

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING MINUTES
December 12, 2022**

1. ROLL CALL

President Poppe called the regular meeting of the Osseo Economic Development Authority to order at 6:00 p.m., Monday, December 12, 2022.

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

Members absent: None.

Staff present: Executive Director Riley Grams, City Attorney Mary Tietjen, Financial Consultant Gary Groen, and Dan Tinter, Ehlers & Associates.

Others present: Frank Ruzicka, City Resident; Karen 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 7-0.

3. APPROVAL OF MINUTES – NOVEMBER 14, 2022

A motion was made by Stelmach, seconded by Mueller, to approve the minutes of November 14, 2022, as presented. The motion carried 7-0.

4. MATTERS FROM THE FLOOR

Frank Ruzicka, 12 6th St NE, expressed concern with the fact the residents at Realife were not notified about the Hall Sweeney project. He explained he has been attending meetings in order to learn more about this project. He noted he was not opposed to an apartment complex being built on this corner, but recommended some changes be made so traffic problems are not created along 6th Street. In addition, he recommended the trash collection not occur on the street. He commented further on how the construction traffic would impact the neighboring properties.

5. PUBLIC HEARINGS – None

6. ACCOUNTS PAYABLE

Grams presented the EDA Accounts Payable listing.

Johnson questioned how the Hall Sweeney overages would be covered. Grams reported staff would be asking Hall Sweeney to cover the overages.

Johnson requested an update on the Murdock payment. City Attorney Tietjen provided the EDA with an update on this matter.

A motion was made by Johnson, seconded by Aho, to approve the Accounts Payable. The motion carried 7-0.

7. OLD BUSINESS

A. APPROVE 2023 EDA BUDGET

Grams stated 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. Staff reviewed the proposed EDA budget for 2023 in further detail. It was noted the EDA discussed the first draft of the 2023 budget at the November 14 meeting. No changes were recommended at that meeting, and Grams stated he had not been approached by any EDA members after the November 14 meeting to present potential modifications to the 2023 EDA budget. The EDA should discuss the final 2023 budget and direct Staff accordingly. A motion should be made to approve the 2023 EDA budget.

Nelson expressed concern with the fact the fund balance was decreasing every year. Grams discussed the manners in which the EDA receives revenues to replenish the fund balance.

Johnson asked if the EDA was able to take 10% from the TIF to be used for incurred expenditures. Dan Tinter, Ehlers & Associates, explained TIF laws allow a City to recoup a certain percentage of dollars, up to 10% for demonstrated administration costs from a TIF district.

Johnson supported Staff investigating if administrator fees could be recouped for the City's TIF districts.

A motion was made by Johnson, seconded by Mueller, to approve the 2023 EDA budget. The motion carried 7-0.

8. NEW BUSINESS

A. HALL SWEENEY DEVELOPMENT UPDATE

Dan Tinter, Ehlers & Associates, provided the EDA with an update on the Hall Sweeney development. He explained Staff has been working since 2021 to redevelop parcels within the 600 block of Central Avenue. He reported last month Staff met with the developer and learned that due to the increased cost of borrowing, the developer has opted to put the project on pause. He indicated the developer remains committed to the project, but would

like to wait to see what happens in the economy. He noted the developer plans to revisit the project in the first or second quarter in 2023.

Burke explained banks are anticipating a severe recession will occur in 2023. Should this happen, she questioned how this would affect the Hall Sweeney project. Mr. Tinter stated the project would have to be reevaluated in order to better understand the financials.

Burke commented there was a fear housing values would crash in the coming year like they did in 2008. She asked how this would impact TIF payments. Mr. Tinter discussed how TIF values were agreed upon by both parties and after completion the City would enter into a pay-as-you-go note. He reported after the pay-as-you-go note was in place, there was no further obligation from the City or EDA. He explained the developer would only receive TIF that comes from the property, regardless of the value and the City would not be responsible for any gap in the note.

Burke inquired what kind of collateral was placed on a TIF loan so as not to be a burden on Osseo taxpayers. Mr. Tinter reported collateral was not put in place, but rather a development agreement was signed for projects. He explained developers assume all risk for developments.

