

COTTAGE GROVE CITY COUNCIL

12800 RAVINE PARKWAY SOUTH

COTTAGE GROVE, MN 55016

COUNCIL CHAMBER - 7:00 P.M

May 7, 2025

1. CALL TO ORDER

The City Council of the City of Cottage Grove, Washington County, Minnesota, held a regular meeting on May 7, 2025, at Cottage Grove City Hall, 12800 Ravine Parkway. Mayor Bailey called the meeting to order at 7:00 p.m.

2. PLEDGE OF ALLEGIANCE

The audience, staff, and City Council Members stood and recited the Pledge of Allegiance.

3. ROLL CALL

Joe Fischbach, HR Manager, called the roll: Mayor Bailey-Here; Council Member Clausen-Here; Council Member Garza-Here; Council Member Olsen-Here; Council Member Thiede-Here.

Also present: Jennifer Levitt, City Administrator; Ryan Burfeind, Public Works Director; Zac Dockter, Parks and Recreation Director; Joe Fischbach, HR Manager; Pete Koerner, Public Safety Director; Korine Land, City Attorney-LeVander, Gillen & Miller, PA; Gretchen Larson, Economic Development Director; Brenda Malinowski, Finance Director; Emily Schmitz, Community Development Director; Mike McCormick, Public Safety Sergeant; Samantha Pierret, Senior Planner; Phil Jents, Communications Manager.

4. OPEN FORUM

Mayor Bailey opened the Open Forum. As no one wished to address the Council, Mayor Bailey closed the Open Forum.

5. ADOPTION OF AGENDA

Motion by Council Member Olsen to adopt the agenda; second by Council Member Thiede. Motion carried: 5-0.

6. PRESENTATIONS

- A. Proclamation - Mental Health Awareness Month
Staff Recommendation: Proclaim May 2025 Mental Health Awareness Month.

Mayor Bailey asked Council Member Garza to read aloud this proclamation, which she did.

Motion by Council Member Garza to proclaim May 2025 Mental Health Awareness Month in the City of Cottage Grove; second by Council Member Thiede. Motion carried: 5-0.

- B. Proclamation - Police Week and Police Officer Memorial Day

Staff Recommendation: Proclaim National Police Week May 11-17, 2025, and Peace Officers Memorial Day May 15, 2025.

Mayor Bailey asked Council Member Thiede to read aloud this proclamation, which he did.

Motion by Council Member Thiede to proclaim National Police Week May 11-17, 2025, and Peace Officers Memorial Day May 15, 2025; second by Council Member Olsen. Motion carried: 5-0.

- C. Proclamation - EMS Week
Staff Recommendation: Designate the week of May 18-24, 2025 as Emergency Medical Services Week.

Mayor Bailey asked Council Member Olsen to read loud this proclamation, which he did.

Motion by Council Member Olsen to designate the week of May 18-24, 2025 as Emergency Medical Services Week with the proviso that the Cottage Grove Emergency Medical Services are the best in the State of Minnesota; second by Council Member Clausen. Motion carried: 5-0.

- D. Proclamation - Building Safety Month
Staff Recommendation: Proclaim May 2025 Building Safety Month.

Mayor Bailey asked Council Member Clausen to read aloud this proclamation, which he did.

Motion by Council Member Clausen to proclaim May 2025 Building Safety Month; second by Council Member Garza. Motion carried: 5-0.

- E. Proclamation - Asian American and Pacific Islander Heritage Month
Staff Recommendation: Proclaim May 2025 Asian American and Pacific Islander Heritage Month.

Mayor Bailey asked Council Member Garza to read aloud this proclamation, which she did.

Motion by Council Member Garza to proclaim May 2025 Asian American and Pacific Islander Heritage Month; second by Council Member Thiede. Motion carried: 5-0.

7. CONSENT AGENDA

- A. Approve the April 2, 2025 City Council Special Meeting Minutes.
- B. Approve the April 2, 2025 City Council Regular Meeting Minutes.
- C. Approve the April 16, 2025 City Council Regular Meeting Minutes.
- D. Authorize issuance of a single-occasion gambling permit to Ruth Kay Linkenmeyer-Meirick on behalf of MN Foundation for Agriculture to conduct a raffle at River Oaks Golf Course (11099 Highway 61) on June 17, 2025.
- E. Authorize issuance of a single-occasion gambling permit to Pamela Jeane Tobritzhofer on behalf of the Cottage Grove Lions Club to conduct a raffle at Carbone's Pizza (7255 Jorgensen Avenue South) on September 16, 2025.
- F. Authorize issuance of a Massage Therapist License to Sarah Ann Meyer.
- G. Adopt Ordinance 1097, accepting the changes to the City Fee Table as outlined in the City Ordinance.
- H. Appoint Paul Sponholz to the position of City Engineer, at Grade X01, Step 6, with a start date to be effective as soon as possible.
- I. Approve the issuance of rental licenses to the properties in the attached table.

