



AGENDA – REGULAR MEETING
6:00 p.m., November 14, 2022

Economic Development Authority

- 1. ROLL CALL**
- 2. APPROVAL OF AGENDA**
- 3. APPROVAL OF MINUTES**
 - A. October 10, 2022
- 4. MATTERS FROM THE FLOOR**

Members of the public can submit comments online at www.DiscoverOsseo.com/virtual-meeting
- 5. PUBLIC HEARING**
- 6. ACCOUNTS PAYABLE**
- 7. OLD BUSINESS**
- 8. NEW BUSINESS**
 - A. Hall Sweeney Development Update and TIF 2-4 Update – Dan Tienter, Ehlers
 - B. Review Draft 2023 EDA Budget
- 9. REPORTS OR COMMENTS: Executive Director, President, Members**
- 10. ADJOURNMENT**

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING MINUTES
October 10, 2022**

1. ROLL CALL

Acting President Stelmach called the regular meeting of the Osseo Economic Development Authority to order at 6:00 p.m., Monday, October 10, 2022.

Members present: Teresa Aho, Deanna Burke, Harold E. Johnson, Ashlee Mueller, Kenny Nelson, and Larry Stelmach.

Members absent: Duane Poppe.

Staff present: Executive Director Riley Grams, Financial Consultant Gary Groen, and City Attorney Mary Tietjen.

Others present: Rebecca Kurtz, Ehlers and Associates; Karen Ruzicka, City Resident; Frank Ruzicka, City Resident.

2. APPROVAL OF AGENDA

A motion was made by Mueller, seconded by Aho, to approve the Agenda as presented. The motion carried 6-0.

3. APPROVAL OF MINUTES – September 12, 2022

A motion was made by Johnson, seconded by Mueller, to approve the minutes of September 12, 2022, as presented. The motion carried 6-0.

4. MATTERS FROM THE FLOOR – None

5. PUBLIC HEARINGS – None

6. ACCOUNTS PAYABLE

Grams presented the EDA Accounts Payable listing.

A motion was made by Johnson, seconded by Aho, to approve the Accounts Payable. The motion carried 6-0.

7. OLD BUSINESS – None

8. NEW BUSINESS

A. RESOLUTION APPROVING THE CREATION OF TIF DISTRICT 2-11 AND APPROVE TIF PLAN
– Rebecca Kurtz, Ehlers

Rebecca Kurtz, Ehlers & Associates, stated for several years, the City of Osseo and the EDA have been working to redevelop five parcels in the 600 block of Central Avenue. In the fall of 2021, Staff began discussions with a development group including Sean Sweeney and Jeff Hall for the construction of approximately 143 units of rental housing. The proposed project would include a mix of market rate units and some affordable units.

Ms. Kurtz reported the applicant has requested tax increment financing (TIF) to assist with the financing gap caused by the high land acquisition and demolition expenses and the expense related to providing some affordable units. LHB has completed an inspection and determined that the site meets the requirements for a redevelopment TIF district. A redevelopment TIF district has a maximum term of 26-years of increment. The County has provided an estimated market value between \$190,000 and \$225,000 per unit.

Ms. Kurtz explained she was in discussions with the applicant to finalize the financing gap and the amount for the assistance has not been finalized. Assistance would be provided through the issuance of a pay-as-you-go note. This is consistent with the City and EDA's past practice. With this note, the applicant would secure their financing and complete the project. After the terms of the agreement were met, the EDA would issue the note and use semi-annual tax increment revenues to make payments. This financing option provides the least risk for the City and EDA, as the semi-annual payments will ultimately be based on the TIF settlement from the County. It was noted, the City or EDA would not be responsible for any shortfalls.

Ms. Kurtz commented that based on her review of the applicants sources and uses and proforma, the project shows a financing gap. This is in large part due to the high cost of land acquisition, the need to demolish buildings and cleanup of the site, and the reduced rental income from providing affordable housing units. Public assistance, such as TIF, would be needed for the project to proceed. It was noted that no TIF would be provided at this time, but the tools will be put in place, should the EDA decided to move forward with providing TIF.

Burke discussed how the 5 Central property was repurchased and the new buyer fought with the County regarding the value of the development. She stated the current real estate market was going down and questioned how this would impact the proposed project if the developer were to get underwater. Ms. Kurtz explained she would recommend a pay-as-you-go note which meant the developer would be covering all costs up front. Then over the term, the developer would pay the taxes and the City would distribute a portion of the taxes back to the project to pay off the note. She reported this scenario would ensure the City was not obligated to pay any shortfalls should market values drop substantially in the next five years.