Burke stated she did not want taxpayers to be at risk, if there was an income loss. Mr. Tinter indicated there was no obligation for the City or the EDA with respect to backfilling for issues with a TIF project, rather the developer assumes all risk. He stated the increment is paid by the developer and would be returned to the developer at a later date.

Johnson commented on November 28 the Council held a public hearing and approved a spending plan for the TIF District No. 2-4. Included in the Resolution approved by the Council, it stated the EDA had approved a spending plan. He stated when he asked the City Attorney about the Resolution before its approval, her comment was that she did not prepare the EDA document. For this reason, he was the only no vote for the TIF spending plan. He reported before this year, the Council held the majority on the EDA and this was no longer the case. He discussed the efforts that had been put into the Hall Sweeney project over the past two years. He understood the project would now be put on hold and noted he would not be able to support the proposed spending plan because its presentation was not handled properly according to TIF law. In addition, he noted things could change in 2023 with respect to TIF law.

Nelson asked if the EDA would be billing Hall Sweeney for the overages that have occurred for their project. Grams explained the City would be asking for Hall Sweeney to cover the overages.

Nelson questioned if the property values had been set for the Hall Sweeney properties. Mr. Tinter reported the TIF plan includes values for pay 2022 but this has not yet been certified. He anticipated the values could be different in 2023.

B. AFFIRM CITY COUNCIL APPROVAL OF TIF SPENDING PLAN

Dan Tinter, Ehlers & Associates, stated on November 28 the Council conducted a public hearing and approved a spending plan for TIF District 2-4. He reported this district has \$470,000 in TIF available at the end of this year. He explained temporary transfer authority has been granted by the legislature in 2021 and these monies could be used for future economic or redevelopment purposes, so long as this activity occurs prior to December 31, 2025. After conversations with City Staff and the Council, the recommendation before the EDA was to approve the TIF District 2-4 spending plan.

Johnson questioned why the Council set up a spending plan prior to the EDA. He believed the EDA should have established the spending plan, prior to this matter being considered by the Council. Mr. Tinter stated it was his understanding that State law allows the Council to approve the spending plan prior to consideration by the EDA.

Burke asked if the \$470,000 was being proposed for the Hall Sweeney project. Mr. Tinter reported the draft term sheet included contributions from this spending plan as a part of the total financing package for the Hall Sweeney project.

Burke inquired who would be paid back for the \$470,000. Mr. Tinter discussed the terms proposed for this financing and noted the City would be paid back when Hall Sweeney receives a certificate of occupancy.

Burke questioned what assurances the Osseo taxpayers have that the \$470,000 would be repaid if the developer defaults. Mr. Tinter explained the \$470,000 was not construed as a loan, but rather would be a grant or subsidy for the project. He noted Hall Sweeney would receive the \$470,000 when the building was complete and after that the pay-as-you-go note would occur and payments would be received over time. He reported there would be obligations that would have to be met in order for the developer to receive the grant.

Burke inquired why the City would pay the developer \$470,000 without receiving any payment back. Mr. Tinter indicated the money would be viewed as an investment in the development as there would be an increase in the overall tax base for the City in the long term.

Poppe commented on the assessments for the 5 Central project noting the value of that property has increased from \$12 million to \$21 million, which meant the City was capturing the money faster.

Nelson stated if this spending plan were approved, would the EDA have a say in how the dollars are spent. Mr. Tinter reported the EDA was the TIF district authority, which meant any development agreement would be reviewed and approved by the EDA.

Nelson asked if the EDA could use this \$470,000 to subsidize low income housing. Mr. Tinter indicated the funds could be used in this manner if paid to a third party if done so before the end of 2025.

Nelson indicated he would like to see the City reinvesting these dollars in affordable housing versus being used as a grant for a developer. He questioned why the Hall Sweeney developer was requesting one-third of the funding for this project in TIF financing when the units would not be affordable. He stated he would support sending this money back to the County before he would support offering it as a grant to the developer. Mr. Tinter explained the action before the EDA was not to approve any payments to the developer, but rather was to adopt a spending plan that provides additional flexibility to the City moving forward. He indicated the spending plan was another tool in the toolbox and if the Hall Sweeney development were to move forward the City would have the option to use these funds.

Stelmach commented on how these funds would help make Osseo attractive to a future developer. He stated his vote to support the spending plan was to empower this body and was not to support a particular developer.