- J. Accept the Cottage Grove Police Department 2025 Body-Worn Camera (BWC) Audit.
- K. Approve the proposed contract between the City of Cottage Grove and FinnlySport in the amount of \$6,157.30. This partnership will allow the Ice Arena to modernize its systems, improve operational efficiency, and better serve our community.
- L. Adopt Resolution 2025-36 approving the agreement for Lawn Care Maintenance Abatement Services to Valdes Lawn Care and Snow Removal, LLC for the 2025-2026 seasons in the amount of \$80 per hour.
- M. Adopt the Temporary Certificate of Occupancy Policy.
- N. Execute the Memorandum of Understanding with Independent School District 833 to include the design and construction of the required turn lane modifications in the 80th Street Improvements Project related to the Park High School Improvements.
- O. Approve the Purchase Agreement between the City of Cottage Grove and Ryan and Colleen Johnson for Outlot G of the Eastridge Woods 2nd Addition.
- P. Adopt Resolution 2025-067 approving the Boundary Adjustment and Permanent Drainage and Utility Easement at 7675 Hardwood Avenue South.
- Q. Approve Change Order #6 in the amount of \$40,419.50 for the Utilities and Engineering Division Building project, resulting in a remaining construction contingency in the amount of \$458,048.44, and a remaining Owner's contingency in the amount of \$86,800.11.
- R. Adopt Resolution 2025-068 requesting MnDOT to complete an Engineering Study and Traffic Investigation along 105th Street South from Ideal Avenue to Hadley Avenue.
- S. Approve the Joint Powers Agreement with the City of Newport for a Water System Interconnection to supply water to the Cherrywood and Cherry Meadow developments.
- T. Approve the Encroachment Agreement for 6646 96th Street South and appropriate officials are hereby authorized to sign the Encroachment Agreement to effectuate this action.
- U. Approve the South Washington Watershed District (SWWD) Coordinated Capital Improvement Program (CCIP) agreement for the Salt Spreader Controls Upgrade Project in the amount of \$102,500.
- V. Adopt Resolution 2025-066 awarding the Public Works Concrete Services Contract to Frank Zamora's Concrete and authorize the service agreement between Frank Zamora's Concrete and the City of Cottage Grove.
- W. Approve the MOU for Isle Avenue Right-of-Way.
- X. Adopt Resolution 2025-070 awarding the 2025 Televising and Cleaning Project to the accepted quote supplied by Pipe Services in the amount of \$32,371.41, and the appropriate officials are hereby authorized to sign all necessary documents to effectuate these actions.
- Y. Adopt Resolution 2025-069 awarding the 2025 Joint Services Street Striping Project to the lowest accepted quote supplied by Sir Lines-A-Lot, LLC in the amount of \$77,931.62, and the appropriate officials are hereby authorized to sign all necessary documents to effectuate these actions.
- Z. Adopt Resolution 2025-071 awarding the 2025 Joint Services Crack Sealing Project to the lowest accepted quote supplied by Asphalt Surface Technologies Corporation in the amount of \$85,680.00, and the appropriate officials are hereby authorized to sign all necessary documents to effectuate these actions.
- AA. Authorize purchase order to Musco Sports Lighting, LLC for Hearthside Park sports lighting package in the amount of \$40,900.
- BB. Authorize service agreement with Boulder Images, Inc. for construction of the Denzer Park boulder wall for the amount of \$48,160.00.
- CC. Approve the 2025 Service Agreement between the Washington Conservation District and the City of Cottage Grove for Native Vegetation Inspections.

Council Member Olsen wished to pull Item H, City Engineer Position - Appointment, for further discussion and/or approval.

Council Member Olsen said Item H is a City Engineer Appointment, and this is an item to appoint Paul Sponholz to the position of City Engineer with the City of Cottage Grove. His start date will be as soon as possible should we agree to approve this item. I wanted to pull this item to ask our Public Works Director, Ryan Burfeind, to introduce Paul to us and to the public and maybe have Paul tell us a few things about himself.

Director Burfeind said thank you Mayor, Members of the Council. As you know, over the last few months we've been working to fill this City Engineer position. We've taken that time to find the right fit, not just for the Engineering team and the Public Works Department, but really the City as a whole. The City Engineer is obviously a very important leadership position here at Cottage Grove. With Paul here, we've had several rounds of interviews, really with staff, who his team would be, to the leadership team as well. So, we feel very confident after going through that and are excited to have him on the agenda tonight to be appointed to the City Engineer position, it's an exciting night for that. With that, I'll turn it over to Paul just to say a few words.

Paul said he's been a resident of Cottage Grove since 2015, and I'm currently the County Engineer for Steel County, down in Owatonna. I'm also very excited to share some 20 years of experience that I have working in county government, State, and private sector engineering work. My passion has been working with local government, for the local agencies, and being able to do that, I have my passion of engineering and making a difference to a community where I live is really exciting to me. So, I'm looking forward to this opportunity and appreciate you bringing me here, so thank you.

Council Member Olsen said thank you very much, and I have to ask, you didn't happen to go to any of the Michigan schools for engineering?

Paul replied no, the University of Minnesota. Council Member Olsen said we hear things about Michigan occasionally, so we're glad to hear you're one of ours.

Mayor Bailey said thank you, Paul, I'm assuming I'll be able to say welcome to you officially in a moment.

Motion by Council Member Garza to approve the Consent Agenda; second by Council Member Thiede.
Motion carried: 5-0.

8. APPROVE DISBURSEMENTS

- A. Approve disbursements for the period of 4-11-2025 through 5-01-2025 in the amount of \$4,230,541.57.

Motion by Council Member Olsen to approve disbursements; second by Council Member Clausen.
Motion carried: 5-0.

9. PUBLIC HEARINGS - None.

10. BID AWARDS - None.

11. REGULAR AGENDA - None.

12. COUNCIL COMMENTS AND REQUESTS

Council Member Clausen said just one thing I want to mention. I've been driving around the City and noticed our Public Works Department, with the streets and parks, they've been working all winter and all spring cleaning out

brush and things. I noticed the parks look absolutely wonderful and the center medians and the boulevards are looking great. So, kudos to our Parks and Engineering and Streets staff. Thank you.

Council Member Olsen said I just want to remind the public that as you heard earlier, the month of May is Asian American and Pacific Islander Heritage Month. Our Beyond the Yellow Ribbon team is really looking forward to our Memorial Day service this year because we are doing a salute to our Asian American and Pacific Islander veterans from the State of Minnesota and throughout the country. To that end, we have the honor of two very distinguished speakers, who will be present at the event: One is retired Army Colonel Yee Hang, he is the cofounder and the president of the Asian American and Pacific Islander Veterans Association here in Minnesota. A friend of Colonel Hang is bringing him to us, he is an active Staff Sergeant in the United States Air Force Reserve, John B. Yang. We're really excited to have them both speak, they have some very unique perspectives on what Memorial Day means to them.

