

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING MINUTES
March 13, 2017**

1. ROLL CALL

President Todd Woods called the regular meeting of the Osseo Economic Development Authority to order at 6:00 p.m., Monday, March 13, 2017.

Members present: Juliana Hultstrom, Harold E. Johnson, Dan LaRouche, Duane Poppe (arrived at 6:02 p.m.), Mark Schulz, and Todd Woods.

Members absent: Larry Stelmach.

Staff present: Executive Director Riley Grams, City Planner Nancy Abts, and City Attorney Mary Tietjen.

Others present: None.

2. APPROVAL OF AGENDA

A motion was made by Johnson, seconded by Hultstrom, to approve the Agenda as presented. The motion carried 5-0.

3. APPROVAL OF MINUTES – FEBRUARY 13, 2017

A motion was made by Johnson, seconded by Schulz, to approve the minutes of February 13, 2017, as presented. The motion carried 5-0.

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 Hultstrom to approve the Accounts Payable.

Johnson requested further information regarding a bill from Ehlers. Grams discussed the Ehlers bill. Grams requested the Accounts Payable be approved as presented and noted staff would investigate this matter further and would report back to the EDA.

The motion failed for lack of a second.

A motion was made by Johnson, seconded by Schulz, to approve the Accounts Payable, less the Ehlers & Associates (\$1,100) expense. The motion carried 6-0.

7. OLD BUSINESS – None.

8. NEW BUSINESS

A. DISCUSS SEWER AVAILABILITY CHARGE (SAC) DEFERRAL PROGRAM

City Planner Nancy Abts stated cities served by the Metropolitan Council's wastewater facilities must pay Sewer Availability Charges (SAC). The expected amount of sewage from a building is the basis for SAC charges. The City collects SAC fees from businesses and property owners, and the funds are then sent to the Met Council.

Abts reported sometimes businesses are not expecting to pay for SAC. The surprise cost can be a barrier to small businesses. Because of this, the Met Council allows cities to be part of a SAC Deferral Program. The program allows up to 80 percent of SAC due to be deferred for up to 10 years. (Cities decide how much SAC to defer and for how long.) Regular payments plus interest are made towards the deferred SAC. Deferral is only available for projects with up to 25 SAC units. (For example, a total of 9 SAC units were needed for the new Red's Savoy Pizza. Because that property had a credit for some SAC units, only 1 additional unit had to be paid up front.) Each SAC unit is currently priced at \$2,485.

Abts explained that a handful of communities throughout the Metro participate in the SAC Deferral program, including Brooklyn Park, Prior Lake, Medina, Rosemount, Minneapolis, and a few others. With the exception of Minneapolis, most use the program sparingly. Many cities say it is a nice option to offer to businesses. However, the SAC deferral program charges interest at the same rate as Met Council's average cost of debt. Sometimes businesses have access to better interest rates through conventional financing. If this is the case, they do not use the SAC deferral option.

Abts reported many communities in the program collect payments as part of utility billing. The cities then send payments to the Met Council once a year. Regular billing lets communities know if businesses are falling behind in their payments. Deferral agreements with businesses can make it clear that unpaid SAC will be assessed to the property.

Abts stated if a business that is part of the deferral program closes, a city has two options. It can continue paying for the SAC, or it can "leave" the property with only the SAC credits that have been paid in full. "Paying off" additional SAC units could be an incentive for future development. Which option to take can be decided when a business closes, on a case-by-case basis. Staff recommends the EDA discuss its interest in the SAC Deferral Program.

Woods requested further information regarding the interest rate that would be charged by the Met Council. Abts discussed how the Met Council determined an interest rate for their SAC deferral program.

Schulz commented he was uncertain how often this program would be used. He stated he preferred to have a backup assessment plan in place to ensure the property holder paid the SAC expense instead of the City. Abts explained that some cities that participate in the SAC deferral program have a joint agreement with both the property owner and business owner.

Schulz stated this would be the only way he would support this program.

Woods questioned if the City could have a term of less than 10 years for the deferral program. Abts reported the City could make this adjustment to the deferral program.

Johnson reviewed the language within the SAC deferral program for properties that went out of business and how the City would be impacted.

LaRouche discussed the attraction of this program and how it may bring new businesses to Osseo.

Schulz questioned if the City or the business owner would hold the SAC deferral note. Grams believed the City would hold the note because the City was responsible for paying all SAC

charges. He reported that the City would have an agreement in place with the business in order to have the payments covered. Abts clarified that cities are responsible for paying SAC but would not be responsible if a business were to go out of business.

