

**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