As a reminder, we have that event each year here at City Hall, out by the Veterans Memorial, weather permitting; it starts at 10:00 a.m. on Memorial Day, May 26, and we would love to have you join us. The Beyond the Yellow Ribbon team, the City staff, our Public Safety Department, River Oaks, etc., we put a lot of time, energy, and effort into this event. Unfortunately, last year it rained a little so we brought it inside and it worked out just fine. I think it's a lot better when it's outdoors, as the music carries better, the speakers carry better, etc. We will also have the Honor Guard from the Washington County Sheriff's Office joining us again this year, so I want to extend our gratitude to Sheriff Dan Starry for coordinating that with us.

Council Member Thiede said okay, just a couple things. I should mention that we're only six weeks away from Strawberry Fest, so things are going well with all the planning and everything else. Just one thing I'll mention is this year we're kind of excited because besides the regular fireworks that we're having, we're also having a drone show. So, you can take a look at all the Strawberry Fest activities at cottagegrovestrawberryfest.com, and it's going to be a great year for it.

I was also going to mention that I've got my River Oaks Golf Course shirt on, and it's kind of a golf and activity center, there's a lot of things, like different leagues that you can sign up for; right now, if you go online, there's bocce ball and golf league signup. It sounds like next week is going to be a scorcher for us Minnesotans, it's going to be kind of warm, you're going to have to leave the top down on the car all the time. So, get out there, have some fun, be safe, and there you go.

Council Member Garza said it sounds like we have some fun things that are coming up for the summer here in Cottage Grove. I know another event that will be happening pretty quick, prior to this one, I will mention on Saturday, May 17, at Park High School, at 4:00 p.m., it will be the Battle of the Badges; so, our Fire Department and our Police Department will be having a battle. So, if you have time, stop over at Park next Saturday.

Then a few weeks after that, we have the Kids Adventure Mud Run, that's coming up on June 7 at Hamlet Park; the signup is online, it's \$23 to participate, so if your kids want to run in mud, it sounds like a fun thing to do, I'd like to do it, so it's all online.

Mayor Bailey said we had a re-grand opening, ribbon cutting, yesterday, May 6, at The Madison, which is the former Furber Farm. These new owners are absolutely amazing. Unfortunately, I was out of town, so I was not able to be there to participate in the ribbon cutting, but I turned the reins over to Council Member Garza and I believe Council Member Thiede was there, too, which Council Member Thiede confirmed. Mayor Bailey said I just want to apologize for not being there, but they did a great job holding fort. These family members are great people, they're doing amazing things with that place, The Madison, it's a historic structure for different types of events, weddings, etc. so I encourage you to look them up on social media or maybe just giving them a call. If you're planning an event, I'd encourage you to reach out to them.

Council Member Garza said I will say Brad and Louise, they are amazing, and they have a lot of great activities in mind for that spot, so just watch for any newsletters they may have coming out because they have a lot of good plans in play. So, I'm hoping this summer we have some exciting events coming from them.

Mayor Bailey said I'll just throw in there, since we're talking about future things happening in the community, it's kind of weird how Strawberry Fest happens and then there's the Fourth of July. We are once again going to be having the Fourth of July live fireworks show, but it'll actually be on July 6, which is two days after. The reason we're doing that is they way we are here in Cottage Grove, everybody goes out of town for that weekend, comes back on that Sunday, and so we had really good success with it last year. I will mention, other than our local business community that helps with our fundraising, I'll mention them in a second, the Cottage Grove Lions Club is helping put this event together with food and prizes and events for kids and that sort of thing at Kingston Park. Our local business community is 100%, with just a little bit extra from the Lions, in funding the fireworks show. That's why I want to do a specific callout and thank you to 3M, Renewal by Andersen, NorthPoint (which is the Logistics Park), Tennis Sanitation, and also Hy-Vee, as all of them are donating \$5,000 each to create what would normally be a \$25,000 show, but because we found a new vendor that is going to add some excitement to the show, the Lions threw in an extra \$3,000, to bring it up to a \$28,000 show. It's going to be a great event this year, I encourage everybody to join me and others out at Kingston Park on the Sunday after the Fourth of July. So, I just want to throw that out there.

Mayor Bailey said our next item are two workshops, open to the public, which will take place in the Training Room. The first item is Real Estate Equities, a Proposed Multifamily Project, and the second item is the New Well #13 Construction Update. There is not a workshop closed to the public tonight. So, we will not be adjourning in here, we'll be adjourning from the Training Room. So, anybody in the audience is welcome to join us there. I hope everybody has a great summer, it's like summer out there now, it's beautiful. So, enjoy the evening and the week.

13. WORKSHOPS - OPEN TO PUBLIC - TRAINING ROOM

A. Real Estate Equities - Proposed Multi-Family Project

Staff Recommendation: Provide feedback and direction related to the proposed project and LAHA request by Real Estate Equities.

Mayor Bailey said let's go ahead and get started then. The first item on our workshop agenda is Real Estate Equities, a proposed multifamily project, which I guess I can say for the public and for these people behind me, too, is basically on the corner of Hadley and 100th. He asked Director Schmitz if she wanted to take this one and she did.

Director Schmitz said Mayor, Council, Real Estate Equities is not an uncommon name that you haven't heard before. We've been working with these folks for I guess over a year at this point to encourage and provide some support for their project down there, at the corner of 100th and Hadley. It's a 164-unit apartment building at that 60% AMI range. Alex, TJ, and Enrico are here to give you just a little bit more of an overview, a little bit detailed review of the project that they're proposing, which you have seen before; but it will be helpful to kind of give it a once over and then obviously they're available, as well as staff, for questions that you may have.

Mayor Bailey said fantastic, all right. Would you like to kick it off?