Johnson read a statement from the Staff report ("development is not expected to significantly impact any traffic amounts in the area") and explained it was his belief this development would greatly impact traffic. He stated traffic along 6th and Central Avenue was very hazardous. He recommended a semi-four be installed. He commented the residents at Realife were very concerned about the proposed development and how traffic would be adversely

impacted by an additional 100 vehicles at this corner. Ms. Kurtz stated she could follow up with Staff regarding this matter to see how traffic concerns are being addressed.

Johnson requested further information regarding the original tax capacity and the potential conversion tax capacity. Ms. Kurtz provided the EDA with further information on how the tax capacity for these properties would be impacted if the development were to proceed. In addition, she noted the properties would have to be reclassified from commercial to the rental class rate.

Johnson questioned if the City would be receiving less in taxes when these properties are reclassified to rental. Ms. Kurtz reported there would be a decline of about \$3,000 in tax capacity until the new structure was completed.

Johnson inquired about who controls the affordable housing rates. Ms. Kurtz indicated this would not be dictated by HUD or TIF law, rather, she anticipated the County would be setting the minimum affordable requirements as the developer would be pursuing housing grants from Hennepin County.

Johnson stated the 60% AMI is very unfair given the fact Osseo sits next to Maple Grove. He believed there was a big difference between the median income in Osseo compared to Maple Grove. He asked if a prevailing wage would have to be paid in order for the developer to pursue this project. Grams explained if any grants are received that have this as a requirement, prevailing wages will have to be paid. He commented he did not know of any grants the developer has received with this requirement to date.

Johnson questioned if this site would qualify for a brownfield cleanup grant. Grams reported Staff was investigating this opportunity.

Johnson asked what would happen if the developer were to go bankrupt prior to completing this project. Ms. Kurtz discussed what would happen to the project noting City would not be responsible for absorbing the risk of this project.

Johnson inquired if the TIF note could be transferred. Ms. Kurtz explained the agreement would allow for the TIF note to be transferred, noting this would have to be reviewed and approved by the EDA.

Johnson commented he had a problem with the fact the main entrance to the proposed apartment building was located on Central Avenue. He stated there would be no parking for this building along Central Avenue due to the location of the right-hand turn lane. He encouraged the developer to reconsider placing the main building entrance adjacent to the proposed parking lot. He stated he did not support approving this item until the concerns regarding the building were addressed by the developer.

Grams reported the final design plans were not complete. He explained the developer was taking into consideration the comments that were made by the Council and the Planning Commission.

Johnson stated he believed the Planning Commission did not fully review and consider the Hall Sweeney development. He did not want to see the City pushing this project through without it being fully considered, especially how the project would impact traffic in this area of Osseo.

Nelson questioned if the pay-as-you-go note could be paid off early. Ms. Kurtz discussed the rules for tax increment and reported pay-as-you-go notes could be paid off early.

Nelson asked if the City could make this TIF district larger. Ms. Kurtz stated this varies on the City, its policies and the boundaries for the proposed redevelopment district. She explained the reason for keeping the boundaries tight was due to the fact redevelopment was required within a specific period of time or the property would be kicked out of the TIF district.

Nelson inquired if the EDA were to delay the creation of the TIF district until more specifics were known. Ms. Kurtz reported the applicant has been working with the City and they have made a TIF request. Staff was working to confirm the request in order to ensure it was as low as possible. She anticipated if there was no action along the way, the developer would be questioning the EDA's support for this project. She reiterated that by creating the TIF district, the EDA was not committing to any financial assistance at this point in time.

Stelmach commented on the potential cost of putting this project on pause and noted there was no risk to creating the TIF district at this time.

Johnson requested further information regarding the projected cost per unit. Ms. Kurtz stated if the unit values come in higher than projected, this would assist with paying off the TIF note in a more timely manner.

Nelson stated he was having a hard time supporting the creation of this TIF district given the fact this project still had a lot of questions that remained to be answered. He indicated he was also struggling with the fact the multi-million dollar developer was asking for a handout. He discussed how all Osseo residents would be seeing a tax increase in 2023 and noted this tax break would not be helping this.

Burke questioned if the City's existing infrastructure would accommodate another 143 units on this block. Grams reported the sewer was upsized for the 5 Central project. He reported there was sufficient capacity to support an additional 143 units in this area of Osseo.

