

**SPECIAL WORKSHOP
OAKDALE CITY COUNCIL
June 14, 2021**

The City Council held a special workshop on Monday, June 14, 2021, at Oakdale City Hall, 1584 Hadley Avenue North, Oakdale, Minnesota. The meeting began at 6:00 PM.

Present: Mayor Paul Reinke

Council Members: Jake Ingebrigtsen
Susan Olson
Colleen Swedberg
Kevin Zabel

Also Present: Christina Volkens, City Administrator
Susan Barry, City Clerk
Chelsea Petersen, Administrative Services Director
Bob Streetar, Community Development Director
Jason Zimmerman, Finance Director
Jenny Boulton, Kennedy-Graven (virtual)

BETHESDA CORNERSTONE VILLAGE PROPOSAL FOR USE OF TAX INCREMENT FINANCING

The City Council reviewed a request from Bethesda Lutheran Communities to support pay-as-you-go Tax Increment Financing (TIF) to develop a 71-unit apartment building at 390 Helmo Avenue. The amount of \$1.7 million is needed to address extraordinary costs relating to soils conditions and construction cost increases; the loan would be provided by the Minnesota Housing Finance Agency (MHFA).

City Administrator Volkens added:

1. Should the assessed value of the site increase, the TIF would also increase and the loan would be repaid sooner.
2. The TIF agreement would include language to allow the city to end TIF at any point, if so desired.
3. The local share of property taxes (city equates to 37 percent) utilized for TIF would be split equally between the city, Washington County, and School District 622.

Council Member Zabel proposed that the city issue a \$1.7 million interfund loan to Bethesda to be repaid over approximately 15 years, with interest. He added that the proposal would allow the required 5 ½ months to remain in the city's Reserve Fund, per policy, and there would be no lost property taxes to the city, county, or school district. Council Member Zabel noted that that he discussed the proposal with City Attorney Thomson and financial consultant Jenny Boulton.

City Administrator Volkens indicated that although the city has the funding to provide the loan, staff would never recommend such an option due to the financial risk. She also noted that the city's TIF policy speaks to only the pay-as-you-go option.

Jenny Boulton, Kennedy-Graven, reviewed the pros and cons of the city loaning money and provided ways to mitigate risk.

In response to a question from Mayor Reinke about the potential impact on the city's bond rating, Community Development Director Streetar stated that bonding agencies typically look favorably on municipalities investing in themselves. He added that the city should first consider other potential needs for the money and interest earnings.

Administrative Services Director Petersen noted that the city would not be bonding for equipment in 2021, which would have an impact on the city's Reserve Fund balance that is truly available.

Council Member Ingebrigtson indicated that a third option would be to not allow a TIF component for the Bethesda project.

The City Council responded to the following questions:

Do you Support Bethesda's Cornerstone Village Project?

| | |
|--------------|-----|
| Reinke | Yes |
| Olson | Yes |
| Swedberg | Yes |
| Ingebrigtson | Yes |
| Zabel | Yes |

Do you Support the Original Pay-As-You-Go Tax Increment Financing Funding Request?

| | |
|--------------|-----|
| Zabel | No |
| Ingebrigtson | No |
| Swedberg | No |
| Olson | Yes |
| Reinke | Yes |

Do you Support the Interfund Loan Proposal?

| | |
|--------------|---------------------------------------------------------------|
| Reinke | Yes, if it is the only way to move forward |
| Olson | Yes; feels like being forced but important project to support |
| Swedberg | Yes, but only this one time; Bethesda worth it |
| Ingebrigtson | No |
| Zabel | Yes |

Community Development Director Streetar noted again that the interfund loan would be a deviation from the city's pay-as-you-go TIF policy.

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City Administrator Volkers suggested mitigating the risk to the city by having the city provide half of the loan and the MHFA providing the other half.

Council Member Zabel did not support that option as the city's attorneys would make sure the city was protected and that Bethesda is reputable, rooted in the community, and not a risk.

Finance Director Zimmerman reviewed recent TIF projects in the City of North Saint Paul.

City Administrator Volkers indicated that the next step would be for Bethesda to submit a TIF application to the city.

Community Development Director Streetar added that the site plan for the Bethesda project would be brought before the City Council in August and asked that the City Council provide an assurance that TIF will be provided.

Mayor Reinke stated that at the June 22 meeting, the City Council would act on a resolution supporting the business terms identified for the Bethesda project.

The City Council briefly discussed the 50/50 option; City Administrator Volkers noted that she would provide details and options to the City Council for their consideration.

Community Development Director Streetar noted that the development agreement with Bethesda would include language that units would be first marketed to Oakdale and Washington County residents.

ADJOURNMENT

The workshop adjourned at 7:22 PM.

Respectfully submitted,
Susan Barry, City Clerk