Hello, Mayor, Members of the Council and everybody else that's here, I'm Alex Bisanz, I'm a partner with Real Estate Equities. I appreciate you having me here tonight. I'm going to go through kind of this presentation here to give you a little background on our company and also just some background on the project that we're proposing.

So, this first slide here is just a little bit of real basic information on the company, Real Estate Equities, which was founded in 1972. Real Estate Equities is based in St. Paul, Minnesota, that's where our corporate office is. We currently own and manage and operate about 4,500 apartment units in Minnesota and Arizona. Our company, besides the fact that we manage our properties, we have an on site, full-service management team at these projects, and we also own the projects long term.

This is just an example of a couple of projects that we've recently built. This just kind of provides a representation of kind of the exterior look of the buildings, and we've been designing with Kaas Wilson, our

architect: Aster House in Eagan, Arbor Court in St. Louis Park, The Landing at Amber Fields we just finished in Rosemount, and The Reserve at Settlers Ridge in Woodbury is under construction, we closed that in December. This next slide just gives a good representation, I think, of the interior finishes that we do on these projects. So, again, Aster House in Eagan shows the kitchen finishes as well as the common area finishes, as well as Arbor Court and The Landing at Amber Fields.

This next slide shows the current Site Plan layout for the project. We're proposing 164 units, 35 one-bedroom units, 86 two-bedroom units, and 43 three-bedroom units. And, so, one of the things that we really put a focus on is creating larger units, a higher concentration of two- and even three-bedroom units because there's a lot of families, frankly, that are living in these communities. So, that's one of the things that we really spent some time, kind of trying to maximize the kind of larger unit mix within the project. Parking: We have 148 underground parking stalls and an additional 164 surface stalls, which gets us to a 1.90 parking ratio. This is the conceptual rendering of the project that we put together, Enrico with Kaas Wilson Architects he's available to speak to any of the design elements of the building, but this is kind of the design that we've landed on. We actually really like the kind of contrast in the color palette and the way that it's kind of shaped up, so it just gives you kind of an idea of what we're proposing.

This next slide just kind of provides some building details. In terms of amenities, we plan to have a fitness center, a club room, underground parking, a playground, a dog run, as well as an outdoor patio and barbecue area. In terms of unit amenities, we'll have stainless steel appliances, with an in-unit washer and dryer, granite countertops, and high-quality cabinetry.

This next slide just kind of highlights some of the sustainable elements of the project design. So, we're designing the project to meet Energy Star certification, Enterprise Green Communities with a Minnesota overlay. Some design elements that are included in this are:

- Energy Star appliances
- EV charging stations, for now, we're proposing 30 EV charging stations with the project
- Solar panels
- High efficiency mechanical systems
- Continuous exterior insulation
- Motion sensor-activated lighting
- Low-flow plumbing fixtures
- Low VOC paints and adhesives

This next slide just highlights a little bit about income restrictions and affordability at the project. A single individual's maximum income is \$55,620; a family of four is \$79,440; the largest household would be a household of six, which is \$92,160. The maximum rent restrictions of the project, under 60% AMI rents, are \$1,400 for one bedroom, \$1,676 for two bedroom, and \$1,933 for three bedrooms. We're also evaluating some income averaging, too, if we can, to see if we're able to get some deeper set asides and average out maybe some 50% units and some 70% units. So, that's something that's currently under evaluation, too. Typical market rents for a comparable property, \$1,475-\$1,600 for one bedroom, \$1,850-\$2,000 for two bedrooms, \$2,200-\$2,600 for three bedrooms, etc.

Alex said and with that, I'm open to any questions, and my team's here with our civil engineer, as well as our architect.

Mayor Bailey replied all right, thank you. As was mentioned earlier, I mean, we have seen this project before, but thank you for bringing it back to kind of give us a refresher, especially on the AMI. So, Council, do you have any questions?

Council Member Garza said I just have a comment. I'm extremely excited to see that you have reasonable pricing for it, that is a little bit below the market rate, and it truly is affordable for families so I'm excited to see that. And how many units will be at that price, or is that the entire complex?

Alex replied 100% of the units; Council Member Garza said that's really awesome.

Mayor Bailey asked now when you commented earlier real quick, you said maybe doing a 70%?

Alex replied, so, one of the things that we're having conversations right now because there's funding gaps in these projects, right? That's part of why we're applying for some subsidies or buyout funds. There's some funding that Washington County has that's a limited finance funding resource that we're looking at, and in order to qualify for it, you have to do some deeper set asides that will be lower than 60% AMI. So, we're looking at, you know, if we did the income averaging, if we can figure out a way to do it, you could have some 70% units as well as 50% units. So, again, we're just in the process of evaluating it right now. We're not even certain whether or not the funding is going to be available, but we had a conversation today with them, and you know, it was a good conversation, so.

Mayor Bailey asked and that was with our County partners? Alex replied that was with Washington County, yeah, the CDA.

Council Member Olsen said thanks again for coming back, we appreciate it. I like the looks of things and to echo Council Member Garza's comment, the 60% AMI, whether you do it flat or you average it out, I think is a very exciting component here. You know, you mentioned the magic words that every developer mentions, which is there are funding gaps and we need to figure those out. So, my question is as a developer of these types of facilities, etc., you mentioned your Energy Star focus. Are you eligible for the Energy Star building credits based on some of the components that you mix in relative to the construction, ventilation, all that? Are you able to capture some of that?

Alex replied you know, in terms of the credits applicable to sustainability, that's a really good question, actually.

Council Member Olsen said well, when you think about funding gaps, it's actually a deduction, it's not really credits, but there are some elements where the IRS will give you a pretty nice deduction based on your level of green, you know? Alex replied, yep. Council Member Olsen said I would encourage you, if you haven't already looked into that, maybe to take a peek and see if that helps you with your numbers.

Alex replied yeah, I know we've gotten like for solar, when we've done solar panels, we've obviously gotten tax credits, solar credits for that.