A motion was made by Mueller, seconded by Aho, to adopt EDA Resolution No. 2022-1, approving the modification to the Development Program for Municipal Development District No. 2, approving the establishment of Tax Increment Financing District No. 2-11; Hall Sweeney and Approving the Adoption of a Tax Increment Financing Plan therefor; and authorizing an Interfund Loan. The motion carried 4-2 (Burke and Nelson opposed).

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

Aho thanked Ms. Kurtz for her detailed presentation regarding the proposed TIF District.

10. ADJOURNMENT

A motion was made by Mueller, seconded by Johnson, to adjourn at 7:00 p.m. The motion carried 6-0.

Respectfully submitted,

Heidi Guenther
Minute Maker Secretarial



Osseo, MN

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Pending Expense Approval Report

By Vendor Name

APPKT00083

Vendor Name	Payable Number	Description (Item)	Account Name	Account Number	Amount
Vendor: ECM Publishers Inc					
ECM Publishers Inc	915551	AD 1264184 OCT 24 PH MODIFICATION DISTRICT	Other Professional Services	840-71000-310	324.70
Vendor ECM Publishers Inc Total:					324.70
Vendor: Ehlers & Associates, Inc					
Ehlers & Associates, Inc	92122	1st half invoice forTIF District 2-11 Hall Sweeney	Other Professional Services	840-71000-310	7,500.00
Vendor Ehlers & Associates, Inc Total:					7,500.00
Vendor: Kennedy & Graven, Chartered					
Kennedy & Graven, Chartered	170512 EDA	SEPT 2022 EDA Civil Legal Matters	Legal Service - Civil	801-71000-304	973.66
Vendor Kennedy & Graven, Chartered Total:					973.66
Vendor: Minute Maker Secretarial					
Minute Maker Secretarial	M1578	OCT 10 EDA MEETING MINUTES	Recording Services	801-71000-307	154.00
Vendor Minute Maker Secretarial Total:					154.00
Vendor: WSB & Associates Inc					
WSB & Associates Inc	9/30/22 EDA	SEPT. ENGINEERING SVCS HALL-SWEENEY SITE	Other Professional Services	840-71000-310	3,862.25
Vendor WSB & Associates Inc Total:					3,862.25
Grand Total:					12,814.61

Report Summary

Fund Summary

Fund	Expense Amount
801 - GENERAL EDA	1,127.66
840 - TIF 2-11 Sweeney	11,686.95
Grand Total:	12,814.61

Account Summary

Account Number	Account Name	Expense Amount
801-71000-304	Legal Service - Civil	973.66
801-71000-307	Recording Services	154.00
840-71000-310	Other Professional Servi	11,686.95
Grand Total:		12,814.61

Project Account Summary

Project Account Key	Expense Amount
None	12,814.61
Grand Total:	12,814.61

MEMORANDUM

TO: Board Members, Economic Development Authority for the City of Osseo
City Council Members, City of Osseo

FROM: Dan Tienter & Rebecca Kurtz, Ehlers

DATE: November 10, 2022

SUBJECT: Hall Sweeney Update and Tax Increment Financing District No. 2-4
Spending Plan and Parcel Elimination

As we prepare for the year end, there are several items that the Economic Development Authority (the “EDA”) and City Council will be considering related to the proposed Hall Sweeney development and Tax Increment Financing District No. 2-4 (the “District”). This memo outlines the proposed actions and timeline for completing them. No action is required at this time.

Hall Sweeney Update

Staff and Ehlers have continued to work with the Hall Sweeney development team (the “Developer”) to negotiate a Terms Sheet and provide assistance to fund the financing gap in the project. This assistance includes tax increment from TIF District No. 2-11 and potential grant funding. The Developer continues to see increasing construction costs and rising interest rates, which are impacting the financing for the project. Staff and Ehlers are continuing to work with the development team to review the challenges and options. We will continue to update the EDA and Council on the status of the project and negotiations, next steps and timeline.

TIF No. 2-4 Background

In October 2000, the EDA and City of Osseo (the “City”) established the District to assist with the removal of a contaminated auto salvage yard and 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 Auto Parts (NAPA) project.

The District had multiple obligations including pay-as-you-go notes and general obligation bonds. In February 2022, the General Obligation TIF Refunding Bonds, Series 2011A were paid in full with increment. The only current obligation is the \$447,000 pay-as-you-go note to NAPA, which has an outstanding balance of approximately \$162,995 (the “Note”). Debt service is paid from the tax increment generated from the two parcels that are part of the NAPA redevelopment. The District will terminate in 2028, and it is projected that the Note will be not paid in full. As a pay-as-you-go note, the EDA and City are not responsible for any unpaid balance.