Johnson explained his concern with this matter was because two members discussed this item and it was not shared with the entire EDA until all of the background had been completed. He believed the Council stepped in and took authority away from the EDA regarding this matter. Because this matter was not properly disseminated, he would not be offering his support.

Stelmach asked who would approve the spending of the \$470,000. Mr. Tinter explained the EDA would not lose its power, but still had the ability to review and approve development agreements, which included the use of TIF dollars.

Stelmach reiterated that these funds are not about a project, but rather these funds would enable this body to assist a project at some later date.

Poppe explained the spending plan would be a development tool for the EDA in order to drive development for some project in the future. He stated these funds were not tied to any one project. He clarified that taxpayers had not paid for these funds, but rather the properties within the district paid that money and these funds could be used to develop something in the future.

Nelson stated he was a no vote on this because he believed the funds were only being set aside for one project.

Stelmach noted it would take four members of the EDA to approve the use of these funds.

A motion was made by Stelmach, seconded by Mueller, to adopt EDA Resolution No. 2022-2, approving a Spending Plan for Tax Increment Financing District No. 2-4. The motion carried 4-3 (Burke, Johnson and Nelson opposed).

C. APPROVE REMOVAL OF BELL TOWER PARCELS FROM TIF 2-4

Dan Tinter, Ehlers & Associates, requested the EDA approve the removal of the Bell Tower parcels from TIF District No. 2-4. He reported in 2000 the EDA and City of Osseo created TIF District 2-4 which included a number of parcels. He noted the bonds for this district have

been paid off and 23 parcels can be released from the district. He explained if these 23 parcels were released by the end of 2022, they would be returned to the tax rolls for taxes payable in 2023, which would add \$199,600 in tax capacity to the City.

Nelson questioned when the bonds were paid off. Grams reported the last payment was made in February of 2022.

A motion was made by Nelson, seconded by Stelmach, to adopt EDA Resolution No. 2022-3, approving the elimination of parcels from Tax Increment Financing District No. 2-4 within Municipal Development District No. 2 in the City of Osseo. The motion carried 7-0.

D. REVIEW 2023 EDA CALENDAR

Grams stated the scheduled meetings for the Osseo Economic Development Authority for 2023 (please note that all EDA meetings will begin at 6:00 PM and be held in-person in the Council Chambers at Osseo City Hall unless otherwise notified) are as follows:

Monday, January 9, 2023
Monday, February 13, 2023
Monday, March 13, 2023
Monday, April 10, 2023
Monday, May 8, 2023
Monday, June 12, 2023
Monday, July 10, 2023
Monday, August 14, 2023
Monday, September 11, 2023
Tuesday, October 10, 2023
Monday, November 13, 2023
Monday, December 11, 2023

Grams reported Commissioner Stelmach will end his term on the Council and EDA Board. On-coming Councilmember Mark Schulz will likely take Commissioner Stelmach's seat on the EDA. Mayor Poppe won his reelection and will likely also stay on the EDA. Commissioner Deanna Burke's term does end in 2022, and if she would like to remain on the EDA she would need to submit a letter of interest to the Council for consideration. As always, the Commission will elect EDA Officers at the January meeting. Elections for the following positions will be conducted: EDA President, EDA Vice-President, EDA Secretary, EDA Treasurer, EDA Assistant Treasurer, and EDA Executive Director.

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

Grams thanked Commissioner Stelmach for his dedicated service on the EDA.

Grams wished all members Happy Holidays.

Nelson thanked Commissioner Burke and Commissioner Stelmach for their years of service to the City of Osseo.

Nelson wished everyone a Merry Christmas, Happy Holidays and Happy New Year.

Aho reported Small Business Saturday was a huge success this year. She thanked the public works department for all of their assistance at this event.

Poppe clarified for the record that he had no conflict of interest with the Hall Sweeney project, but rather had the best interests of the City at heart.

Stelmach thanked everyone that he has served with over the years and wished everyone Happy Holidays. He stated it has been a privilege and honor to serve on behalf of the City of Osseo.

10. ADJOURNMENT

A motion was made by Johnson, seconded by Aho, to adjourn at 7:18 p.m. The motion carried 6-1 (Stelmach opposed).

Respectfully submitted,

Heidi Guenther
Minute Maker Secretarial