Council Member Olsen said yeah, you gave several pieces here that would apply to that developer credit. You know, they have these obviously for residential homeowners, which a lot of people know about it, but very few people know about the fact that there's also commercial credits available.

Alex said and there's rebates, too, like with Xcel, for some of this to check on.

Council Member Olsen said yeah, so, again, as you're trying to crunch your numbers, maybe that's one way to put a little more on your bottom line. Alex replied yeah, thank you, it's a good idea.

Mayor Bailey asked are there any other questions from the Council?

Council Member Thiede said well, I think maybe we talk just a little bit, maybe we're going to get into like the TIF stuff and so forth.

Mayor Bailey replied yeah, I was actually just going to ask a question, and I don't know if it's so much for them or it might be staff. So, I'll ask that question and you can throw in. I know that in our Council packet there were different ways to look at funding opportunities to maybe help you close some of the gap. One of them I know was just utilization of TIF, and the other one is LAHA, and I guess what I'm looking for from staff's perspective, I mean, personally speaking, I would prefer to not do the TIF myself; and if we're able to help them and support them with that other funding source, I think that would be better in my case, but who wants to take it?

Administrator Levitt replied mayor, Schane Rudlang with Ehlers, our financial consultant, will answer that question for you. Mayor Bailey said thank you, welcome Schane.

Schane replied thanks, Mayor and Council Members. So, the developer requested about \$1 million in TIF for the project, I don't want to speak for them not knowing that you guys have LAHA money that is unobligated. When we do the TIF estimate of what the project would generate because it's a 4d Affordable Project, you don't generate a lot of TIF anymore out of these projects. So, that present value, depending on what interest rate you use, is about \$874,000 or so for a 26-year TIF District. Now, the LAHA that you have for the next three years, 2024, which is a partial year, and then using those relatively low estimates to get you to 2025 and 2026 payments, if you did all three of those years, it would get you \$785,000 compared to \$874,000 for a TIF District. So, they're not exactly the

same, but they're pretty close, and that's why we recommend in the memo that if you're going to subsidize this project with the LAHA dollars, there is a tiny bit of risk that the LAHA dollars might not come to fruition. Early on in this legislative session, there was talk about taking LAHAs from the cities and giving it to the counties to fill gaps that may come from the Federal government and what's going on there, but that hasn't gotten traction. In fact, just mentioning TIF to Brenda here, that Senate Tax Bill just came out today, and I haven't got all the way through it yet, but I haven't heard from any of my coworkers yet that yeah, my gosh, LAHA is out of there. So, I don't think that's going to be an issue this session; of course, it could happen next session, too. You know, who knows what's going to happen with some of those funding streams, but in any case, we think that's going to be a reliable funding source at least for these three years. That would get them close to what they asked for in the TIF; we agree that they need it, based on the financials that they submitted. So, that's what we recommend.

Mayor Bailey asked if Council Member Thiede had any questions on that; Council Member Thiede replied no, that's what I was making sure that we wanted to touch on it and discuss it a little bit.

Administrator Levitt said Schane, maybe you could touch on the 4d because I think you know it's difficult, right? Now a lot of these Affordable Projects are a little more of a challenge than a TIF calculation.

Schane replied yeah, thank you. Mayor and Council Members, the 4d Law in 2023 changed the class rate for projects that are low income, generally, I'm just speaking in generalities, and it changed the class rate that is used for the value of each apartment unit that's above \$100,000 such that that is .25 rate. So, in Minnesota, you've got value times class rate times your property tax rate. So, you've got this class rate concept in there. For market-value apartments, that class rate is 1.25, so 5 times higher for all the values. So, it doesn't quite work out that the reduction is 1/5 from what a market-rate unit will be just because of the math, but it's close to that, and so the class rate change in 2023 really reduced the TIF and property taxes for these projects. So, the projects are getting the benefit, they're just getting the benefit through lower property taxes; and they're not generating nearly as much TIF, but they still see that same revenue benefit or net operating income benefit because of the 4d Law and it happens in theory forever, until the law changes. The intent of the law in 2023 was to lower operating costs for developers; in order to do that, they have to go through a little bit of a process and show how they're going to use the money to keep the projects affordable and do maintenance and things like that, but it's a pretty loose requirement. In generalities, it reduces property taxes for those developments, also reduces TIF, but in theory that property tax reduction would happen forever, so.

Mayor Bailey said okay. A question maybe for the developer, too, you were sharing with us some of the other developments like in Eagan, Rosemount, Woodbury, and St. Louis Park. Were any or all of those affordable?

Alex replied yeah, they all were affordable; frankly, they're all a similar capital structure as this, so a 4% tax credit project with tax-exempt bonds. Woodbury is the most recent one, that one was in let's call it a difficult development area, which in the world of Affordable Housing if you're in what's called a difficult development area, or a Qualified Census Tract, you get a 30% enhancement on your eligible tax credit basis. So, projects and sites that are located in those designated areas kind of get their own financial boost, frankly, just in light of that, right? So, St. Louis Park was not a one, Eagan was not a one, Rosemount was not a one, but Woodbury was; so, frankly, Eagan, Woodbury, and Rosemount all closed before the new 4d Tax came into play, so those three projects all got TIF, but Woodbury did not get TIF. Most of our projects that we've built have gotten Tax Increment Financing or if not, they've got some other sole source of subsidy, whether it's a Housing Trust Fund allocation or other means of funding through cities and counties.

Mayor Bailey said okay, and that was, you already beat me to my next question, as I was curious, I'll call it what source of money the various cities were using to help bridge the gap.