TIF No. 2-4 Parcel Removal

In past years, the EDA has reviewed its options for the District, since the increment from only two parcels is pledged to the Note. In summary, the options the EDA reviewed follow:

1. The District could remain open with all the parcels active until the Note is paid in full. Under this scenario, the increment that is not pledged to the Note may be spend as “pooling.” For redevelopment TIF districts, the EDA can spend up to 25% of the increment on qualified, redevelopment expenses outside the TIF district. The 25% includes the amount retained for administration. It is estimated the EDA may have between \$900,000 to \$1 million to spend under this scenario. These funds are tax increment and must be spent on qualified, redevelopment tax increment expenses.
2. The EDA could remove all parcels from the District except the two parcels pledged to the Note. This would increase the City’s tax capacity the year after the parcels were removed from the District.
3. The EDA could take no action and continue to collect the increment from all the parcels in the District. If increment is collected but not spent, the EDA would return the funds to Hennepin County (County) when the District is decertified. The County would redistribute the funds to the applicable taxing jurisdictions based on their proportionate share of the tax rate. The one-time payment to the City is not considered tax increment and may be spent on any allowable public purpose.

After discussions with Staff, we are recommending the EDA consider removing 23 parcels from the District. A public hearing is not needed, as the parcels to be removed have increased in value. The two parcels related to the NAPA redevelopment will remain in the District. Based on Pay 2022 values, removal of the parcels will increase the City’s tax capacity by about \$199,593, which is approximately \$115,143 City tax dollars. This could be recognized in Pay 2023, if the action is completed and filed with the County by December 15, 2022.

Temporary Transfer Authority for TIF No. 2-4

In 2021, the Legislature enacted temporary authority to transfer unobligated tax increments for purposes of assisting private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities, if doing so will create or retain jobs in the State. Any transfer under this provision must be for the purposes of assisting private developments that meet all the following criteria:

- It consists of the construction of substantial rehabilitation of buildings and ancillary facilities;
- It creates or retains jobs in the State, including construction jobs; **and**
- Construction commences before December 31, 2025 and would not have commenced before that date without the assistance.

Prior to approving the use of this Temporary Transfer Authority by resolution, the EDA and City must create a written Spending Plan that authorizes the development authority to provide assistance or make the investment that makes the development qualify. The City must approve the Spending plan after holding a public hearing.

Increment must be transferred under this provision by December 31, 2022. Funds must be spent by December 31, 2025. If funds are not spent, must be returned to the contributing TIF district, and the funds could be used for projects that qualify as redevelopment projects.

After discussions with Staff, we are recommending the City Council consider approval of a Spending Plan for the District. This would allow for a transfer of approximately \$470,000 in TIF to be used for future development projects, which may include the Hall Sweeney development or other developments in the next three years.

Recommendations

After discussions with Staff, we are recommending the following actions be considered at future meetings:

- The City Council holds a public hearing on November 28 to consider approval of a Spending Plan for the TIF District No. 2-4.
- The EDA considers a resolution on December 12 to remove 23 parcels from TIF District NO. 2-4. The two parcels related to the NAPA redevelopment will remain in the District.

No action will be taken at the November 14 meetings. However, Dan will be in attendance and able to answer questions.



City of Osseo Economic Development Authority Meeting Item

Agenda Item: Review Draft 2023 Economic Development Authority Budget

Meeting Date: November 14, 2022

Prepared by: Riley Grams, Executive Director

Attachments: Draft 2023 EDA Budget

Policy Consideration:

Discuss the attached draft 2023 EDA budget and provide direction to Staff.

Background:

Each year, the EDA sets their own fiscal budget for the following year. The budget is usually approved during the last meeting of the year in December.

Attached is a proposed EDA budget for next year. The revenue side of the budget is mostly comprised of interest off of EDA held investments. On the expenditure side, we have expenses related to operating EDA meetings (Board compensation, supplies, legal services, minutes, etc) as well as the I-94 West Chamber of Commerce membership, expenses related to any Board member training/travel, TIF management costs for Ehlers, and the transfer of funds to the City general fund for staff time reimbursement.

The EDA should discuss any potential changes to the 2023 budget and direct Staff accordingly. Staff will make any EDA recommended changes and update the budget worksheet as directed. The updated EDA budget will come back to the EDA for final approval at the December 12 EDA meeting.

Recommendation/Action Requested:

Staff recommends the Economic Development Authority discuss the proposed 2023 budget and direct Staff accordingly.