Schulz recommended this item be tabled to a future meeting until further information can be provided to the EDA. City Attorney Mary Tietjen understood the City of Rosemount participated in this program. She stated she would follow up with them and would provide the EDA with more information at its next meeting.

The consensus of the EDA was to discuss this at the April EDA meeting.

B. DISCUSS 600 CENTRAL AVENUE

Abts explained the owners of the house at 600 Central Avenue recently contacted the City. The owners are thinking about making significant improvements to the property. They are thinking about upgrading old knob and tube wiring, replacing the roof, and potentially constructing an artist's studio in place of the current garage. It might make sense to consider buying the house before these improvements are made. The EDA should talk about whether the City wants to redevelop this area. Staff recommends the EDA discuss its interest in 600 Central Avenue and direct staff accordingly.

Johnson discussed the surrounding properties and noted which ones had recent improvements.

Grams noted the property at 600 Central Avenue was a single-family home in the City's downtown commercial district. He stated the home was out of place and was in need of pricey renovations. He anticipated the EDA could acquire the property and believed this would be a great redevelopment opportunity for the City.

LaRouche explained he drove by the property and he agreed it would be quite costly to renovate the single-family home. He supported the EDA considering the purchase of this property for future redevelopment. Grams stated he did not anticipate the property could be purchased and rented given the investment that would have to be made in the property.

Woods questioned what the asking price for the property would be.

Schulz stated he was not against the purchase of the property; however, he encouraged the EDA to keep in mind the potential expense of relocation costs. Abts indicated staff did not have this information and said staff could investigate the purchase price and relocation costs further.

Hultstrom inquired if the property owners expressed interest in selling the property. Abts reported this was the case.

Schulz suggested staff look into grant funding that may be available to assist with the purchase of the property. Grams anticipated that this property would fit well with Hennepin County grant opportunities. He indicated he would speak with the City Attorney about potential relocation costs.

The EDA directed staff to contact the property owner and Hennepin County and report back at the April meeting.

C. UPDATE ON CELTIC CROSSING REDEVELOPMENT SITE

Grams explained recently the Celtic Crossing property (five total properties: 110, 120, 130, 140, and 150 Regan Lane) was sold to a new group called Celtic Crossing Rental Homes LLC

(out of Edina, MN). The properties are being managed by Highland Management Group. The EDA recently removed those undeveloped parcels from the existing TIF district and amended the TIF agreement.

Grams reported the next step would be to approach the new owners to see what they would like to do with the undeveloped parcels. Depending on the outcome of that conversation, staff can develop a plan to assist development of those parcels. The EDA or City doesn't have any right to attempt to find a Developer at this point, unless the owners gave permission to do so. In order to help facilitate that initial discussion, the EDA should consider what type of development would be appropriate at that location, and what (if any) assistance the EDA might be comfortable with.

Grams indicated the properties are zoned R-2 Multi Family Residential. Typical uses in these areas include multi-story apartment buildings, town or row homes, and any other variety of residential uses (other than single-family homes). The site has easy access to County Road 81, and would most likely have to include underground parking in order to maximize unit density to make the development profitable. Staff has held initial discussions about potential uses of the site, and the consensus seems to be multi-story apartment units (similar to that of 5 Central).

Grams stated that, in terms of assistance, all the usual tools are available. Tax Increment Financing seems to be the most likely assistance package. However, the site would only allow for a new Housing TIF District, as the parcels would not qualify for a Redevelopment TIF District (due to the fact that there are no structures present on the site that would qualify as substandard). Staff reviewed the income limits in Hennepin County.

Grams reported the EDA can discuss potential or preferred uses for the site so that staff may approach the owners with some information. Staff will reach out to the owners soon in an attempt to set up a meeting to discuss the future of those parcels and any plans the owners have for them.

Johnson assumed the new management group has discussed the vacant properties and would be willing to meet with the City. He supported the City reaching out to the new management group.

Hultstrom recommended the zoning of the property remain as is.

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

Johnson stated last week Ms. Abts and he met with officials from the City of Brooklyn Park to discuss the project along 93rd Avenue N. He reviewed the plans noting the adjustments that had been made to make room for the train line. Abts reported the Brooklyn Park City Council would be holding another worksession meeting to discuss this topic.

10. ADJOURNMENT

A motion was made by Johnson, seconded by Schulz, to adjourn at 6:55 p.m. The motion carried 6-0.

Respectfully submitted,

Heidi Guenther
TimeSaver Off Site Secretarial, Inc.