Alex replied yeah, St. Louis Park, they have a Housing Trust Fund, so they did TIF and they kind of maxed out the TIF Note, and then they gave us another maybe \$1 million or close to that of Housing Trust Funds. And then I think we may have also got some funding through the County for that one, it's hard to remember details for all of these projects. And then Woodbury, frankly, they got some funding, the GROW Funds from Washington County, and we're hoping to get those same funds here because they would definitely help. So, we had that conversation today about the 2026 allocation, which we eventually, if they're able to allocate for this project, can use some of that; even though they couldn't financially commit until 2026, as long as there's a commitment, I think it will help will

help us kind of fill some of the funding gap. So, we're looking at it, we just had that conversation today, so it's a very good conversation, we're working on something that will work. The project obviously has funding gaps, so we're looking at options to make it work. Yeah, the construction pricing today is challenging, and things are in flux with tariffs and LIHTC projects now have prevailing wage requirements, too, which is increasing construction costs quite a bit. So, there's a lot of funding gaps in these projects.

Mayor Bailey said okay, sounds good. Well, I think if I'm hearing right from the Council, I think I like the project, we definitely like the affordability aspect of it, so I'm thinking between you guys and Ehlers, we can work and help also in the sense of communication with the County. If we can help with finding some money under stones, we're usually pretty good about that in Cottage Grove. He asked Jennifer did we use GROW funds for Blue Stem, which she confirmed. So we have some understanding of the GROW money, too, because we were able to do that in that deeply affordable senior facility we just built across from the library.

Council Member Olsen asked are we confident that this would qualify for LAHA? That was confirmed. He said it seems like preferable vs. the idea of TIF, especially looking at that long length of time, I'm not interested in 26 years.

Mayor Bailey said just from my knowledge and you guys, too, like in our case, if it was LAHA, you kind of get the money more upfront than over an extended period of time. Does that work better?

Council Member Olsen said yes, because we get it once a year.

Mayor Bailey asked Alex or are you not familiar with that?

Alex replied so, like with TIF, what we're able to do is show a higher amount, right, because there's that increased revenue stream, or you could call it a reduction in real estate taxes. So, we can leverage our mortgage proceeds higher so we basically get a higher mortgage, right? And it's a Pay-As-You-Go TIF Note. With LAHA funds, my understanding it's basically an upfront commitment, so it's basically like additional equity, if you will, to help fill the funding gaps.

Mayor Bailey replied okay, all right.

Alex said and it's lower debt, which is good, too, you know, vs. leveraging more on a mortgage.

Mayor Bailey said yeah, you'll get more to put towards that.

Mayor Bailey said thank you, guys, for all of your sharing. Now, if everything works out in your favor, I have to always ask because people ask me, especially on affordability options, what's your timetable?

Alex replied so we are second in line for taxes and bonds. What happens is you apply to the State for bonds, and this will be the third round, so we've waited now two rounds. I'm expecting at the next bonding run in July, it's probably going to be in the range of \$130 to \$140, maybe \$150 million in bonds; given that we're second, there's a very high probability that we'll secure bonds. So, we'll know that in late July, and short of a bunch of unknown preservation projects or deep-root affordable projects, which are very hard and complicated to get done today, we should get a bond allocation, and then we'd be closing probably in November or maybe December. There's a lot of moving parts to these projects.

Mayor Bailey said so, you're thinking like next year sometime, maybe?

Alex replied yes, so, I would say we close on our financing, close on the land, let's call it December 1, and then we would then commence construction immediately.

Mayor Bailey said oh, you would, okay.

Alex replied yeah, so, we'll start in winter; if it's winter conditions, we're used to that. Because of the bonding cycles, we'll either be starting in July or December, and it seems to be December more often, I'm not sure why. So, we've just got to prepare for it and budget for it with construction pricing.

Mayor Bailey said all right, sounds good, thank you. Alex said thank you, we appreciate it.

B. New Well 13 Construction Update

Staff Recommendation: Receive information on the construction status of Well 13 and offer feedback.

Mayor Bailey said our second item in our workshop is New Well 13 Construction Update, and I'm assuming Ryan will be taking us through one, which Ryan confirmed.

Director Burfeind said Mayor and Members of the Council, over the weekend Jennifer sent you an email with a little bit more information on what's going on with Well 13. So, we're here tonight to talk just briefly about that. We've gotten some more news actually since this weekend, some positive news that we're actually heading in a better direction, but we have this workshop because things aren't totally finalized yet, so we still wanted to let you know what is happening.

So, just real quickly, as a reminder, Well 13 is being drilled down by the Low-Zone Water Treatment Plant, so it's right next to the plant. You actually can't really see it because all the controls are inside the building, so it's not like some of our wells that have a little separated building, and that was part of the State's plan to replace Wells 1 and 2, which are highlighted in yellow. So, those Wells each pump about a little less than 1 million gallons per day, so smaller producers but still important Wells in our City, and Well 2 has a temporary treatment facility, so we can use that, Well 1 does not; and with changing health-based values and rising PFAS levels, we cannot use Well 1 in a sense that it is above the health-based values nor have we used it since it went above the health-based values.

Well 13 was programmed to come online here basically June 1, that's when the Low-Zone Water Treatment Plant is also going to be operational in the sense that it'll be producing water; you'll actually see the site work outside wrapping up through the summer, but the plant will be operational and making water. With that, the general contractor is Rice Lake, and their subcontractor is Renner, they're the well driller, with decades and decades of experience, who drilled that Well.

The issue that we're dealing with, and this is our cross section, I won't get too into the weeds of geology and aquifers, but just to understand what the situation is here, the top is the ground, and this is actually Well 13. We've got 70 feet of basically sand going down to the Jordan limestone, we've got about 170 feet of that; they drill through all of that and set these metal casing pipes, so there's a 30-inch casing pipe in the sand, a 24-inch casing pipe that goes out to Jordan. So, when you go down by the Mississippi River, by St. Paul, and you see that sandstone with the limestone on top of it, it's exposed there, that's what we pump our water from, and when they get down to the Jordan, that's all sandstone. They blast out this massive cavity, its 90-feet wide, 80-feet deep, very, very large, and that's what water flows into, and we can pump out of it.