City of Osseo Economic Development Authority (EDA)

2023 Operating Budget

											2023 PROPOSED BUDGET		
Account Number	Account Description	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual		2022 Budget	YTD 10/31/2022	2022 (over)/under		Amount	Description
REVENUE		Prior Years						Current Year					
801-36210	Interest Earned on Investments	\$ 6,421	\$ 2,296	\$ 21,387	\$ 14,028	\$ 190		\$ 15,000	\$ 3,429	\$ 11,571		\$ 4,500	Investment interest is allocated betqween all funds at y/e
801-36235	Business Way Signage	\$ 150	\$ 152		\$ -	\$ -		\$ 250	\$ -	\$ 250		\$ 100	Downtown business way finding signage
	Hennepin County Grant	\$ 2,500	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -		\$ -	
	Total Revenue	\$ 9,071	\$ 2,448	\$ 21,387	\$ 14,028	\$ 190		\$ 15,250	\$ 3,429	\$ 11,821		\$ 4,600	
EXPENDITURES													
801-71000-106	Board Compensation	\$ 435	\$ 483	\$ 1,095	\$ 1,200	\$ 1,321		\$ 1,260	\$ -	\$ 1,260		\$ 1,260	7 paid Board members (\$15/mtg)
801-71000-125	FICA	\$ 33	\$ 33	\$ 78	\$ 92	\$ 90		\$ 96	\$ -	\$ 96		\$ 96	7.65%
801-71000-211	Operations	\$ 1,059	\$ 52	\$ 4,202	\$ 1,018	\$ 673		\$ 200	\$ 8	\$ 192		\$ 200	Supplies
801-71000-255	Dues/Memberships	\$ 1,069	\$ 1,069	\$ -	\$ -	\$ -		\$ 350	\$ -	\$ 350		\$ 350	Membership with I-94 West Chamber of Commerce 2023
801-71000-260	Meetings/Travel/Seminars	\$ 797	\$ 1,492	\$ 307	\$ -	\$ -		\$ 2,500	\$ -	\$ 2,500		\$ 2,500	Ehlers Conference (\$255/person) plus travel
801-71000-304	Legal Services	\$ 3,956	\$ 12,660	\$ 4,593	\$ 4,966	\$ 3,168		\$ 3,000	\$ 5,810	\$ (2,810)		\$ 5,000	12 mtgs
801-71000-307	Recording Services	\$ 2,117	\$ 1,703	\$ 2,104	\$ 1,812	\$ 1,661		\$ 1,500	\$ 1,305	\$ 195		\$ 1,600	Meeting recording (Minutes/Broadcasting)
801-71000-310	Other Professional Services	\$ 16,424	\$ 8,213	\$ 9,113	\$ 14,193	\$ 11,203		\$ 11,000	\$ 10,581	\$ 419		\$ 12,000	Ehlers TIF management
801-71000-351	Printing/Publishing	\$ 354	\$ 284	\$ 755	\$ 372	\$ 406		\$ 500	\$ 480	\$ 20		\$ 500	Newsletter/Annual Disclosure
801-71000-399	Property Taxes	\$ 6,705	\$ 188	\$ 182	\$ 184	\$ -			\$ -	\$ -		\$ -	Pay off assessment on EDA parking lot
801-71000-720	Transfer to City General Fund (101)	\$ 45,000	\$ 45,000	\$ 45,000	\$ 40,000	\$ 40,000		\$ 40,000	\$ -	\$ 40,000		\$ 40,000	Reimb. to City for staff time, audit, consulting
	Other Gateway Sign Donation	\$ 61,848	\$ -	\$ -		\$ -				\$ -		\$ -	
	Total Expenditures	\$ 139,798	\$ 71,178	\$ 67,429	\$ 63,837	\$ 58,522		\$ 60,406	\$ 18,184	\$ 42,222		\$ 63,506	
Net Increase/(decrease) in Fund Balance		\$ (130,727)	\$ (68,730)	\$ (46,042)	\$ (49,809)	\$ (58,332)		\$ (45,156)	\$ (14,755)	\$ (30,401)		\$ (58,906)	
Fund Balance, January 1		\$ 665,975	\$ 535,248	\$ 466,518	\$ 420,476	\$ 370,667		\$ 312,335	\$ 312,335	\$ 312,335		\$ 267,179	
Fund Balance, December 31		\$ 535,248	\$ 466,518	\$ 420,476	\$ 370,667	\$ 312,335		\$ 267,179	\$ 297,580	\$ 281,934		\$ 208,273	