Authority of the City of Osseo
FROM: Rebecca Kurtz, Ehlers
DATE: July 8, 2021
SUBJECT: TIF District No. 2-4 and options after Bonds are paid

Background

In October 2000, the Osseo EDA and City of Osseo established TIF District No. 2-4 to assist with the removal of a contaminated auto salvage yard to provide space to expand the commercial area of the downtown.

Redevelopment efforts have resulted in the development of a 53,600 square foot office building and a 65,000 square foot office / warehouse building at 101 Broadway Street East. In addition, the District includes the Calico Barn redevelopment and the Cotten's NAPA project.

The District has two outstanding obligations:

1. General Obligation TIF Refunding Bonds, Series 2011A, which mature February 2022. The Bond have an outstanding balance of \$172,869. Debt service is paid from the increment generated on the office and warehouse developments.
2. \$447,000 Pay-as-you-go Note to Cotten's NAPA, which has an outstanding balance of \$187,578. Debt service is paid from the tax increment generated from the two parcels that are part of the NAPA redevelopment.

Action to Consider

After the Bonds are paid in February 2022, the District will remain active until the Pay-as-you-go Note to Cotten's NAPA ("Cotten's Note") is paid. However, since the increment from only two parcels is pledged to Cotten's Note, the EDA has options for the remaining parcels in the TIF District:

1. The District could remain with all of the parcels active until Cotten's Note is paid in full. Under this scenario, the increment that is not pledged to the Note may be spent as "pooling." For redevelopment TIF Districts, the EDA is able to spend up to 25% of the increment on qualified, redevelopment expenses outside the TIF District. The 25% includes the amount retained for administration.

Under the pooling scenario, it is estimated that the EDA may have between \$900,000 and \$1 million in available funds from the time the Bonds are paid until the TIF District is decertified. These funds are tax increment and must be spent on qualified, redevelopment tax increment expenses. For example, if the EDA used these funds to acquire property, the property would need to meet the same standards as if a redevelopment TIF district were being established.

2. The EDA could remove all of the parcels from the TIF district, except the two parcels pledged to Cotten's Note. Based on current tax capacities and tax rates, it is estimated that the City would have an additional \$183,753 in tax capacity. The additional tax capacity would allow the City to increase the levy by an estimated \$106,965 and maintain approximately the same tax rate. The parcels could be removed in the fall of 2021, so the City could recognize the benefit for Pay 2022.
3. The EDA could take no action continue to collect the increment from all of the parcels in the TIF District. If tax increment is collected but not spent, the EDA would return the funds to the County when the TIF District is decertified. The County would redistribute the funds to the taxing jurisdictions based on their proportionate share of the tax rate. The one-time payment to the City is not considered tax increment and could be spent as the City chooses.

EDA Options

No actions are needed at this time. The item will be brought to a future EDA meeting for discussion and possible action.

I will participate in the meeting to provide an overview and answer any questions.