What's really important here is this metal casing, it needs to go 10 feet into the Jordan. Earlier this year, our Well driller, because they're the ones who are on the hook to drill this correctly, was notified by the Minnesota Department of Health who regulates and permits these Wells, that they believe they were only 6 feet into the Jordan. So, they said you are not compliant with the Well Code, you're not meeting State Rules, this Well isn't going to be usable.

There's a lot that goes into that in the Minnesota Geological Survey, they're the experts, they know all this geology, they're the ones that actually look at what the Well driller pulled out while they were drilling to make that determination. Since that time, it's really the driller, it's really kind of frustrating because as a City, its going to be our Well, but its not our Well to build. So, it's actually the driller that's been having to meet with the Department of Health and explain what he saw while he drilled the Well and why he believed he was 10 feet into the Jordan, which he's very confident of; we've been part of those meetings, I've been part of those meetings, and they have a very, very strong case that we've been working through.

But, separately, we asked the State, you know this Well is going to produce treated water for our community, and we need that because where we sit now with the new health-based values is without this Well, we can't meet our peak demands. So, let's say it's last summer, we'd be fine, because it rained like crazy, we had really low peak demands, but in 2023 and 2022, we had those droughts, right? We cannot meet that demand with our treated water without this Well. We'd have to turn on Well 12, which is our least-contaminated Well without treatment, that's up in Sunnyhill Park, and we don't want to do that. Even though its just above the health-based values, our commitment has been to not pump PFAS to our community. So, we asked the Department of Health knowing that issue, knowing this isn't a Well for growth, right, this is a Well to replace bad Wells, can we use it for the summer even if the compliance issue hasn't been worked out, can we turn it as like the last Well? So, as we work our way down the chain and we hit a peak day, this Well comes on for a few hours. I would argue there's no immediate

issues with the groundwater, but it gives our residents treated water. We found out last Thursday they won't let us, they said we are not going to let you use that Well unless it is compliant.

Now, I will say on Friday, late, we had another meeting with the Department of Health, the driller made his case, kind of an appeal, and talked through all of the work he did and why he believed he was 10 feet into the Jordan. Yesterday, we saw an email from the Geological Survey that actually has changed their tune and said based on what we're seeing and all these steps, they do believe they are 10 feet into the Jordan. So, this is all great news.

The only concern is MDH doesn't have to listen to the Geological Survey, it is MDH's decision on whether or not it's deep enough. So, we sent a final email yesterday with that information, basically stating this is correct, this is a correct Well, and we will be expected to use it. They have until May 13 for like a final determination.

So where we stand is we believe that this issue in red here is compliant, it should show that on May 13, and come June, we'll be able to use the Well. We still wanted to have this workshop because if something happens and the Department of Health says no, it is not compliant, then we want to elevate it; because frankly, we believe it's ridiculous that we can't use a Well that's ready to pump into a treatment plant and we have to turn on a PFAS Well instead, it makes no sense for public health.

So, that's where we are at, it's ready to use other than that, it's ready to pump into the plant and be used for that. I'll stand for questions.

Council Member Garza said so, where we're short the 4 feet, would it be a concern to the community of it, like is there something in there that will harm us, or like what is the problem?

Director Burfeind replied yeah, so that is actually in Minnesota Rules. So, this is the other reality but it's frustrating: Normally, you only need 5 feet, and here they need 10. The driller was aware of that, it's in the letter from the State, but it's in the Minnesota Rules. It says that if you do not have 60 feet of this for a mile in every direction, you need to be 10 feet. Well, we have 70 here, but we're less than a mile from the river, and at the river, there's none of that. So, they have said you don't meet that clause, you need to have 10 feet, and that was a known thing, so the driller didn't miss that or make a mistake; so, there's actually no health issue, it's a general concern that if you don't have enough above the Well, things that can be different, things can come through the geology down to the aquifer. From what I know, there is no immediate health issue to use a Well like this, it's more of a long-term sustainability issue.

Council Member Thiede said yeah, besides that, it might have been answered a little bit. Besides having a difference of 4 feet, what does happen at that level? What does the 4 feet difference make?

Director Burfeind replied yep, and that's a question we've been asking all along I will say, and I will admit we have not gotten a good answer, other than it's a Minnesota Rule. So, it's not a Statute, but it is a Minnesota Rule. I will say that we have not gotten a solid answer on why that's there. It's been there for decades, it's in the Well Code, it's there, but we have not gotten a solid answer on why is this 5 vs. 10, you know, that goes back decades ago of work that the Geological Survey did. But what's hard is it's in the Well Code, so we have to abide by it.

Council Member Thiede asked and how do they determine actually where that Jordan sandstone is in any particular spot start?

Director Burfeind replied yep, that's a good question. So, it is all about how they drill, so they actually don't drill with like a drill, it's actually a hammer that pounds on the stone and then they bail it out. And while the driller was going through the limestone, they were making a half a foot per day of depth, and when they hit here, they went 10 feet in about 4 hours. So, they hit the sandstone and the drill takes off, and the Well driller has records; the Well driller every single day is documenting exactly how much depth they got, and that's what they are using. What's created this confusion is because they are pounding their way down and bailing it out, they take out 10 feet of debris at a time, so, that 10 feet happened to be 2 feet in here and 8 in here, and it's a mix, right? So, there's mostly sandstone, a little bit of limestone, and initially, the Geological Survey said nope, there's limestone in there, you were still in the limestone. So, that's where they've kind of come back around and changed their tune, and I sat through an hour and a half long from the driller and I heard it, and it makes total sense on what they were seeing. They do another thing called a Gamma Log, it's a scientific thing with sound waves going through the rock, but it's just not that precise; they tried to use that to provide more data, but it just doesn't give you that

exact line where it went from limestone to sandstone. But you see it on the bluffs, right? It's the limestone, it's like a cake, this limestone, sandstone, there is no mix.

Council Member Thiede said yeah, you didn't have somebody go down that hole and look. Director Burfeind replied no.

Mayor Bailey asked Council Member Thiede are you volunteering?

Director Burfeind said they can send video cameras down, but the trouble is they can't do that until after this casing is in. So, the reason this is all an issue is what's the fix, right? If they said no, its not compliant, you've got to fix it, they either have to drill an entirely new Well, which is a mammoth task, has big implications on us because you can only put Wells in so many spots, so we don't want to go there. Otherwise, you have to put a smaller casing in and go deeper, and it's a challenging process because they have to lower an 18-inch casing down there, attach it, put this special shoe and grout in place; it would take months to do, so that's the trouble, the fix could not be done until probably next fall, so, that's why we asked can we use the Well until they can fix it next fall.

Mayor Bailey said but at this point you said the Geological Survey said, thankfully, its good.

Director Burfeind replied yes, they believe its correct.

Mayor Bailey said so, then, my question, maybe it's for us on our end, is who do I need to talk to?

Administrator Levitt replied if on May 14 the letter that we receive states that they're not accepting it, then I'm recommending you talk to MDH's Commissioner. Because at this point, they're essentially telling us to pump PFAS-contaminated water to our residents vs. something treated. As you guys have all figured out, this is not that scientific, it's not that precise, right? You're looking at low counts of the drill rig and you're looking at stuff that's 230 feet below the surface, and we're arguing about literally inches; and I don't feel that our residents should have to have PFAS-contaminated water due to this.

Mayor Bailey said well, with all the focus right now, even as crazy as the Capitol is right now, if there is any conversation up there, it's about PFAS, and my guess is the MDH does not want the local press, the TV channels, to be hearing that they're recommending we pump contaminated water to our residents. My assumption is if they don't come back with what we think is the right answer, they're not going to like the ramifications of what will be stated. Because I'm not, we're not pumping, I'll say me, Council, we're not going to pump contaminated water to our residents. It's not happening.

Council Member Olsen said not at all, it's not going to happen.

Director Burfeind said and since 2017, we've met those health-based values. Mayor Bailey replied I know we have, and that's why I said I'm not willing to. Director Burfeind said this is why we pushed, this is why June 1 was the completion date is we knew that with everything changing, we had to have this plan, this Well, on June 1, and that was a task for our contractor to meet that date. As of everything today, they are, so we just need this Well to be operational.

Mayor Bailey said well, I guess just keep me and the rest of the Council in the loop on that.

Council Member Olsen asked have we had any communication at all with our legislative folks yet about this?

Director Burfeind replied we have not, no.

Council Member Garza asked is there a reason why the MDH pushed back and said no, we can't temporarily use it for 3-or-4 months?

Director Burfeind replied it's really because there are different divisions there. So, you've got the Well people are saying you cannot use it, so we brought in the drinking water protection, that's who I work with, right? I mean, they get it, our District Engineer said I get it, Ryan, this doesn't make any sense, but that's Well Code, I can't go against them. That's where we bring in the MDH Commissioner because they're obviously in charge of the department as a whole.

Mayor Bailey said this isn't the first time that we've had issues with them, all the way back to the very first day that we got the call.

Council Member Garza asked is there a temporary fix for it? Like you know how we do a sleeve in a sewer line? Is there any, you did mention a sleeve, but could we do a temporary sleeve until the fall or something?

Director Burfeind replied yep, we've looked at everything, and yeah, there really is not; that sleeve I talked about is the easiest way to make it compliant if it wasn't. But like I said, this email yesterday that we found out about was really important.

Council Member Olsen said well, it's tough because of the zone it covers, too. I mean, we've had pressure issues and whatnot in the past up there, so.

Administrator Levitt said one of the fastest ways to get their attention is if like Senator Seeburger will call and make an inquiry for an emergency meeting with the commissioner.

Mayor Bailey said another thing up there, I've got a call into her, she's supposed to call me back, so I'll bring it up.

Council Member Olsen said I'm sure Rick and Senator Klein would be happy to help us, too.

Director Burfeind said so, we'll wait for May 13, and we'll get that final determination, and I'll let you know immediately what they said.

Mayor Bailey said that way, we can move quickly on this; Director Burfeind replied yes.

Council Member Thiede said what complicated this initially, though, was the Geological Survey people didn't think that it went down far enough.

Director Burfeind replied that is correct, yes.

Council Member Thiede said if that would have been a little bit more different, then the MDH they would have had to pretty much say everything was good.

Director Burfeind replied and now I think they're hesitant to walk that back because so our Well drillers, that's Renner, he's been drilling for 80 years and not had this situation, and our Well designer has 40 years of experience. I mean, this is really impressive.

Council Member Thiede said well, that's what I was going to ask, are there any lessons learned that somehow they needed to do their full presentation to the Geological folks or something?

Director Burfeind replied a lesson learned that actually came out is it's not a requirement to submit their cuttings, that's an industry standard, their cuttings is what we call the rock they pull out, it's good data for the Geological Survey, they know what happens at different points in the ground. Technically, it's the driller's responsibility to get it right, which Renner did, but every driller submits that, I mean, that's the industry standard. So, I will tell you that it will hurt their industry if they go through with this because no driller will ever submit geological data ever again because that's what they're using against them and it's not a mandate. There's nothing wrong with what they did, every Well we've drilled they get submitted. It's good for the science and whatnot, so.

Mayor Bailey said it's for knowledge, yeah; Director Burfeind said but it's voluntary data, so.

Director Burfeind so, that's our update.

14. WORKSHOPS - CLOSED TO PUBLIC - None.

15. ADJOURNMENT

Motion by Council Member Olsen, second by Council Member Thiede, to adjourn the meeting at 8:08 p.m.

Motion carried: 5-0.

Minutes prepared by Judy Graf and reviewed by Tamara Anderson, City Clerk.